



सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India

मंगलुरु अंतर्राष्ट्रीय हवाई अड्डा, मंगलुरु (आई. एक्स. ई) के लिए द्वितीय नियंत्रण अवधि
(01.04.2026–31.03.2031) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF
DETERMINATION OF AERONAUTICAL TARIFFS FOR
MANGALURU INTERNATIONAL AIRPORT, MANGALURU (IXE)
FOR THE SECOND CONTROL PERIOD
(01.04.2026 – 31.03.2031)

जारी करने की तारीख : 30, सितम्बर, 2026

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STAKEHOLDERS' CONSULTATION

Mangaluru International Airport (MIA), Mangaluru, was declared as a “Major Airport” as per Section 2(i) of the AERA Act, 2008 in FY 2016-17 based on the actual passenger traffic throughput (i.e., in excess of one and a half million) achieved in FY 2015-16. However, the amendment to the AERA Act, 2008 was effected in FY 2019-20, wherein the passenger throughput limit was amended from ‘one and a half million’ to ‘three and a half million’ passengers, whereby MIA was declared as a non-Major Airport. Further, vide Order No. S.O. 206 (E) dated 10th January 2020, MIA was notified as a “Major Airport” by the Ministry of Civil Aviation. Hence, MIA continues to be a Major Airport since FY 2016-17. The Airport handled actual passenger traffic of **2.55 million passengers per annum (MPPA)** during FY 2025-26 and has continued to witness steady growth in air traffic, reaffirming its strategic significance within India’s civil aviation network.

The development of Mangaluru International Airport, Mangaluru, emanates from the policy initiative of the Government of India aimed at promoting private sector participation in airport infrastructure development through the Public-Private Partnership (PPP) model. Pursuant to this policy framework, Mangaluru International Airport Limited, hereinafter referred to as “**MgIAL**” or “**the Airport Operator**”, was incorporated in September 2019 under the Companies Act, 1956 (now referred to as Companies Act 2013), as a Special Purpose Vehicle (SPV) for the operations, management and development of a brownfield airport at Bajpe, Mangaluru.

The Concession Agreement for the development and operation of the Airport was executed on **14th February 2020** between the Airports Authority of India and MgIAL. Subsequently, the Airport was handed over on **31st October 2020** and has since evolved into one of the country’s key aviation gateways.

In accordance with the provisions of the AERA Act, 2008 and the applicable provisions of the Concession Agreement, MgIAL submitted its Multi-Year Tariff Proposal (MYTP) before the Authority for determination of tariff for aeronautical services for the Second Control Period (2026 - 2031). The MYTP, inter alia, comprises:

- i. revised True-up submissions pertaining to the Pre-Control Period Entitlement (PCPE), 1st Control Period
- ii. true-up of the First Control Period based on the audited financial statements for FY 2022–FY 2026
- iii. projections for the Second Control Period commencing from **1st April 2026** and ending on **31st March 2031**.

The submissions include detailed information relating to traffic projections, Capital Expenditure (Capex), Operating Expenditure (Opex), Non-Aeronautical Revenue (NAR), and other relevant parameters forming the basis for determination of aeronautical tariff for the Second Control Period.

Subsequent to the initial filing, MgIAL furnished additional information and updated submissions through various communications up to **10th August 2026**. The analysis and assessment contained in this Consultation Paper are based upon such revised submissions and updated financial calculations furnished by the Airport Operator.

During the preparation of this Consultation Paper, the Authority undertook a comprehensive examination of the MYTP submissions, and the supporting documents furnished by MgIAL. The assessment included scrutiny of the audited financial statements pertaining to the First Control Period.

Accordingly, the Authority has issued this Consultation Paper setting out its proposals as part of the tariff

determination exercise for the Second Control Period in respect of Mangaluru International Airport, Mangaluru. The Authority shall duly consider written, evidence-based comments, suggestions and feedback received from stakeholders on the proposals contained herein and shall issue the Final Tariff Order for aeronautical services after taking into account stakeholder submissions on merits.

The Authority would further like to emphasize that the timelines prescribed for the consultation process cannot be altered and need to be strictly adhered to. Stakeholders are, therefore, requested to submit their comments and input strictly within the timelines specified in this Consultation Paper. Comments received beyond the stipulated timelines may not be considered by the Authority.

Further, it is pertinent to note that, in terms of Section 13(2) of the AERA Act, 2008, the tariff determined under a Tariff Order for a Control Period may be reviewed and revised during the current Control Period, if considered necessary by the Authority in public interest and in accordance with the provisions of the Act.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, written comments on **Consultation Paper No. 05/2026-27 dated 30th September 2026** are invited from stakeholders, preferably in electronic form, at the following address:

Director (P&S)

Airports Economic Regulatory Authority of India (the Authority),

3rd Floor, Udaan Bhawan

Safdarjung Airport

New Delhi – 110003

Email: director-ps@aera.gov.in, rajan.gupta1@aera.gov.in Copy to: secretary@aera.gov.in

Stakeholders' Consultation Meeting:	15.10.2026
Last Date for Submission of comments:	30.10.2026
Last Date for Submission of counter comments:	09.11.2026

Comments and counter-comments will be posted on the Authority's website: www.aera.gov.in.

For any clarification/information, Director (P&S, Tariff) may be contacted at the following telephone number:
Tel.: 011-24695043

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LIST OF ABBREVIATIONS

Abbreviation	Expansion
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services Company Limited
ACI	Airports Council International
AERA / the Authority	Airports Economic Regulatory Authority of India
AERA Act	Airports Economic Regulatory Authority of India Act, 2008
AGL	Airfield Ground Lighting
AHU	Air Handling Unit
AMC	Annual Maintenance Contract
AO	Airport Operator
AOCC	Airport Operations Control Centre
APHO	Airport Health Organization
ARR	Aggregate Revenue Requirement
ARFF	Aircraft Rescue and Fire Fighting
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
BIAL	Bangalore International Airport Limited
BHS	Baggage Handling System
BRS	Baggage Reconciliation System
CA	Concession Agreement
CAGR	Compounded Annual Growth Rate
CAPEX / Capex	Capital Expenditure
CAR	Civil Aviation Requirement
CAT	Category
CFT	Crash Fire Tender
CGF	Cargo, Ground Handling and Fuel Farm
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CNS/ATM	Communication, Navigation and Surveillance / Air Traffic Management
COD	Commercial Operation Date
CP	Control Period

Abbreviation	Expansion
CPWD	Central Public Works Department
CPI	Consumer Price Index
CUTE	Common User Terminal Equipment
CWIP	Capital Work in Progress
DG	Diesel Generator
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
DVOR	Doppler Very High Frequency Omnidirectional Range
EHCR	Employee Head Count Ratio
ESG	Environmental, Social and Governance
FA	Financing Allowance
FAR	Fixed Asset Register
FAS	Fire Alarm System
FCP	First Control Period
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
FY	Financial Year
GFAR	Gross Fixed Asset Ratio
GHIAL	GMR Hyderabad International Airport Limited
GoI	Government of India
GSE	Ground Support Equipment
GST	Goods and Services Tax
HVAC	Heating, Ventilation and Air Conditioning
IAPP	Isolation Aircraft Parking Position
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICT	Information and Communication Technology
IDC	Interest During Construction
IMG	Inter-Ministerial Group
INR	Indian Rupee
IT	Information Technology
JV	Joint Venture
KIA	Kempegowda International Airport, Bengaluru
KL	Kilo Litres
KPWD	Karnataka Public Works Department
kVA	Kilo Volt Ampere

Abbreviation	Expansion
kWh	Kilowatt Hour
LED	Light Emitting Diode
MCLR	Marginal Cost of Funds based Lending Rate
MIA	Mangaluru International Airport, Mangaluru
MIAL	Mumbai International Airport Limited
MgIAL	Mangaluru International Airport Limited
MoCA	Ministry of Civil Aviation
MPPA	Million Passengers Per Annum
MROV	Miniature Remote Operating Vehicle
MSA	Master Service Agreement
MT	Metric Tonne
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NCAP	National Civil Aviation Policy
NCD	Non-Convertible Debenture
OAG	Official Aviation Guide
O&M	Operations and Maintenance
OLS	Obstacle Limitation Surface
OPEX / Opex	Operating Expenditure
PAL / PALS	Precision Approach Lighting System
PAX	Passenger
PBT	Profit Before Tax
PHP	Peak Hour Passenger
PIDS	Perimeter Intrusion Detection System
PMC	Project Management Consultancy
PPP	Public Private Partnership
PRM	Passengers with Reduced Mobility
PSF	Passenger Service Fee
QRT	Quick Response Team
RAB	Regulatory Asset Base
R&M	Repair and Maintenance
RCS	Regional Connectivity Scheme
RESA	Runway End Safety Area
RPT	Related Party Transaction
RVR	Runway Visual Range
RWY	Runway

Abbreviation	Expansion
SALS	Simplified Approach Lighting System
SCP	Second Control Period
SITC	Supply, Installation, Testing and Commissioning
SPV	Special Purpose Vehicle
STP	Sewage Treatment Plant
SWR	South-West Runway
TBR	Terminal Building Ratio
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
UDF	User Development Fee
UDAN	Ude Desh ka Aam Nagrik
UPS	Uninterruptible Power Supply
WACC	Weighted Average Cost of Capital
WPI	Wholesale Price Index
YoY	Year on Year
YPP	Yield Per Passenger

1. **BACKGROUND**

1.1 **Introduction**

- 1.1.1 Mangaluru International Airport (MIA) situated about 15 km Northeast of Mangaluru City on top of a 100-metre-high hill, is an International Airport serving this coastal city and surrounding region. It is one of the two International Airports in Karnataka state, the other being Kempegowda International Airport (KIA), Bengaluru and was inaugurated on 25 December 1951, with the name as Bajpe Aerodrome. Since its establishment it has witnessed sustained growth in past seven decades in terms of air services.
- 1.1.2 MIA is the first airport in Karnataka to have two runways. It is located on hilltop with two tabletop runways namely, 09/27 and 06/24, out of which only 06/24 is currently used for Commercial flights. The other runway, i.e., 09/27 being shorter in length is not used. The operation of international flights started in 2006, with MIA offering several flights to major cities in the Middle East apart from multiple daily flights to all major cities in south and west part of India.
- 1.1.3 MIA is currently operated and managed by Mangaluru International Airport Limited (Airport Operator), a private company incorporated as a wholly owned subsidiary of Adani Enterprises Limited (AEL). Subsequently, Adani Airport Holdings Ltd (AAHL) acquired 49% shareholding in Mangaluru International Airport Limited and therefore the Shareholding pattern of AEL has changed to 51%. The current shareholding pattern of the Airport Operator is shown in the table below:

Table 1: Shareholding Pattern of Airport Operator

Shareholder	Holding (%)
Adani Enterprises Limited (AEL)	51%
Adani Airport Holding Limited (AAHL)	49%
Total	100%

- 1.1.4 MIA is a tabletop, land constrained airport with only 236.35 hectares (583.77 acres) of land available for airport development which is further split in four parts. Apart from the limited quantum of total land area of airport, due to non-contiguous nature of airport land and steep variations in topography of the airport site, the net usable contiguous land available for airport development is reduced further. Moreover, as per Annex IV of Schedule A of the Concession Agreement (refer to Para 15.1.4) out of the 236.35 hectares (583.77 acres) of airport site area of 7.03 hectares (17.37 acres) is Carved Out Asset and is retained by AAI with itself.

Table 2: Carved Out Assets and Areas retained by AAI at MIA

S. No.	Asset	Area of Land (in hectares)
1	ATC Tower	0.23
2	Cargo Terminal	1.56
3	Any Future Land Requirement for CNS/ATM/Staff Quarters	5.25
Total		7.03 hectares (~17.37 acres)

1.2 **Profile of Mangaluru International Airport (MIA)**

- 1.2.1 MIA was declared as a “Major Airport” as per the clause 2(i) AERA Act, 2008 in the FY 2016-17 based on the actual passenger traffic throughput (i.e., in excess of one and half million) achieved in the FY 2015-16.
- 1.2.2 However, the amendment to the AERA Act 2008 was effected in FY 2019-20, wherein the passenger throughput limit was amended from ‘one and a half million’ to ‘three and a half million’ passengers, whereby MIA was declared as a non-Major Airport.
- 1.2.3 Further vide Order No. S.O. 206 (E) dated 10th January 2020, MIA was notified as a “Major Airport”

by the Ministry of Civil Aviation. Hence, MIA continues to be a Major Airport since FY 2016-17.

- 1.2.4 The Airports Authority of India (AAI) entered into a Concession Agreement with Mangaluru International Airport Limited (Airport Operator) on 14th February 2020, for the Operation, Development, Maintenance and Management of Mangaluru International Airport for a period of 50 years from the Commercial Operation Date (COD) i.e., 31st October 2020, in accordance with the terms and conditions mentioned in the Concession Agreement. In consideration for the grant of such concession, the Airport Operator shall pay the AAI a monthly concession fee during the concession period, namely, specified amount of 'Per Passenger' fee for both domestic and international passengers (refer to Para 15.1.1).
- 1.2.5 However as per the terms of the Concession Agreement, only the AAI through the designated GoI agencies shall be authorized to undertake the 'reserved services' at the airport, namely, CNS / ATM services, Security services, Meteorological services, Mandatory health services, Customs control, Immigration services, Quarantine services and any other services as may be notified by GoI. (refer to Para 15.1.3).
- 1.2.6 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.
- 1.2.7 MIA has recorded significant growth in passenger and aircraft traffic since commencement of commercial operations.

Table 3: Actual Pax Traffic achieved in the First Control Period

Year	Passenger (in Millions)			ATM (in 000's)		
	Domestic	International	Total	Domestic	International	Total
FY22	0.77	0.24	1.01	7.93	2.05	9.98
FY23	1.28	0.53	1.81	10.52	3.87	14.39
FY24	1.51	0.52	2.03	11.65	3.39	15.04
FY25	1.73	0.62	2.34	12.57	4.19	16.76
FY26	1.78	0.77	2.55	13.67	4.26	17.93
Total	7.07	2.68	9.75	56.34	17.76	74.10

- 1.2.8 The Cargo operations at Mangaluru International Airport were previously undertaken completely by AAI Cargo Logistics and Allied Services (AAICLAS), a wholly owned subsidiary of AAI before the airport being handed over to MgiAL. Total carved out area for AAICLAS facility is 15,598.48 sq.m. Details of the total carved out area are given in Annexure IV of Schedule A to the Concession Agreement (refer to Para 15.1.4).
- 1.2.9 As per the Concession Agreement, the same is retained by AAI and not transferred to the Airport Operator. Pursuant to the terms of the Concession Agreement and to cater to the growing demands, a new cargo terminal was developed in FY 2023, with the domestic operations commencing on 1st May 2023, and the international operations on 2nd July 2024. The facility in FY 26 handled 5,851 MT of Cargo with domestic cargo contributing to approximately 66% of the overall cargo traffic, while the remaining 34% being contributed by the international air cargo.

Table 4: Actual Cargo Traffic achieved in the First Control Period

Year	Cargo (in MT)		
	Domestic	International	Total
FY22	-	-	-
FY23	-	-	-

Year	Cargo (in MT)		
	Domestic	International	Total
FY24	3,706	-	3,706
FY25	3,863	1,343	5,206
FY26	3,840	2,011	5,851
Total	11,409	3,354	14,763

- 1.2.10 Further, subject to the provisions of the Concession Agreement (refer to para 15.1.5), the Airport Operator has the right to grant License to any entity for providing Ground Handling Services at Mangaluru International Airport on such terms and conditions as mentioned in the License Agreement between the Airport Operator and the potential service providers. Pursuant to above terms of the Concession Agreement the Airport Operator has engaged Air India SATS Airport Services Pvt. Limited and GSEC Bird Aviation Services Private Limited for provision of such Ground Handling services at Mangaluru International Airport in the First Control Period. However, on 1st April 2026, a new ground handling agency AGHPort Aviation Services was appointed to replace GSEC Bird Aviation Services Private Limited whose concession was terminated on 31st March 2026, due to efflux of time.
- 1.2.11 As per the Concession Agreement (refer to para 15.1.6), provision of aircraft fueling services is the responsibility of the Airport Operator. Earlier, Indian Oil Corporation Limited (IOCL) was the sole service provider, supplying Aviation Turbine Fuel (ATF) at Mangaluru International Airport. In line with the requirements under the Concession Agreement, the Airport Operator had commenced open access fuel farm facility w.e.f. 16th December 2023.

Table 5: Technical and Terminal Building details of MIA submitted by the Airport Operator

Particulars	Details
Total Airport Area	583. 77 acres (~23.62 lakh sq.m.)
Terminal Building Details as on March 2026	
Terminal serving	Integrated Terminal serving both Domestic and International Passengers
Total Departure entry gates	6
Departure entry gates for passengers	6
No. of traditional check-in counters	24
No. of self-baggage drops	0
No. of security lanes	5
No. of immigration counters (departure)	14
No. of boarding gates	7
No. of aerobridges	6
No. of Baggage Delivery Belts	5
No. of immigration counters (arrival)	18
Capacity (annual)	Current – 3 MPPA*
Built up Area	48,574 sq.m.
Airside Details as on March 2026	
No. of Runways	2**
Apron	15 (New Apron: 8 Code C & 3 Code D, Old Apron: 4 Code C) Contact stands – 6 Code C equivalent (3 Code D + 3 Code C) Remote stands – 9 Code C equivalent

Particulars	Details
Dimension of Operational runway	2,330 m x 45 m
Orientation of Operational runway	06/24
Key Milestones FY26	
Passenger Traffic Handled (in Mn)	2.55
Average Pax/Day	6,986
Average ATM/Day	53
Cargo Tonnage (in Tonnes)	5,851
Cargo Terminal Capacity (in Tonnes)	12,965
Key Concessionaires/ Operators	
Cargo Operator and Manpower Contracting Agency	• Cargo Operator – Mangaluru International Airport Limited • Agency for Manpower Contract - Sky High Airport Services Pvt Ltd
Ground handling services	• Air India SATS Airport Services Private Limited • AGHPort Aviation Services Private Limited (from 1 Apr 2026) • GSEC Bird Aviation Services Private Limited (up to 31st March 2026)
Fuel Farm Operator and Manpower Contracting Agency	• Fuel Farm Operator – Mangaluru International Airport Limited • Outsourced O&M Agency – Adani Aviation Fuel Services Limited (formerly known as Sabarmati Infrastructure Services Limited)

*Terminal Capacity of 2 MPPA was submitted by MgIAL, Authority considered it as 3 MPPA based on the analysis done by the independent consultant (refer Para 3.4.44)

**Out of the two runways only one runway is operational (refer Para 1.1.2)

1.3 **Tariff Setting Principles for MIA**

1.3.1 Airports Economic Regulatory Authority of India (AERA) was established by the Government of India vide notification No. GSR 317(E) dated 12th May 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. *the capital expenditure incurred and timely investment in improvement of airport facilities;*
- ii. *the service provided, its quality and other relevant factors;*
- iii. *the cost for improving efficiency;*
- iv. *economic and viable operation of major airports;*
- v. *revenue received from services other than the aeronautical services;*
- vi. *the concession offered by the Central Government in any agreements or memorandum of understanding, or otherwise;*
- vii. *any other factor which may be 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 an airport;*
- c) for ground safety services at an airport;*
- d) for ground handling services relating to aircraft, passengers and cargo at an airport;*
- e) for the cargo facility at an airport;*
- f) for supplying fuel to the aircraft at an airport; and*
- g) for a stakeholder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority”.*

1.3.4 AAI (Airports Authority of India) under Ministry of Civil Aviation, Government of India, being the sole service provider, handles Air Navigation Services (ANS) across the country including at Mangaluru 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 tariff proposals in this Consultation Paper (CP)

1.4.1 Regulatory philosophy and Tariff Determination

- i. Order No. 13 dated 12th January 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 23rd January 2017 in the matter of aligning certain aspects of the Authority’s Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India
- iii. Order No. 42/2018-19 dated 5th March 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 31st March 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. Order No. 07/2016-17 dated 6th June 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. Order No. 35/2017-18 dated 12th January 2018 and Amendment No.1 to Order No.35/2017-18 dated 9th April 2018, in the matter of determination of useful life of airport assets.

1.5 Sequence of past events in tariff determination exercise

- 1.5.1 AAI and the Airport Operator had entered into an agreement on 14th February 2020 for the operations, management and development of Mangaluru International Airport for a period of 50 years from the Commercial Operation Date (COD) i.e. 31st October 2020.
- 1.5.2 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 2021-22 to FY 2025-26)

- 1.5.3 A brief timeline of events relating to determination of aeronautical tariff for the First Control Period is as follows:
- i. AAI and the Airport Operator submitted MYTP to the Authority for the following period:
 - a. True up submitted by AAI for Pre COD Period (1st April 2016 to 30th October 2020)
 - b. MYTP submitted by Airport Operator Post COD Period (31st October 2020 to 31st March 2026)
 - c. After examination of the submissions and consideration of stakeholder comments on various tariff building blocks, the Authority determined the aeronautical tariff for MgIAL for the First Control Period vide Order No. 38/2022-23 dated 12th January 2023, (hereinafter referred to as “Order No. 38/2022-23”) in the matter of Determination of Aeronautical Tariff in respect of MIA for the period 1st April 2021 to 31st March 2026.

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

- 1.5.4 The Authority vide Order No.26/2025-26 dated 16th March 2026 allowed MgIAL to levy the existing tariff, applicable as on 31st March 2026, on interim basis, for a further period of 06 (six) months w.e.f. 01st April 2026 to 30th September 2026 or till the determination of regular tariff for their respective Control Period, whichever is earlier.
- 1.5.5 The following are the tariff orders issued by the Authority for MIA:

Table 6: Tariff Orders issued by the Authority for MIA

Tariff Orders	Applicability Period	Pertaining To
Order No. 38/2022-23 dated 12 th January 2023	From 1 st April 2021 to 31 st March 2026	First Control Period
Order No.26/2025-26 dated 16 th March 2026 Interim Tariff Extension Order	From 1 st April 2026 to 30 th September 2026	Second Control Period

1.6 Matters pending before the Hon’ble Supreme Court

- 1.6.1 Authority vide its Order No. 38/2022-23 dated 12th January 2023, determined the Aeronautical tariff for the First Control Period. MgIAL by filing an AERA Appeal No. 01/2023, 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 11th September 2025.
- 1.6.2 In its judgment dated 11th September 2025, the Hon’ble TDSAT has decided certain issues in favor of the Airport Operators and on certain issues the decisions of the Authority have been upheld. This judgment of the Hon’ble TDSAT has been challenged in the Hon’ble Supreme Court by AERA by filing Civil Appeal and this Civil Appeal is presently sub-judice. Therefore, the issues raised in the Civil Appeal filed by AERA against the Hon’ble TDSAT judgment dated 11th September 2025, have not yet been finally adjudicated and hence yet to attain finality.
- 1.6.3 MgIAL, in its Multi-Year Tariff Proposal (MYTP) for the Second Control Period, has stated that the

findings and directions of the Hon'ble TDSAT decided in favor of the Airport Operator have been factored into its tariff proposal and corresponding financial submissions.

1.7 MYTP of MgIAL for the Second Control Period

- 1.7.1 MgIAL submitted the Multi Year Tariff Proposal ("MYTP") for the 2nd Control Period on 31st October 2025, seeking revision of tariffs for aeronautical services at Mangaluru International Airport, Mangaluru, for the Authority's consideration and approval for the Second Control Period, i.e., from 1st April 2026 to 31st March 2031. MgIAL has factored the decisions/orders of the Hon'ble TDSAT on many issues relating to tariff determination of the previous Control Period as covered in the Hon'ble TDSAT judgment dated 11th September 2025. As per MgIAL, these decisions/orders have implications for the true-up of the period from COD to 31st March 2021 and the First Control Period, as well as for the treatment of various Regulatory Building Blocks for the Second Control Period.
- 1.7.2 However, the Authority has challenged the decisions of the Hon'ble TDSAT by filing Civil Appeals in the Hon'ble Supreme Court under Section 31 of AERA Act, 2008. The Hon'ble Supreme Court has now listed these Civil Appeals filed by the Authority for hearing on merit and are pending before Hon'ble Supreme Court for final settlement and thus the issues raised in these Civil Appeals are sub-judice.
- 1.7.3 The Authority has carefully examined the issue of factoring the above-mentioned orders of the Hon'ble TDSAT in the Second Control Period Tariff Order. The Authority has utmost regards for the directions of the Appellate Authority. However, the Authority has challenged these orders in Hon'ble Supreme Court under section 31 of AERA Act, 2008, and Hon'ble Supreme Court is presently hearing these matters. Thus, the issues raised in the Civil Appeal filed by the Authority are not finally settled and the Hon'ble Supreme Court is seized up of the matters. Therefore, the Authority notes that under such circumstances if it decides to implement the Hon'ble TDSAT orders without finally settling the issues before the Hon'ble Supreme Court and increase in tariff is effected considering MgIAL's submissions on the basis of Hon'ble TDSAT judgments, for the Second Control Period, then it shall lead to a significant increase in Aeronautical tariff which will have to be borne by the Airport users as MgIAL 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, MgIAL would have unjust enrichment at the cost of Airport users. All these factors clearly establish that considering MgIAL submissions of giving effects to the Hon'ble TDSAT judgements without finally settling the issues before Hon'ble Supreme Court, is not in public interest, more so when the Hon'ble Supreme Court is seized up of all these issues and is hearing these Civil Appeals. On the contrary, Authority is of view that public interest would be better served if Authority takes decisions on the basis of final decision of Hon'ble Supreme Court of India on these issues.
- 1.7.4 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 First Control Period. The final decision with regard to the issues raised by the Authority in the Civil Appeal will be taken once the matters attain finality in the proceedings before the Hon'ble Supreme Court.
- 1.7.5 Further, MgIAL, vide email dated 28th May 2026, furnished actual audited financial data for FY 2025-26, including information relating to passenger traffic, aircraft traffic, operating expenditure, non-aeronautical revenues and Regulatory Asset Base ("RAB"). The said information was submitted to facilitate the Authority's examination of the true-up exercise and the regulatory assumptions forming part of the MYTP for the Second Control Period.
- 1.7.6 As part of the tariff determination process for the Second Control Period, the Authority engaged M/s Grant Thornton Bharat LLP (GTBL) as an Independent Consultant to carry out a detailed review of the

Multi-Year Tariff Proposal (MYTP) submitted by MgIAL. The Independent Consultant assisted the Authority in verifying and validating the data and supporting documents submitted by MgIAL, including audited financial statements, Fixed Asset Register (FAR), construction and contract records, expenditure details, traffic and financial information. The Independent Consultant 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. The Independent Consultant also supported Authority to evaluate the capital expenditure proposals submitted by MgIAL for the Second 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.

- 1.7.7 The Authority, through the independent consultant, has sought from MgIAL 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 Second Control Period. Such information has been sought to facilitate a comprehensive examination of the MYTP and to ensure that the regulatory treatment accorded to various building blocks is supported by adequate justification, documentary evidence, and prudent forecasting assumptions. The timeline of various submissions made by MgIAL with regards to the MYTP for the Second Control Period is as below:

Table 7: Timeline of various submissions made by MgIAL

S. No.	Activity	Date
1.	MYTP Submission by MgIAL	31 st October 2025
2.	MYTP Presentation by MgIAL	10 th February 2026
3.	Response shared by MgIAL highlighting reasons for variation in True up	18 th February 2026
4.	Response shared by MgIAL highlighting reasons for variation in True up	06 th March 2026
5.	MYTP Model presentation by MgIAL	24 th February 2026
6.	Presentation on Projects Proposed in Second Control Period	27 th February 2026
7.	Response relating to Traffic projections and OPEX for Second Control Period shared by MgIAL	06 th March 2026
8.	Responses related to Gross Fixed Asset Ratio and Depreciation shared by MgIAL	18 th March 2026
9.	Response related to IDC and Soft Cost shared by MgIAL	30 th March 2026
10.	Response related to Capex and OPEX expenses for First Control Period shared by MgIAL	24 th April 2026 and 2 nd May 2026
11.	Response related to Minor Capex for Second Control Period shared by MgIAL	08 th May 2026
12.	Response related to Power expenses for Second Control Period shared by MgIAL	11 th May 2026
13.	Response related to Non aeronautical Revenue shared by MgIAL	19 th May 2026
14.	Responses related to operating expenses for First Control Period shared by MgIAL	25 th May 2026 and 27 th May 2026
15.	Responses related to CAPEX for First Control Period shared by MgIAL	25 th May 2026 and 27 th May 2026
16.	Audited Statements FY 26 shared by MgIAL	28 th May 2026
17.	Responses related to CAPEX for First and Second Control Period shared by MgIAL	09 th June 2026 and 13 th June 2026
18.	Actual OPEX incurred in FY 26 shared by MgIAL for the First Control Period	13 th June 2026
19.	Responses related to Corporate allocation for the First and Second Control Period shared by MgIAL	23 rd June 2026
20.	Response related to Capex and Depreciation for the First Control Period shared	23 rd June 2026

S. No.	Activity	Date
	by MgIAL	
21.	Response related to minor capex for the Second Control Period shared by MgIAL	29 th June 2026
22.	Response related to RPT and soft cost for the First Control Period shared by MgIAL	02 nd July 2026
23.	Response related to RPT and IE for the First Control Period shared by MgIAL	03 rd July 2026
24.	Response related to Airside Information for the First Control Period shared by MgIAL	04 th July 2026
25.	Response related to Traffic, Opex and Capex for the First Control Period shared by MgIAL	07 th July 2026
26.	Response related to Traffic Forecast for the Second Control Period shared by MgIAL	27 th July 2026
27.	Response related to Capex Pos and Traffic Determination for the First Control Period shared by MgIAL	31 st July 2026
28.	Response related to change in Capex for the First Control Period shared by MgIAL	1 st August 2026
29.	Response related to CWIP for the First Control Period shared by MgIAL	8 th August 2026
30.	Response related to RAB for the Second Control Period shared by MgIAL	8 th August 2026
31.	Response related to Capex Timeline for the Second Control Period shared by MgIAL	10 th August 2026
32.	Response related to Capex for the First and Second Control Period shared by MgIAL	10 th August 2026

1.7.8 After reviewing the various submissions made by MgIAL along with MYTP, the Authority is releasing this Consultation Paper to initiate the Stakeholder Consultation as part of the tariff determination process:

1.8 Related Party Transactions

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

Table 8: Related Parties of MgIAL in the First Control Period

S. No.	Nature of Services	Name of Related Party	Description of Relationship
1.	Master Service Concessionaire	Adani Airport Holdings Limited	Entity holding 49% equity in MgIAL
2.	Fuel O&M Service	Adani Aviation Fuel Services Limited (Formerly known as Sabarmati Infrastructure Services Limited)	Fellow Subsidiary Company
3.	Project Management & Assurance Group Services	Adani Infra (India) Limited	Entity over which controlling entity / Key Management Personnel of parent company are able to exercise control / Significant influence
4.	Digitalization Service	Adani Digital Lab Private Limited	Fellow Subsidiary Company
5	Procurement of Renewable Power	PowerPulse Trading Solutions Limited	Entities over which controlling entity / Key Management Personnel of parent company are able to exercise control / Significant influence

- 1.8.2 The Authority also noted the following from the Concession Agreement signed between MgIAL and AAI:

"5.6.1 The Concessionaire agrees and undertakes that it shall procure contracts, goods and services for the operations, management and development of the airport in a fair, transparent and efficient manner and without any undue favour or discrimination in this behalf. In pursuance hereof, it shall, within six (6) months from the COD, frame policy specifying the principles and procedures that it shall follow in awarding for supply of goods and services and shall place the policy on its website for the information of general public and all interested parties, The policy shall:

(a) include the principles and procedures followed for sub-leasing, sub-licensing or grant or allocation of any space, building, rights or privileges to private entities in the Airport

(b) be approved by the Board of Directors of the Concessionaire

*5.6.2 For procurement of goods, works, services, sub-lease(s), sub-license(s) or any other rights or privileges where the consideration (including deposits in any form or respect thereof) exceeds ₹25,00,00, 000/- (Rupees Twenty Five Crore) in any accounting year (collectively, the **contracts**) the Concessionaire shall invite offers through open competitive bidding by means of e-tendering and shall select the awardees in accordance with the policy specified under clause 5.6.1*

5.6.3 The Parties agree that the Concessionaire should pre-qualify and short-list the applicants in a fair and transparent manner for ensuring that only experienced and qualified applicants are finally selected on arm 's length basis in a manner that is commercially prudent and protects interest of users."

5.6.4 The Concessionaire hereby agrees not to have any subsidiary or joint venture or any other similar form of arrangement with any other party.

- 1.8.3 The independent consultant has further asked MgIAL to share the detail of the shortlisting process for the different service providers. As a response to which the Airport Operator has further provided the details of the selection process for different service providers. The table below provides information on the selection process for the different service providers:

Table 9: Details of the Contract Award Process for Related Party Transactions, as submitted by MgIAL in the First Control Period

S. No.	Nature of Services	Name of Related Party	Process of Award of Contract
1	Master Service Concessionaire	Adani Airport Holdings Limited	Following a two-stage tendering process, an RFP was floated wherein 3 bidders participated and provided financial bids. Based on evaluation of bids followed by necessary internal approvals, Adani Airport Holdings Limited was selected as the Service Provider.
2	Fuel O&M Service	Adani Aviation Fuel Services Limited (Formerly known as Sabarmati Infrastructure Services Limited)	Following a two-stage tendering process, an RFP was floated wherein 3 bidders participated and provided financial bids. Based on evaluation of bids followed by necessary internal approvals, Sabarmati Infrastructure Services Limited was selected as the Service Provider
3	Project Management & Assurance Group Services	Adani Infra (India) Limited	Following a two-stage tendering process, an RFP was floated wherein 3 service providers participated and 2 of them provided financial bids. Based on evaluation of bids followed by necessary internal approvals, Adani Infra (India) Limited was selected as the Service Provider.
4	Digitalization Service	Adani Digital Lab Private Limited	Following a two-stage tendering process, an RFP was floated wherein 3 service providers participated and provided financial bids. Based on evaluation of bids followed by necessary internal approvals, Adani

S. No.	Nature of Services	Name of Related Party	Process of Award of Contract
			Digital Lab Private Limited was selected as the Service Provider.
5	Procurement of Renewable Power	PowerPulse Trading Solutions Limited	Following online open bidding process, an RFP was floated wherein 3 service providers participated and provided financial bids. Based on evaluation of bids followed by necessary internal approvals, Adani Enterprises Limited (AEL) was selected as the Service Provider. AEL transferred rights and obligations of the contract to PowerPulse Trading Solutions Limited.

- 1.8.4 Based on the above, the Authority expects that MgIAL and AAI (Concession granting Authority) will ensure that the contracts with Related Parties are at arm's length and that the Related Party has relevant experience of providing similar service to ensure protection of interest of all Stakeholders as per the terms of the Concession Agreement detailed above, which may be followed in letter and spirit.

1.9 Construct of this Consultation Paper

- 1.9.1 This Consultation Paper is organized into multiple chapters to facilitate a structured and comprehensive examination of the tariff determination exercise for MgIAL for the Second Control Period. The sequence of Chapters is as follows:

- i. **Chapter 1** provides the introduction, profile of Mangaluru International Airport Limited, 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.
- ii. **Chapter 2** covers the submissions of MgIAL for true-up of the period from COD till 31st March 2021. This is followed by the Authority's examination of the issues raised, and the Authority's proposals regarding the true-up of the period from COD till 31st March 2021, as part of the Second Control Period tariff determination exercise.
- iii. **Chapter 3** covers the submissions of MgIAL relating to the true-up of the First 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, Fair Rate of Return, operating expenditure, aeronautical revenue, non-aeronautical revenue, aeronautical taxes and other related matters.
- iv. **Chapters 4 to 11** present the submissions of MgIAL on the key Regulatory Building Blocks for the Second Control Period i.e. Traffic projections, Capital Expenditure, Depreciation, additions to Regulatory Asset Base, Fair Rate of Return, 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.
- v. **Chapter 12** on Aggregate Revenue Requirement (ARR) presents the ARR determined by the Authority for the Second Control Period based on the Authority's proposals on the various regulatory building blocks.
- vi. **Chapter 13** relating to Summary of Authority's Proposals summarizes the proposals put forward by the Authority for stakeholder consultation.
- vii. **Chapter 14** relating to Stakeholder Consultation invites comments/views of all stakeholders on the proposals put forward by the Authority in this Consultation Paper for tariff determination for MgIAL for the Second Control Period.

- viii. **Chapter 15** comprises of **Annexure 1:** Relevant Clauses of the Concession Agreement, **Annexure 2:** Detailed Breakdown of O&M Expenses for the First Control Period, **Annexure 3:** Independent Consultant's Analysis of Assets under Minor Capex Items for the First Control Period, and **Annexure 4:** Format for Self-Certification by the Airport Operator on Completion and Commissioning of a Project classified under the User Pays Principle.

2. TRUE UP FROM COD TILL 31st MARCH 2021

2.1 Issues raised by MgIAL for True up of COD and till 31st March 2021

2.1.1 MgIAL in their MYTP for the Second Control Period has raised the issue pertaining to True up of Pre Control Period on the following building blocks:

- i. Operation and Maintenance (O&M) Expenses from COD till 31st March 2021
- ii. Fair Rate of Return (FRoR)
- iii. Pre-COD Expenses

2.2 MgIAL's submissions regarding True up for the COD and till 31st March 2021

2.2.1 MgIAL, in its MYTP submission of the Second Control Period has raised the issue of True up for the period from COD till 31st March 2021. As per MgIAL, True up adjustments made by Authority for the O&M expenses and the Fair Rate of Return in the Order No. 38/2022-23 dated 12th January 2023 for the First Control Period needs to be reconsidered in the view of the TDSAT judgement dated 11th September 2025.

2.2.2 Based on the above, MgIAL has requested the Authority to undertake a revised true-up of the period from COD to 31st March 2021 with the following adjustments:

- i. To consider the actual employee cost, which was reduced by the Authority by ₹ 0.52 crores (by reducing employee headcounts by 2 employees each for Operations and HR department).
- ii. To consider the actual Repair & Maintenance cost which were reduced by the Authority by ₹ 0.26 crores (through application of a notional cap of 6% on opening RAB)
- iii. To consider Pre-COD expenses amounting to ₹14.74 crores as against ₹2.89 crore considered by the Authority.
- iv. To consider a FROR of 14.85% instead of 14.00% approved by the Authority for the period from COD to 31st March 2021.

2.2.3 The computation of True up from COD till 31st March 2021, submitted by MgIAL as part of the MYTP for the Second Control Period is summarized in the table given below:

Table 10: True up from COD till 31st March 2021 as submitted by MgIAL

(₹ in Crore)

Particulars	COD till 31 st March 2021
Average RAB	125.55
FRoR	14.85%
FRoR on Average RAB	7.72
Add: Aeronautical Operating Expenses (excluding Pre-COD expenses)	26.86
Add: Pre-COD Expenses	14.74
Add: Aeronautical Depreciation	4.27
Add: Aeronautical Tax	-
ARR	53.58
Less:30% Non-Aeronautical Revenue	(1.16)
Net ARR	52.42
Actual Aeronautical Revenue	11.66
True-up/true-down	40.75

Particulars	COD till 31 st March 2021
True-up with carrying cost as on 31 st March 2022	46.81

2.3 Authority's examination regarding True up for the period from COD till 31st March 2021

- 2.3.1 The Authority on the basis of submissions made by MgIAL in its MYTP for the Second Control Period has not considered the true-up of the period from COD till 31st March 2021, while determining the Aggregate Revenue Requirement (ARR) for the First Control Period in view of the Hon'ble TDSAT judgement 11th September 2025 as 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 and 1.7.4 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 yet to attain finality.
- 2.3.3 In the light of the discussions as detailed in the above referred paras and consistent with the regulatory guidelines of AERA, the Authority proposes to retain the true-up for the period from COD till 31st March 2021 as previously determined in the Tariff Order No. 38/2022-23 dated 12th January 2023 for the First Control Period. Accordingly, the true-up considered by the Authority for the period from COD till 31st March 2021, is reflected in Table 11 below.

Table 11: True up as approved by the Authority in Tariff Order of First Control Period

(₹ in Crore)

Particulars	COD till 31 st March 2021
Average RAB	125.55
FRoR	14%
FRoR on Average RAB	7.27
Add: Aeronautical Operating Expenses (excluding Pre-COD expenses)	26.02
Add: Pre-COD Expenses	2.89
Add: Aeronautical Depreciation	4.28
Add: Aeronautical Tax	-
ARR	40.46
Less:30% Non-Aeronautical Revenue	(1.16)
Net ARR	39.30
Actual Aeronautical Revenue	11.66
True-up/true-down	27.64
Discount factor	1.1221
True-up from COD till 31st March 2021 to be carried forward to First Control Period	31.01

2.4 Authority's proposals regarding the True up for the period from COD till 31st March 2021

Based on the material before it and its examination, the Authority proposed the following regarding True up for the period from COD till 31st March 2021

- 2.4.1 To retain the True up for the period from COD till 31st March 2021 as per Table 11.

3. TRUE UP FOR THE FIRST CONTROL PERIOD

3.1 Background

- 3.1.1 The Authority issued Order No. 38/2022-23 dated 12th January 2023, for the First Control Period, settling the regulatory building blocks for Mangaluru International Airport Limited (MgIAL) after considering MgIAL's submissions and comments from other stakeholders. MgIAL challenged this Order before the Hon'ble Telecom Disputes Settlement and Appellate Tribunal (TDSAT) by way of AERA Appeal No. 01/2023. The Hon'ble TDSAT pronounced its judgment on 11th September 2025, deciding certain issues in favour of MgIAL while upholding the Authority's decisions on certain other issues.
- 3.1.2 The Authority has challenged the Hon'ble TDSAT's judgment dated 11th September 2025 by filing Civil Appeals before the Hon'ble Supreme Court under Section 31 of the AERA Act, 2008. As noted in Paras 1.6.1, 1.6.2, 1.6.3, 1.7.1, 1.7.2, 1.7.3 and 1.7.4 of this Consultation Paper, these Civil Appeals are presently pending before the Hon'ble Supreme Court, which is seized of the matters. Thus, the issues raised in the Civil Appeals filed by the Authority are not finally settled and have not attained finality.
- 3.1.3 In light of the above and consistent with the regulatory approach adopted by the Authority in this regard, the Authority proposes to continue the tariff determination exercise for the Second Control Period consistent with the decisions taken in the Tariff Order for the First 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 impact of such sub judice issues has not been factored into the current tariff computation, in the public interest.

3.2 Issues raised by MgIAL pertaining to True Up for the First Control Period

- 3.2.1 MgIAL has submitted true-up workings relating to the First Control Period in its MYTP for the Second Control Period, covering the items set out below:
- i. Traffic
 - ii. Capital Expenditure, Depreciation and Regulatory Asset Base (RAB)
 - iii. Fair Rate of Return (FRoR)
 - iv. Operating and Maintenance Expenses
 - v. Aeronautical Taxation
 - vi. Non-Aeronautical Revenue
 - vii. Aeronautical Revenues
 - viii. Aggregate Revenue Requirement
- 3.2.2 For each of the issues raised by MgIAL, the Authority has examined the true-up for the First Control Period, issue-wise, in the following manner:
- i. Recording and understanding MgIAL's submission in the MYTP;
 - ii. Recap of the decision taken by the Authority for the relevant matter at the time of tariff determination for the First Control Period;
 - iii. Examination and proposal regarding the relevant matter as part of the tariff determination exercise for the Second Control Period.
- 3.2.3 The Authority has considered the following documents for determining the True up of the First Control Period:

- i. Tariff Order No. 38/2022-23 dated 12th January 2023 for the First Control Period;
- ii. Multi-Year Tariff Proposal (MYTP) submitted by MgIAL for the Second Control Period;
- iii. Audited financial statements for the First Control Period;
- iv. AERA Guidelines and Orders;
- v. The Authority's decisions on the Regulatory Building Blocks as per previously issued Tariff Orders of other airports;

3.3 True up of Traffic for the First Control Period

MgIAL's submission regarding Traffic for True up of the First Control Period

- 3.3.1 As part of the MYTP for the Second Control Period, MgIAL has submitted the actual traffic achieved at MIA during the First Control Period (FY 2021–22 to FY 2024–25) and projected traffic for the year FY 2025-26, for the purpose of true-up. The traffic details submitted by MgIAL, including passenger traffic, Air Traffic Movements (ATMs) and cargo volumes, are presented in the table below:

Table 12: Traffic Submitted by MgIAL for True up of the First Control Period in MYTP

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Passenger Traffic (Mn)						
Domestic	0.77	1.28	1.51	1.73	1.87	7.16
International	0.24	0.53	0.52	0.62	0.64	2.55
Total	1.01	1.81	2.03	2.34	2.51	9.70
Air Traffic Movement ('000)						
Domestic	7.93	10.52	11.65	12.57	14.32	56.98
International	2.05	3.87	3.39	4.19	4.20	17.70
Total	9.98	14.39	15.04	16.76	18.52	74.69
Cargo Traffic (MT)						
Domestic	-	-	3,706	3,863	3,890	11,459
International	-	-	-	1,343	1,502	2,845
Total	-	-	3,706	5,206	5,392	14,304

- 3.3.2 Subsequently, vide email dated 13th June 2026, MgIAL submitted the revised actual traffic for the last tariff year (FY26) of the First Control Period. After considering the same, the traffic details submitted by MgIAL are provided in table below:

Table 13: Traffic Submitted by MgIAL for True up of the First Control Period as per Actuals

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Passenger Traffic (Mn)						
Domestic	0.77	1.28	1.51	1.73	1.78	7.07
International	0.24	0.53	0.52	0.62	0.77	2.68
Total	1.01	1.81	2.03	2.34	2.55	9.75
Air Traffic Movement ('000)						
Domestic	7.93	10.52	11.65	12.57	13.67	56.34
International	2.05	3.87	3.39	4.19	4.26	17.76
Total	9.98	14.39	15.04	16.76	17.93	74.10
Cargo Traffic (MT)						
Domestic	-	-	3,706	3,863	3,840	11,409
International	-	-	-	1,343	2,011	3,354
Total	-	-	3,706	5,206	5,851	14,763

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

- 3.3.3 Decision Nos. 6.6.2: *“To True up the traffic volume (ATM, Passengers and Cargo) on the basis of actual traffic in the First Control Period while determining tariffs for the Second Control Period.”*
- 3.3.4 The traffic considered by the Authority at the time of tariff determination for the First Control Period is presented in the table below:

Table 14: Traffic projected by the Authority for the First Control Period in the Tariff Order

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Passenger Traffic (Mn)						
Domestic	0.77	1.31	1.54	1.85	2.18	7.63
International	0.24	0.50	0.70	0.88	1.06	3.39
Total	1.01	1.81	2.24	2.73	3.24	11.02
ATM ('000)						
Domestic	7.81	11.9	12.92	15.19	17.58	65.40
International	2.05	3.29	4.62	5.79	6.97	22.72
Total	9.86	15.19	17.54	20.98	24.55	88.12
Cargo Traffic (MT)						
Domestic	-	-	1,740	2,104	2,545	6,389
International	-	-	4,060	4,908	5,938	14,906
Total	-	-	5,800	7,012	8,483	21,295

Authority's examination and proposal regarding Traffic for the True-up of the First Control Period

- 3.3.5 The Authority has examined passenger traffic submissions made by MgIAL for the true-up of the First Control Period. A comparison between passenger traffic projected by the Authority in the Tariff Order for the First Control Period and actual passenger traffic reported by MgIAL is presented in the table below:

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

<i>(in Mn)</i>						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Total PAX Traffic Projected by the Authority (A)	1.01	1.81	2.24	2.73	3.24	11.02
Total PAX Traffic as per actuals (B)	1.01	1.81	2.03	2.34	2.55	9.75
<i>Variation (C = B – A) – Increase/(Decrease)</i>	0	0	(0.21)	(0.39)	(0.69)	(1.27)
<i>Variation (%) – Increase/(Decrease)</i>	0	0	(9%)	(14%)	(21%)	(12%)

- 3.3.6 The Authority notes that passenger traffic during the First Control Period broadly followed the recovery path considered at the time of tariff determination, although year-wise variations were observed. Cumulative passenger traffic stood at 9.75 million passengers against the projected 11.02 million passengers, reflecting a shortfall of about 11.5%.
- 3.3.7 The Authority further notes that passenger traffic recovered steadily after the disruption caused by the COVID-19 pandemic. Growth during the subsequent years was supported by recovery in travel demand, improved connectivity and restoration of airline operations. As a result, passenger traffic reached 96% of the pre-COVID level of 1.88 million passengers (recorded in FY 2019–20) and reached 1.81 million passengers in FY 2022–23 and surpassed it in FY 2023–24 after realizing a traffic of 2.03 Mn in FY 2023–24.
- 3.3.8 The Authority notes that actual passenger traffic during FY 2023–24 to FY 2025–26 remained below

the levels approved in the First Control Period Tariff Order due to operational disruptions and geopolitical uncertainties.

- 3.3.9 The Authority independently has also verified passenger traffic data with the traffic statistics available on the Airports Authority of India website and notes that the passenger traffic submitted by MGIAL for the First Control Period is consistent with the AAI data.
- 3.3.10 The Authority has also examined the variation between Air Traffic Movements (ATMs) projected in the Tariff Order for the First Control Period and actual ATMs submitted by MGIAL, and comparison is presented in the table below:

Table 16: ATM Variation between the Authority's Projections and actuals for the First Control Period

(in '000)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Total ATM Projected by the Authority (A)	9.86	15.19	17.54	20.98	24.55	88.12
Total ATM as per actuals (B)	9.98	14.39	15.04	16.76	17.93	74.10
Variation (C = B – A)- Increase/ (Decrease)	0.12	(0.80)	(2.50)	(4.22)	(6.62)	(14.02)
Variation (%)- Increase/(Decrease)	1%	(5%)	(14%)	(20%)	(27%)	(16%)

- 3.3.11 As can be seen in the table above, the actual ATMs during the First Control Period were lower than the ATMs projected by the Authority at the time of tariff determination for the First Control Period. The highest variation was observed in FY 2025-26, where actual ATMs were lower by approximately 26% compared to the projected ATMs.
- 3.3.12 The Authority notes that the lower-than-projected ATMs were primarily due to improvement in passenger load factors and changes in fleet deployment. The declining share of ATR aircraft also contributed to more efficient capacity deployment and lower ATMs compared to projections.
- 3.3.13 The increased passenger load factors increased enabled airlines to carry higher passenger volumes without a proportionate increase in aircraft movements. It was observed that the Passenger per ATM in FY 26 was approximately 30% more in FY 2025-2026 than in the year FY 2021-22.
- 3.3.14 The Authority has also independently verified the ATM data with the data available on the Airports Authority of India website. ATM data submitted by MGIAL for the First Control Period is consistent with the data available from AAI.
- 3.3.15 In case of Cargo Traffic, variation between the Authority's Projections at the time of tariff determination for the First Control Period viz-a-viz the actuals are shown below:

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

(in MT)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Cargo Traffic Projected by the Authority (A)	-	-	5,800	7,012	8,483	21,295
Cargo Traffic as per actuals (B)	-	-	3,706	5,206	5,851	14,763
Variation (C = B - A)-Increase/(Decrease)	-	-	(2,094)	(1,806)	(2,632)	(6,532)
Variation (%)-Increase/(Decrease)	-	-	(36%)	(26%)	(31%)	(31%)

- 3.3.16 The Authority observes from the foregoing that the actual cargo traffic at MIA fell short of the projections in the Tariff Order for the First Control Period, with the cumulative actuals of ~14,763 MT registering a shortfall of approximately 31% vis-à-vis the projected 21,295 MT.

3.3.17 The Authority observes that the reason behind the shortfall was the delay in commencement of the international cargo operations by approximately 14 months. The International cargo operations started in July 2024 as against April 2023 which was considered by the Authority while projecting the MIA's cargo traffic in the First Control Period. This led to a cumulative International Cargo of 2,845 MT as against the projected 14,906 MT thus accounting for only 19% of the projected cargo, thus contributing to the majority of the difference between the actual and the projected cargo traffic for the first control period.

3.3.18 The Authority also found a variation when the cargo traffic shared by the Airport Operator was verified with the data available on the Airports Authority of India website.

Table 18: Cargo Traffic as per Airport Operator vs AAI website for the First Control Period

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Cargo Traffic (in MT) submitted by Airport Operator (A)						
Domestic	-	-	3,706	3,863	3,840	11,409
International	-	-	-	1,343	2,011	3,354
Total	-	-	3,706	5,206	5,851	14,763
Cargo Traffic (in MT) as per AAI Website (B)						
Domestic	2,425	1,863	450	655	589	5,982
International	1,096	1,952	1,724	1,558	1,825	8,155
Total	3,521	3,815	2,174	2,213	2,414	14,137
Variation Airport Operator and AAI (A-B)						
Domestic	(2,425)	(1,863)	3,256	3,208	3,251	5,427
International	(1,096)	(1,952)	(1,724)	(215)	186	(4,801)
Total	(3,521)	(3,815)	1,532	2,993	3,437	626

3.3.19 The Cargo Traffic data submitted by MgIAL for the First Control Period is thus inconsistent with the data available from AAI. The rational for the same was asked from the airport operator by the independent consultant via email dated 16th February 2026.

3.3.20 Airport Operator vide email dated 19th February 2026 responded as under:

- i. *"In our MYTP we have shown cargo volume as actual in FY 24 and FY 25 and projection in FY 26. We are unaware of the basis adopted by AAI for display of the cargo volume in its website. Also, it is noteworthy that the actual cargo volume handled by MgIAL is 3706 (FY24) and 5206 MT (FY25) while the AAI website shows only 2174 MT (FY24) and 2212 MT (FY25). Also, the AAI website data shows drastic reduction from 3815 MT in FY23 to 2174 MT in FY24. Thus, it seems that the Cargo volumes data available on AAI website for FY24 and FY25 is not correct. Cargo volume indicated in MYTP is actual volume handled by MgIAL till FY25 and projections for FY26. Hence, it is suggested to consider the same."*
- ii. *"To the best of information available with us, AAICLAS closed its operation on 30th Apr 2023 for domestic operation cargo & on 1st July 2024 for international cargo."*
- iii. *"Year wise bifurcation of Cargo handling by both AAICLAS and MgIAL is provided below"*

Table 19: Cargo Traffic comparison between AAICLAS and MgIAL for the First Control Period*(in MT)*

FY	MgIAL			AAICLAS		
	Domestic	International	Total	Domestic	International	Total
FY22	-	-	-	2,425	1,096	3,521
FY23	-	-	-	1,863	1,952	3,815
FY24	3,706	-	3,706	209	1,719	1,928
FY25	3,863	1,343	5,206	-	485	485
FY26	3,840	2,011	5,851	-	-	-

3.3.21 Based on the above response from the Airport Operator, the independent consultant further consulted with AAI to understand the rationale behind the inconsistency of the data shared by cargo operator and the data available on AAI website.

3.3.22 The AAI team via mail dated 17th August 2026, responded as below:

“The data published by AAI is for Freight only and the same is provided by the concerned airport.”

3.3.23 The Authority has considered the clarification provided by AAI, the submissions of the Airport Operator, and the analysis undertaken by the Independent Consultant. Based on the same, it is observed that the cargo traffic published on the AAI website represents the combined freight traffic (excluding mail traffic carried through air cargo services) handled through the AAICLAS facility and MIAL's cargo operations. Accordingly, the cargo traffic reported on the AAI website is not directly comparable with the cargo traffic data submitted by the Airport Operator, resulting in the observed variation. Accordingly, the Authority considers the cargo traffic data submitted by the Airport Operator to be appropriate for the purpose of True-Up.

3.3.24 In view of the above and verified traffic data, the Authority proposes to consider Traffic for the true-up of the First Control Period presented in Table 13.

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

Capital Expenditure submitted by MgIAL for the True up of First Control Period in MYTP dated 31st October 2025

3.4.1 MgIAL has submitted a total capital expenditure of ₹916.35 Crores and an aeronautical capital expenditure of ₹901.48 Crores (excluding financing allowance) for the true-up of the First Control Period, vide its Multi Year Tariff Proposal (MYTP) dated 31st October 2025, as against the approved aeronautical capital expenditure of ₹577.94 Crores in the First Control Period Tariff Order.

3.4.2 The asset category-wise (head-wise) details of total capital expenditure and aeronautical capital expenditure submitted by MgIAL, vide its Multi Year Tariff Proposal (MYTP), are presented below:

Table 20: Total and Aeronautical Capex submitted by MgIAL for true-up of First Control Period as per MYTP*(₹in Crore)*

#	S. No.	Project	Total Capital Expenditure	Aeronautical Capital Expenditure
1	A.1.	Parallel Taxi Track & Other Joint Filling Works	156.81	156.81
2	A.2.	NITB Expansion & Other Enabling Projects	157.79	152.42
3	A.3.	Roads- Widening & Strengthening of Perimeter Road	8.94	8.94

#	S. No.	Project	Total Capital Expenditure	Aeronautical Capital Expenditure
4	B.1.	Runway Taxiway & Apron	151.57	151.48
5	B.2.	Modification of Existing Terminal Building including interior and kerbside	33.52	32.19
6	B.3.	Cargo Complex and Equipment	28.49	28.48
7	B.4.	Fuel Farm open access system	27.15	27.05
8	B.5.	Security Equipment	37.64	36.66
9	B.6.	Plant & Machinery	32.91	32.28
10	B.7.	Roads	2.38	2.38
11	B.8.	Boundary Wall	4.27	4.27
12	B.9.	Information Technology Work	50.68	49.00
13	B.10.	Other Associated work	15.69	15.22
14		Minor Capex Not Proposed in FCP	29.49	26.17
15		Storm Water Drainage	48.19	48.19
16	C	Soft Cost	66.21	65.59
17	D	IDC	51.98	51.71
18	E	Stamp Duty	12.64	12.64
19		Sub - Total	916.35	901.46
20		Financing Allowance less IDC	-	42.27
21		Total		943.73

Financing Allowance

3.4.3 MgIAL has computed Financing Allowance on Capital Work in Progress (CWIP) and added the same as part of commissioned assets. In order to avoid duplicity, MgIAL has reduced the Interest During Construction (IDC) capitalized in the books of accounts and replace it with the Financing Allowance in the Regulatory Books.

3.4.4 Year-wise aeronautical capitalization submitted by MgIAL for the True-up of the Control Period are as follows:

Table 21: Aeronautical Capital additions submitted by MgIAL for True-up of the First Control Period as per MYTP

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Capitalization	27.64	343.63	202.03	112.57	215.59	901.46
Financing Allowance less IDC	-	10.61	12.16	2.41	17.09	42.27
Total	27.64	354.24	214.19	114.98	232.68	943.73

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

3.4.5 MgIAL has submitted the following regarding its basis of allocation of assets between aeronautical and non-aeronautical ratio:

- i. Assets capitalized over FY 22 to FY 26 have been reviewed based on Fixed Asset Register and were classified as Aeronautical, Non-Aeronautical and Common assets.
- ii. Common assets relating to the Terminal during FCP have been allocated between Aeronautical and Non-Aeronautical categories based on MgIAL's commercial area allocation report titled "*Allocation study of commercial area in Mangalore Airport for financial reporting purpose*", wherein commercial areas have been identified and classified, indicating a commercial area of 4% (1,933 sq. m out of total built-up area of 48,574 sq. m), based on which MgIAL has considered a Terminal Building Ratio of 96.02% for the FCP as shown in table below:

Table 22: Terminal Building Ratio submitted by MgIAL in MYTP for True up of First Control Period

Particulars	Area in sqm
Total Built up Area	48,574
Total Commercial Area	1,933
Terminal Building Ratio (TBR) - %	96.02%

Table 23: Allocation ratio considered by MgIAL as per MYTP**(₹ in Crore)**

#	S. No.	Project	Total Capital Expenditure	Aeronautical Capital Expenditure	Allocation ratio
1	A.1.	Parallel Taxi Track & Other Joint Filling Works	156.81	156.81	100.00%
2	A.2.	NITB Expansion & Other Enabling Projects	157.79	152.42	96.60%
3	A.3.	Roads- Widening & Strengthening of Perimeter Road	8.94	8.94	100.00%
4	B.1.	Runway Taxiway & Apron	151.57	151.48	99.94%
5	B.2.	Modification of Existing Terminal Building including interior and kerbside	33.52	32.19	96.03%
6	B.3.	Cargo Complex and Equipment	28.49	28.48	99.96%
7	B.4.	Fuel Farm open access system	27.15	27.05	99.63%
8	B.5.	Security Equipment	37.64	36.66	97.40%
9	B.6.	Plant & Machinery	32.91	32.28	98.09%
10	B.7.	Roads	2.38	2.38	100.00%
11	B.8.	Boundary Wall	4.27	4.27	100.00%
12	B.9.	Information Technology Work	50.68	49.00	96.69%
13	B.10.	Other Associated work	15.69	15.22	97.00%
16		Minor Capex Not Proposed in FCP	29.49	26.17	88.74%
17		Storm Water Drainage	48.19	48.19	100.00%
18	C	Soft Cost	66.21	65.59	99.06%
19	D	IDC	51.98	51.71	99.48%
20	E	Stamp Duty	12.64	12.64	100.00%
		Total	916.35	901.48	

Revised Capital Expenditure submitted by MgiAL for the True up of First Control Period vide Fixed Asset Register (FAR) dated 28th May 2026

- 3.4.6 MgiAL, vide email dated 28th May 2026, submitted the revised Fixed Asset Register (FAR) for FY 2025-26, the last tariff year of the First Control Period.
- 3.4.7 MgiAL has submitted a revised total capital expenditure of ₹828.15 Crores and a revised aeronautical capital expenditure of ₹815.40 Crores for the true-up of the First Control Period, vide its revised Fixed Asset Register (FAR), as against the approved capital expenditure of ₹577.94 Crores in the First Control Period Tariff Order.
- 3.4.8 The asset category-wise (head-wise) details of revised total capital expenditure and revised aeronautical capital expenditure submitted by MgiAL, vide its Fixed Asset Register (FAR), are presented below:

Table 24: Revised Total Capex and Aeronautical Capex submitted by MgiAL for true-up of First Control Period as per FAR

(₹ in Crore)

#	S. No.	Project	Revised Total Capital Expenditure	Revised Aeronautical Capital Expenditure	Allocation ratio
1	A.1.	Parallel Taxi Track & Other Joint Filling Works	148.46	148.46	100.00%
2	A.2.	NITB Expansion & Other Enabling Projects	158.31	152.42	96.60%
3	A.3.	Roads- Widening & Strengthening of Perimeter Road	11.60	11.60	100.00%
4	B.1.	Runway Taxiway & Apron	137.50	137.50	100.00%
5	B.2.	Modification of Existing Terminal Building including interior and kerbside	13.49	12.97	96.08%
6	B.3.	Cargo Complex and Equipment	28.46	28.46	100.00%
7	B.4.	Fuel Farm open access system	27.10	27.10	100.00%
8	B.5.	Security Equipment	17.04	17.03	99.94%
9	B.6.	Plant & Machinery	34.75	34.28	98.71%
10	B.7.	Roads	2.39	2.39	100.00%
11	B.8.	Boundary Wall	4.65	4.65	100.00%
12	B.9.	Information Technology Work	41.42	40.10	96.82%
13	B.10.	Other Associated work	19.34	18.73	96.80%
14		Minor Capex Not Proposed in FCP	40.02	37.24	93.05%
15		Storm Water Drainage	44.53	44.53	100.00%
16	C	Soft Cost	52.68	52.01	98.74%
17	D	IDC	33.76	33.49	99.18%
18	E	Stamp Duty	12.64	12.64	100.00%
		Total	828.15	815.40	

- 3.4.9 Year-wise aeronautical capitalization submitted by MgiAL for the True-up of the Control Period are as follows:

Table 25: Aeronautical Capital additions as per FAR along with Financing Allowance as per MgIAL for True up of First Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Capitalization	27.64	343.63	202.03	112.57	129.53	815.40
Financing Allowance less IDC	-	10.61	12.16	2.41	17.09	42.27
Total	27.64	354.24	214.19	114.98	146.62	857.67

Recap of Authority's decision on Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the First Control Period

- 3.4.10 The Authority, at the time of tariff determination for the First Control Period, had decided to consider the Terminal Building Ratio of 92:8 as per Order No. 38/2022-23 vide decision no. 7.7.1. The Authority was of the view that the Airport Operator should undertake measures to enhance operational efficiency and maximize the generation of non-aeronautical revenues. Accordingly, the Authority has decided to adopt a Terminal Building Ratio of 92:8 (Aeronautical: Non-Aeronautical), consistent with the findings of the independent study on allocation of assets for Mangaluru International Airport Limited, the recommendations of IMG, IATA norms, and the approach adopted at comparable airports.
- 3.4.11 In the Tariff Order of First Control Period (Order No. 38/2022-23) vide decision no. 7.7.2, the Authority decided: *“To allow only IDC during the First Control Period and not to allow the Financing Allowance as mentioned in Paras 7.3.5 and 7.3.12”*
- 3.4.12 In the Tariff Order of First Control Period (Order No. 38/2022-23) vide decision no. 7.7.4, the Authority decided *True up the Aeronautical Capital expenditure on actuals at the time of determination of tariff for Second Control Period.*
- 3.4.13 In the Tariff Order of First Control Period (Order No. 38/2022-23) vide decision no. 7.7.7, the Authority decided to adopt the capitalization of Aeronautical Expenditure for the First Control Period in accordance with the table below.

Table 26: Total Aeronautical Capex decided by the Authority for MIA for the First Control Period

(₹ in Crore)

Reference		Project Group	Description of the Project	Year of Capitalization		Submitted by MIA (1)	Proposed by the Authority (2)	Difference (3) = (2) – (1)	
				Submitted by MIA	Proposed by the Authority				
A. Projects initiated in Pre-COD Period and proposed to be executed in First Control Period along with Enabling Capital Addition Projects integral to completion of the mandated projects									
A.	A1	Capital Addition projects initiated by AAI in Pre-Control Period and being executed in First Control Period along with Enabling Capital Projects integral to such mandated projects	Runways, Taxiway & Apron	2022-23 2022-23	2022-23 2022-23	1.25 126.00	1.25 126.00	- -	
	A2		Expansion and Modification of Existing Terminal Building including Enabling Capital Projects integral to completion of Expansion project						
			Terminal expansion including post award PMC Building	2021-22	2022-23	113.28	109.59	(3.69)	
			Plant and machinery items (enabling capital project)						
			Expansion of Baggage Conveyor	2022-23	2022-23	7.86	8.27	0.41	
			Substation equipment	2022-23	2022-23	2.03	2.14	0.11	
			Lift & Travellator	2022-23	2022-23	1.58	1.53	(0.05)	
			PA system	2022-23	2022-23	0.90	0.95	0.05	
			Engineering Consultancy	2022-23	2022-23	0.83	0.87	0.04	
			VDGS	2022-23	2022-23	1.98	2.08	0.10	
			Expansion Passenger Bridge of Boarding	2022-23	2022-23	7.41	7.80	0.39	
			Information Technology (IT) works (enabling capital projects)						
			Work related to IT for NITB	2022-23	2022-23	9.86	10.38	0.52	
			Facelift work for NITB	2022-23	2022-23	0.16	0.17	0.01	
			Aluminium Roof Gutter for NITB	2022-23	2022-23	0.02	0.02	-	
			SITC of RC CCTV	2022-23	2022-23	1.21	1.27	0.06	
			Flight Information Display System	2022-23	2022-23	1.31	1.38	0.05	
			Network & Pen Tablet	2022-23	2022-23	0.01	0.01	-	
			Supply of Proof Helmet	2022-23	2022-23	0.02	0.02	-	
			Electrical Materials	2022-23	2022-23	0.71	0.75	0.04	
			A3	Roads - widening and strengthening existing road	2022-23	2022-23	4.36	4.59	0.23
			Financing Allowance / IDC - AAI initiated Capital Addition Projects			26.72	9.53	(17.19)	
			Total- AAI initiated including enabling capital projects and IDC (A)			307.49	288.60	(18.89)	

Reference		Project Group	Description of the Project	Year of Capitalization		Submitted by MIA (1)	Proposed by the Authority (2)	Difference (3) = (2) – (1)
				Submitted by MIA	Proposed by the Authority			
B. New Capital expenditure proposed for the First Control Period								
B.	B1	New Capital expenditure proposed for the First	Runways, Taxiway and Apron					
			Centre-lighting	2023-24	2023-24	90.64	90.64	-
			Construction of new taxiway	2023-24	2023-24	36.47	36.47	
			Construction of new portion RESA	2023-24	2023-24	7.85	7.85	-
			Apron improvement works	2022-23	2023-24	1.62	1.62	-
				2025-26	2025-26	5.39	5.27	(0.12)
			Miscellaneous Airside improvement works	2022-23	2022-23	2.14	1.68	(0.46)
				2023-24	2023-24	2.14	3.64	1.50
				2024-25	2024-25	1.39	1.5	0.12
				2025-26	2025-26	3.27	0.00	(3.27)
	B2	Terminal Building						
		Modification Expansion of existing Terminal Building	2022-23	-	79.88	-	(79.88)	
		Miscellaneous works / interiors / finishes / kerbside of existing Terminal	2022-23	-	6.05	-	(6.05)	
			2023-24	-	6.05	-	(6.05)	
			2024-25	-	3.93	-	(3.93)	
	B3	Cargo assets						
		Cargo Building	2022-23	2023-24	18.90	18.90	-	
		Cargo equipment	2022-23	2023-24	4.45	4.45	-	
	B4	Fuel Facility						
		Purchase of assets existing assets of Oil Marketing Companies (OMC)	2022-23	2022-23	10.00	10.00	-	
		Building of new assets for Open Access Fuel Facility operations	2022-23	2023-24	17.83	17.14	(0.69)	
		B5	Security equipment					
	Equipment for ARFF - runway mechanical sweeper, rubber removal and other equipment		2022-23	2022-23	1.20	1.27	0.07	
			2023-24	2023-24	1.20	1.27	0.07	
			2024-25	2024-25	0.78	0.82	0.04	
	B6	Plant and Machinery						
		Trans installation of Nav aids	2022-23	2023-24	1.98	2.08	0.10	
		Bomb Detection and Disposal Equipment (BDDS)	2022-23	2022-23	4.03	4.25	0.22	
			2023-24	2023-24	4.03	4.25	0.22	
			2024-25	2024-25	2.62	2.76	0.14	

Reference	Project Group	Description of the Project	Year of Capitalization		Submitted by MIA (1)	Proposed by the Authority (2)	Difference (3) = (2) – (1)
			Submitted by MIA	Proposed by the Authority			
		Electrical Sub-station equipment	2025-26	2025-26	4.63	4.45	(0.18)
		Triturator	2025-26	-	6.06	-	(6.06)
		Water tank, STP and storage tank, Pump house Building	2025-26	2025-26	5.45	2.64	(2.81)
		Various Other - Miscellaneous items	2022-23	-	4.39	-	(4.39)
			2023-24	-	2.49	0.21	(2.28)
			2024-25	-	1.62	5.36	3.73
			2025-26	-	3.88	-	(3.88)
	B7	Roads					
		Vehicle roadway and allied works	2025-26	-	20.95	-	(20.95)
		Road entry and exit improvement works	2022-23	2022-23	2.85	3.00	0.15
		Miscellaneous enabling works Access	2025-26	-	12.96	-	(12.96)
	B8	Boundary Wall					
		Construction of property boundary wall of 11 kms	2022-23	-	2.87	-	(2.87)
			2023-24	-	2.87	-	(2.87)
			2024-25	-	1.86	-	(1.86)
		Operational boundary wall	2025-26	2025-26	2.95	2.29	(0.66)
	B9	Information Technology Works					
		IT Infrastructure, AOCC, Command Post and various other systems	2022-23	2022-23	3.43	2.99	(0.44)
			2023-24	2023-24	3.43	2.99	(0.44)
			2024-25	2024-25	2.23	-	(2.23)
	B10	Other Associated Works					
		Storm water	-	-	-	-	-
		Water disposal and supply	2022-23	2022-23	5.70	5.52	(0.18)
		Airside Security gate	2025-26	2025-26	4.15	1.00	(3.15)
		Rainwater harvesting	2025-26	2025-26	9.53	5.01	(4.52)
		Water tank	-	-	-	-	-
		Miscellaneous works - others	2022-23	-	0.24	-	(0.24)
			2023-24	-	0.24	-	(0.24)
			2024-25	-	0.16	-	(0.16)
			2025-26	-	9.22	-	(9.22)
		Total Project Cost			428.04	251.32	(176.72)
		Add: Cost towards Proportionate Technical Services like PMC & Design, Preliminaries,			75.98	20.16	(55.82)

Reference		Project Group	Description of the Project	Year of Capitalization		Submitted by MIA (1)	Proposed by the Authority (2)	Difference (3) = (2) – (1)
				Submitted by MIA	Proposed by the Authority			
			Insurances / Statutory labour cess, Site preparation, Contingencies, Pre-Operatives, etc claimed on the above New Expenditure Projects					
			Financing Allowance / IDC - New Capital Expenditure Proposed			31.90	17.86	(14.04)
			Total – New Capital Expenditure proposed including IDC (B)			535.92	289.34	(246.58)
	Grand Total - AAI hand-over projects and New Capital Expenditure for the First Control Period (A)+ (B)					843.41	577.94	(265.47)
Year-wise Capitalization of Assets is as follows (INR Crores):								
FY 2021-22		FY 2022-23		FY 2023-24	FY 2024-25	FY 2025-26		TOTAL
10.28		321.63		217.10	6.11	22.82		577.94

3.4.14 The Table below provides year wise Aeronautical Expenditure approved by the Authority in the Tariff order for the First Control Period.

Table 27: Aeronautical Capital Additions considered by the Authority in the Tariff Order of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Capitalization	10.28	321.63	217.10	6.11	22.82	577.94
Financing Allowance less IDC	-	-	-	-	-	-
Total	10.28	321.63	217.10	6.11	22.82	577.94

Authority's examination and proposal regarding Capital Expenditure (CAPEX) for the True up of the First Control Period

3.4.15 The Authority had allowed aeronautical capital expenditure amounting to ₹577.94 Crores in the Tariff Order for the First Control Period. This comprised ₹279.07 Crores towards AAI-handover projects, ₹251.33 Crores towards new capital expenditure projects and ₹47.55 Crores towards soft costs & IDC.

3.4.16 The Authority had also allowed certain capital expenditure on actual incurrence basis in the Tariff Order for the First Control Period as per decision no. 7.7.4 (Refer Para 3.4.12).

3.4.17 The table below sets out a comparison between the aeronautical capital expenditure approved by the Authority in the First Control Period Tariff Order and the costs submitted by MgIAL in the Fixed Asset

Register (FAR) till FY 26, for the True-up of First Control Period.

Table 28: Aeronautical Capex approved by the Authority versus the Revised Aeronautical Capex, based on FAR (till FY 26) as per MgiAL for True up for the First Control Period

(₹ in Crore)

#	S. No.	Project	As approved by Authority in FCP Order	As submitted by MgiAL for True up	Variance
			A	B	C = B - A
1	A.1.	Parallel Taxi Track & Other Joint Filling Works	127.25	148.46	21.21
2	A.2.	NITB Expansion & Other Enabling Projects	147.23	152.42	5.19
3	A.3.	Roads- Widening & Strengthening of Perimeter Road	4.59	11.60	7.01
4	B.1.	Runway Taxiway & Apron	148.68	137.50	(11.18)
5	B.2.	Modification of Existing Terminal Building including interior and kerbside	-	12.97	12.97
6	B.3.	Cargo Complex and Equipment	23.35	28.46	5.11
7	B.4.	Fuel Farm open access system	27.14	27.10	(0.04)
8	B.5.	Security Equipment	3.36	17.03	13.67
9	B.6.	Plant & Machinery	26.00	34.28	8.28
10	B.7.	Roads	3.00	2.39	(0.61)
11	B.8.	Boundary Wall	2.29	4.65	2.36
12	B.9.	Information Technology Work	5.98	40.10	34.12
13	B.10.	Other Associated work	11.53	18.73	7.2
17		Minor Capex Not Proposed in FCP	-	37.24	37.24
18		Storm Water Drainage	-	44.53	44.53
14	C	Soft Cost	20.16	52.01	31.85
15	D	IDC	27.39	33.49	6.1
16	E	Stamp Duty	-	12.64	12.64
		Total	577.94	815.40	237.46

3.4.18 The Authority notes that the Airport Operator has incurred actual capital expenditure of ₹815.40 crore against the approved expenditure of ₹577.94 crore, an increase of approximately 41% over the approved amount.

Authority's examination for Terminal Building Ratio for True up of First Control Period

3.4.19 The Authority notes that terminal expansion was completed in March 2023 which added 11,252 sq.m. of terminal area. The Year-on-Year terminal Area is provided in the table below:

Table 29: Terminal Area for the First Control Period

(in sq.m.)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26
Terminal Area	37,322.00	48,574.00	48,574.00	48,574.00	48,574.00

3.4.20 Based on the decision at the time of tariff determination for the First Control Period (Decision No. 7.7.1 – Refer para 1), a Terminal Building Ratio (TBR) of 92:8 (Aeronautical: Non-Aeronautical) was approved by Authority for capitalization of Terminal Building Capex, in accordance with the Inter-

Ministerial Group (IMG) norms applicable to airports handling passenger traffic below 10 MPPA.

- 3.4.21 Further, the Authority noted that in para 5.5.31 of the First Control Period Tariff Order, the Authority has adopted terminal building allocation ratios of 92:8 for comparable airports such as Trichy, Varanasi, Raipur, Amritsar, and Calicut (which is a tabletop airport), based on their size, scale, and operational characteristics. Accordingly, for the purpose of true-up of the First Control Period, the Authority proposes to retain the 92% aeronautical allocation ratio for Terminal Building in line with the approved methodology and regulatory precedent.

Table 30: Terminal Building Ratio proposed by Authority for True up of First Control Period

Particulars	Area in sqm
Total Built up Area	48,574
Total Commercial Area	1,933
Terminal Building Ratio as per MgIAL	96.02%
Terminal Building Ratio (TBR) – proposed by Authority	92.00%*

*Terminal Building Ratio as per above analysis and decision taken at the time First Control Period Tariff Order is 92%

Authority's examination on financing allowance for the first control period

- 3.4.22 Based on the Authority's decision in Tariff Order of First Control Period (Decision No. 7.7.2 - refer para 3.4.11), the Authority has proposes to not allow any Financing Allowance in the true-up of the First Control Period. Accordingly, only the Interest During Construction (IDC) capitalized as part of the Regulatory Asset Base (RAB) has been considered for the purpose of the First Control Period true-up.

Review of variance in Capital cost between Approved and Actuals

- 3.4.23 The Authority notes that MgIAL has submitted an aeronautical capital expenditure of ₹815.40 Crores for the true-up of the First Control Period, as verified by the Independent Consultant as per the Fixed Asset Register (FAR) submitted on 28th May 2026. This has been compared with the aeronautical capital expenditure of ₹577.94 Crores approved by the Authority in the First Control Period Tariff Order (Order No. 38/2022-23), comprising ₹279.07 Crores towards AAI-handover projects, ₹251.33 Crores towards new capital expenditure projects and ₹47.55 Crores towards Soft Costs and IDC. The net variance of ₹237.46 Crores is examined project-wise in the sections below.
- 3.4.24 The Authority notes that the projects capitalized during the First Control Period are broadly categorized into four groups, namely:
- CWIP projects initiated in the Pre-COD period by AAI and handed over to the AO as part of the CA along with Enabling Capital Projects integral to operationalize the mandated projects;
 - New Capital Expenditure executed by the Airport Operator and approved by Authority for the First Control Period;
 - Unplanned projects undertaken and capitalized by MgIAL, which were not approved by the Authority under the Tariff Order for the First Control Period (Order No. 38/2022-23).
 - Minor/Sustaining Capex
- 3.4.25 In order to examine the variances between the approved and actual capital expenditure, the Authority, through its Independent Consultant, has undertaken a detailed review and due diligence of the capital expenditure incurred by MgIAL during the First Control Period. As part of the due diligence exercise, the Independent Consultant reviewed the Fixed Asset Register, procurement and bidding processes, project-wise implementation records and supporting documentation submitted by MgIAL. The assessment also encompassed the need, essentiality and prudence of capital expenditure, having regard to prevailing and projected traffic demand at the Airport.

- 3.4.26 In addition, the Independent Consultant conducted site inspection of major capital works executed at Mangaluru International Airport during the First Control Period, reviewing the physical progress of works, construction quality and operational functionality of assets. The Independent Consultant's findings in respect of each project are embedded in the project-wise examination presented in the following sections.
- 3.4.27 The Authority notes that the net variance of ₹237.46 Crores between the approved and FAR-verified aeronautical capex is attributable to a combination of factors across projects: (i) GST incidence on AAI-handover projects approved on a pre-GST basis; (ii) additional scope executed on account of regulatory compliance requirements, operational necessity and passenger facilitation needs that arose during the Control Period and were not foreseeable at the FCP stage; and (iii) capital expenditure under projects not originally approved in the Tariff Order - including Modification of Existing Terminal Building and Storm Water Drainage - which are examined and were proposed to be admitted on an actual incurrence basis, subject to the findings set out below. The project-wise analysis is set out in the following sections.

CWIP projects initiated in the Pre-COD period by AAI and handed over to the AO as part of the CA along with Enabling Capital Projects integral to operationalize the mandated projects

A.1. Parallel Taxi Track & Other Joint Filling Works

Capital Expenditure submitted by MgIAL for the True-up of the First Control Period

- 3.4.28 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted capital expenditure of ₹156.81 crore for the Parallel Taxi Track (Phase II) and Other Joint Filling Works for the true-up of the First Control Period. The entire expenditure was claimed as aeronautical capital expenditure. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.
- 3.4.29 Subsequently, based on the Fixed Asset Register (FAR) submitted by MgIAL on 28th May 2026, the capital expenditure was revised to ₹148.46 crore. The Independent Consultant verified the FAR and confirmed the actual capital expenditure at ₹148.46 crore, which is fully attributable to aeronautical assets.
- 3.4.30 In the Tariff Order for the First Control Period (Order No. 38/2022-23), the Authority had approved aeronautical capital expenditure of ₹127.25 crore, comprising ₹126.00 crore for the Parallel Taxi Track (Phase II) and ₹1.25 crore for Runway Improvement Works. The Project formed part of the Capital Work-in-Progress (CWIP) transferred by the Airports Authority of India (AAI) to MgIAL under the Concession Agreement, under which MgIAL was required to complete the project.

Table 31: FCP Approved and Actual Incurred Capex for Parallel Taxi Track & Other Joint Filling Works

<i>(₹ in Crores)</i>						
Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Parallel Taxi Track & Other Joint Filling Works	127.25	156.81	156.81	148.46	148.46	21.21

- 3.4.31 In response to the Independent Consultant's queries on the increase in project cost, MgIAL submitted that the variation from the approved cost was solely due to the impact of Goods and Services Tax (GST),

which had not been considered in the original pre-GST Bill of Quantities (BOQ) used for approval during the First Control Period. In support of its claim, MgIAL submitted a WPI-based cost analysis, AAI's Letter of Award, internal cost approval records and executed BOQs. These documents showed that the project was originally tendered on a pre-GST basis, the executed BOQ value of ₹126.56 crore was broadly consistent with the Authority's approved cost of ₹127.25 crore, and the WPI-adjusted project cost including GST worked out to ₹157.55 crore, which is higher than the actual expenditure incurred.

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

- 3.4.32 The Authority has examined the submissions of MgIAL and the findings of the Independent Consultant. The Authority notes that the project was an AAI-transferred CWIP asset executed by MgIAL under the Concession Agreement and that the cost approved during the First Control Period was based on pre-GST estimates. The documentary evidence submitted by MgIAL confirms that the increase in project cost is attributable to the subsequent applicability of GST, while the underlying execution cost remains broadly in line with the cost approved by the Authority.
- 3.4.33 The Authority is of the view that GST is a statutory levy and represents a prudently incurred project cost rather than an increase in the underlying construction cost. Accordingly, the GST component is considered admissible for the true-up of the First Control Period. Since the Parallel Taxi Track (Phase II) and Other Joint Filling Works are fully aeronautical assets, the Authority proposes to admit the verified capital expenditure of ₹148.46 crore as admissible aeronautical capital expenditure.
- 3.4.34 The Authority, through its Independent Consultant, examined the FAR, BOQs, cost records and other supporting documents submitted by MgIAL to assess the reasonableness of the expenditure. The Authority therefore is of the view that basis on the supporting evidence adequately explained the cost variation and confirmed that the actual expenditure of ₹148.46 crore was prudently incurred and remained within the WPI-adjusted benchmark cost.
- 3.4.35 Accordingly, the comparison of the capital expenditure claimed by MgIAL and the capital expenditure proposed to be admitted by the Authority is presented in the table below.

Table 32: Details of Capex as per the Authority for Parallel Taxi Track & Other Joint Filling Works

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex incurred by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Parallel Taxi Track & Runway Improvement Works	127.25	156.81	148.46	148.46	0.00

A.2. New Integrated Terminal Building (NITB) Expansion & Other Enabling Projects

Capital Expenditure submitted by MgIAL for the True-up of the First Control Period

- 3.4.36 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹157.79 crore and aeronautical capital expenditure of ₹152.42 crore for the project New Integrated Terminal Building (NITB) Expansion and Other Enabling Projects towards the true-up of the First Control Period. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.
- 3.4.37 Subsequently, based on the Fixed Asset Register (FAR) submitted by MgIAL on 28th May 2026, the

capital expenditure for the project was revised to ₹158.31 crore. Upon verification of the FAR, the Independent Consultant confirmed the actual total capital expenditure at ₹158.31 crore, with the corresponding aeronautical capital expenditure amounting to ₹152.42 crore.

3.4.38 The Authority, in its Tariff Order for the First Control Period (Order No. 38/ 2022-23) had allowed aeronautical capital expenditure amounting to ₹147.23 Crores for New Integrated Terminal Building (NITB) Expansion and Other Enabling Projects.

3.4.39 The NITB Expansion Project forms part of the Capital Work-in-Progress (CWIP) taken over by MgIAL from the Airports Authority of India (AAI) under Schedule T of the Concession Agreement, and MgIAL had a binding obligation to execute the project as part of the Concession Agreement terms.

Table 33: FCP Approved and Actual Incurred Capex for New Integrated Terminal Building Expansion & Other Enabling Projects

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
NITB Expansion and Other Enabling Projects	147.23	157.79	152.42	158.31	152.42	5.19

3.4.40 MgIAL has attributed the variance in aeronautical capex primarily to a difference in the allocation ratio applied. MgIAL has applied an actual aeronautical allocation ratio of 96.02% to the NITB Expansion works, as against the 92% ratio approved by the Authority in the FCP Tariff Order, contending that the actual share of aeronautical area in the NITB is higher than the ratio adopted by the Authority.

3.4.41 In response to the Independent Consultant's queries, MgIAL on 12th June 2026, has submitted the project-wise details of capitalization, for projects under New Integrated Terminal Building (NITB) Expansion and Other Enabling Projects, as below:

Table 34: Comparison of Approved and Actual Capex for New Integrated Terminal Building Expansion & Other Enabling Projects

(₹ in Crores)

S. No.	Project / Asset	Aero Capex approved in FCP Order	Revised Total Capex as per FAR	Revised Aero Capex by AO
1	NITB Expansion (Civil & Electrical Works)	110.46	125.73	120.85
2	Passenger Baggage Conveyor	8.27	5.78	5.78
3	Substation Equipment	2.14	3.55	3.55
4	Lift & Travellator	1.53	1.48	1.42
5	PA System	0.95	-	-
6	VDGS (Auto Visual Docking Guidance System)	2.08	1.44	1.44
7	Passenger Boarding Bridge (PBB)	7.80	7.28	7.28
8	IT Works at NITB	10.39	10.45	9.56
9	Flight Information Display System (FIDS)	1.38	0.80	0.78

S. No.	Project / Asset	Aero Capex approved in FCP Order	Revised Total Capex as per FAR	Revised Aero Capex by AO
10	Facelift Works for NITB	0.17	0.46	0.44
11	NITB Aluminium Gutter Works	0.02	0.02	0.02
12	SITC of RC CCTV - AAI	1.27	1.27	1.27
13	Supply of Bullet Proof Helmet	0.02	0.02	0.02
14	Electrical Materials (Storm Water Drain)	0.75	-	-
	Total	147.23	158.31	152.42

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

- 3.4.42 The Authority had noted that, during the 1st Airport Users Consultative Committee (AUCC) meeting held on 28th May 2021, IndiGo had requested the provision of additional travellers and ramp-style walkalators for passenger facilitation at Mangaluru International Airport. The Airport Operator noted that these requirements were to be addressed through the enabling projects forming part of the NITB Expansion.
- 3.4.43 The Authority notes that the terminal expansion project was completed in FY 2023, resulting in an addition of 11,252 sq. m. of terminal area and increase in the total terminal building area from 37,322 sq. m. to 48,574 sq. m.
- 3.4.44 The Authority further noted that, despite the proposed terminal expansion and capacity enhancement to 3 MPPA in the Tariff Order of First Control Period, the Airport Operator has not considered any increase in the annual terminal capacity, citing compliance with the revised BCAS requirements relating to passenger processing times, queue management, security provisions, and passenger area norms. An independent assessment of peak-hour passenger traffic indicated that, even after factoring in the enhanced space and operational requirements under the revised BCAS guidelines, the terminal's peak-hour handling capacity has improved. Consequently, the overall terminal capacity resulting from the expansion project is assessed to be higher than that proposed by MgIAL. Accordingly, the Authority has considered a revised terminal capacity of 3 MPPA, as against the 2 MPPA submitted by the Airport Operator.
- 3.4.45 The Authority, through its Independent Consultant, has undertaken a detailed review and due diligence of the actual capital expenditure incurred by MgIAL during the First Control Period in respect of the above project. The Independent Consultant conducted a detailed review of the Fixed Asset Register, Purchase Orders, capitalization records and supporting documentation pertaining to the project components. Having regard to the nature of the project as an AAI-transferred CWIP asset and the documented evidence on record, the Authority is of the view that the gross capex of ₹158.31 Crores as assessed by the Independent Consultant is reasonable and admissible for the purpose of true-up.
- 3.4.46 The Authority has revised the aeronautical allocation ratio to 92.00%, in line with the decision made by Authority in the First Control Period (refer paras 3.4.10 and 3.4.19), as against 96.02% claimed by MgIAL, for the purpose of true-up of the First Control Period.
- 3.4.47 Accordingly, the Authority proposes to admit the admissible aeronautical capital expenditure of ₹147.00 crore, based on the revised aeronautical ratio for this project.
- 3.4.48 In view of the above, the total capex submitted by MgIAL for true-up (based on the Fixed Asset Register) versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 35: Details of Capex as proposed by the Authority for New Integrated Terminal Building Expansion & Other Enabling Projects*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex incurred by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
NITB Expansion and Other Enabling Projects	147.23	152.42	152.42	147.00	5.42

A.3. Roads- Widening & Strengthening of Perimeter Road**Capital Expenditure submitted by MglAL for the True-up of the First Control Period**

3.4.49 MglAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹8.94 crore for the project Widening and Strengthening of Existing Perimeter Road towards the true-up of the First Control Period. The entire expenditure was claimed as aeronautical capital expenditure. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.

3.4.50 Subsequently, based on the Fixed Asset Register (FAR) submitted by MglAL on 28th May 2026, the capital expenditure for the project was revised to ₹11.60 crore. Upon verification of the FAR, the Independent Consultant confirmed the actual capital expenditure at ₹11.60 crore, which is fully attributable to aeronautical assets.

3.4.51 The Authority, in its Tariff Order for the First Control Period (Order No. 38/ 2022-23) had allowed aeronautical capital expenditure amounting to ₹ 4.59 Crores for Widening and Strengthening of Existing Perimeter Road. The project formed part of the Capital Work-in-Progress (CWIP) taken over by MglAL from AAI under Schedule T of the Concession Agreement, and MglAL had a binding obligation to execute the works as part of the Concession Agreement terms.

Table 36: FCP Approved and Actual Incurred Capex for Roads- Widening & Strengthening of Perimeter Road*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Widening and Strengthening of Existing Perimeter Road	4.59	8.94	8.94	11.60	11.60	7.01

3.4.52 In response to the Independent Consultant's queries, MglAL has attributed the cost overrun primarily to additional scope executed on the basis of operational requirements that were not envisaged at the time of the FCP tariff determination. The additional works comprised: (i) construction of a perimeter road of 592 running meters, comprising 115 meters on the RESA 06 east side and 480 meters of fire approach roads on the RESA 06 side; (ii) construction of a Head of Stand (HOS) road of 152 meters

length and 8 meters width; and (iii) widening of the existing apron south side road (from Stand 5 to Stand 12 along the perimeter wall) from 3.8 meters to 7 meters, to facilitate relocation of the Ground Support Equipment (GSE) parking area from the west side of the apron to the south side (opposite Stands 9 and 10), as necessitated by the reconfiguration of the apron.

- 3.4.53 MgIAL further submitted that the HOS road and perimeter roads were at lower formation levels compared to surrounding new developments, including the proposed GSE facilities and cargo terminal areas. The plan and profile of the said roads were designed to facilitate efficient movement of trucks and GSE vehicles, and to ensure smooth connectivity with the cargo apron and existing HOS road. The southern perimeter road was widened and modified to provide improved connectivity to the terminal apron and associated with GSE facilities.
- 3.4.54 The contract was awarded on a lump-sum basis following a competitive bidding and tendering process conducted in accordance with MgIAL's established procurement policies.

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

- 3.4.55 The Authority, through its Independent Consultant, has undertaken a detailed review and due diligence of the actual capital expenditure incurred by MgIAL during the First Control Period in respect of the above project. The Independent Consultant sought from MgIAL supporting documents justifying the change in scope, including details of the additional scope executed, quantity variations, revised layouts and supporting drawings, as well as the per-unit area cost and reference benchmark adopted. MgIAL furnished details of the additional scope of works executed and the procurement basis, which the Independent Consultant reviewed and accepted as constituting adequate basis for benchmarking.
- 3.4.56 The Authority notes that the cost overrun of ₹7.01 Crores over the AERA-approved cost of ₹4.59 Crores is attributable entirely to additional scope of road construction executed beyond the originally envisaged works - comprising construction of 592 running meters of perimeter road (including RESA 06 east side perimeter road and fire approach roads), an HOS road of 152 meters, and widening of the apron-side road from 3.8 meters to 7 meters. The additional works were executed in response to operational requirements arising from the reconfiguration of the apron and relocation of the GSE parking area. The Authority is satisfied that the additional scope was necessitated by operational requirements of the airport and was not foreseeable at the time of the FCP tariff determination.
- 3.4.57 The Authority notes that the contract was awarded on a lump-sum basis following a competitive tendering process in accordance with MgIAL's established procurement policies, and that the Independent Consultant has examined the procurement process and found the same to be consistent with sound procurement practice.
- 3.4.58 The Authority, through its independent Consultant, has examined the proposed CAPEX, inter alia, including the review of the tendering process, award letters, and invoices furnished by the Airport Operator. Based on the said examination, the Authority notes that the competitive bidding process has been duly followed by the Airport Operator, and the cost arrived at through the said process is found to be justified.
- 3.4.59 The Authority has considered a 100% aeronautical allocation to this project, consistent with the airside nature of the project.
- 3.4.60 In view of the above, the total capex submitted by MgIAL for true-up (based on the Fixed Asset Register) versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 37: Details of Capex proposed by the Authority for Roads - Widening & Strengthening of Perimeter Road*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Widening and Strengthening of Existing Perimeter Road	4.59	8.94	11.60	11.60	0.00

New Capital Expenditure projected by the Airport Operator for the First Control Period**B.1. Runway, Taxiway & Apron****Capital Expenditure submitted by MglAL for the True-up of the First Control Period**

3.4.61 MglAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹151.57 crore and aeronautical capital expenditure of ₹151.48 crore for the project Runway, Taxiway and Apron towards the true-up of the First Control Period. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.

3.4.62 Subsequently, based on the Fixed Asset Register (FAR) submitted by MglAL on 28th May 2026, the capital expenditure for the project was revised to ₹137.50 crore. Upon verification of the FAR, the Independent Consultant confirmed the actual total capital expenditure at ₹137.50 crore, which is fully attributable to aeronautical assets.

3.4.63 The Authority, in its Tariff Order for the First Control Period (Order No. 38/ 2022-23) had allowed aeronautical capital expenditure amounting to ₹148.68 Crores for Runway, Taxiway and Apron. The FCP-approved scope for the project comprised five sub-components: (a) runway recarpeting with bituminous overlay and installation of centre lighting (₹90.64 Crores), necessitated by transverse slope non-compliance observed in the DGCA Special Inspection Report of December 2021 and pilot safety concerns in heavy rainfall; (b) construction of four new taxiways, two at each runway end (₹36.47 Crores); (c) construction of new Runway End Safety Areas (RESA) to ICAO Annex 14 and DGCA CAR standards - 240m × 90m soft ground RESA on both runway ends (₹7.85 Crores); (d) apron improvement works including GSE hard standing area (₹6.89 Crores); and (e) miscellaneous airside improvement works mandated under Schedule U of the Concession Agreement (₹6.83 Crores).

Table 38: FCP Approved and Actual Incurred Capex for Runway Taxiway & Apron*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Runway, Taxiway and Apron	148.68	151.57	151.48	137.50	137.50	(11.18)

3.4.64 Based on the Independent Consultant's analysis of the project costs, significant cost overruns were

observed in the sub-components B1 (a) Runway Recarpeting and Centerline Lighting and B1 (c) Construction of New RESA, as detailed in the table below:

Table 39: Sub-component-wise Position of Runway Taxiway & Apron

(₹ in Crores)

Sub-component	Aero Capex approved in FCP Order (A)	Revised Aero Capex by AO (B)	Variance (C=B-A)
B1(a): Runway Recarpeting and Centreline Lighting	90.64	104.67	14.03
B1(b): Construction of New Taxiways	36.47	13.48	(22.99)
B1(c): Construction of New RESA	7.85	13.74	5.89
B1(d): Apron Improvement Works	6.89	0.58	(6.31)
B1(e): Miscellaneous Airside Works (Schedule U) & Airside Improvement Works	6.83	5.02	(1.81)
Total	148.68	137.50	(11.18)

3.4.65 In response to the Independent Consultant's queries, MgIAL on 12th June 2026, has provided the following explanations for the sub-component-wise cost overruns observed under the project:

- i. B1(a) Runway Recarpeting and Centre Lighting: The asphalt overlay thickness was revised from the originally envisaged 200 mm to an average of 290 mm during execution based on actual site levels and profile correction requirements, resulting in a significant increase in asphalt quantities. Additional overlay works at turn pads and three taxiway intersections, along with associated grading and leveling works, were also undertaken, resulting in an overall cost overrun of ₹14.03 Crores. The recarpeting works transitioned the runway pavement from rigid to flexible pavement and enhanced its strength and load-bearing capacity. The Airport Operator has submitted that the pavement rating methodology transitioned from ACN-PCN to the ICAO-prescribed ACR-PCR methodology, with the PCN of Runway 06-24 being 80 under the earlier method and the PCR of Runway 06-24 being 833 under the revised method.
- ii. B1(c) Construction of New RESA: The originally envisaged RESA profile, based on a longitudinal slope of -5% from CH 0 to CH 240 m, was revised and executed with a zero longitudinal slope in accordance with the Court of Enquiry recommendations. This necessitated removal and reinstatement of the 150 mm sand layer (Soft Ground Arrestor), additional soil filling to achieve formation levels, and procurement of new sand due to contamination and handling losses in the existing material. Further, the RESA extension scope was revised from excavation to substantial earth filling of up to 8 m, along with slope protection through stone soling and construction of protective boundary walls. Additional grading corrections were carried out on the northern side of RESA-06 and the northern and southern sides of RESA-24 to meet the revised design levels, while approach road lighting systems and associated foundations were adjusted in line with the revised finished levels, resulting in an overall cost overrun of ₹5.89 Crores.

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

3.4.66 The Authority, through its Independent Consultant, has undertaken a detailed review and due diligence of the actual capital expenditure incurred by MgIAL during the First Control Period in respect of Project B.1. The Independent Consultant sought supporting documents and justifications for the variation in overlay thickness and quantities in the runway recarpeting works, the change in RESA design profile

and sand replacement scope, and the execution status of the remaining sub-components. MgIAL furnished detailed technical justifications for the overlay thickness revision and for the RESA scope revision.

- 3.4.67 With respect to runway recarpeting (B1(a)), the Authority notes that the overrun of ₹14.03 Crores is attributable to an increase in asphalt overlay thickness from 200 mm to 290 mm, driven by actual site levels, profile correction requirements for DGCA compliance, and additional scope at turn pads and taxiway intersections. The Authority further notes that the multiple layering undertaken as part of the recarpeting works resulted in the runway pavement transitioning from a rigid pavement to a flexible pavement, thereby enhancing the pavement strength, load-bearing capacity, and useful life of the runway. In this regard, the Airport Operator has submitted that the runway pavement rating methodology has transitioned from the earlier ACN-PCN approach to the ICAO-prescribed ACR-PCR methodology, with the Pavement Classification Number (PCN) of Runway 06-24 being 80 under the previous methodology and the Pavement Classification Rating (PCR) of Runway 06-24 being 833 under the revised methodology. The Authority notes that the PCN and PCR values are not directly comparable, as they are derived using different calculation methodologies. The Authority further notes that the recarpeting works enhanced the operational capability of the runway and, upon completion of the works, the runway was capitalized. The Authority is satisfied that the revised overlay thickness and associated works were necessitated by runway profile correction requirements under DGCA CAR and the Court of Enquiry recommendations and finds the additional expenditure to have been prudently incurred and its capitalization to be justified.
- 3.4.68 With respect to the RESA works (B1(c)), the Authority notes that the overrun of ₹5.89 Crores is attributable to a material revision in the design profile from -5% longitudinal slope to zero slope, sand replacement (60% new sand procured externally), earth filling of up to 8 meters, slope protection, boundary wall construction on all four sides, and grading corrections. The Authority is satisfied that these revisions were mandated by the Court of Enquiry recommendations for tabletop airport RESA compliance under DGCA CAR and ICAO Annex 14 requirements. The Authority finds the additional expenditure as prudently incurred.
- 3.4.69 The Authority, through the Independent Consultant, has examined the proposed CAPEX, inter alia, including review of the award letters, invoices furnished by the Airport Operator and verified the gross capex at ₹137.50 Crores. Based on the said examination, the Authority notes that the cost arrived at through the said process is found to be justified.
- 3.4.70 The Authority has considered a 100% aeronautical allocation to this project, consistent with the airside nature of the Runway, Taxiway and Apron.
- 3.4.71 In view of the above, the total capex submitted by MgIAL for true-up (based on the Fixed Asset Register) versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 40: Details of Capex proposed by the Authority for Runway Taxiway & Apron

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Runway, Taxiway and Apron	148.68	151.48	137.50	137.50	0.00

B.2. Modification of Existing Terminal Building including interior and Kerbside**Capital Expenditure submitted by MgIAL for the True-up of the First Control Period**

- 3.4.72 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹33.52 crore and aeronautical capital expenditure of ₹32.19 crore for the project Modification of Existing Terminal Building including Interior and Kerbside towards the true-up of the First Control Period. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.
- 3.4.73 Subsequently, based on the Fixed Asset Register (FAR) submitted by MgIAL on 28th May 2026, the capital expenditure for the project was revised to ₹13.49 crore with the corresponding aeronautical capital expenditure amounting to ₹12.97 crore.
- 3.4.74 The Authority did not consider the proposed CAPEX of ₹95.92 Crores (₹79.88 Crores towards Terminal Building modifications and ₹16.04 Crores towards miscellaneous interiors, finishes, and kerbside works) in the First Control Period Tariff Order, as the ongoing Terminal Building expansion was considered sufficient to meet the projected traffic and operational requirements, while the miscellaneous works were assessed to be largely aesthetic in nature and not essential for passenger facilitation, safety, or security. However, the Authority directed that any terminal modification works undertaken out of absolute necessity for efficient airport operations, as well as any works relating to safety and security aspects of the airport, would be considered at the time of true-up based on actual incurrence, subject to the efficiency, reasonableness, and prudence of the expenditure.

Table 41: FCP Approved and Actual Incurred Capital Expenditure for Modification of Existing Terminal Building including interior and Kerbside

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Modification of Existing Terminal Building	-	33.52	32.19	13.49	12.97	12.97

- 3.4.75 MgIAL has submitted that the actual expenditure of ₹13.49 Crores pertains to strengthening, refurbishment and augmentation of existing terminal infrastructure and utility systems - including civil works, Passenger Boarding Bridge strengthening, roof access, electrical systems, HVAC, restroom facilities and passenger facilitation works - and does not relate to capacity augmentation.
- 3.4.76 In response to the Independent Consultant's queries, MgIAL on 12th June 2026, has submitted the item-wise details of assets capitalized under the above project, together with the justification for each item, set out in the table below:

Table 42: Terminal Building Modification Works Capitalized under Modification of Existing Terminal Building including interior and Kerbside*(₹ in Crores)*

Asset / Work	Capitalised Amount till FY26 (₹ Cr.)	Description and Justification
New Terminal Building Expansion Works (incl. roof canopy extension, waterproofing)	6.81	Minor civil works for passenger convenience and structural integrity - roof canopy extension for kerbside passenger movement and waterproofing works
Access Ladder and Roof Handrailing - Terminal	1.78	Installation of fixed access ladder arrangement on roof; installation of roof handrailing at terminal and aerobridges for maintenance safety
Theme Lighting - Terminal (RGBW / Monochromatic)	1.66	Design, SITC of monochromatic and RGBW theme lighting at terminal - passenger ambience and terminal operationalisation
Horticulture Improvement Works (landscape, irrigation, green wall)	1.21	Landscape development, irrigation system and portable green wall installation - environmental compliance and terminal aesthetics
Horticulture Improvement Works (Additional)	0.28	Additional horticulture and landscape works
New Terminal Building Expansion - EC Fans, CACS, IT Works	0.37	Retrofitting of belt-driven AHUs with EC Plus fans; DCS check implementation; supply and cabling for Central Access Control System (CACS) and other IT works
Restroom Facility Modification (ROB, Apron, BMA)	0.37	Restroom facility modification at ROB, Apron and BMA to maintain passenger service standards
Refurbishment of Gates 1 and 9 - Canopy Works	0.29	Construction of canopy at CISF Gates 1 and 9; electrical power supply to airside entry gate
Passenger Boarding Bridge - Canopy Replacement	0.25	Replacement of Bukaka PBB canopy - asset maintenance and passenger boarding facility
Structural Staircase - Terminal Roof Access (Additional)	0.15	Supply and installation of guard rails; MS structural staircase and handrail works at new terminal section
Construction of Wall to Support Terminal Flyover	0.11	Supporting wall construction for terminal flyover - structural safety
Portable Light Tower	0.10	Supply of portable light tower for operational use
New Terminal Building - Ground Floor Departure Kerb Development and Signages	0.06	Modification of ground floor departure kerb and signages at NITB
Access Ladder - Terminal (Additional)	0.05	Additional access ladder works
Total	13.49	

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

- 3.4.77 The Authority notes that the project Modification of Existing Terminal Building (including Interior and Kerbside) was not approved as capital expenditure in the First Control Period Tariff Order. In the order, it was mentioned that modification works executed by the Airport Operator out of absolute necessity for efficient operations shall be considered on an actual incurrence basis at the time of true-up of the Second Control Period, subject to efficiency and reasonableness. The present true-up exercise is accordingly the appropriate stage for examination of this expenditure.
- 3.4.78 The Authority, through its Independent Consultant, has undertaken a detailed review and due diligence of the actual capital expenditure incurred by MgIAL in respect of the above project. The Independent Consultant sought from MgIAL justification for the necessity of the works executed and supporting

capitalization records. MgIAL furnished detailed justifications confirming that the works pertain to maintenance of existing terminal infrastructure and operational upgrades - including civil strengthening, PBB improvement, restroom refurbishment, roof access facilities and passenger facilitation works - and do not result in terminal capacity augmentation or creation of additional infrastructure.

- 3.4.79 The Authority, through the Independent Consultant, has examined the proposed CAPEX, inter alia, including a detailed review of the Fixed Asset Register, Purchase Orders and supporting documentation pertaining to the project components. Based on the said examination, on account of mandatory operational requirements and the rates considered, the Authority notes that the cost arrived at through the said process to be justified.
- 3.4.80 The Authority notes that the ₹13.49 Crores capitalized represents works on existing terminal infrastructure and does not constitute capacity augmentation or new terminal development. The Authority is satisfied that the works are in the nature of operational necessity and asset integrity maintenance, consistent with the test set out in the Tariff Order. Accordingly, the Authority proposes to consider the CAPEX.
- 3.4.81 The Authority has revised the aeronautical allocation ratio to 92.00%, in line with the decision made by Authority in the First Control Period (refer paras 3.4.10 and 3.4.19), as against 96.02% claimed by MgIAL, for the purpose of true-up of the First Control Period for each sub items of the project Modification of Existing Terminal Building including interior and Kerbside to which common ratio was allocated by Airport Operator. Accordingly, the Authority proposes to consider aeronautical capital expenditure of ₹12.44 Crores for this project.
- 3.4.82 In view of the above, the total capex submitted by MgIAL for true-up versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 43: Capex as proposed by the Authority for Modification of Existing Terminal Building including interior and Kerbside

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Modification of Existing Terminal Building	-	32.19	12.97	12.44	0.53

B.3. Cargo Complex and Equipment

Capital Expenditure submitted by MgIAL for the True-up of the First Control Period

- 3.4.83 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹28.49 crore and aeronautical capital expenditure of ₹28.48 crore for the project Cargo Complex and Equipment towards the true-up of the First Control Period. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.
- 3.4.84 Subsequently, based on the Fixed Asset Register (FAR) submitted by MgIAL on 28th May 2026, the capital expenditure for the project was revised to ₹28.46 crore. Upon verification of the FAR, the Independent Consultant confirmed the actual capital expenditure at ₹28.46 crore, which is fully attributable to aeronautical assets.
- 3.4.85 The Authority, in its Tariff Order for the First Control Period (Order No. 38/2022-23), had allowed

aeronautical capital expenditure amounting to ₹23.35 Crores for Cargo Complex and Equipment. The FCP-approved scope comprised: (i) a new integrated cargo terminal building of approximately 2,600 sq.m designed to handle both domestic and international cargo operations, approved at ₹18.90 Crores; and (ii) cargo handling equipment integral to the operation of the cargo terminal, approved at ₹4.45 Crores, with capitalization envisaged in FY 2023–24.

- 3.4.86 The project is mandated by Clause 19.4 of the Concession Agreement, which requires MgIAL to develop a new Cargo Terminal Complex since the existing cargo facility is retained by AAICLAS (a subsidiary of AAI) in the carved-out area under Annexure IV of Schedule A to the Concession Agreement.

Table 44: Details of the FCP Approved and Actual Incurred Capital Expenditure for Cargo Complex and Equipment

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Cargo Complex and Equipment	23.35	28.49	28.48	28.46	28.46	5.11

- 3.4.87 In response to the Independent Consultant's queries regarding the increase in project cost, MgIAL has attributed the net overrun of ₹5.11 Crores over the AERA-approved cost of ₹23.35 Crores to an overrun in the cargo terminal building (B3(i)), partially offset by an under-spend on cargo equipment (B3(ii)). The overrun in the cargo terminal building is attributable to: (i) additional items and minor scope changes during execution arising from site conditions and design modifications required for operational functionality; (ii) cargo truck shed roofing, representing roofing of the trucking area not included in the originally approved FCP scope but undertaken to strengthen operational infrastructure; and (iii) steel price escalation attributable to material cost increases between design estimation and actual execution. With respect to cargo equipment (B3(ii)), MgIAL has submitted actual capitalization of only ₹0.35 Crores against the approved cost of ₹4.45 Crores.
- 3.4.88 The sub-component-wise position of actual capitalization as at 31st March 2026, as verified by the Independent Consultant, is set out in the table below:

Table 45: Sub-component-wise Position of Cargo Complex and Equipment

(₹ in Crores)

Sub-component	Aero Capex approved in FCP Order	Aero Capex by AO
B3(i): Cargo Terminal Building (2,600 sq.m integrated facility)	18.90	28.11
B3(ii): Cargo Equipment	4.45	0.35
Total	23.35	28.46

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

- 3.4.89 The Authority, through its Independent Consultant, has undertaken a detailed review and due diligence of the actual capital expenditure incurred by MgIAL during the First Control Period in respect of the above project. Since the actual expenditure exceeded the approved cost, the Independent Consultant sought from MgIAL supporting documents for scope additions, cost escalation, quantity variations and

contract documents, including per-unit rates, extra items executed, and steel price inflation data. MgIAL furnished supporting documents including purchase orders, cost sheets for additional items and scope changes, and documentation for the cargo truck shed roofing. The Independent Consultant has reviewed the documentation furnished by the Airport Operator and found the cost overrun justified.

- 3.4.90 The Authority notes that the development of the new cargo terminal is mandated by Clause 19.4 of the Concession Agreement, as the existing cargo facility is retained by AAICLAS in the carved-out area. MgIAL had no choice but to develop a new integrated cargo facility to fulfil its concession obligations, and the Authority accordingly treats this as an obligatory capital investment.
- 3.4.91 The Authority notes that the net overrun of ₹5.11 Crores over the AERA-approved cost of ₹23.35 Crores is attributable to an overrun in the cargo terminal building (B3(i)), partially offset by an under-spend on cargo equipment (B3(ii)). The Authority has examined the justifications furnished by MgIAL for the building overrun, comprising: (i) additional items and scope changes supported by purchase orders and cost sheets; (ii) cargo truck shed roofing) executed to provide weather protection for the trucking area, representing a scope addition not envisaged in the original BOQ; and (iii) steel price escalation attributable to material cost increases between design estimation and actual execution. Based on the said examination, on account of mandatory operational requirements and the rates considered, the Authority notes that the cost arrived at through the said process to be justified.
- 3.4.92 The Authority is satisfied that the expenditure is substantiated by supporting evidence and has been verified by the Independent Consultant at ₹28.46 Crores. The Authority accepts the Independent Consultant's verification in this regard.
- 3.4.93 The Authority has considered a 100% aeronautical allocation to this project, consistent with the airside nature of the Cargo Complex constructed.
- 3.4.94 In view of the above, the total capex submitted by MgIAL for true-up versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 46: Capital Expenditure as proposed by the Authority for Cargo Complex and Equipment

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Cargo Complex and Equipment	23.35	28.48	28.46	28.46	0.00

B.4. Fuel Farm Open Access System

Capital Expenditure submitted by MgIAL for the True-up of the First Control Period

- 3.4.95 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹27.15 crore and aeronautical capital expenditure of ₹27.05 crore for the project Fuel Farm Open Access System towards the true-up of the First Control Period. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.
- 3.4.96 Subsequently, based on the Fixed Asset Register (FAR) submitted by MgIAL on 28th May 2026, the capital expenditure for the project was revised to ₹27.10 crore. Upon verification of the FAR, the Independent Consultant confirmed the actual total capital expenditure at ₹27.10 crore, which is fully attributable to aeronautical assets.

3.4.97 The Authority, in its Tariff Order for the First Control Period (Order No. 38/2022-23), had allowed aeronautical capital expenditure amounting to ₹27.14 Crores for Fuel Farm Open Access System. The FCP-approved scope comprised: (i) purchase of existing fuel facility assets of Indian Oil Corporation Limited (IOCL) (₹10.00 Crores); and (ii) development of an integrated fuel farm facility including additional fuel storage capacity of 500 KL and a 5-bay gantry (₹17.14 Crores).

3.4.98 The project was undertaken pursuant to Clause 19.3 of the Concession Agreement relating to provision of aircraft fueling services, and pursuant to a Memorandum of Understanding (MoU) entered into between MgIAL and IOCL.

Table 47: FCP Approved and Actual Incurred Capex for Fuel Farm Open Access System

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Fuel Farm Open Access System	27.14	27.15	27.05	27.10	27.10	(0.04)

3.4.99 The sub-component-wise position of actual capitalization as at 31st March 2026 (based on Fixed Asset Register till FY 26) is set out in the table below:

Table 48: Sub-component-wise Position of Fuel Farm Open Access System

(₹ in Crores)

Sub-component	Aero Capex approved in FCP Order	Revised Aero Capex by AO
B4(i): Purchase of existing IOCL fuel facility assets	10.00	9.85
B4(ii): Development of Integrated Fuel Farm Facility (additional 500 KL storage, 5-bay gantry)	17.14	17.25
Total	27.14	27.10

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

3.4.100 The Authority, through its Independent Consultant, has undertaken a detailed review and due diligence of the actual capital expenditure incurred by MgIAL during the First Control Period in respect of the above project.

3.4.101 The Authority notes that the actual gross capital expenditure incurred (₹27.10 Crores) is marginally below the AERA-approved cost of ₹27.14 Crores. The project has been executed within the approved monetary envelope and there is no cost overrun.

3.4.102 The Authority further notes that the fuel farm open access system is mandated by Clause 19.3 of the Concession Agreement and that the project was executed in line with the MoU entered with IOCL and the LOA issued to the selected vendor following competitive bidding. The Authority is satisfied that the project has been executed in accordance with the terms of the Concession Agreement and the FCP Tariff Order.

3.4.103 The Authority has considered a 100% aeronautical allocation to this project, consistent with the airside nature of the Fuel Farm Open Access System.

3.4.104 In view of the above, the total capex submitted by MgIAL for true-up versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 49: Details of Capex as proposed by the Authority for Fuel Farm Open Access System*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Fuel Farm Open Access System	27.14	27.05	27.10	27.10	0.00

B.5. Security Equipment**Capital Expenditure submitted by MgIAL for the True-up of the First Control Period**

3.4.105 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹37.64 crore and aeronautical capital expenditure of ₹36.66 crore for the project Security Equipment towards the true-up of the First Control Period. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.

3.4.106 Subsequently, based on the Fixed Asset Register (FAR) submitted by MgIAL on 28th May 2026, the capital expenditure for the project was revised to ₹17.04 crore. Upon verification of the FAR, the Independent Consultant confirmed the actual total capital expenditure at ₹17.04 crore, with the corresponding aeronautical capital expenditure amounting to ₹17.03 crore.

3.4.107 The Authority, in its Tariff Order for the First Control Period (Order No. 38/ 2022-23) had allowed aeronautical capital expenditure amounting to ₹ 3.36 Crores for Security Equipment. The project encompasses procurement of Airport Rescue and Fire Fighting (ARFF) equipment and related airside safety assets required for airport safety, emergency response and security operations at Mangaluru International Airport (MgIAL).

Table 50: Details of the FCP Approved and Actual Incurred Capital Expenditure for Security Equipment*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Security Equipment	3.36	37.64	36.66	17.04	17.03	13.67

3.4.108 MgIAL has attributed the variance to the procurement of additional ARFF and airside safety equipment that was not envisaged at the FCP stage, necessitated by operational and regulatory requirements that arose during the Control Period, including compliance with DGCA CARs, ICAO Annex 14 and BCAS directives relating to runway safety, emergency response capability and firefighting preparedness.

3.4.109 In response to the Independent Consultant's queries, MgIAL on 12th June 2026, has submitted the item-wise details of assets capitalized under the above project, together with the justification for each item, set out in the table below:

Table 51: Other Associated Works Capitalized for Security Equipment as per MgIAL*(₹ in Crores)*

Asset / Equipment	Capitalised Amount till FY26 (₹ Cr.)	Description and Justification
Runway Rubber Removal Machine	5.48	Procured to ensure regular removal of rubber deposits from touchdown zones as per DGCA and ICAO guidelines for runway friction maintenance. Given the high-rainfall location and tabletop runway configuration of MgIAL, in-house availability was operationally justified. Previously taken on hire from AAI; availability was uncertain and scheduling constraints arose.
Rosenbauer Panther ACFT - RIV (Additional Cost)	3.96	Refurbishment of ageing Crash Fire Tenders (CFTs) - three of five CFTs are over 10–12 years old (procured 2010). Detailed inspection by M/s Anlon Technology Solutions (authorised Rosenbauer partner in India) identified Priority 1 observations; repair and replacement of spares were executed accordingly.
Runway Sweeper Machine	2.96	Procured for mechanical runway, apron and taxiway cleaning to address continuous algae formation arising from high rainfall at MgIAL. Manual cleaning was time-consuming; mechanical sweeping is necessary for safe aircraft operations and to avoid runway overruns.
Airport Surface Friction Testing Machine (ASFT)	1.50	Procured for quarterly runway friction testing as required for tabletop runway compliance under DGCA CARs and ICAO Annex 14. Previously taken on hire from AAI; scheduling conflicts and non-availability of AAI's single machine warranted in-house procurement.
Fire Fighting Systems	1.18	Trolley-mounted extinguishers, smoke extractors, portable pumps, breathing apparatus, fire suits, helmets, gloves and related equipment - essential for maintaining frontline ARFF readiness and firefighter safety during aircraft and structural emergencies.
Civil Works - ARFF Building	0.45	Refurbishment of existing ARFF building (constructed 2008) including replacement of worn-out flooring, deteriorated sanitary fittings, internal doors, windows and repainting, to maintain 24×7 operational readiness of firefighting facilities.
Vehicles (Follow-Me Vehicle and ARFF XUV)	0.44	Procurement of one MG ZS EV (Follow-Me Vehicle) and one Mahindra XUV400 - electric vehicles replacing earlier internal combustion engine vehicles for marshalling and airside emergency response.
High Mast Lighting - Additional Cost	0.32	Replacement of outdoor panels installed in 2009 (landside, apron and airside) that had deteriorated due to weather exposure (rust, damage), posing a safety hazard and no longer serviceable by repair.
ARFF Gymnasium	0.29	On-site gymnasium facility to maintain physical fitness and operational readiness of ARFF personnel, as required by mandatory fitness standards for firefighting personnel.
Smoke Extractor / Fire Equipment	0.02	Ancillary firefighting equipment for ARFF operational support.
Other Items (as per FAR)	0.43	Minor ARFF support items including safety training kits, PPE, operational equipment and ancillary tools supporting ARFF facility functionality.
Total	17.04	

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

3.4.110 The Authority, through the Independent Consultant, has undertaken a detailed review and due diligence of the actual capital expenditure incurred by MgIAL during the First Control Period in respect of the above project. As part of the due diligence exercise, the Independent Consultant reviewed the Fixed

Asset Register, procurement and bidding processes, project implementation details, rates considered and supporting documentation submitted by MgIAL, including purchase orders and invoices. The assessment also encompassed the need, essentiality and prudence of the capital expenditure incurred.

- 3.4.111 The Authority notes that MgIAL has attributed the procurement of additional ARFF and airside safety equipment to operational and regulatory requirements that arose during the Control Period and were not foreseeable at the FCP stage. The Authority observes that a significant portion of the expenditure relates to equipment required for compliance with DGCA CARs, ICAO Annex 14 and BCAS directives pertaining to runway friction management, ARFF category maintenance and emergency response capability.
- 3.4.112 The Authority is satisfied that the procurement of the Runway Rubber Removal Machine, Airport Surface Friction Testing Machine, Rosenbauer Panther CFT refurbishment and Runway Sweeper Machine was necessitated by regulatory compliance obligations applicable to MgIAL as a tabletop runway airport operating in a high-rainfall environment, and that in-house procurement was operationally justified given the demonstrated constraints on external availability from AAI.
- 3.4.113 The Authority notes the significant variance between the MYTP figure of ₹37.64 Crores (gross) and the FAR-verified figure of ₹17.04 Crores, for gross capital expenditure. For the purpose of true-up, the Authority determines that only expenditure actually capitalized and reflected in the FAR, i.e. ₹17.04 Crores, as on 31st March 2026 is admissible.
- 3.4.114 The Authority has revised the aeronautical allocation ratio to 92.00%, in line with the decision made by Authority in the First Control Period (refer paras 3.4.10), as against 96.02% claimed by MgIAL, for the purpose of true-up of the First Control Period for each sub items of the project Security Equipment to which common ratio was allocated by Airport Operator. Accordingly, the Authority proposes to consider aeronautical capital expenditure of ₹17.02 Crores for this project.
- 3.4.115 In view of the above, the total capex submitted by MgIAL for true-up versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 52: Capex as proposed by the Authority for Security Equipment

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Security Equipment	3.36	36.66	17.03	17.02	0.01

B.6. Plant & Machinery

Capital Expenditure submitted by MgIAL for the True-up of the First Control Period

- 3.4.116 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹32.91 crore and aeronautical capital expenditure of ₹32.28 crore for the project Plant and Machinery towards the true-up of the First Control Period. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission
- 3.4.117 Subsequently, based on the Fixed Asset Register (FAR) submitted by MgIAL on 28th May 2026, the capital expenditure for the project was revised to ₹34.75 crore. Upon verification of the FAR, the Independent Consultant confirmed the actual capital expenditure at ₹34.75 crore, with the corresponding aeronautical capital expenditure amounting to ₹34.28 crore.

3.4.118 In the Tariff Order for the First Control Period (Order No. 38/2022-23), the Authority had approved aeronautical capital expenditure of ₹26.00 crore towards Plant and Machinery. The approved scope comprised: (i) trans-installation of navigational aids (Nav aids) on account of runway improvement works (₹2.08 crore); (ii) Bomb Detection and Disposal Squad (BDDS) equipment (₹11.26 crore); (iii) electrical substation equipment for the airside (₹4.45 crore); (iv) water tanks, substation and STP-related works (₹2.64 crore); and (v) other miscellaneous items (₹5.57 crore).

Table 53: FCP Approved and Actual Incurred Capex for Plant & Machinery

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Plant and Machinery	26.00	32.91	32.28	34.75	34.28	8.28

3.4.119 In response to the Independent Consultant's queries regarding substantial expenditure incurred under the miscellaneous head in the Fixed Asset Register (FAR), MgIAL on 20th April 2026, has attributed the variance from the approved cost to additional plant and machinery expenditure beyond the scope approved for the First Control Period. MgIAL has submitted that such expenditure arose on account of regulatory mandates, operational requirements, safety considerations, and statutory obligations that emerged during the Control Period and were not foreseeable at the FCP stage.

3.4.120 MgIAL further submitted that the additional expenditure could be broadly categorized under five heads, namely: (i) safety, security and regulatory compliance; (ii) operational continuity and airside/landside efficiency; (iii) IT, communication and surveillance infrastructure; (iv) environmental, statutory and sustainability-driven assets; and (v) passenger, staff welfare and support infrastructure. MgIAL stated that these investments were undertaken to address evolving BCAS, DGCA, CISF and ICAO requirements, strengthen operational resilience, enhance surveillance and cybersecurity capabilities, comply with environmental obligations and meet statutory workforce and operational requirements.

3.4.121 In response to the Independent Consultant's queries, MgIAL on 12th June 2026, has submitted the item-wise details of assets capitalized under the above project, together with the justification for each item, set out in the table below:

Table 54: Item-wise Details of Other Associated Works Capitalized for Plant & Machinery

(₹ in Crores)

Asset/ Equipment	Capitalised Amount till FY26 (₹ Cr.)	Description and Justification
Perimeter Intrusion Detection System (PIDS) - Airside	2.75	BCAS-mandated PIDS for airside perimeter security; Design, Supply, Installation, Testing, Commissioning and CAMC
CCTV Camera Installation	2.83	Additional CCTV cameras for new operational areas and upgrade of unserviceable existing cameras, including cabling, servers and accessories
Suspect Luggage Containment Vessel (SLCV)	2.54	Mandatory BDDS equipment per BCAS AVSEC Circular 13/2017 for activation of fully functional BDDS unit at MgIAL, given history of security incidents
Bomb Detection and Disposal Squad (BDDS) Equipment	1.46	BDDS equipment per BCAS AVSEC inspection report (July 2019) mandating provision of AVSEC Circular 18/2010 and 20/2010 equipment to the Aviation Security Group

Asset/ Equipment	Capitalised Amount till FY26 (₹ Cr.)	Description and Justification
Miniature Remote Operating Vehicle (MROV)	1.35	Remotely operated device for bomb/IED disposal - part of BDDS equipment suite for safe handling of confirmed threats without human exposure
Scanner (Rapiscan HXP / Astrophysics)	1.31	X-BIS machines per addendum to AVSEC Circular 11/2017 - dual-view baggage inspection systems for detection of dangerous/prohibited items
QRT Vehicle (Bullet-Resistant Marksmen Vehicle)	1.14	Bullet-resistant vehicle for CISF Aviation Security Group QRT tasks per BCAS AVSEC Circular 12/2017 for rapid contingency deployment
Grass Cutting and Collection Machine	1.09	Mechanised grass cutting and collection machine for airside - mandatory for runway/taxiway/apron safety and wildlife hazard management
3D Wall-Through Radar	1.08	Proactive security enhancement to eliminate surveillance blind spots and strengthen layered aviation security framework for rapid threat response
Multi-Criteria Explosive Trace Detector	0.84	4 Nos. ION Scan 600 ETD systems at Terminal - procured per CISF and BCAS guidelines for explosive trace detection
Bullet Camera (PIDS and Operational)	0.66	Supply of cameras for PIDS project and other operational surveillance requirements
Dome Camera	0.33	Additional surveillance cameras for coverage expansion
Boundary Wall (near CISF Barrack)	0.65	Construction of boundary wall to support CISF security infrastructure
Short Range Thermal Weapon Sight	0.64	QRT equipment for CISF Quick Reaction Team for enhanced low-visibility operational capability
Painting Machine (Airside)	0.62	Graco paint marking machine for airside - pavement marking maintenance per DGCA/ICAO requirements
Civil Work - Solid Waste Processing Facility	0.55	Construction of Solid Waste Processing and Storage Unit with Organic Waste Composter for environmental compliance
Network Switches - Cisco C9200 (Tech Refresh)	0.51	SITC of network switches for CCTV/IT infrastructure tech refresh to maintain cybersecurity and network reliability
Robotic Scrubber (Makita DRC200Z)	0.48	2 Nos. robotic scrubber-dryers for terminal cleanliness - operational efficiency and hygiene compliance
Resto Bar (Terminal Structure)	0.46	Core and shell fabrication of Resto Bar structure inside terminal and landside
Hydra F15 Crane	0.45	F-15 Crane with Man Bucket for airside maintenance and operational support
CCTV Camera - POS Integration	0.34	Supply of cameras and accessories for POS-CCTV integration
Lightning Protection System Augmentation	0.28	Design, SITC of lightning arresters and earthing system for airside safety
Staff Canteen Refurbishment	0.25	Kitchen refurbishment for CISF and staff canteen to meet statutory staff welfare requirements
Chiller Refurbishment	0.25	Replacement of copper tubes, refrigerant gas and lubricating oil for McQuay screw chillers (4×300 TR) - asset life maintenance
Epoxy Flooring - Utility Areas	0.24	Supply and application of epoxy flooring for utility rooms
Drainage Works - Airside (RESA Katcha Drain)	0.21	Civil works for RESA and katcha drain on south side of runway strip for DGCA compliance
High Tea Garden / Landscaping	0.21	Supply of plants for landscaping at MgIAL - environmental compliance and sustainability
Smart Traffic Signalling Cameras	0.21	SITC of smart traffic signalling system at three-way junctions at MgIAL

Asset/ Equipment	Capitalised Amount till FY26 (₹ Cr.)	Description and Justification
Continuous Ambient Air Monitoring System	0.19	Supply, Installation, Testing and Commissioning of continuous noise/air monitoring - environmental clearance compliance
Revenue Leakage Control Centre (Civil Works)	0.19	Renovation of RLCC (civil, electrical, interior and furniture) for revenue protection and access control
Other Items (various, individually below ₹0.15 Crores)	10.68	Miscellaneous plant and machinery items including safety training equipment, PPE, IT infrastructure, operational tools, staff welfare and environmental support assets
Total	34.75	

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

- 3.4.122 The Authority, through the Independent Consultant, has undertaken a detailed review and due diligence of the actual capital expenditure incurred by MgIAL during the First Control Period in respect of the above project. As part of the due diligence exercise, the Independent Consultant reviewed the Fixed Asset Register, item-wise justifications, procurement processes, rates considered and supporting documentation, including documentation of the operational necessity and regulatory basis for each asset. The assessment encompassed the need, essentiality and prudence of the capital expenditure incurred.
- 3.4.123 The Authority notes that a significant portion of the additional expenditure over the approved cost is attributable to safety, security and regulatory compliance items mandated by BCAS, DGCA and ICAO during the Control Period. The Authority is satisfied that expenditure on the Perimeter Intrusion Detection System (₹2.75 Crores), Suspect Luggage Containment Vessel and BDDS equipment (₹4.00 Crores), baggage inspection scanners (₹1.31 Crores), QRT vehicle (₹1.14 Crores), MROV (₹1.35 Crores) and Explosive Trace Detectors (₹0.84 Crores) was necessitated by BCAS AVSEC directives and CISF requirements, and these items are found as prudently incurred expenditure. The Authority similarly finds the airside painting machine and RESA drainage works as airside safety and operational compliance items required under DGCA and ICAO standards.
- 3.4.124 The Authority observes that certain expenditure items recorded in the FAR-such as the Resto Bar structure (₹0.46 crore), high tea garden and landscaping (₹0.21 crore), and other staff welfare-related assets-may not, on a standalone basis, qualify as prudently incurred aeronautical CAPEX. The Authority, however, recognizes that such expenditures have been undertaken to meet various operational requirements of the airport. Accordingly, in view of the Independent Consultant's assessment and validation of the total gross CAPEX of ₹34.75 crore and considering that the individual items are of relatively minor value, the Authority accepts the Independent Consultant's conclusions regarding the total verified CAPEX.
- 3.4.125 The Authority has revised the aeronautical allocation ratio to 92.00%, in line with the decision made by Authority in the First Control Period (refer paras 3.4.10 and 3.4.19), as against 96.02% claimed by MgIAL, for the purpose of true-up of the First Control Period for each sub items of the project Plant and Machinery to which common ratio was allocated by Airport Operator. Accordingly, the Authority proposes to consider aeronautical capital expenditure of ₹33.83 Crores for this project.
- 3.4.126 In view of the above, the total capex submitted by MgIAL for true-up (based on the Fixed Asset Register) versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 55: Capex as proposed by the Authority for Plant & Machinery*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Plant and Machinery	26.00	32.28	34.28	33.83	0.45

B.7. Roads**Capital Expenditure submitted by MgIAL for the True-up of the First Control Period**

3.4.127 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹2.38 crore in respect of the project Roads for the true-up of the First Control Period. The entire expenditure was claimed as aeronautical capital expenditure. MYTP incorporated actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.

3.4.128 Subsequently, MgIAL submitted the revised capital expenditure incurred towards the Roads project based on actual incurrence during FY 2025-26, as reflected in the Fixed Asset Register (FAR) submitted on 28th May 2026. Based on verification of the FAR by the Independent Consultant, the actual total capital expenditure was assessed at ₹2.39 crore, which is entirely attributable to aeronautical assets.

3.4.129 The Authority, in its Tariff Order for the First Control Period (Order No. 38/ 2022-23) had allowed aeronautical capital expenditure amounting to ₹ 3.00 Crores for Roads. The approved scope for the project comprised road entry and exit improvement works (₹3.00 Crores). Specifically, widening, strengthening and reconstruction of the road connecting the Old Terminal Building and the eastern part of the Airport to Bajpe Town, used by critical airport stakeholders including ATC, CNS, NATS, CISF, the fuel farm, AAICLAS Cargo and Coast Guards.

Table 56: FCP Approved and Actual Incurred Capital Expenditure for Roads*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Roads	3.00	2.38	2.38	2.39	2.39	(0.61)

3.4.130 The Authority through its independent consultant notes that the actual expenditure does not correspond to the FCP-approved scope. The approved road entry and exit improvement works were not executed during the First Control Period. In their place, MgIAL has capitalized ₹2.39 Crores towards construction of a new airside perimeter road around the proposed Coast Guard development area on the east side of the old terminal building - classified under Miscellaneous Road Works - which was not part of the FCP-approved scope. The sub-component-wise position is set out in the table below:

Table 57: Sub-component-wise Position of Roads*(₹ in Crores)*

Sub-component	AERA Approved Aero Capex (₹ Cr.)	Actual Capitalised till FY 2026 (₹ Cr.)
B7(i): Road Entry and Exit Improvement Works (Old Terminal to Bajpe Town)	3.00	-

Sub-component	AERA Approved Aero Capex (₹ Cr.)	Actual Capitalised till FY 2026 (₹ Cr.)
B7(ii): Vehicle Access Roadway and Related Works	-	-
B7(iii): Miscellaneous Road Works - New Airside Perimeter Road (Coast Guard Area)	-	2.39
Total	3.00	2.39

3.4.131 MgIAL has submitted that the road work executed during the First Control Period was undertaken in connection with the relocation of the Indian Coast Guard (ICG) facility through a land swap arrangement. The original 4.2-acre land parcel, allotted by AAI to the ICG under a 30-year lease arrangement and subsequently transferred to MgIAL upon privatization of the airport, was identified during the preparation of the Airport Master Plan as being required for planned airport expansion and development activities. The parcel, located near the decommissioned Runway 09/27 and adjacent to the CISF/AAI residential area, was proposed to be utilized for integrated airport infrastructure development, including the cargo terminal, truck parking facilities, solid waste management and other support facilities. Accordingly, MgIAL proposed relocation of the ICG facility while retaining the same 4.2-acre entitlement and ensuring uninterrupted operational access to the runway, apron, and landside facilities. Consequently, the existing road alignment was required to be realigned, and a new airside perimeter road, along with associated enabling works such as land grading, drainage systems, utility shifting, and connectivity infrastructure, was undertaken to ensure uninterrupted airside vehicular movement, operational connectivity, and seamless integration of airside and landside operations around the proposed ICG facility. The same is illustrated in the figure below:

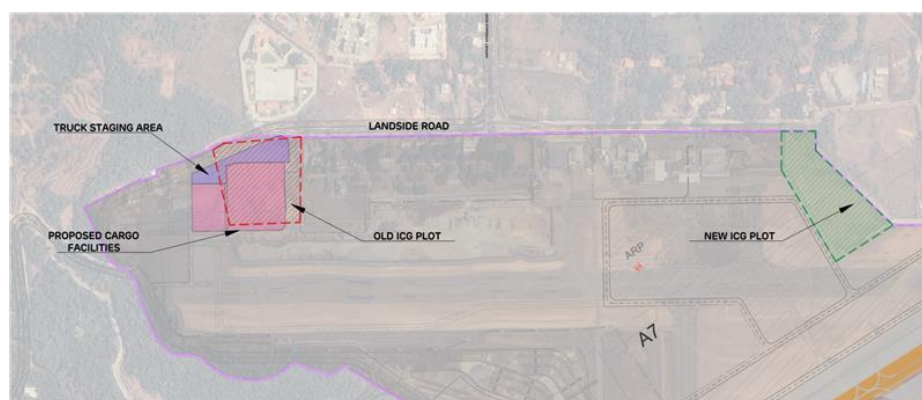


Figure 1: Existing and Proposed Location of ICG Facility and Perimeter Road Diversion

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

3.4.132 The Authority, through its Independent Consultant, has examined MgIAL's submissions and the capital expenditure incurred during the First Control Period in respect of above project. The Authority notes that this project involves a change of scope: the FCP-approved road entry and exit improvement works (₹3.00 Crores) were not executed during the First Control Period, and in their place MgIAL has capitalized ₹2.39 Crores towards construction of a new airside perimeter road around the proposed Coast Guard development area, which was not part of the FCP-approved scope.

3.4.133 The Authority notes MgIAL's submission that the construction of the new perimeter road was necessitated by the relocation of the Indian Coast Guard (ICG) facility. The original 4.2-acre land parcel had been allotted by AAI to the ICG under a 30-year lease arrangement, the rights and obligations of which were subsequently transferred to MgIAL upon privatization of the airport. During the preparation of the Airport Master Plan, MgIAL identified that the originally allotted parcel was required for planned airport expansion and development activities, including cargo terminal development, truck parking facilities, improved landside connectivity, and integration of support infrastructure. Accordingly,

MgIAL proposed relocation of the ICG facility through a land swap arrangement while retaining the same 4.2-acre entitlement and ensuring uninterrupted operational access. The Authority is of the view that the associated enabling works, including land grading, perimeter road diversion, drainage systems, utility shifting, and connectivity infrastructure, constituted a legitimate operational necessity directly linked to the planned airport development and were not avoidable in the circumstances. The Authority therefore accepts the justification.

- 3.4.134 The Authority, through the Independent Consultant, has examined the proposed CAPEX, inter alia, including a detailed review of the Fixed Asset Register, Purchase Orders and supporting documentation pertaining to the project components. Based on the said examination, on account of mandatory operational requirements and the rates considered, the Authority notes that the cost arrived at through the said process to be justified.
- 3.4.135 The Authority further notes that the executed road is an airside perimeter road is consistent with the classification of airside perimeter roads as 100% aeronautical assets in line with the Asset Allocation Report and the treatment adopted in the FCP Tariff Order for Project Widening and Strengthening of Existing Perimeter Road.
- 3.4.136 The Authority notes that the road entry and exit improvement works approved under Road Entry and Exit Improvement Works were not executed during the First Control Period. Accordingly, the approved cost for B7(i) is not admissible for true-up, as no capitalization has been recorded in the FAR against this sub-component.
- 3.4.137 The Authority has considered a 100% aeronautical allocation to this project, consistent with the airside nature of the perimeter road constructed.
- 3.4.138 In view of the above, the total capex submitted by MgIAL for true-up (based on the Fixed Asset Register) versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 58: Capital Expenditure as proposed by the Authority for Roads

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Roads	3.00	2.38	2.39	2.39	0.00

B.8. Boundary Wall

Capital Expenditure submitted by MgIAL for the True-up of the First Control Period

- 3.4.139 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹4.27 in respect of the project Boundary Wall for the true-up of the First Control Period. The entire expenditure was claimed as aeronautical capital expenditure. The MYTP incorporated actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.
- 3.4.140 Subsequently, MgIAL submitted the revised capital expenditure incurred towards the Boundary Wall project based on actual incurrence during FY 2025-26, as reflected in the Fixed Asset Register (FAR) submitted on 28th May 2026. Based on verification of the FAR by the Independent Consultant, the actual total capital expenditure was assessed at ₹4.65 crore, which was entirely attributable to aeronautical assets.
- 3.4.141 The Authority, in its Tariff Order for the First Control Period (Order No. 38/2022-23), had approved aeronautical capital expenditure of ₹2.29 crore towards the Boundary Wall project. The approved scope

comprised rebuilding sections of the airside operational boundary wall with the objective of strengthening airport security infrastructure.

Table 59: FCP Approved and Actual Incurred Capital Expenditure for Boundary Wall

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Boundary Wall	2.29	4.27	4.27	4.65	4.65	2.36

3.4.142 MgIAL has submitted that the overrun in the airside operational boundary wall is attributable to the construction of an additional boundary wall along the stretch from Watchtower-1 to Tango-6, which was not included in the FCP-approved BOQ. MgIAL has submitted that the existing GI perimeter fencing along this stretch had undergone severe corrosion and structural degradation due to prolonged exposure to the coastal environment at Mangaluru (high humidity, salinity and monsoon impact), rendering it susceptible to intrusion through cutting and tampering, and no longer fit for purpose as a security perimeter barrier. The deteriorated condition was formally recorded in the Security Committee meeting at MgIAL and categorized as a security vulnerability requiring immediate corrective action.

3.4.143 MgIAL determined that it was technically justified and operationally prudent to replace the existing GI fencing with a Precast Reinforced Concrete (RC) wall system, citing superior resistance to intrusion, corrosion and coastal weathering; a longer operational life; reduced lifecycle maintenance costs; improved integration with perimeter lighting and surveillance systems; and alignment with BCAS aviation security advisories and ICAO Annex 17 perimeter security requirements.

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

3.4.144 The Authority, through its Independent Consultant, has examined the capital expenditure submitted by MgIAL. Since the actual expenditure exceeded the approved cost, the Independent Consultant sought supporting documents and justifications for the additional boundary wall works executed beyond the approved scope, along with relevant drawings, approvals and cost details. MgIAL furnished the technical justification note for the Watchtower-1 to Tango-6 wall, confirming the deteriorated condition of the existing GI fencing, the Security Committee recording, and the technical basis for upgrading to a precast RCC wall. The Independent Consultant reviewed the documentation and accepted the justification.

3.4.145 The Authority notes that the overrun of ₹2.36 Crores over the FCP-approved cost of ₹2.29 Crores is attributable to the construction of a precast RCC boundary wall from Watchtower-1 to Tango-6, replacing severely corroded GI perimeter fencing formally identified as a security vulnerability. The Authority is satisfied that the replacement of deteriorated GI fencing with a permanent precast RCC structure along a sensitive airside perimeter stretch constitutes a capital upgrade and security infrastructure improvement rather than routine repair and maintenance, and that the expenditure was prudently incurred in compliance with BCAS aviation security requirements and ICAO Annex 17 perimeter security principles.

3.4.146 The Authority further notes MgIAL's submission that the nature of the expenditure - being replacement of an existing temporary or light structure (GI fencing) with a permanent engineered civil asset (precast RCC wall), resulting in a significant enhancement of asset life, security capability and regulatory compliance - qualifies the same as capital expenditure rather than operational expenditure, consistent with accounting standards. The Authority accepts this characterization and the Independent Consultant's finding in this regard.

3.4.147 The Authority, through the Independent Consultant, has examined the proposed CAPEX, inter alia, including a detailed review of the Fixed Asset Register, Purchase Orders and supporting documentation pertaining to the project components. Based on the said examination, on account of mandatory requirements and the rates considered, the Authority notes that the cost arrived at through the said process to be justified.

3.4.148 The Authority notes that the airside boundary wall is classified as 100% aeronautical, consistent with the treatment of airside assets in the FCP Tariff Order and the Asset Allocation Report, and that the Independent Consultant has accordingly assessed the admissible aeronautical capex at ₹4.65 Crores, equal to the gross capex.

3.4.149 In view of the above, the total capex submitted by MgIAL for true-up (based on the Fixed Asset Register) versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 60: Capital Expenditure as proposed by the Authority for Boundary Wall

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Boundary Wall	2.29	4.27	4.65	4.65	0.00

B.9. Information Technology Work

Capital Expenditure submitted by MgIAL for the True-up of the First Control Period

3.4.150 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹50.68 crore and aeronautical capital expenditure of ₹49.00 crore in respect of the project Information Technology Works for the true-up of the First Control Period. The MYTP incorporated actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.

3.4.151 Subsequently, MgIAL submitted the revised capital expenditure incurred towards Information Technology Works based on actual incurrence during FY 2025-26, as reflected in the Fixed Asset Register (FAR) submitted on 28th May 2026. Based on verification of the FAR by the Independent Consultant, the actual total capital expenditure was assessed at ₹41.42 crore, with the corresponding aeronautical capital expenditure amounting to ₹40.10 crore.

3.4.152 The Authority, in its Tariff Order for the First Control Period (Order No. 38/2022-23), had approved aeronautical capital expenditure of ₹5.98 crore towards Information Technology Works. The approved cost was determined based on the Authority's view that the project could be implemented in a phased manner, with only essential capital expenditure being undertaken during the First Control Period

3.4.153 The actual total capital expenditure of ₹41.42 crore, based on Fixed Asset Register (FAR), represents a material expansion beyond the originally approved scope, driven by IT initiatives that were not part of the FCP-approved plan.

Table 61: FCP Approved and Actual Incurred Capital Expenditure for Information Technology Work*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Information Technology Work	5.98	50.68	49.00	41.42	40.10	34.12

3.4.154 MgIAL has attributed the variance to the implementation of IT initiatives and projects that arose from operational and cybersecurity requirements and passenger facilitation needs that were not envisaged at the time of FCP approval.

3.4.155 As mentioned in the Multi-Year Tariff Proposal (MYTP), the major IT projects undertaken during the Control Period include Digi Yatra biometric-based passenger processing, Network Segmentation for cybersecurity infrastructure, IT Peripherals and Network Components, Passenger Wi-Fi and 5G Infrastructure, Enterprise Bus Project for integration middleware, Network Racks for Data Centre, and other IT initiatives relating to cybersecurity, cloud, AI and disaster recovery.

3.4.156 In response to the Independent Consultant's queries, MgIAL on 19th February 2026, has submitted that capital expenditure of approximately ₹27 crore was incurred towards implementation of cybersecurity frameworks, network monitoring and intrusion detection systems, cloud-based data management platforms, biometric authentication solutions (including Digi Yatra), AI-enabled surveillance systems and disaster recovery infrastructure. MgIAL has contended that these investments were undertaken to strengthen airport security, ensure business continuity, enhance operational efficiency and comply with evolving aviation security and technology requirements.

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

3.4.157 The Authority, through its Independent Consultant, undertook a detailed review and due diligence of the actual capital expenditure incurred by MgIAL under the project. The Independent Consultant sought detailed justifications for the necessity of the expenditure incurred, the operational and business requirements necessitating such investments, and the supporting procurement and capitalization records. MgIAL furnished detailed explanations and supporting documents demonstrating that the expenditure was undertaken primarily in response to operational requirements, cybersecurity considerations and passenger facilitation needs.

3.4.158 The Authority has examined the submissions made by MgIAL and the findings of the Independent Consultant. The Authority notes that a significant portion of the additional expenditure relates to implementation of cybersecurity frameworks, network monitoring systems, intrusion detection systems, cloud-based data platforms, AI-enabled surveillance systems and disaster recovery infrastructure. The Authority is of the view that such investments have become increasingly necessary in light of evolving cybersecurity threats, growing digital dependence of airport operations and security requirements applicable to aviation infrastructure. The Authority therefore considers such expenditure to be prudently incurred for strengthening the airport's IT security framework and ensuring operational resilience and business continuity.

3.4.159 The Authority further notes that expenditure incurred towards Digi Yatra implementation was undertaken pursuant to the Ministry of Civil Aviation's initiative to facilitate biometric-based passenger processing at airports. As the implementation of Digi Yatra arises from a regulatory and policy initiative aimed at enhancing passenger processing efficiency and operational effectiveness, the Authority considers the associated expenditure as admissible capital expenditure.

- 3.4.160 The Authority also notes that investments in Passenger Wi-Fi and 5G infrastructure, IT peripherals and network components, data centre infrastructure and the Enterprise Bus Project were undertaken to enhance passenger experience, improve connectivity and facilitate integration of airport operational systems. The Authority is of the view that such systems form an integral part of modern airport operations and contribute directly to operational efficiency, passenger service quality and airline facilitation. Accordingly, such expenditure is considered appropriate for admission as aeronautical capital expenditure.
- 3.4.161 The Authority notes that, during the 1st Airport Users Consultative Committee (AUCC) meeting held on 28th May 2021, IndiGo had requested the provision of boarding pass re-printing facilities and passenger self-service options at Mangaluru International Airport. The Authority notes that these passenger facilitation requirements were addressed through the implementation of IT and airport automation systems under the project Information technology works.
- 3.4.162 The Authority, through its Independent Consultant, has reviewed the FAR, procurement documentation, capitalization records and other supporting documents submitted by MgIAL. The Authority is satisfied that adequate justification has been provided regarding the operational, cybersecurity and passenger facilitation requirements that necessitated the additional expenditure incurred under the project.
- 3.4.163 The Authority, through the Independent Consultant, has examined the proposed CAPEX, inter alia, including a detailed review of the Fixed Asset Register, Purchase Orders and supporting documentation pertaining to the project components. Based on the said examination, on account of operational, cybersecurity and passenger facilitation requirements and the rates considered, the Authority notes that the cost arrived at through the said process to be justified.
- 3.4.164 For the purpose of true-up, the Authority determines that only expenditure actually capitalized and reflected in the Fixed Asset Register (FAR) is admissible. Accordingly, the Authority determines the Independent Consultant's verified total capital expenditure of ₹41.42 Crores as the admissible total capital expenditure for this project.
- 3.4.165 The Authority has revised the aeronautical allocation ratio to 92.00%, in line with the decision made by Authority in the First Control Period (refer paras 3.4.10 and 3.4.19), as against 96.02% claimed by MgIAL, for the purpose of true-up of the First Control Period for each sub items of the project IT work to which common ratio was allocated by Airport Operator. Accordingly, the Authority proposes to consider aeronautical capital expenditure of ₹38.78 Crores for this project.
- 3.4.166 Accordingly, the comparison of the capital expenditure submitted by MgIAL for the true-up of the First Control Period and the capital expenditure proposed to be considered by the Authority is presented in the table below:

Table 62: Capital Expenditure as proposed by the Authority for Information Technology Work**(₹ in Crores)**

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Information Technology Work	5.98	49.00	40.10	38.78	1.32

B.10. Other Associated work**Capital Expenditure submitted by MgIAL for the True-up of the First Control Period**

- 3.4.167 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital

expenditure of ₹15.69 crore and aeronautical capital expenditure of ₹15.22 crore in respect of the project Other Associated Works for the true-up of the First Control Period. The MYTP incorporated actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.

3.4.168 Subsequently, MgIAL submitted the revised capital expenditure incurred towards Other Associated Works based on actual incurrence during FY 2025-26, as reflected in the Fixed Asset Register (FAR) submitted on 28th May 2026. Based on verification of the FAR, the Independent Consultant assessed the actual total capital expenditure at ₹19.34 crore, with the corresponding actual aeronautical capital expenditure amounting to ₹18.73 crore.

3.4.169 The Authority, in its Tariff Order for the First Control Period (Order No. 38/2022-23), had approved aeronautical capital expenditure of ₹11.53 crore for Other Associated Works. The approved scope comprised: (i) water disposal and supply works, including a pump house and dedicated water supply line from a perennial river, amounting to ₹5.52 crore; (ii) relocation and construction of the airside security gate, amounting to ₹1.00 crore; and (iii) rainwater harvesting works amounting to ₹5.01 crore.

Table 63: FCP Approved and Actual Incurred Capital Expenditure for Other Associated work

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Other Associated Works	11.53	15.69	15.22	19.34	18.73	7.20

3.4.170 In response to the Independent Consultant's queries, MgIAL on 19th April 2026, has submitted that, of the total gross capex of ₹19.34 Crores, an amount of ₹14.14 Crores was incurred under associated works not forming part of the FCP-approved scope. MgIAL has attributed this additional expenditure to safety and security infrastructure, operational facilities, passenger facilitation assets, staff and support infrastructure, environmental monitoring systems, and communication and display systems - all arising from regulatory mandates, terminal operationalization, traffic growth and execution-stage operational requirements that were not foreseeable at the FCP stage.

3.4.171 In response to the Independent Consultant's queries, MgIAL on 12th June 2026, has submitted the item-wise details of assets capitalised under the above project, together with the justification for each item, set out in the table below:

Table 64: Details of Other Associated Works Capitalised

(₹ in Crores)

Asset / Work	Capitalised Amount till FY26 (₹ Cr.)	Description and Justification
E-Gates (4 Nos.) - Digi Yatra and queue management	1.90	Supply, installation and commissioning of 4 e-gates to facilitate Digi Yatra implementation and reduce passenger queuing during peak hours
Poly House / Nursery (Landscape and Green Wall)	1.70	Landscape development and SITC of green wall automation and irrigation works - environmental compliance and sustainability obligations under Concession Agreement
Augmentation of Air Conditioning - First Floor NITB	1.65	Augmentation of air conditioning system at first floor of the New International Terminal Building following expansion and increased occupancy loads
Passenger Trolleys	0.89	Procurement of passenger baggage trolleys and trolley wheels for maintenance of existing trolley fleet

Asset / Work	Capitalised Amount till FY26 (₹ Cr.)	Description and Justification
Office Area Refurbishment	0.84	Office modification works and floor raising works at airport office - necessitated by expanded operational deployment during the Control Period
Digital Video Wall in Terminal	0.73	Supply, Installation, Testing and Commissioning of active LED display boards for real-time passenger information and terminal management
3-Seater Passenger Chairs and Office Furniture	0.66	Supply of passenger chairs and miscellaneous office furniture for terminal passenger areas - passenger service quality and statutory workplace compliance
E-Gate Phase 2 - Additional Cost	0.60	SITC of e-gate materials and services for Phase 2 of e-gate deployment
Vehicle Access Control - Airside (Tyre Killers and Bollards)	0.57	SITC of tyre killers and bollards for vehicle access control to airside - airside security and BCAS/DGCA compliance
Digital MUPI (Active LED Display Boards)	0.56	Design, manufacturing, supply and installation of active LED display boards for passenger wayfinding and information
Guest Rooms at New Terminal (3 Nos.)	0.54	Construction of 3 retiring rooms (guest rooms) for staff at the new terminal building
Continuous Noise Monitoring System	0.52	SITC of Continuous Air Quality and Noise Monitoring system with ancillary works - environmental clearance compliance
Breathing Apparatus (Self-Contained, 6.8L)	0.42	Supply of self-contained breathing apparatus for ARFF Department - operational safety and firefighting readiness
Static Display at Terminal	0.31	Design, manufacturing, SITC of active LED display boards at terminal for passenger information
Refurbishment of Gate 1 and Gate 9	0.27	Civil works for refurbishment of operational gates 1 and 9 - operational continuity during terminal expansion
Dynamic Lighting at Terminal	0.27	SITC of dynamic lighting system at terminal for operational control and ambience
Terminal Flooring and Carpets	0.27	Supply and installation of carpet/polyamide flooring at terminal areas
New Terminal Building - Access Ladder / Structural Staircase	0.25	Supply and fabrication of MS structural staircase and handrail at new terminal section - access and safety compliance
Display Boards	0.25	Display boards at terminal for passenger information and wayfinding
Continuous Noise Monitoring System - Additional Work	0.15	Consultancy services for Noise Mapping and Noise Zone Study - environmental compliance
Pranaam Office Set-Up (Meet and Greet)	0.12	Passenger information desk and Meet & Greet facility setup at terminal
Compound Wall - Operational Area (Additional Cost)	0.07	Additional cost for compound wall in operational area
Civil Work - Domestic Security Holding Area (Additional Work)	0.07	Additional civil work for domestic security holding area - BCAS/CISF security compliance
Metal Storage Racks	0.06	Metal storage racks for operational storage
Porta Cabin for CISF	0.05	Porta cabin for CISF personnel - staff welfare and statutory security deployment requirements
Other Small Value Items (individually below ₹0.05 Crores)	5.62	Various small-value assets including safety equipment, PPE, operational furniture, communication accessories, passenger facilitation items, environmental monitoring instruments and support infrastructure
Total	19.34	

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

3.4.172 The Authority notes that MgIAL categorized the additional expenditure under six broad heads, namely:

(i) safety, security and statutory compliance; (ii) operational continuity and airport functioning; (iii) passenger facilitation and service quality; (iv) offices, staff welfare and support infrastructure; (v) environmental, health and monitoring systems; and (vi) IT, display and communication systems.

3.4.173 Upon examination of the submissions and supporting documents, the Authority notes that a significant portion of the additional expenditure relates to assets mandated by BCAS, CISF and DGCA requirements. These include Digi Yatra e-gates for implementation of Digi Yatra Phase I and Phase II (₹2.50 crore), tyre killers and bollards for vehicle access control (₹0.57 crore), breathing apparatus for Aircraft Rescue and Fire Fighting (ARFF) services (₹0.42 crore), domestic security holding area works (₹0.07 crore) and CISF porta cabins (₹0.05 crore). The Authority is satisfied that these assets were necessitated by regulatory directives and security compliance requirements and therefore constitute prudently incurred expenditure.

3.4.174 The Authority further notes that expenditure incurred towards passenger facilitation and terminal operations includes video walls (₹0.73 crore), static display systems (₹0.31 crore), MUPIs (₹0.56 crore), display boards (₹0.25 crore), dynamic lighting systems (₹0.27 crore), passenger seating (₹0.66 crore), passenger trolleys (₹0.89 crore) and terminal flooring works (₹0.27 crore). The Authority is of the view that these assets are directly attributable to the operationalization of the new terminal building and the associated increase in passenger throughput and service requirements. Accordingly, such expenditure is considered to be reasonably connected with aeronautical operations.

3.4.175 The Authority also notes that expenditure incurred towards the poly house and green wall (₹1.70 crore), together with continuous noise and air quality monitoring systems (₹0.67 crore), were undertaken to comply with environmental clearance conditions and sustainability-related obligations applicable to the airport. The Authority therefore finds these expenditures to be compliance-driven in nature.

3.4.176 The Authority further notes that certain items - including the air conditioning augmentation (₹1.65 Crores), office area refurbishment (₹0.84 Crores), guest rooms (₹0.54 Crores) and aggregate small-value items (₹5.62 Crores) primarily relate to replacement, refurbishment and augmentation works undertaken to maintain operational efficiency, support day-to-day airport operations and address functional requirements arising during the Control Period.

3.4.177 The Authority, through the Independent Consultant, has examined the proposed CAPEX, inter alia, including a detailed review of the Fixed Asset Register, Purchase Orders and supporting documentation pertaining to the project components. Based on the said examination, on account of mandatory operational, safety and security requirements and the rates considered, the Authority notes that the cost arrived at through the said process to be justified.

3.4.178 For the purpose of true-up, the Authority determines that only expenditure actually capitalized and reflected in the Fixed Asset Register (FAR) is admissible. Accordingly, the Authority proposes to admit the Independent Consultant's verified total capital expenditure of ₹19.34 crore as the admissible total capital expenditure for the project.

3.4.179 The Authority has revised the aeronautical allocation ratio to 92.00%, in line with the decision made by Authority in the First Control Period (refer paras 3.4.10 and 3.4.19), as against 96.02% claimed by MglAL, for the purpose of true-up of the First Control Period for each sub items of the project Other Associated work to which common ratio was allocated by Airport Operator. Accordingly, the Authority proposes to consider aeronautical capital expenditure of ₹18.10 Crores for this project.

3.4.180 Accordingly, the comparison of the capital expenditure submitted by MglAL for the true-up of the First Control Period and the capital expenditure proposed to be considered by the Authority is presented in the table below:

Table 65: Capital Expenditure as proposed by the Authority for Other Associated work*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Other Associated Works	11.53	15.22	18.73	18.10	0.63

Minor Capex Not Proposed in FCP**Capital Expenditure submitted by MgIAL for the True-up of the First Control Period**

3.4.181 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹29.49 crore and aeronautical capital expenditure of ₹26.17 crore under the category Minor Capital Expenditure Not Proposed in the First Control Period for the true-up of the First Control Period. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.

3.4.182 Subsequently, based on the Fixed Asset Register (FAR) submitted by MgIAL on 28th May 2026, the capital expenditure under this category was revised. Upon verification of the FAR, the Independent Consultant assessed the actual total capital expenditure at ₹40.02 crore across 134 individual asset items, with corresponding aeronautical capital expenditure of ₹37.24 crore as computed by MgIAL.

3.4.183 The Authority notes that no capital expenditure was approved under this category in the Tariff Order for the First Control Period (Order No. 38/2022-23). Accordingly, the entire expenditure claimed by MgIAL under this category represents expenditure incurred on assets that were not specifically proposed or approved as part of the First Control Period capital expenditure programme.

Table 66: Details of the FCP Approved and Actual Incurred Capital Expenditure*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Minor Capex Not Proposed in FCP	–	29.49	26.17	40.02	37.24	37.24

3.4.184 In response to the Independent Consultant's queries, MgIAL has submitted item-wise details of assets capitalized under this category. The Independent Consultant undertook a line-by-line review of all 134 items reflected in the FAR, examining the nature, end-use and beneficiary profile of each asset to determine the appropriate aeronautical allocation ratio, consistent with the allocation methodology and asset classification principles applied elsewhere in this true-up exercise.

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

3.4.185 The Authority, through its Independent Consultant, has undertaken a detailed review and due diligence of the actual capital expenditure incurred by MgIAL during the First Control Period in respect of this category. The Independent Consultant sought from MgIAL item-wise justification for the nature, end-

use and beneficiary profile of each of the 134 asset items (refer Annexure 3: Independent Consultant's analysis of Assets under Minor Capex Items for the First Control Period). The Authority has, accordingly, examined this category on the basis of the nature, end-use and beneficiary profile of each individual asset, consistent with the approach adopted for asset classification elsewhere in this Consultation Paper.

3.4.186 Based on this review, the Authority through Independent Consultant revised the aeronautical allocation ratio for 112 out of 134 items, while retaining MgiAL's allocation for the remaining 22 items. The Independent Consultant applied one of three revised allocation bases to the 112 items where the allocation ratio was revised: (i) the Terminal Building ratio of 92.00% for common-use assets (ii) the average employee headcount ratio of 92.66%, w.r.t. Table 113, for assets serving common staff usage across aeronautical and non-aeronautical functions (iii) 0% aeronautical for three items determined to be non-aeronautical in nature or non-essential for Airport operations. The consolidated position as assessed by the Independent Consultant is set out in the table below:

Table 67: Summary of Independent Consultant's Assessment - Minor Capex Not Proposed in FCP

(₹ in Crores)

Category	Revised Total Capex incurred as per FAR (₹ Cr.)	Revised Aero Capex by AO (₹ Cr.)	Aero Capex as per Independent Consultant (₹ Cr.)
Project items with revised allocation ratios (112 items)	15.36	14.81	12.92
Project items with unchanged allocation ratios (22 items)	24.67	22.42	22.42
Total - Minor Capex for the First Control Period	40.02	37.24	35.34

3.4.187 The Authority notes MgiAL's submission that the Minor Capex items were not proposed during the First Control Period (FCP) as such expenditure primarily relates to sustaining and replacement works undertaken to maintain operational reliability, safety, regulatory compliance, and asset health of airport infrastructure. MgiAL has submitted that the specific scope, quantum, and timing of these works could not be reasonably foreseen at the time of filing the FCP tariff proposal, as the requirements arise during the course of operations based on asset condition assessments, technological obsolescence, regulatory mandates, operational exigencies, and unforeseen maintenance requirements. Accordingly, these capital works were not specifically included in the approved FCP Capex Plan and have been submitted subsequently under Minor Capex for regulatory consideration.

3.4.188 The Authority notes that the Independent Consultant has classified the Car Parking Management System (additional work), Aquarium and Yakshagana Statue as non-aeronautical at 0% allocation on the basis that these assets do not serve aeronautical functions and are more appropriately characterized as passenger amenity. The Authority agrees with this classification and confirms that such items are not admissible as aeronautical capital expenditure for the purpose of true-up.

3.4.189 The Authority is satisfied that the 100% aeronautical allocation retained by the Independent Consultant for security and CISF infrastructure items including two Crash Fire Tenders, CISF barrack and stores infrastructure and dog kennel facilities as well as for airport operations infrastructure such as the AOCC, DG sets, DVOR building works, BHS weighing scale and Airport Surface Friction Testing Machine, is appropriate, these being essential to airport safety, security and operational functions.

3.4.190 The Authority, through the Independent Consultant, has examined the proposed CAPEX, inter alia, including a detailed review of the Fixed Asset Register, Purchase Orders and supporting documentation pertaining to the project components. Based on the said examination, on account of operational,

administrative, safety and security requirements and the rates considered, the Authority notes that the cost arrived at through the said process to be justified.

3.4.191 In view of the above, the total capex submitted by MgIAL for true-up (based on the Fixed Asset Register) versus the capex proposed to be considered by the Authority is as provided in the table below:

Table 68: Details of Capital Expenditure as proposed by the Authority

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Minor Capex Not Proposed in FCP	–	26.17	37.24	35.34	1.90

Storm Water Drainage

Capital Expenditure submitted by MgIAL for the True-up of the First Control Period

3.4.192 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹48.19 crore and aeronautical capital expenditure of ₹48.19 crore for the project Storm Water Drainage towards the true-up of the First Control Period. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.

3.4.193 Subsequently, based on the Fixed Asset Register (FAR) submitted by MgIAL on 28th May 2026, the capital expenditure for the project was revised to ₹44.53 crore. Upon verification of the FAR, the Independent Consultant confirmed the actual capital expenditure at ₹44.53 crore, which is fully attributable to aeronautical assets.

3.4.194 The project comprises development of a comprehensive storm water drainage system and associated site grading works at Mangaluru International Airport, to manage surface runoff, protect airside infrastructure, and mitigate flooding in surrounding areas. Mangaluru receives an average annual rainfall in the range of approximately 3,000 mm to 4,200 mm, and the Airport is situated on a hilltop, resulting in surface runoff affecting nearby settlements in the foothills.

3.4.195 No capital expenditure was approved by the Authority for this project in the FCP Tariff Order on account of its withdrawal by MgIAL at the design stage.

Table 69: Details of the FCP Approved and Actual Incurred Capital Expenditure

(₹ in Crores)

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Storm Water Drainage	-	48.19	48.19	44.53	44.53	44.53

3.4.196 In response to the Independent Consultant's queries, MgIAL on 12th June 2026, has submitted that, notwithstanding the withdrawal of this project at the FCP stage, the construction of a proper storm water drainage system became imperative during the First Control Period to protect airside infrastructure and surrounding settlements. MgIAL has submitted that, in the absence of an adequate drainage system, surface runoff from the hilltop airport site inundates villages situated in the foothills, and that a committee under the chairpersonship of the District Collector - of which MgIAL is a member - has been

constituted to formulate mitigation measures in this regard.

- 3.4.197 MgIAL has further explained that the existing airside drainage network was inadequate and structurally deficient, with significant portions comprising unlined and open drains incapable of handling peak stormwater runoff, particularly given the high rainfall intensity at Mangaluru. Several stretches of the existing drains - located approximately 75m from the runway centerline on both the north and south sides - are stone-pitched open drains that are structurally weak, not designed for aircraft load-bearing conditions, and non-compliant with DGCA CAR requirements.
- 3.4.198 MgIAL has further submitted that a significant portion of the existing drainage network was not properly connected to designated and authorized airport boundary outlets, resulting in stormwater discharge through unauthorized outlets and consequent water ingress into adjoining village properties, leading to public grievances raised with government authorities.
- 3.4.199 MgIAL, to address these deficiencies, engaged M/s Ramboll, a specialized drainage engineering consultant, to undertake a comprehensive assessment of the existing drainage network, evaluation of hydraulic performance and structural deficiencies, and development of a fully integrated and DGCA-compliant drainage master plan. The reconstruction works are designed to ensure compliance with DGCA CAR and applicable standards, provide structurally sound lined drains (RCC/precast), eliminate open and unlined sections in critical operational zones, and integrate the entire network with authorized discharge outlets only.
- 3.4.200 MgIAL has submitted that the airside drainage reconstruction works have been divided into priority zones based on runway strip grading, transverse slopes, and catchment areas of the runway and taxiways, with the balance works to be executed having regard to availability of NOTAM windows and airside operational restrictions. The zone-wise phasing and progress submitted by MgIAL is set out below:

Table 70: Zone-wise Phasing and Progress - Storm Water Drainage Works

(in Running Meters)

Phasing/ Zone	Total Scope	Completed	Balance Work	Remarks
Priority-01: Eastern Runway Strip Zone	5,641	4,350	1,291	From Taxiway D to East boundary, including old runway area; balance pending in critical Glide Path areas due to operational and navigation system dependencies
Priority-02: Taxiway–Apron Interface Zone	1,443	1,406	37	From Taxiway G1 towards apron
Apron Drainage Works	2,233	1,787	446	Near apron; balance limited to perimeter road crossings and operational apron areas including flare pits, dependent on aircraft operations
Priority-03: Central Runway Strip Zone (Non-Critical Section)	4,858	450	4,408	Between Taxiway D (North side) and G (North & South sides of runway); major portion currently under progress
Total	14,175	7,993	6,182	

- 3.4.201 In response to the Independent Consultant's queries, MgIAL has furnished supporting documentation, photographic evidence of the deficiencies in the existing drainage network and the resultant water ingress into adjoining village areas.

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

- 3.4.202 The Authority, through its Independent Consultant, has undertaken a detailed review and due diligence of the actual capital expenditure incurred by MgIAL during the First Control Period in respect of the

above project. Since no capex had been approved by the Authority for this project in the FCP Tariff Order, the Independent Consultant sought from MgIAL detailed justification for incurring the expenditure, a break-up of the expenditure incurred, and details regarding the planned expenditure, capital work-in-progress and capitalized expenditure. MgIAL furnished the justification summarized above, together with supporting documentation. The Independent Consultant reviewed the documentation and verified the gross capex incurred at ₹44.53 Crores as on 31st March 2026.

- 3.4.203 The Authority notes that, although this project was withdrawn by MgIAL at the FCP stage on account of the design being at an initial stage, the subsequent execution of the storm water drainage works has been necessitated by genuine operational, safety and regulatory considerations. The Authority notes the deficiencies identified in the existing drainage network - including structurally weak open drains not designed for aircraft load-bearing conditions, non-compliance with DGCA CAR requirements, and discharge through unauthorized outlets resulting in water ingress into adjoining village settlements. The Authority further notes the constitution of a District Collector-chaired committee, of which MgIAL is a member, to address the impact of surface runoff on surrounding settlements. The Authority is of the view that the construction of a DGCA-compliant, hydraulically adequate storm water drainage system is a legitimate and necessary capital investment, having regard to the safety, regulatory and environmental considerations involved.
- 3.4.204 The Authority observes that, while the project was not assessed or approved at the FCP stage, the necessity and scope of the works have since been substantiated through the detailed assessment and master planning exercise undertaken by M/s Ramboll, and the project is accordingly examined afresh for the purpose of true-up on the basis of materials now available.
- 3.4.205 The storm water drainage in the first phase being constructed on the airside, has been assessed at a 100% aeronautical allocation basis by the Independent Consultant, consistent with the treatment of other airside drainage and civil infrastructure at MgIAL. The Authority is inclined to accept this treatment, subject to confirmation upon resolution of the outstanding queries set out above.
- 3.4.206 Having regard to the material available on record, the submissions of MgIAL, and the findings of the Independent Consultant, the Authority proposes, to recognize the Storm Water Drainage project as a necessary capital investment, having regard to the safety, regulatory (DGCA CAR compliance) and environmental considerations established by MgIAL, notwithstanding that the project was not approved in the FCP Tariff Order on account of its withdrawal by MgIAL at the design stage.
- 3.4.207 The Authority, through the Independent Consultant, has examined the proposed CAPEX, inter alia, including a detailed review of the Fixed Asset Register, Completion Certificate, Purchase Orders, tendering process, supporting documentation pertaining to the project components and normative benchmarks with respect to similar airports. Based on the said examination, on account of mandatory operational requirements and the rates considered, the Authority notes that the cost arrived at through the said process to be justified.
- 3.4.208 The Authority further proposes to consider the admissible gross capital expenditure for the project at ₹44.53 Crores, as verified by the Independent Consultant against the Fixed Asset Register (FAR). Applying a 100% aeronautical allocation consistent with the airside nature of the storm water drainage system, the assessed admissible aeronautical capex is ₹44.53 Crores,
- 3.4.209 In view of the above, the total capex submitted by MgIAL for true-up versus the capex provisionally proposed to be considered by the Authority is as provided in the table below:

Table 71: Details of Capital Expenditure as proposed by the Authority*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Storm Water Drainage	-	48.19	44.53	44.53	0.00

C. Soft Cost**Capital Expenditure submitted by MgIAL for the True-up of the First Control Period**

3.4.210 The Authority notes that the soft costs claimed by the Airport Operator comprise expenditure towards Project Management Consultancy (PMC), design and engineering services, professional consultancy and other project-related activities. Such costs are intrinsically linked to the execution of the capital works and are necessarily incurred prior to, or during, the implementation of the underlying CAPEX. Accordingly, the Authority considers these costs to be capital in nature and allows their capitalization as part of the cost of the respective assets. Consequently, such Soft Cost has been included in the Regulatory Asset Base (RAB).

3.4.211 MgIAL has submitted the Soft Cost for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 28th May 2026, MgIAL submitted a revised Fixed Asset Register (FAR) which includes the soft cost capitalized from FY 2021-26 along with the allocation ratios of each line items. Accordingly, the comparison of Soft Cost approved by the Authority for the First Control Period Tariff Order and submitted by MgIAL for True up are provided in the table below:

Table 72: Comparison of Soft cost submitted by MgIAL for True up with the First Control Period approved by the Authority in Tariff order*(₹ in Crores)*

Particulars	Total
Aero Soft Cost approved by the Authority (A)	20.16
Soft Cost as per FAR	52.68
Aero Soft Cost capitalized during the year (B)	52.01
Variation (B-A)	31.85

3.4.212 The Authority notes that the Aeronautical Soft cost submitted by MgIAL is ~58% higher than the Soft cost approved in the Tariff Order for the First Control Period.

3.4.213 The Operator has further submitted detailed component-wise break-up of the Soft Cost vide email dated 02.07.2026. The details of the various soft cost components are provided in the table below:

Table 73: Soft cost details provided by the Operator for True up of First Control Period*(₹ in Crores)*

Soft Cost Heads	Amount	Remarks
Professional Consultancy Services	63.58	Includes various professional consultancy services for Traffic Forecast, Master Planning, Design, Engineering Geo-technical survey etc
Employee Cost (Projects)	35.39	Includes salary cost of AAI employees (₹2.39 Cr) and MgIAL employees (₹33 Cr) related to projects
Project Management Cost	9.55	Project Management Consultancy services

Soft Cost Heads	Amount	Remarks
Services of Independent Engineer	5.69	Includes cost of Services of Independent Engineer reimbursed to AAI (mandated as per Concession Agreement)
Total Spent	114.21	Soft Cost Incurred for FY 22 to FY 26
Soft Cost Capitalized During the period	52.68	Total value of soft cost capitalized during FY22 to FY26 (as per FAR)
Balance in CWIP	61.53	Balance value of FY22 to FY26 lies in soft cost balance (part of CWIP) as on 31 st March 2026

Authority's examination regarding True up of Soft Cost for the First Control Period

3.4.214 The Authority notes that the soft cost has been incurred in respect of both the CAPEX pertaining to AAI assets and the new assets undertaken by the Airport Operator. At the time of determination of tariff for the First Control Period, soft cost was allowed only for the new assets created by the Operator, whereas it was inferred that the cost of AAI assets already included the associated soft cost. During the review, the Operator clarified vide email dated 23rd June 2026 that soft costs are generally incurred and managed as a common pool of project-related expenditure across multiple assets and work packages and cannot be segregated on a project-wise basis. The Operator further submitted that, while a portion of such common soft costs may be allocated and capitalized alongside individual CAPEX items for accounting purposes, the capitalized amount should not be considered exclusively attributable to that particular asset and should instead be assessed at an overall project level. Considering the above submission and the nature of such expenditure, the Authority has considered the soft cost with reference to the overall capitalized CAPEX rather than on an asset-wise basis.

3.4.215 The Authority also notes that Independent Engineer (IE) Fees amounting to ₹5.69 crore has been included under Soft Cost. IE fees as per the Tariff Order for First Control Period are to be treated as a pass-through cost and hence it is considered as a separate line item under O&M Expenses (Refer para 3.6.117).

3.4.216 The Authority has further analyzed the other components of Soft Cost as submitted by the Operator and has apportioned the relevant sub-items to the First Control Period excluding the Independent Engineer Fees of ₹4.70 crore, derived by excluding the IE fees which is considered as part of Operational Expenditure by AO from the total IE Fees considered for the current Control Period as per the IE contract (Refer para 3.6.119 and 3.6.120).

3.4.217 The Authority also notes that the total Gross CAPEX as per FAR during the First Control Period, excluding IDC, soft cost, and stamp duty, amounted to ₹728.53 crore. Against this, the total soft cost considered by the Authority to be capitalized amounted to ₹47.98 crore, representing approximately 6.59% of the underlying capital expenditure. The break-up of the apportioned soft costs and the corresponding percentage of Gross CAPEX is presented in the table below:

Table 74: Break up of Soft cost proportion considered by the Authority

(₹ in Crores)

Soft Cost Heads	Amount	Proportioned Amount	Considered by Authority	% of CAPEX Addition
Professional Consultancy Services	63.58	28.11	28.11	3.86%
Employee Cost (Projects)	35.39	15.65	15.65	2.15%
Project Management Cost	9.55	4.22	4.22	0.58%
Services of Independent Engineer	5.69	4.70	-	-
Total	114.21	52.68	47.98	6.59%*

(Note: * Refer para 3.4.218)

3.4.218 The Authority further notes that the soft cost, at 6.59% of the project cost, is within the range observed at comparable PPP airports. Accordingly, the Authority considers the same to be reasonable and allows its capitalization as part of the Regulatory Asset Base (RAB).

3.4.219 The Authority has revised the aeronautical allocation ratio to 92.00%, in line with the decision made by Authority in the First Control Period (refer paras 3.4.10), as against 96.02% claimed by MgIAL, for the purpose of true-up of the First Control Period for each of the sub-line items of Soft Cost to which common ratio was allocated by Airport Operator.

3.4.220 Accordingly, the Aeronautical Soft Cost proposed by the Authority for True up of First Control Period is provided in the table below:

Table 75: Aeronautical Soft Cost proposed by the Authority for True up of First Control Period

(₹ in Crores)

Particulars	Total
Soft Cost as per FAR submitted by AO	52.68
Independent Engineer Fees	(4.70)
Total Soft Cost	47.98
Aero Soft Cost to be considered for True up	46.76

D. IDC

3.4.221 The Authority notes that Interest During Construction (IDC) attributable to the development of airport assets has been capitalized and considered along with the corresponding hard cost of the assets. Consequently, such IDC has been included in the Regulatory Asset Base (RAB).

3.4.222 MgIAL has submitted the Interest during construction for True up of the First Control Period in MYTP based on audited actuals incurred during the period from FY 2022-25 and estimation for FY26. Subsequently, vide email dated 28th May 2026, MgIAL submitted a revised Fixed Asset Register (FAR) which includes the IDC capitalized from FY 21-FY26 along with the allocation ratios of each sub-line item. Accordingly, the comparison of IDC approved by the Authority for the First Control Period with the IDC submitted by MgIAL for True up is provided in the table below:

Table 76: Comparison of IDC submitted by MgIAL for True up with the First Control Period approved by the Authority in Tariff order

(₹ in Crores)

Particulars	Total
Aero IDC approved by the Authority (A)	27.39
Total IDC capitalized during FCP as submitted by AO	33.76
Aero IDC capitalized during FCP as submitted by AO (B)	33.49
Variation (B-A)	6.10

3.4.223 The Authority notes that the Aeronautical IDC submitted by MgIAL is ~22% higher than the IDC approved in the Tariff Order for the First Control Period.

3.4.224 The Authority notes that the increase in Interest During Construction (IDC) is primarily attributable to the higher capital expenditure incurred during the First Control Period. The Authority had approved an aero CAPEX of ₹530.39 crore (excluding IDC, soft cost, and stamp duty – Refer Table 28) in the First Control Period Tariff Order, whereas the actual aero capitalized CAPEX (excluding IDC, soft cost, and stamp duty) amounted to ₹707.20 crore (i.e. a variation of ~31%) (Refer Table 81). Accordingly, the higher IDC is commensurate with the increase in the underlying capital expenditure.

- 3.4.225 The Authority further notes that MgIAL has computed Interest During Construction (IDC) using a cost of debt of 12.03%. However, for the purpose of tariff determination, the Authority has considered the approved cost of debt of 10.08% (Refer Section 3.5.13). Accordingly, the IDC has been normalized to align the calculation of IDC with the Authority-approved cost of debt.
- 3.4.226 Further the Authority has also revised the aeronautical allocation ratio to 92.00%, in line with the decision made by Authority in the First Control Period (refer paras 3.4.10 and 3.4.19), as against 96.02% claimed by MgIAL, for the purpose of true-up of the First Control Period for each of the sub-line items of IDC to which common ratio was allocated by Airport Operator.
- 3.4.227 The Authority through its Independent Consultant have assessed and applied appropriate allocation ratio for each of the sub-line items of the Normalized IDC in line with the allocation methodology adopted for the underlying assets. Accordingly, the Aeronautical IDC proposed by the Authority for True up of First Control Period is provided in the table below:

Table 77: Aeronautical Interest During Construction proposed by the Authority for True up of First Control period

<i>(₹ in Crores)</i>	
Particulars	Total
IDC as per AO (A)	33.76
IDC as per Authority ($B=A*10.08\%/12.03\%$)	28.29
Aero IDC to be considered for True up	27.82

E. Stamp Duty

Capital Expenditure submitted by MgIAL for the True-up of the First Control Period

- 3.4.228 MgIAL, in its Multi-Year Tariff Proposal (MYTP) dated 31st October 2025, submitted total capital expenditure of ₹12.64 crore towards Stamp Duty for the true-up of the First Control Period. The entire expenditure was claimed as aeronautical capital expenditure. The MYTP included actual expenditure for FY 2021-22 to FY 2024-25 and estimated expenditure for FY 2025-26, as the audited financial statements for FY 2025-26 were not available at the time of submission.
- 3.4.229 Subsequently, based on the Fixed Asset Register (FAR) submitted by MgIAL on 28th May 2026, the expenditure towards Stamp Duty remained at ₹12.64 crore. Upon verification of the FAR, the Independent Consultant confirmed the actual capital expenditure at ₹12.64 crore.
- 3.4.230 No amount was approved by the Authority for this item in the First Control Period Tariff Order. The Authority had in para 7.6.17 of the Tariff Order for First Control Period, decided to consider stamp duty and registration charges on an incurrence basis at the time of true-up of the First Control Period, in view of the assessment by the District Registrar & Deputy Commissioner of Stamps pending at that stage. The present true-up exercise is accordingly the appropriate stage for examination of the actual amount incurred.
- 3.4.231 MgIAL has submitted that the stamp duty liability of ₹12.64 Crores was paid during the First Control Period pursuant to an order issued by the District Registrar & Deputy Commissioner of Stamps. MgIAL has furnished the relevant order as documentary evidence of the assessment and payment, in response to the Independent Consultant's query in this regard.
- 3.4.232 MgIAL has considered the entire Stamp Duty as 100% Aeronautical Expenditure for the True up of First Control Period.

Table 78: Details of the FCP Approved and Actual Incurred Capital Expenditure for Stamp Duty*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Total Capex proposed in MYTP (B)	Aero Capex proposed in MYTP (C)	Revised Total Capex incurred as per FAR (D)	Revised Aero Capex by AO (E)	Variance (F=E-A)
Stamp Duty	–	12.64	12.64	12.64	12.64	12.64

Authority's examination and proposal regarding Capital Expenditure (CAPEX)

3.4.233 The Authority, through its Independent Consultant, has examined the capital expenditure submitted by MgIAL under this item. The Independent Consultant sought from MgIAL documentary evidence substantiating the quantum of stamp duty assessed and paid. MgIAL furnished the order issued by the District Registrar & Deputy Commissioner of Stamps, confirming the assessment of stamp duty on execution of the Concession Agreement, together with evidence of payment of the assessed amount. The Independent Consultant reviewed the documentation and confirmed that ₹12.64 Crores has been duly assessed and paid by MgIAL.

3.4.234 The Authority notes that stamp duty on execution of the Concession Agreement is a statutory levy that MgIAL was required to pay pursuant to the terms of the Concession Agreement, and that the quantum thereof has been determined by the competent statutory Authority and not by MgIAL. The Authority is satisfied that the expenditure is admissible in full, consistent with the basis of approval recorded in Para 7.6.17 of the Tariff Order for the First Control Period.

3.4.235 The Authority further notes that Stamp Duty charges are applicable to the entire Airport including both aeronautical and non-aeronautical area. Hence, the Authority has determined the total aeronautical area at the Airport for the purpose of computation of aeronautical stamp duty. The aeronautical ratio as derived by the Authority considering the aeronautical area to total airport area as presented in the table below:

Table 79: Allocation Ratio for determining aeronautical stamp duty for the First Control Period

Particulars	Area (sq.m.)
Total Area of Airport – {Refer para 1.1.4 (A)}	23,62,433.37
Area under AAI – {Refer para 1.1.4 (B)}	70,293.90
Area under Consideration (C=A - B)	22,92,139.48
Area under City Side Development – Refer Clause 25, Schedule A of Concession Agreement (D)	40,468.56
Plot Area for Terminal Building – vide email dated 31.07.2026 from MgIAL (E)	27,800.00
Non – Aero Terminal Area (F=E*8%) – Terminal Building Ratio of 92:8	2,224.00
Allocation Ratio (C-D-F)/C	98.14%

3.4.236 The Authority determines the admissible aeronautical capital expenditure for this item at ₹12.40 crore, as assessed by the Authority through its Independent Consultant.

3.4.237 Accordingly, the capital expenditure proposed by the Authority for Stamp Duty is provided in the table below:

Table 80: Details of Capital Expenditure as proposed by the Authority for Stamp Duty*(₹ in Crores)*

Capex Project	Aero Capex approved in FCP Order (A)	Aero Capex proposed in MYTP (B)	Revised Aero Capex incurred by AO (C)	Aero Capex Proposed by the Authority for True up (D)	Difference (E=C-D)
Stamp Duty	–	12.64	12.64	12.40	0.24

3.4.238 In view of the above, the Aeronautical Capex submitted by MgiAL for True up verses the Aeronautical Capex proposed to be considered by the Authority for True up is as provided in the table below:

Table 81: Comparison of Aeronautical Capital Expenditure - MgiAL submitted vs Authority considered for True up of the First Control Period*(₹ in Crores)*

#	S. No.	Project	Aero Capex submitted by MgiAL	Aero Capex proposed by Authority
1	A.1.	Parallel Taxi Track & Other Joint Filling Works – {Refer Table 32}	148.46	148.46
2	A.2.	NITB Expansion & Other Enabling Projects – {Refer Table 35}	152.42	147.00
3	A.3.	Roads- Widening & Strengthening of Perimeter Road – {Refer Table 37}	11.60	11.60
4	B.1.	Runway Taxiway & Apron – {Refer Table 40}	137.50	137.50
5	B.2.	Modification of Existing Terminal Building including interior and Kerbside – {Refer Table 43}	12.97	12.44
6	B.3.	Cargo Complex and Equipment – {Refer Table 46}	28.46	28.46
7	B.4.	Fuel Farm open access system – {Refer Table 49}	27.10	27.10
8	B.5.	Security Equipment – {Refer Table 52}	17.03	17.02
9	B.6.	Plant & Machinery – {Refer Table 55}	34.28	33.83
10	B.7.	Roads – {Refer Table 58}	2.39	2.39
11	B.8.	Boundary Wall – {Refer Table 60}	4.65	4.65
12	B.9.	Information Technology Work – {Refer Table 62}	40.10	38.78
13	B.10.	Other Associated work – {Refer Table 65}	18.73	18.10
14		Minor Capex Not Proposed in FCP – {Refer Table 68}	37.24	35.34
15		Storm Water Drainage – {Refer Table 71}	44.53	44.53
16	C	Soft Cost – {Refer Table 75}	52.01	46.76
17	D	IDC – {Refer Table 77}	33.49	27.82
18	E	Stamp Duty – {Refer Table 80}	12.64	12.40
19		Sub - Total	815.40	794.19
20		Financing Allowance less IDC	42.27	-
21		Total	857.67	794.19

3.4.239 The year wise asset capitalization as considered by the Authority for True up of First Control Period is provided in the table below:

Table 82: Aeronautical CAPEX proposed to be considered by the Authority for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	2022	2023	2024	2025	2026	Total
Aeronautical Capex as approved by Authority in the Tariff Order of First Control Period	10.28	321.63	217.10	6.11	22.82	577.94
Aeronautical Capex as per MgIAL	27.64	354.24	214.19	114.98	146.62	857.67
Aeronautical Capex proposed by Authority for True up of First Control Period	26.60	334.57	196.98	110.17	125.87	794.19

Asset Allocation for True up of the First Control Period - Gross Fixed Asset Ratio (GFAR)

3.4.240 MgIAL, in its MYTP submission for the Second Control Period, has proposed the Gross Fixed Asset Ratio (GFAR) based on the proportion of aeronautical assets to the total gross block of assets as on 31st March 2025. The GFAR submitted by the Airport Operator is presented in the table below:

Table 83: Gross Fixed Asset Ratio as per MYTP submitted by MgIAL for True up of First Control Period

Particulars	INR crore
Total Gross Assets	847.82
Total Aeronautical Assets	835.96
Gross Fixed Asset Ratio (GFAR)	98.60%

3.4.241 The Authority through its Independent Consultant conducted a detailed review of the CAPEX, IDC and Soft cost submitted by the Airport Operator to determine the appropriate Aeronautical allocation applicable to each asset category into Aeronautical, Non-Aeronautical and Common. Accordingly, the Aeronautical asset base has been determined including both asset addition in the First Control Period and assets capitalized prior to First Control Period. The Gross Fixed Asset Ratio proposed by the Authority for the First Control Period is presented in the table below:

Table 84: Gross Fixed Asset Ratio proposed by the Authority for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26
Total Gross Block of Assets	157.61	502.32	703.10	815.97	946.36
Total Gross Aeronautical Block of Assets	154.53	489.09	686.07	796.25	922.12
Gross Fixed Asset Ratio (GFAR)	98.04%	97.37%	97.58%	97.58%	97.44%
Average Gross Fixed Asset Ratio (GFAR)	97.60%				

Depreciation for the First Control Period**MgIAL's submission on Depreciation for True up of the First Control period**

3.4.242 MgIAL has submitted the following Aeronautical Depreciation for true-up of the First Control Period in its MYTP for the Second Control Period:

Table 85: Aeronautical Depreciation submitted by MgIAL in MYTP for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Depreciation	9.98	16.26	32.93	38.84	44.27	142.29
Aeronautical Depreciation on Financing Allowance	-	0.53	1.14	1.26	2.11	5.04
Total Aeronautical Depreciation	9.98	16.79	34.07	40.10	46.39	147.33

3.4.243 MgIAL has subsequently submitted the following revised Aeronautical Depreciation vide its e-mail dated 23rd June 2026:

Table 86: Revised Aeronautical Depreciation for First Control Period as submitted by MgIAL*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Depreciation	10.00	16.33	33.05	39.00	49.17	147.55
Aeronautical Depreciation on Financing Allowance	-	0.53	1.14	1.26	2.11	5.04
Total Aeronautical Depreciation	10.00	16.87	34.19	40.26	51.28	152.59

3.4.244 MgIAL has computed depreciation for regulatory purposes in accordance with the useful life of assets prescribed under AERA Order No. 35/2017-18 dated 12th January 2018. The useful life considered by the operator is provided in the table below:

Table 87: Useful life of asset considered for depreciation by MgIAL for the First Control Period as per MYTP

Asset Category	Depreciation Rate (%)	Useful Life (Years)
Terminal Building	3%	30
Runway, Taxiway and Apron	3%	30
Cargo Building	3%	30
Cargo Equipment	7%	15
Boundary Wall	20%	5
Software	20%	5
IT equipment	33%	3
Security Equipment	7%	15
Plant & Machinery	7%	15
Other Buildings	3%	30
Access Road	10%	10
Land Development	3%	30
Fuel	7%	15
Furniture & Fixtures	14%	7
Vehicles	13%	8
Office Equipment	20%	5

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

3.4.245 The Authority as per Decision Nos. 7.7.7 in the Tariff Order for the First Control Period, decided: *“To True up the Depreciation of the First Control period based on the actual asset additions and actual date of capitalization during the tariff determination of the Second Control Period.”*

3.4.246 The Aeronautical Depreciation decided by the Authority for the First Control Period in the Tariff Order:

Table 88: Aeronautical Depreciation decided by the Authority in the Tariff Order for First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Depreciation approved by the Authority	10.45	19.23	31.84	35.80	33.65	130.96

Authority's Examination regarding Depreciation for True up of First Control Period

3.4.247 The Authority examined the useful life of various asset categories in conjunction with Amendment No. 1 to AERA Order No. 35/2017-18 dated 09th April 2018 and compared the same with the useful life adopted by MgIAL for the purpose of calculating depreciation. Accordingly, the Authority has proposed the useful life of assets as set out in the table below for the purpose of calculating depreciation for True up of First Control Period.

Table 89: Useful life of asset considered for depreciation by Authority for True up of First Control Period as per AERA's asset classification

Asset Category	Useful Life as per MgIAL (Years)	Useful Life Considered for True up (Years)
Buildings	30	30
Runway, Taxiway and Apron	30	30
Boundary Wall	5	5
IT equipment: End user Devices	3	3
IT equipment: Server & Network	3	6
Plant & Machinery	15	15
Access Road	10	10
Furniture & Fixtures (other than Trolleys)	7	7
Furniture & Fixtures (Trolleys)	7	3*
Vehicles	8	8
Office Equipment	5	5
Fuel	15	15
Software	5	5

Note: * The useful life for trolley is considered as 3 years as per AERA order No. 35/2017-18 dated 09.04.2018

3.4.248 The Authority notes that the Fuel Category of Asset only consists of Refuellers for Fuel Farm, hence a 15-year life as approved by the Authority at the time of Tariff Determination of First Control Period has been considered.

3.4.249 The Authority, through its Independent Consultant conducted a detailed review of the assets capitalized as per FAR during the First Control Period and recomputed the asset base by applying the appropriate aeronautical and non-aeronautical allocation principles. Depreciation on assets exclusively attributable to aeronautical services has been considered wholly under the aeronautical category. In the case of common assets, depreciation has been allocated based on the applicable allocation ratios, including the Terminal Building Ratio (TBR) for terminal-related common assets and the Employee Headcount Ratio (EHCR) for other shared assets (Refer Table 113 and Table 30 respectively).

3.4.250 Further, the Authority through its Independent Consultant reclassified the assets in accordance with the asset classification framework prescribed by AERA. Accordingly, the aeronautical portion of depreciation has been determined for the purpose of true-up of the First Control Period, while ensuring consistency with the applicable depreciation rates (Refer Table 89) and asset classification methodology.

3.4.251 MgIAL vide email dated 23rd June 2026 have further clarified that certain line items recorded in the FAR, such as intangible assets relating to Pre-COD expenses and interest cost on the Initial RAB, are not required to be considered as part of the Regulatory Asset Base (RAB). Accordingly, the Authority has excluded such assets for the purpose of true-up of First Control Period.

3.4.252 The Authority has also computed depreciation on a pro-rata basis considering the number of days for which an asset is available for use during the relevant financial year based on actual capitalization date (Refer para 3.4.245). This approach ensures that depreciation is recognized in proportion to the period for which the asset was in service during each year of the Control Period.

3.4.253 The Authority further proposes not to consider depreciation of financing allowance (excluding IDC), as submitted by MgIAL, consistent with its position adopted in the First Control Period Tariff Order (Refer para 3.4.11)

3.4.254 Based on the above analysis, the Aeronautical depreciation considered by the Authority is provided in the Table below:

Table 90: Aeronautical Depreciation Proposed to be considered by the Authority for True-Up of the First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Depreciation	9.87	15.59	31.21	36.20	45.60	138.47

Regulatory Asset Base (RAB) for the First Control Period**MgIAL's submission regarding Regulatory Asset Base for the First Control Period**

3.4.255 MgIAL has computed the Regulatory Asset Base (RAB) for the First Control Period, as per the table below:

Table 91: Regulatory Asset Base (RAB) submitted by MgIAL for the First Control Period as per MYTP*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB	123.67	141.33	478.77	658.90	733.77	
Add: Addition	27.64	343.63	202.03	112.57	215.59	901.46
Add: Additional FA	-	23.65	27.11	5.38	38.11	94.25
Less: IDC	-	(13.04)	(14.95)	(2.97)	(21.02)	(51.98)
Less: Depreciation	(9.98)	(16.26)	(32.93)	(38.84)	(44.27)	(142.29)
Less: Depreciation on Additional FA	-	(0.53)	(1.14)	(1.26)	(2.11)	(5.04)
Closing RAB	141.33	478.77	658.90	733.77	920.07	
Average RAB	132.50	310.05	568.83	696.33	826.92	

Recap of decisions taken by Authority for Regulatory Asset Base as per Tariff Order for the First Control Period

3.4.256 The Authority, in the Tariff Order for the First Control Period, decided the following in regard to the RAB for the First Control Period:

- Decision Nos. 7.7.8: *“To consider GST on RAB/ CWIP and Stamp Duty/ Registration charges on actual incurrence basis, as detailed in para 7.6.16 and 7.6.17 respectively.”*
- Decision Nos. 7.7.10: *“To True up the RAB based on actuals at the time of tariff determination for the Second Control period.”*

3.4.257 Regulatory Asset Base (RAB) for the First Control Period decided by the Authority at the time of Tariff Determination for the First Control Period is provided in the table below:

Table 92: Regulatory Asset Base (RAB) decided by Authority in the Tariff order for First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB	123.67	123.50	425.90	611.16	581.47	
Add: Addition	10.28	321.63	217.10	6.11	22.82	577.94
Less: Depreciation	10.45	19.23	31.84	35.80	33.65	130.96
Closing RAB	123.50	425.90	611.16	581.47	570.64	
Average RAB	123.59	274.70	518.53	596.32	576.06	

Authority's examination regarding Regulatory Asset Base (RAB) for True up of First Control Period

3.4.258 The Authority notes that MgIAL has considered Financing Allowance and Depreciation on Financing Allowance as a part of Regulatory Asset Base (RAB). The Authority, based on the decision taken by Authority as per para 7.7.2 of the Tariff Order of First Control Period (Refer para 3.4.11), does not

consider the Financing Allowance and the Depreciation on Financing Allowance. However, the Authority has considered capitalization of IDC and its depreciation for True up of First Control Period.

3.4.259 Based on the Authority's analysis of the capital expenditure, asset allocation and depreciation for True-up of the First Control Period as discussed in detail in various paras of this chapter, the table below provides the details of the Regulatory Asset Base proposed by the Authority for True up of the First Control Period:

Table 93: RAB proposed to be considered by the Authority for True up of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB (A)	123.67	140.40	459.37	625.14	699.11	
Capital Additions (B)	26.60	334.57	196.98	110.17	125.87	794.19
Depreciation (C) {Refer Table 90}	(9.87)	(15.59)	(31.21)	(36.20)	(45.60)	(138.47)
Closing RAB (D = A+B-C)	140.40	459.37	625.14	699.11	779.39	
Average RAB (F= (A+D)/2)	132.03	299.88	542.26	662.13	739.25	

3.5 True up of Fair Rate of Return (FRoR) for the First Control Period

MgIAL's submission regarding FroR for the True up of the First Control Period

3.5.1 MgIAL made the following submissions regarding the FRoR for the First Control Period.

Cost of Equity:

3.5.2 The Airport Operator engaged Price Waterhouse Coopers Services LLP (PwC) to conduct a study to evaluate the applicable cost of equity. Based on the findings of this study, the Airport Operator has considered the cost of equity of 17.49%, as against 15.18% approved by the Authority in the First Control Period. The Operator has justified this higher estimate on the grounds that Mangaluru International Airport is not directly comparable (in terms of volume) to the five benchmark airports used by the Authority for determining the cost of equity. The detailed components considered by the Operator for deriving the cost of equity are presented in the table below:

Table 94: Cost of Equity for True up as submitted by Airport Operator

(in %)

Particulars	Value
Risk Free Rate (a)	7.57%
Market Return (b)	14.63%
Debt Equity Ratio (c)	48%:52%
Equity Beta (d)	1.40
Cost of Equity (e = a+d*(b-a))	17.49%

Cost of Debt:

3.5.3 MgIAL has considered effective cost of debt i.e. **12.03%** for the First Control Period computed based on the debt outstanding in each of the years of the Control Period. As per the MYTP, MgIAL has availed three debt instruments, of which two carry an interest rate of 12.00%. For the third debt instrument, Adani Airport Holdings Ltd. (AAHL) raised a three-year External Commercial Borrowing (ECB) from a consortium of reputed lenders, namely Standard Chartered Bank and Barclays Bank PLC, at an all-in cost of 12.10%. A portion of these funds were subsequently on-lent to Mangaluru International Airport Limited (MgIAL) as ICD at an interest rate of 12.25% by AAHL. The basis for the cost of debt towards True Up for the First Control Period is as shown in the table below:

Table 95: Cost of Debt for True Up for the First Control Period as Submitted by Operator in MYTP*(in %)*

Debt Instrument (FY ending 31 st March)	Interest Rate	FY21 *	FY22	FY23	FY24	FY25
NCD	12.00%	75.00	75.00	75.00	75.00	75.00
ICD from AAHL	12.00%	-	102.84	297.78	610.62	815.12
ICD from AAHL	12.25%	-	-	108.60	121.27	134.64
Total		75.00	177.84	481.38	806.89	1,024.76
Weighted Average CoD		12.00%	12.00%	12.06%	12.04%	12.03%
Average CoD*		12.03%				

*The Average CoD calculated by operator was based on the debt withdrawn from FY 21-25 as actual debt withdrawn figures for FY 26 was not available during the time of submission of MYTP

Gearing Ratio

3.5.4 MgIAL has considered a gearing ratio of 48:52, i.e., 48% debt and 52% equity, for computation of the Fair Rate of Return (FRoR) for the First Control Period.

Calculation of FRoR for the First Control Period

3.5.5 MgIAL considered the same methodology for calculation of FRoR as adopted by the Authority in the Tariff Order for the First Control Period and the FRoR as calculated by MgIAL stands at **14.87%** with normative debt and equity at 48% and 52% respectively. The calculation of FRoR is shown in the table below:

Table 96: FRoR submitted by MgIAL for True up of First Control Period

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	17.49%	52%	9.10%
Debt	12.03%	48%	5.77%
FRoR			14.87%

Recap of decisions taken by the Authority regarding FRoR for the First Control Period

3.5.6 The Authority, in the Tariff Order for the First Control Period, decided the following in regard to the FRoR for the First Control Period:

- Decision Nos. 8.6.1: *“To consider the Cost of equity at 15.18% as per CAPM formula.”*
- Decision Nos. 8.6.2: *“To consider the notional debt to equity (gearing) ratio of 48%:52% in line with target gearing ratio being considered in case of other PPP airports.”*
- Decision Nos. 8.6.3: *“To consider cost of debt of 9% for the First Control Period.”*
- Decision Nos. 8.6.4: *“To consider FRoR of 12.21% for the First Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio.”*

3.5.7 The Authority has decided the FRoR as per the Tariff Order of First Control Period based on the Cost of Debt of 9%, Cost of Equity of 15.18% and a notional gearing of 48%:52% which is equal to 12.21%. The calculation of FRoR is shown in the table below:

Table 97: FRoR decided by the Authority in First Control Period Tariff Order

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.18%	52%	7.89%
Debt	9.00%	48%	4.32%
FRoR			12.21%

Authority's Examination regarding True up of FRoR for First Control Period**Cost of Equity**

3.5.8 The Authority notes that in the First Control Period, the cost of equity was determined based on an independent study conducted by IIM Bangalore for five PPP airports, namely DIAL, MIAL, GHIAL, BIAL, and CIAL. This study was adopted as the basis for computing the cost of equity for Mangaluru International Airport. The study incorporated international benchmarking of airport operations, and its conclusions were assessed for comparability with Mangaluru Airport, considering parameters such as hybrid till framework, ownership structure, size, scale of operations, and regulatory environment. The independent study was based on the Capital Asset Pricing Model (CAPM) and used a notional gearing ratio of 48:52 (Debt: Equity) to determine the leveraged equity beta. The computation of cost of equity as adopted in the Tariff order of First Control Period is provided in the table below:

Table 98: Computation of Cost of Equity as per IIM Bangalore independent study reports*(in %)*

Particulars	CIAL	MIAL	BIAL	DIAL	GHIAL	Average
Risk Free Rate (a)	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%
Equity Beta (b)	0.9427	0.9391	0.9262	0.9732	0.9442	0.94508
Equity Risk Premium (c)	8.06%	8.06%	8.06%	8.06%	8.06%	8.06%
Cost of Equity (d=a+b*c)	15.16%	15.13%	15.03%	15.41%	15.17%	15.18%

3.5.9 The Authority noted that Cost of Equity for the purpose of determination of FroR should be fairly consistent in case of PPP airports across India as the factors considered by the Independent Study in CAPM formula such as the risk-free rate and market return are derived in the Indian context and do not vary materially across airports operating under similar regulatory and economic environments. Further, the Authority noted that the averaging approach adopted in the independent study helps normalize airport-specific risks, thereby ensuring a balanced and comparable cost of equity across airports.

3.5.10 Accordingly, the Authority has proposed to retain the cost of equity at **15.18%** for Mangaluru International Airport for the True up of First Control Period.

Cost of Debt

3.5.11 The Authority notes MgIAL's submission of Cost of Debt at 12.03% towards True up for the First Control Period. The Authority through its Independent Consultant have benchmarked prevailing market-linked lending rates and an appropriate credit risk spread to determine the cost of debt for the True up of First Control Period. The base rate is derived from the One Year Marginal Cost of Funds-based Lending Rate (MCLR) for the relevant period, reflecting the general cost of borrowing in the Indian economy. The table below provides the MCLR rates for the relevant period:

Table 99: One Year MCLR Rates - State Bank of India*(in %)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26
April	7.00%	7.10%	8.50%	8.65%	9.00%
May	7.00%	7.20%	8.50%	8.65%	9.00%
June	7.00%	7.40%	8.50%	8.75%	9.00%
July	7.00%	7.50%	8.55%	8.85%	8.80%
August	7.00%	7.70%	8.55%	8.95%	8.75%
September	7.00%	7.70%	8.55%	8.95%	8.75%
October	7.00%	7.95%	8.55%	8.95%	8.75%

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26
November	7.00%	8.05%	8.55%	9.00%	8.75%
December	7.00%	8.30%	8.65%	9.00%	8.70%
January	7.00%	8.40%	8.65%	9.00%	8.70%
February	7.00%	8.50%	8.65%	9.00%	8.70%
March	7.00%	8.50%	8.65%	9.00%	8.70%
Average	7.00%	7.86%	8.57%	8.90%	8.80%
Secured NCD	75.00	75.00	75.00	75.00	75.00*
Unsecured ICD	102.84	406.39	731.89	949.76	1,329.70*
Total Debt	177.84	481.39	806.89	1,024.76	1,404.70*
Weighted Average CoD (Without Risk Premium)	8.58%				

*The debt figures for FY 26 were considered based on the submission of Audited FS for FY 26 by AO via email vide 29th June 2026

3.5.12 The Authority notes that the credit rating for the MgiAL is currently not available. Thus, for the purpose of determining the credit rating for computation of risk spread, the Authority has considered the credit rating determined by it for MIAL in the Order No. 01/2025-26. Accordingly, the Authority has considered the credit rating for MgiAL as AA-. Further the Authority has considered the 5-year Corporate Bond Spread of 150 basis points corresponding to the credit rating of AA- as published by FIMMDA as of April 2024. The figure below provides the 5 – year Corporate Bond Spread as per FIMMDA.

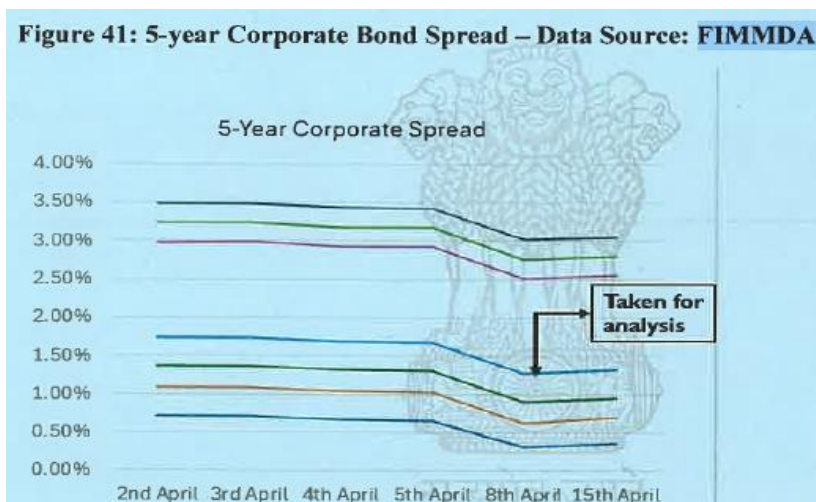


Figure 2: 5-Year Corporate Bond Spread as per FIMMDA

3.5.13 Based on the methodology as described above, using an average MCLR of 8.58% as base rate for the past 5 years of First Control Period and applying a 150-basis points risk premium, the Authority proposes the cost of debt as **10.08%** for True up of First Control Period.

Gearing

3.5.14 The Authority has proposed to consider a gearing ratio of 48:52, i.e., 48% debt and 52% equity, for computation of the Fair Rate of Return (FRoR) for True up of the First Control Period as approved in the Tariff Order of First Control Period (Refer para 3.5.6 (ii)).

Calculation of FRoR for the First Control Period

3.5.15 The Authority has proposed the FRoR of 12.73% for the True up of First Control Period based on the Cost of Debt of 10.08%, Cost of Equity of 15.18% and a notional gearing of 48%:52%. The calculation of FRoR is shown in the table below:

Table 100: FRoR proposed to be considered for True up of First Control Period

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.18%	52%	7.89%
Debt	10.08%	48%	4.84%
FRoR			12.73%

3.6 True up of Operation and Maintenance (O&M) Expenses for the First Control Period**MgIAL's submission regarding O&M Expenses for the True up of First Control Period**

3.6.1 MgIAL has submitted the Operation and Maintenance Expenses for True up of the First Control Period based on audited actuals incurred during the period till FY25 and estimation for FY26.

3.6.2 The component wise breakup of O&M Expenses submitted by MgIAL for the First Control Period is given below:

Table 101: O&M Expenses Submitted by MgIAL as per MYTP for True up of the First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Airport Expenses						
AAI employees/Deficit Employees (mandatory cost)	21.97	18.59	17.14	14.49	15.24	87.43
Manpower expenses - AO Employees	8.76	11.01	11.12	9.49	12.50	52.88
Utility expenses	8.72	10.79	13.00	12.80	15.00	60.32
IT expenses	2.33	4.36	3.82	7.84	8.91	27.26
Rates & taxes	0.43	0.72	0.51	1.22	0.82	3.70
Security Expense	3.20	4.56	4.71	4.89	5.09	22.44
Corporate Allocation	6.43	12.82	7.40	9.88	10.54	47.07
Administrative Expenses: Collection charges on UDF	0.21	0.49	0.57	0.76	1.03	3.06
Administrative Expenses - Others	5.97	6.64	4.01	5.74	7.14	29.51
Insurance	0.82	1.07	1.05	1.20	1.35	5.49
Repair and Maintenance	11.39	15.03	15.18	16.88	17.51	75.99
Other Operating Expenses	5.57	7.69	9.16	11.14	12.35	45.91
Independent Engineer Fees	-	-	-	-	-	-
Digitization Cost	-	5.20	12.86	12.90	12.95	43.91
Boundary Wall Repair Expenses	-	-	-	-	-	-
Total Airport Expenses (1)	75.81	98.96	100.52	109.23	120.43	504.95
Cargo Operating Expenses						
Insourced salary	-	-	0.07	0.13	0.30	0.49
O&M Cost	-	-	1.06	2.10	2.55	5.71
Customs Cost Recovery	-	-	-	0.46	1.24	1.70
Total Cargo Operating Expenses (2)	-	-	1.13	2.68	4.09	7.90
Fuel Farm Expenses						
Insourced salary	-	-	-	-	-	-
O&M Cost	-	-	1.38	5.34	6.04	12.77
Total Fuel Farm Expenses (3)	-	-	1.38	5.34	6.04	12.77
Interest on Working Capital Loan (4)	4.89	11.60	17.07	19.72	21.62	74.89
Financing Charges (5)	0.50	0.63	0.65	0.64	0.76	3.19
Grand Total (1+2+3+4+5)	81.20	111.19	120.75	137.62	152.93	603.69

3.6.3 Subsequently, vide email dated 13th June 2026, MgIAL submitted actual O&M Expenses for FY26. Accordingly, the revised component wise breakup of O&M Expenses as submitted by MgIAL is as follows:

Table 102: Actual O&M Expenses Submitted by MgIAL for True up of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Airport Expenses						
AAI employees/Deficit Employees (mandatory cost)	21.97	18.59	17.14	14.49	14.47	86.66
Manpower expenses - AO Employees	8.76	11.01	11.12	9.49	13.33	53.71
Utility expenses	8.73	10.79	13.02	12.82	13.16	58.52
IT expenses	2.33	4.36	3.82	7.84	8.49	26.84
Rates & taxes	0.43	0.72	0.49	1.18	0.90	3.72
Security Expense	3.20	4.56	4.71	4.89	5.97	23.32
Corporate Allocation	6.43	12.82	7.40	9.88	2.75	39.28
Administrative Expenses: Collection charges on UDF	0.21	0.49	0.57	0.76	1.48	3.52
Administrative Expenses - Others	5.97	6.64	4.01	5.74	5.98	28.34
Insurance	0.82	1.07	1.05	1.20	0.94	5.08
Repair and Maintenance	11.39	15.03	15.18	16.88	16.27	74.75
Other Operating Expenses	5.57	7.69	9.16	11.14	11.75	45.31
Independent Engineer Fees	-	-	-	-	-	-
Digitization Cost	-	5.20	12.86	12.90	12.95	43.91
Boundary Wall Repair Expenses	-	-	-	-	-	-
Total Airport Expenses (1)	75.81	98.97	100.52	109.21	108.44	492.95
Cargo Operating Expenses						
Insourced salary	-	-	0.07	0.13	0.08	0.27
O&M Cost	-	-	1.06	2.10	1.72	4.88
Customs Cost Recovery	-	-	-	0.46	1.78	2.24
Total Cargo Operating Expenses (2)	-	-	1.13	2.68	3.58	7.39
Fuel Farm Expenses						
Insourced salary	-	-	-	-	-	-
O&M Cost	-	-	1.38	5.34	5.84	12.57
Total Fuel Farm Expenses (3)	-	-	1.38	5.34	5.84	12.57
Interest on Working Capital Loan (4)	4.89	11.60	17.07	19.72	21.62	74.89
Financing Charges (5)	0.50	0.63	0.65	0.64	0.71	3.14
Grand Total (1+2+3+4+5)	81.20	111.20	120.75	137.60	140.19	590.94

Reasons for increase in various heads of expenditures as per MgIAL

3.6.4 MgIAL claimed that it has been able to achieve significant savings in various heads of O&M like Employee expenses, Corporate Allocation Cost, Repair & Maintenance Expenses, Cargo Operations Expenses, Fuel Infrastructure Expenses, and Insurance. However there has been increase in expenses for some heads of expenditure like IT Expenses, Administrative Expenses, Digitalization, Other Operating Expenses, Security Expenses, Rates & Taxes and Finance Charges.

IT Expenses

3.6.5 MgIAL has submitted that the increase in IT Expenses during the First Control Period is due to the initiation of various cutting edge IT solutions to provide better passenger experience and improve operational efficiency. Consequently, the expenditure towards operating and maintaining these IT

systems has increased from FY 2022-23 onwards as compared to FY 2021-22.

Digitization Expenses

- 3.6.6 MgIAL has submitted that the increase in Digitization expenses in First Control Period was driven by the changing passenger expectations and the increasing demand for real-time information and digital services which has necessitated the adoption of technology-driven solutions at airports. Accordingly, it has implemented various digital initiatives to enhance passenger experience, improve service delivery, and support operational efficiency, including real-time flight information, wayfinding, CRM-based support, chatbot services, and customer feedback platforms.

Security Expenses

- 3.6.7 MgIAL has submitted that the increase in Security Expenses in the First Control Period was primarily on account of Annual Maintenance Contracts (AMC) for various security equipment such as X-BIS, ETD, DFMD and TCV systems, along with Service Level Agreement (SLA)-based security contracts, which are essential for the safe and secure operation of the airport, including Kerbside monitoring and patrolling activities.

Rates and Taxes

- 3.6.8 MgIAL has submitted that the increase in Rates and Taxes for the First Control Period was due to the higher Property Tax liability arising from the expansion of the terminal area and the addition of new facilities such as the cargo terminal and fuel farm.

Other Operating Expenses

- 3.6.9 MgIAL has submitted that the increase in Other Operating Expenses for the First Control Period was due to the increase in activities being outsourced, thereby reducing overhead costs associated with recruitment, training, employee benefits, and maintenance of an in-house workforce. The outsourcing model enabled the Airport Operator to avail specialized services with greater operational flexibility while incurring costs only for the services rendered by external agencies. MgIAL further submitted that the actual expenditure towards Manpower Expenses during the Control Period was significantly lower than the amount approved by the Authority, reflecting the Operator's efforts to optimize manpower costs through increased outsourcing of operational activities.

Financing Charges and Interest on Short Term Loan / Working Capital:

- 3.6.10 MgIAL has submitted that the increase in Interest on Short Term/ Working Capital Loan for the First Control Period was due to lower-than-projected traffic, lower aeronautical revenues, lower ARR approved by the Authority vis-à-vis its projections, and deferment of 29.23% of the approved ARR, resulting in significant funding constraints. Accordingly, to meet its capital expenditure, working capital and operational requirements, MgIAL availed Inter-Corporate Deposit (ICD) facilities from Adani Airport Holdings Limited (AAHL). MgIAL has stated that interest at the rate of 12.03% per annum was paid on such borrowings and that the portion of funds utilized for operational and working capital requirements has been considered under Interest on Short Term Loans/Working Capital.
- 3.6.11 MgIAL has further submitted that Financing Charges include charges paid towards the Performance Bank Guarantee (PBG) furnished to AAI in accordance with the Concession Agreement. The PBG amount is ₹120 crore and guarantee charges at the rate of 0.50% per annum were incurred during the First Control Period.

Aeronautical allocation of O&M Expenses as submitted by MgIAL

- 3.6.12 MgIAL has submitted that the allocation of total O&M expenses between aeronautical and non-aeronautical activities has been carried out based on the following methodology:

- i. Expenditures that are directly attributable to either aeronautical or non-aeronautical services have been identified and allocated accordingly. Each cost item has been evaluated based on the nature of the cost center and its linkage to the aeronautical services.
- ii. For common costs, allocation has been undertaken using appropriate cost drivers such as the Terminal Building Ratio (TBR) for costs associated with terminal operations, Employee Headcount Ratio (EHCR) for employee-related expenses and software license cost and Gross Fixed Asset Ratio (GFAR) for all other common expenses.
- iii. In cases where detailed sub-cost break-ups were available within a broader O&M category, each sub-component was individually assessed in accordance with the principles outlined above. Thereafter, the final allocation ratio was derived based on the proportion of total aeronautical allocation of the respective O&M item relative to the overall expenditure incurred during the control period.

3.6.13 The allocation ratio considered by MgIAL for the First Control Period for the O&M expenses are provided in the table below:

Table 103: Allocation Ratio for O&M expenses considered by the Operator for First Control Period

(in %)

Particulars (FY ending 31 st March)	Classification	FY22	FY23	FY24	FY25	FY26
AAI employees/Deficit Employees	-	99.40%	99.40%	99.40%	99.40%	99.40%
Manpower expenses – AO Employees	EHCR	94.01%	94.01%	94.01%	94.01%	94.01%
Utility expenses	Aero	100.00%	100.00%	100.00%	100.00%	100.00%
IT expenses	Aero, TBR	96.56%	96.56%	96.56%	96.56%	96.56%
Rates & taxes	TBR	98.60%	98.60%	98.60%	98.60%	98.60%
Security Expense	Aero, GFAR	99.02%	99.02%	99.02%	99.02%	99.02%
Corporate Allocation	EHCR	94.01%	94.01%	94.01%	94.01%	94.01%
Administrative Expenses: Collection charges on UDF	Aero	100.00%	100.00%	100.00%	100.00%	100.00%
Administrative Expenses – Others	Aero, EHCR, GFAR	98.02%	98.02%	98.02%	98.02%	98.02%
Insurance	GFAR	98.60%	98.60%	98.60%	98.60%	98.60%
Repair and Maintenance	Aero, GFAR	98.58%	98.58%	98.58%	98.58%	98.58%
Other Operating Expenses	Aero, EHCR, TBR	96.18%	96.18%	96.18%	96.18%	96.18%
Independent Engineer Fees	Aero	100.00%	100.00%	100.00%	100.00%	100.00%
Digitization Cost	-	82.00%	82.00%	82.00%	82.00%	82.00%
Boundary Wall Repair Expenses	Aero	100.00%	100.00%	100.00%	100.00%	100.00%
Fuel & Cargo Operations Expenses	Aero	100.00%	100.00%	100.00%	100.00%	100.00%
Interest on Working Capital Loan	GFAR	98.60%	98.60%	98.60%	98.60%	98.60%
Financing Charges	Aero	100.00%	100.00%	100.00%	100.00%	100.00%

(Aero = Aeronautical, EHCR = Employee Headcount Ratio, GFAR = Gross Fixed Asset Ratio, TBR = Terminal Building Ratio)

3.6.14 The Aeronautical portion of O&M Expenses as per MYTP for the First Control Period with actuals of FY 2022 - 2025 and projection of FY 2026 using above allocation principles is given below:

Table 104: Aeronautical O&M Expenses as per MYTP for True up of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Airport Expenses						
AAI employees/Deficit Employees	21.84	18.48	17.04	14.40	15.15	86.90

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
(mandatory cost)						
Manpower expenses - AO Employees	8.24	10.35	10.45	8.92	11.75	49.71
Utility expenses	8.72	10.79	13.00	12.80	15.00	60.32
IT expenses	2.25	4.21	3.69	7.57	8.60	26.32
Rates & taxes	0.42	0.71	0.50	1.20	0.81	3.64
Security Expense	3.17	4.51	4.66	4.84	5.04	22.22
Corporate Allocation	6.05	12.05	6.96	9.29	9.91	44.25
Administrative Expenses: Collection charges on UDF	0.21	0.49	0.57	0.76	1.03	3.06
Administrative Expenses - Others	5.85	6.51	3.93	5.63	7.00	28.92
Insurance	0.81	1.05	1.03	1.18	1.33	5.41
Repair and Maintenance	11.23	14.82	14.96	16.64	17.26	74.91
Other Operating Expenses	5.36	7.40	8.81	10.71	11.88	44.15
Independent Engineer Fees	-	-	-	-	-	-
Digitization Cost	-	4.26	10.55	10.57	10.62	36.00
Boundary Wall Repair Expenses	-	-	-	-	-	-
Total Airport Expenses (1)	74.15	95.63	96.15	104.53	115.38	485.83
Cargo Operating Expenses						
Insourced salary	-	-	0.07	0.13	0.30	0.49
O&M Cost	-	-	1.06	2.10	2.55	5.71
Customs Cost Recovery	-	-	-	0.46	1.24	1.70
Total Cargo Operating Expenses (2)	-	-	1.13	2.68	4.09	7.90
Fuel Farm Expenses						
Insourced salary	-	-	-	-	-	-
O&M Cost	-	-	1.38	5.34	6.04	12.77
Total Fuel Farm Expenses (3)	-	-	1.38	5.34	6.04	12.77
Interest on Working Capital Loan (4)	4.82	11.43	16.83	19.44	21.31	73.84
Financing Charges (5)	0.50	0.63	0.65	0.64	0.71	3.14
Grand Total (1+2+3+4+5)	79.47	107.70	116.14	132.64	147.58	583.53

3.6.15 The Aeronautical portion of O&M Expenses as per actuals for the First Control Period using above allocation principles is given below:

Table 105: Aeronautical O&M Expenses as per actuals submitted by MgiAL for the True up of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Airport Expenses						
AAI employees/Deficit Employees (mandatory cost)	21.84	18.48	17.04	14.40	14.38	86.14
Manpower expenses - AO Employees	8.24	10.35	10.45	8.92	12.53	50.49
Utility expenses	8.73	10.79	13.02	12.82	13.16	58.52
IT expenses	2.25	4.21	3.69	7.57	8.20	25.92
Rates & taxes	0.42	0.71	0.48	1.17	0.89	3.67
Security Expense	3.17	4.51	4.66	4.84	5.91	23.10
Corporate Allocation	6.05	12.05	6.96	9.29	2.59	36.92
Administrative Expenses: Collection charges on UDF	0.21	0.49	0.57	0.76	1.48	3.52

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Administrative Expenses - Others	5.85	6.51	3.93	5.63	5.86	27.78
Insurance	0.81	1.05	1.03	1.18	0.93	5.01
Repair and Maintenance	11.23	14.82	14.96	16.64	16.04	73.69
Other Operating Expenses	5.36	7.40	8.81	10.71	11.30	43.58
Independent Engineer Fees	-	-	-	-	-	-
Digitization Cost	-	4.26	10.55	10.57	10.62	36.00
Boundary Wall Repair Expenses	-	-	-	-	-	-
Total Airport Expenses (1)	74.15	95.63	96.15	104.51	103.89	474.33
Cargo Operating Expenses						
Insourced salary	-	-	0.07	0.13	0.08	0.27
O&M Cost	-	-	1.06	2.10	1.72	4.88
Customs Cost Recovery	-	-	-	0.46	1.78	2.24
Total Cargo Operating Expenses (2)	-	-	1.13	2.68	3.58	7.39
Fuel Farm Expenses						
Insourced salary	-	-	-	-	-	-
O&M Cost	-	-	1.38	5.34	5.84	12.57
Total Fuel Farm Expenses (3)	-	-	1.38	5.34	5.84	12.57
Interest on Working Capital Loan (4)	4.82	11.43	16.83	19.44	21.31	73.84
Financing Charges (5)	0.50	0.63	0.65	0.64	0.71	3.14
Grand Total (1+2+3+4+5)	79.47	107.70	116.14	132.62	135.33	571.27

Recap of decisions taken by the Authority regarding Aeronautical O&M Expenses for the First Control Period

3.6.16 The Authority, in the Tariff Order for the First Control Period, decided the following in regard to the O&M expenses for the First Control Period:

- Decision Nos. 10.6.2: *“To consider the O&M expenses incurred by the Airport Operator during the First Control Period subject to reasonableness and efficiency, at the time of True up in the Second Control period.”*
- Decision Nos. 10.6.3: *“Considering the size and scale of operations of the Airport, the Authority expects AO to bring in efficiencies in the incurrence of O&M expenses, in view of the higher CAPEX and comparatively low traffic.”*

3.6.17 The Authority has decided the following Aeronautical O&M Expenses at the time of tariff determination for the First Control Period:

Table 106: Aeronautical O&M Expenses decided by the Authority in Tariff order for the First Control Period

<i>(₹in Crore)</i>						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Airport Expenses						
AAI employees/Deficit Employees (mandatory cost)	19.77	20.95	18.59	14.25	15.10	88.67
Manpower expenses - AO Employees	9.24	14.17	23.78	25.2	26.71	99.10
Utility expenses	9.38	9.87	13.16	13.81	14.48	60.7
IT expenses	2.43	2.68	3.54	3.72	3.90	16.26
Rates & taxes	0.33	0.37	0.48	0.51	0.53	2.22
Security Expense	2.07	2.29	3.02	3.17	3.33	13.88

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Corporate Allocation	9.36	9.92	10.51	11.14	11.81	52.75
Administrative Expenses: Collection charges on UDF	0.28	0.50	0.58	0.75	0.90	3.01
Administrative Expenses - Others	4.34	4.79	5.03	5.28	5.54	24.97
Insurance	1.01	1.44	1.71	1.78	1.86	7.80
Repair and Maintenance	7.42	7.41	25.54	29.21	33.58	103.16
Other Operating Expenses	6.09	6.72	8.89	9.33	9.80	40.83
Independent Engineer Fees	1.58	1.58	1.58	1.58	1.58	7.90
Digitization Cost	-	-	-	-	-	-
Boundary Wall Repair Expenses	-	0.67	0.50	0.50	0.50	2.17
Total Airport Expenses (1)	73.28	83.35	116.92	120.23	129.63	523.41
Cargo Operating Expenses						
Insourced salary	-	-	0.62	0.66	0.70	1.97
O&M Cost	-	-	1.74	2.21	2.81	6.75
Customs Cost Recovery	-	-	0.90	0.95	0.99	2.84
Total Cargo Operating Expenses (2)	-	-	3.26	3.81	4.49	11.57
Fuel Farm Expenses	-	-	4.70	4.92	5.54	15.16
Insourced salary	-	0.15	1.00	2.27	3.26	6.68
O&M Cost	3.22	2.51	0.65	0.81	0.60	7.79
Total Fuel Farm Expenses (3)	76.50	86.01	126.53	132.04	143.52	564.60

3.6.18 The Authority has considered the following Aeronautical allocation ratio at the time of tariff determination for the First Control Period to derive the above Aeronautical O&M Expenses:

Table 107: Allocation Ratio for O&M expenses decided by the Authority in the Tariff Order of the First Control Period

(in %)

Particulars (FY ending 31 st March)	Classification	FY22	FY23	FY24	FY25	FY26
AAI Employees (up to Deemed Deputation Period)	Common	98.14%	98.14%	98.14%	98.14%	98.14%
AAI employees (Deficit Employees Cost)	Aero	100%	100%	100%	100%	100%
Manpower expenses – AO Employees	EHCR	96%	96%	96%	96%	96%
Utility expenses	Aero	100%	100%	100%	100%	100%
IT expenses	EHCR	97%	97%	97%	97%	97%
Rates & taxes	TBR	92%	92%	92%	92%	92%
Security Expense	TBR	92%	92%	92%	92%	92%
Corporate Allocation	GFAR*	95%	95%	95%	95%	95%
Administrative Expenses: Collection charges on UDF	Aero	100%	100%	100%	100%	100%
Administrative Expenses – Others	GFAR	97%	97%	97%	97%	97%
Insurance	TBR	92%	92%	92%	92%	92%
Repair and Maintenance	TBR	92%	92%	92%	92%	92%
Other Operating Expenses	TBR	92%	92%	92%	92%	92%
Independent Engineer Fees	Aero	100%	100%	100%	100%	100%
Digitization Cost	-	-	-	-	-	-
Boundary Wall Repair Expenses	Aero	100%	100%	100%	100%	100%
Fuel & Cargo Operations Expenses	Aero	100%	100%	100%	100%	100%
Interest on Working Capital Loan	-	-	-	-	-	-

Particulars (FY ending 31 st March)	Classification	FY22	FY23	FY24	FY25	FY26
Financing Charges	Aero	100%	100%	100%	100%	100%

(Aero = Aeronautical, EHCR = Employee Headcount Ratio, GFAR = Gross Fixed Asset Ratio, TBR = Terminal Building Ratio)

* Considering EHCR was higher than GFAR and since GFAR was proposed by Operator

Authority's examination and proposals regarding True up of O&M Expenses for the First Control Period

- 3.6.19 The Authority's analysis of aeronautical operating expenses for True up for the First Control Period is based on the revised submissions made by MgIAL vide e-mail dated 13th June 2026 (Refer Table 105).
- 3.6.20 The Authority, through the Independent Consultant, has examined the True-up of O&M Expenses for the First Control Period based on the submissions and records furnished by MgIAL. In this regard, the following documents / information have been considered by the Authority:
- Ledgers and other internal records maintained by MgIAL in respect of O&M Expenses for the First Control Period;
 - Audited Financial Statements of MgIAL for FY22-FY26; and
 - Explanations and clarifications furnished by MgIAL regarding the reasons for variation in various sub-items of Operating Expenses during the First Control Period;
- 3.6.21 Based on the aforesaid examination, the Authority notes that MgIAL has submitted Aeronautical O&M Expenses of ₹571.27 Crores for True up of First Control Period as against ₹564.60 Crores approved by the Authority in the Tariff Order for the First Control Period with the resultant variation of approximately 1%.
- 3.6.22 The Authority have analyzed each of the expense heads and have explained the reasons for deviations in the ensuing paragraphs.

Manpower Expenses AAI:

- 3.6.23 MgIAL has submitted the Manpower Cost for Employees under AAI for True up of the First Control Period in MYTP based on actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised cost for FY26. Accordingly, the comparison of Aeronautical Manpower Cost for Employees under AAI approved by the Authority for the First Control Period and that submitted by MgIAL for True up are provided in the table below:

Table 108: Comparison of Manpower Cost - AAI and submitted by MgIAL for True-Up of the First Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Manpower Cost -AAI approved by the Authority (A)	19.77	20.95	18.59	14.25	15.10	88.67
Aeronautical Manpower Cost – AAI submitted by MgIAL for True up (B)	21.84	18.48	17.04	14.40	14.38	86.14
Variation (B-A)	2.07	(2.47)	(1.55)	0.15	(0.72)	(2.53)

- 3.6.24 The Authority notes that the Aeronautical Manpower Cost for AAI's Employees submitted by MgIAL is ~3% lower than the expenses approved in the Tariff Order for the First Control Period.
- 3.6.25 The Authority examined the relevant provisions of the Concession Agreement governing the determination and recovery of Aeronautical Manpower Charges for AAI Employees. The relevant extracts of the Concession Agreement relied upon for this assessment are reproduced below:

Clause 6.5. 1. states that:

- i. *"Select Employees shall mean those employees of the Authority as set forth in Schedule S (of the rank of assistant general manager and below) who are posted at the Airport by the Authority and shall be deployed at the Airport for the duration of the Joint Management Period and Deemed Deputation Period. The Select Employees shall stand reduced to the extent of employees who retire, are deceased or otherwise separated from Authority's services during the Joint Management Period or Deemed Deputation Period. It is clarified that the Select Employees shall not be reduced to the extent of employees who are transferred by AAI."*
- ii. *"Joint Management Period shall mean the period commencing from the COD and ending on the date which is 1 (one) calendar year after the COD"*
- iii. *"Deemed Deputation Period shall mean the period commencing from the expiry of the Joint Management Period and ending on the date which is 2 (two) calendar years therefrom"*

Clause 6.5.4 states that:

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

Clause 6.5.10 states that:

- i. *"If at the expiry of the Deemed Deputation Period. the number of Accepting Employees is less than 60% (sixty) percent of the Selected Employees ('The Deficit Employees') the Concessionaire shall, commencing from the expiry of the Deemed Deputation Period pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority in respect of such Deficit Employees (the "Deficit Employees' Cost")*
- ii. *The Deficit Employee Costs shall be considered for pass-through in the determination of the Aeronautical Charges. "*

Clause 28.4.3. states that:

- i. *"The Parties agree and acknowledge that the Concessionaire expressly waives its right to seek as pass-through in the Aeronautical Charges such costs and/ or expenses which the Concessionaire is restrained under this Agreement from seeking to be passed-through thereunder"*

3.6.26 The Authority, on review of the above clauses of the CA, proposed to consider the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' and after the expiry of such period relating to 'Deficit Employee cost' as provided under the relevant Clauses of the Concession Agreement for such expenses. In this respect, the Authority proposed to consider the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' as Common, since the Manpower of AAI is used for both Aeronautical and Non-aeronautical activities and also in line with the report on Study on Efficient Operation and Maintenance Expenses for Mangaluru International Airport (refer Appendix II of Tariff Order No. 38/2022-23). Accordingly, the Authority proposed to apportion the Manpower Expenses of AAI employees up to 'Deemed Deputation Period', to Aeronautical activities in the ratio of 98.14: 1.86 (Aeronautical: Non-aeronautical) – (Refer Table 93 of Order No. 38/2022-23) based on department-wise Employee Headcount of AAI employees as of 31st October 2021. In respect of the Manpower Expenses of AAI employees relating to 'Deficit Employees' after the expiry of the Deemed Deputation Period, the Authority proposed to consider the same as 100% pass through as mandated by Clause 6.5.10. of the CA.

3.6.27 The Authority, through its Independent Consultant reconciled the invoices raised by AAI as submitted by MgIAL. The Authority further observes that the total manpower expenses considered by the

Operator, prior to aeronautical allocation, amounted to ₹86.66 crore which includes additional ₹0.35 crore due to year end provisions, as against invoices raised by AAI aggregating to ₹88.70 crore. Upon detailed examination and response received from Operator vide email dated 13th June 2026, the Authority notes that ₹2.39 crore pertains to AAI employee costs capitalized under Soft Cost during the Control Period (Refer Table 73). Since the Soft Cost forms part of the capitalized asset cost and is included in the Regulatory Asset Base, the same has not been considered under Operating Expenses for the purpose of True up. The Authority has also not considered the additional provision of 0.35 Crore for employee benefits while determining the employee cost as the invoice for the same was not available. Accordingly, the employee cost has been considered based on the actual invoices raised by AAI, after excluding 2.39 Cr attributable to soft cost activities that have been capitalized as part of the soft cost and 0.35 Cr attributed to additional year end provisions.

- 3.6.28 The Authority has applied an allocation ratio of 98.14% during the Deemed Deputation Period (FY 2021-22, FY 2022-23) an allocation ratio of 100% post that for the purpose of True up (Refer para 3.6.26) as against average aeronautical allocation ratio of 99.40% proposed by AO for the AAI manpower charges.
- 3.6.29 The Authority also notes that Deemed Deputation Period for select employees of AAI ends in October 2024. Thus, for the year FY 2023-2024, the weighted allocation ratio applied will be applied which will be calculated based on the duration of deputation period of 9 months over the year. Accordingly, ratio for the Year FY 2023-24 comes out to be 99.07%.
- 3.6.30 Accordingly, the Aeronautical Manpower Costs payable to AAI, as proposed by the Authority, are provided below:

Table 109: Aeronautical Manpower Cost - AAI proposed by the Authority for True up of First Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
AAI manpower expenses - Invoices	21.63	20.19	17.63	14.83	14.43	88.70
Less: Manpower Cost Capitalized	-	(1.66)	(0.73)	-	-	(2.39)
AAI manpower expenses – After Adjustment (A)	21.63	18.52	16.90	14.83	14.43	86.31
Allocation Ratio (B)	98.14%	98.14%	99.07%*	100.00%	100.00%	
Aero Manpower Cost – AAI considered for True up (A*B)	21.23	18.18	16.74	14.83	14.43	85.40

*Proportioned based on the Deemed Deputation Period

Manpower Expenses Operator:

- 3.6.31 MgIAL has submitted the Manpower Cost for Employees under the Operator for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised cost for FY26. Accordingly, the comparison of Aeronautical Manpower Cost for Employees under the Operator approved by the Authority for the First Control Period with the Manpower Cost submitted by MgIAL for True up are provided in the table below:

Table 110: Comparison of Manpower Cost - Operator as approved and as submitted by MgIAL for True-Up of the First Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Manpower Cost -	9.24	14.17	23.78	25.2	26.71	99.10

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Operator approved by the Authority in FCP (A)						
Aeronautical Manpower Cost – Operator submitted by MgiAL for True up (B)	8.24	10.35	10.45	8.92	12.53	50.49
Variation (B-A)	(1.00)	(3.82)	(13.33)	(16.28)	(14.18)	(48.61)

3.6.32 The Authority notes that the Aeronautical Manpower Cost for Operator's Employees submitted by MgiAL is ~49% lower than the expenses approved in the Tariff Order for the First Control Period.

3.6.33 The Authority observed that the employee cost is significantly lower than the projected level, amounting to nearly half of the approved projections. This reduction is primarily attributable to the optimization of manpower costs by the Operator through increased reliance on outsourcing, thereby reducing the requirement for in-house employees and the associated expenses. Further, the Authority notes that the average annual salary cost per employee decreased from approximately ₹15 lakhs in FY 2022 to approximately ₹9 lakhs in FY 2026.

3.6.34 The Airport Operator, in its MYTP submission, has provided a detailed break-up of the Employee Headcount from FY 22 to FY 25 along with the appropriate classification. The details submitted by the Airport Operator are presented in the table below:

Table 111: Employee Headcount Ratio as per MYTP submitted by Operator for True up of First Control Period

Particulars (FY ending 31 st March)	Classification	FY22	FY23	FY24	FY25
CAO office	Aero	2	1	1	1
Corporate Communication	Common	1	1	1	1
Engineering & Maintenance	Aero	1	4	12	9
Environment & Sustainability	Aero	1	1	1	1
Finance & Accounts	Common	4	4	4	9
Quality	Aero	1	2	1	1
Horticulture	Common	-	1	1	1
Human Resources & Admin	Common	3	5	5	7
Information Technology	Common	1	1	1	1
Legal	Common	1	1	1	1
Non-Aero Commercial	Non-Aero	4	4	4	5
AOCC	Aero	5	5	5	5
Terminal	Aero	2	8	11	7
ARFF	Aero	15	17	52	56
Airside	Aero	11	10	15	13
ILHBS	Aero	-	-	-	-
Regulatory	Aero	-	1	1	1
Safety	Aero	1	1	2	1
Security	Aero	4	4	3	3
Procurement & Contracts	Common	2	2	2	3
Total		59	73	123	126
Classification					
Aero		43	54	104	98
Non-Aero		4	4	4	5
Common		12	15	15	23
Total		59	73	123	126
Employee Headcount Ratio		91.49%	93.10%	96.30%	95.15%
Average Employee Headcount Ratio		94.01%			

3.6.35 The Authority reviewed the departmental classification submitted by the Airport Operator and reclassified the departments based on their functional roles and activities to ensure a more representative allocation between Aeronautical and Non-Aeronautical operations. The department-wise reclassification considered by the Authority is presented in the table below:

Table 112: Employee Classification considered by Authority for True up of First Control Period

Particulars	Classification as per Operator	Classification as per Authority
CAO office	Aero	Common
Corporate Communication	Common	Common
Engineering & Maintenance	Aero	Common
Environment & Sustainability	Aero	Common
Finance & Accounts	Common	Common
Quality	Aero	Aero
Horticulture	Common	Common
Human Resource & Admin	Common	Common
Information Technology	Common	Common
Legal	Common	Common
Non-Aero Commercial	Non-Aero	Non-Aero
AOCC	Aero	Aero
Terminal	Aero	Common
ARFF	Aero	Aero
Airside	Aero	Aero
Regulatory	Aero	Aero
Safety	Aero	Aero
ILHBS	Aero	Aero
Security	Aero	Common
Procurement & Contracts	Common	Common

3.6.36 The Airport Operator, vide email dated 13th June 2026, submitted the department-wise actual employee headcount for FY 2025-26, reporting a total employee strength of 170 personnel. Upon examination, the Authority observed a significant increase in employee headcount from FY 2024-25 to FY 2025-26. The Authority notes that this increase includes 24 employees recruited under the ILHBS function, who were onboarded between 16th March 2026 and 31st March 2026 in anticipation of operational requirements from FY 2026-27, considering approximately six-month training period required before deployment.

3.6.37 Accordingly, for the purpose of determining the Employee Headcount Ratio (EHCR), the Authority has considered these 24 employees on a pro-rata basis corresponding to the period for which they were on the payroll during FY 2025-26. Further, the EHCR has been computed based on the revised departmental classification adopted by the Authority and the latest employee data submitted by the Airport Operator. The Employee Headcount Ratio proposed by the Authority is presented in the table below:

Table 113: Employee Headcount Ratio proposed by Authority for True up of First Control Period

Particulars (FY ending 31 st March)	Classification	FY22	FY23	FY24	FY25	FY26
CAO office	Common	2	1	1	1	1
Corporate Communication	Common	1	1	1	1	1
Engineering & Maintenance	Common	1	4	12	9	8
Environment & Sustainability	Common	1	1	1	1	1
Finance & Accounts	Common	4	4	4	9	10
Quality	Aero	1	2	1	1	1
Horticulture	Common	-	1	1	1	1

Particulars (FY ending 31 st March)	Classification	FY22	FY23	FY24	FY25	FY26
Human Resources & Admin	Common	3	5	5	7	4
Information Technology	Common	1	1	1	1	1
Legal	Common	1	1	1	1	1
Non-Aero Commercial	Non-Aero	4	4	4	5	5
AOCC	Aero	5	5	5	5	5
Terminal	Common	2	8	11	7	10
ARFF	Aero	15	17	52	56	72
Airside	Aero	11	10	15	13	14
ILHBS	Aero	-	-	-	-	1*
Regulatory	Aero	-	1	1	1	1
Safety	Aero	1	1	2	1	5
Security	Common	4	4	3	3	2
Procurement & Contracts	Common	2	2	2	3	3
Total		59	73	123	126	147
Classification						
Aero		33	36	76	77	99
Non-Aero		4	4	4	5	5
Common		22	33	43	44	43
Total		59	73	123	126	147
Employee Headcount Ratio		89.19%	90.00%	95.00%	93.90%	95.19%
Average Employee Headcount Ratio		92.66%				

(*Actual Number of Employee is under ILHBS is 24)

3.6.38 The Authority through its Independent Consultant have verified the Invoices for Employee expenses as submitted by the operator. The Authority finds the manpower expenses submitted by the AO to be reasonable and accordingly considers the same for True up of First Control Period.

3.6.39 The Operator has applied an allocation ratio of 94.01% based on the Employee Headcount Ratio. However, the Authority has considered the revised year-on-year Employee Headcount Ratio for the True up of the First Control Period. The Aeronautical Manpower Costs – Operator proposed by the Authority are provide below:

Table 114: Aeronautical Manpower Cost - Operator proposed by the Authority for True up of First Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Actual Manpower Cost - Operator	8.76	11.01	11.12	9.49	13.33	53.71
Allocation Ratio	89.19%	90.00%	95.00%	93.90%	95.19%	
Aero Manpower Cost – Operator considered for True up	7.81	9.91	10.56	8.91	12.69	49.88

Utility Expenses:

3.6.40 The Authority notes that the Utility Expenses are comprised of three elements, i.e. Power, Water and Fuel charges.

3.6.41 MgiAL has submitted the Utility Expenses for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgiAL submitted a revised Utility Expenses for FY26. Accordingly, the comparison of Aeronautical Utility Expenses approved by the Authority for the First Control Period with the Aeronautical Utility Expenses submitted by MgiAL for True up are provided in the table below:

Table 115: Comparison of Utility Expenses as approved in the First Control Period Order and as submitted by MglAL for True-Up of the First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Utility Expenses approved by the Authority (A)	9.38	9.87	13.16	13.81	14.48	60.70
Aeronautical Utility Expenses submitted by MglAL for True up (B)	8.73	10.79	13.02	12.82	13.16	58.52
Variation (B-A)	(0.65)	0.92	(0.14)	(0.99)	(1.32)	(2.18)

3.6.42 The Authority notes that the Aeronautical Utility Expenses submitted by MglAL is ~4% lower than the expenses approved in the Tariff Order for the First Control Period.

3.6.43 The Authority has analyzed each of the components of Utilities separately in section below.

Power Charge

3.6.44 The Authority through its Independent Consultant has validated the YoY Power Consumption units, per unit rate and overall power consumption charges year on year at the Airport through invoices submitted by Airport operator for power expenses.

3.6.45 The Authority notes that there has been a steady year on year increase observed in the power consumption of the airport, except in FY 24, where one time increase of power consumption is observed due to the terminal area expansion.

3.6.46 The recoveries made by the Airport operator has been significantly lower than the projected recoveries of 25% in the Tariff order for the First Control Period. In this regard, the Airport Operator submitted vide email dated 13th June 2026 that electricity recovery is based on actual consumption through sub-metering and billed on a cost-to-cost basis without any markup and hence the recovery is limited directly to the usage as per concession agreements, with no scope for normative allocation or cross-subsidization.

3.6.47 Accordingly, Power consumption, recoveries and rates as per AO submission seems justified to the Authority and have been considered by the Authority on actual basis while determining the total power charges for True up of First Control Period.

3.6.48 Power charges proposed to be considered by the Authority for True up of First Control Period is as under:

Table 116: Power Charges proposed by the Authority for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Gross Consumption (A) – Units	0.83	1.02	1.23	1.31	1.32	5.71
Recoveries (B) – Units	0.03	0.05	0.06	0.07	0.08	0.29
Net Consumption (A-B) – Units	0.80	0.98	1.17	1.24	1.24	5.42
Power Expenses	7.85	10.01	12.22	11.85	12.25	54.18

Water Charge

3.6.49 The Authority through its Independent Consultant, has validated the overall water consumption charges year on year at the Airport based on the invoices submitted by the Airport Operator.

3.6.50 The Authority further notes that no recoveries have been made from the concessionaire. In this regard, the Airport Operator submitted vide email 13th June 2026 that installation of sub-level water meters was

not considered economically viable, as the metering costs would be disproportionately high in comparison to the corresponding water charges. The Authority noted that water bills ranged between ₹ 2-4 lakhs per annum and hence finds the reason justified as provided by the operator. Accordingly, no recoveries have been considered by the Authority while determining the total water charges.

- 3.6.51 The Authority also notes that the water charges include other expenses towards procurement of water through tankers, which were required during the initial years of operation. The same was further reconciled with the invoices submitted by the Airport Operator.
- 3.6.52 Since the water charges incurred were minimal and were reconciled with the invoices submitted by the Airport Operator, accordingly, AO submission related to water expenses incurred and recoveries is accepted by the Authority.
- 3.6.53 Accordingly, the proposed water charges considered by Authority for True up of First Control Period are provided in the table below.

Table 117: Water Charges proposed by the Authority for True up of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Total Extraction in KL (A)	10,211	86,473	1,00,675	86,479	98,533	3,82,371
Recoveries as per Operator – KL	-	-	-	-	-	-
Recoveries as per Authority in KL (B)	-	-	-	-	-	-
Net Consumption (A-B) – Units	10,211	86,473	1,00,675	86,479	98,533	3,82,371
Rate per Unit (₹/Unit)	2	2	2	2	2	
Other Expenses	0.03	0.03	-	-	-	0.06
Water Expenses	0.03	0.04	0.02	0.02	0.02	0.13

Fuel Charge

- 3.6.54 The Authority through its Independent Consultant has validated the Fuel Expenses at the Airport based on the supporting invoices submitted by the Operator.
- 3.6.55 The Authority notes the submission of the Airport Operator vide email dated 13th June 2026, wherein it was clarified that diesel consumption for DG sets is not tracked in terms of consumption units. Instead, MgiAL monitors and records diesel usage based on the actual expenditure incurred (in ₹ terms).
- 3.6.56 The Authority noted the lower fuel charges year on year indicate yearly rentals as the major component of the fuel charges then the fuel consumption.
- 3.6.57 Accordingly, the Authority has relied upon the fuel bills provided by the Airport Operator for the purpose of True-up. The Fuel Expenses proposed by the Authority for True up of First Control Period is presented in the table below:

Table 118: Fuel Charges proposed by the Authority for True up of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Fuel Expenses	0.84	0.75	0.78	0.95	0.89	4.21

- 3.6.58 The Authority further notes that MgiAL has applied an allocation ratio of 100% for Utilities (Net of Recoveries) as the Utilities are aeronautical expenses. The Authority further notes that Water Charges are considered without any recoveries and hence the Authority proposes to consider Terminal Building Ratio of 92% (Refer Table 30) for its aero allocation and allocate other Utilities (Net of Recoveries) at an allocation ratio of 100% for the true up of the First Control Period. The Aeronautical Utility Expenses proposed by the Authority are provided below:

Table 119: Aeronautical Utility Expenses proposed by the Authority for True up of First Control Period**(₹ in Crore)**

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Power Charge net recoveries (A)	7.85	10.01	12.22	11.85	12.25	54.18
Fuel Charge (B)	0.84	0.75	0.78	0.95	0.89	4.21
Allocation Ratio (C)	100.00%	100.00%	100.00%	100.00%	100.00%	
Water Charge (D)	0.03	0.04	0.02	0.02	0.02	0.13
Allocation Ratio (E)	92.00%	92.00%	92.00%	92.00%	92.00%	
Aero Utility Expenses considered for True up (F=A*C+B*C+D*E)	8.72	10.79	13.02	12.82	13.16	58.51

IT Expenses:

- 3.6.59 The Authority observes that the IT Expenses includes expenses for IT outsourcing services, various software licenses and other support services for proper functioning of the Airport.
- 3.6.60 MgIAL has submitted the IT Expenses for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised IT Expenses for FY26. Accordingly, the comparison of Aeronautical IT expenses approved by the Authority for the First Control Period with the Aeronautical IT expenses submitted by MgIAL for True up are provided in the table below:

Table 120: Comparison of IT Expenses as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period**(₹ in Crore)**

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical IT Expenses approved by the Authority (A)	2.43	2.68	3.54	3.72	3.90	16.26
Aeronautical IT Expenses submitted by MgIAL for True up (B)	2.25	4.21	3.69	7.57	8.20	25.92
Variation (B-A)	(0.18)	1.53	0.15	3.85	4.30	9.66

- 3.6.61 The Authority notes that the Aeronautical IT Expenses submitted by MgIAL are ~59% higher than the expenses approved in the Tariff Order for the First Control Period.
- 3.6.62 The Operator provided a detailed breakdown of each sub-line item under IT Expenses vide email dated 13th June 2026 (Refer Annexure 2: Detail Breakdown of O&M Expenses for First Control Period), along with the allocation methodology used to arrive at the final aeronautical allocation ratio.
- 3.6.63 The Authority through its Independent Consultant have verified the IT Expenses through relevant purchase orders and invoices. The Authority also examined the higher charges observed in FY23 and FY25 (by ₹2 crore and ₹4 crore, respectively) and noted that these are primarily attributable to the ramp-up of IT infrastructure and allied systems post-COD, along with the increase in airport employee strength and addition of terminal area in FY 23. The Authority further observed that the “Digi Yatra” initiative of Ministry of Civil Aviation, Government of India (MoCA) which was launched during the First Control Period also contributed to increase in cost during FY 24-25. Consequently, there was an escalation in key cost components, including IT infrastructure outsourcing services, software licenses, airport operating system services, Azure/application development AMC and managed services and IT support services. Hence, the increase in cost was considered justified by the Authority for the True up of First Control Period.
- 3.6.64 The Operator applied allocation methodologies for each line item based on either Aeronautical

classification or the Terminal Building Ratio (TBR). The Authority, upon detailed examination of each line item, has reassessed and allocated the expenses using a combination of Aeronautical classification and TBR (Refer Table 30). Based on the said allocation ratio, the Aeronautical IT Expenses proposed by the Authority for the purpose of true-up of First Control Period is provided in the table below:

Table 121: Aeronautical IT Expenses proposed by the Authority for True up of First Control Period

(₹in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Actual IT Expenses	2.33	4.36	3.81	7.84	8.49	26.83
Allocation Ratio	93.41%	92.28%	93.30%	92.82%	92.35%	
Aero IT Expenses considered for True up	2.18	4.02	3.55	7.28	7.84	24.87

Rates and Taxes:

3.6.65 The Authority observes that the Rates and Taxes primarily include Property Tax, Road Tax, Pollution Control Certificates and others which are mandatorily required by the Airport.

3.6.66 MgIAL has submitted the Rates and Taxes for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised Rates and Taxes for FY26. Accordingly, the comparison of Aeronautical Rates and Taxes approved by the Authority for the First Control Period with Rates and Taxes submitted by MgIAL for True up are provided in the table below:

Table 122: Comparison of Rates and Taxes as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period

(₹in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Rates and Taxes approved by the Authority (A)	0.33	0.37	0.48	0.51	0.53	2.22
Aeronautical Rates and Taxes submitted by MgIAL for True up (B)	0.42	0.71	0.48	1.17	0.89	3.67
Variation (B-A)	0.09	0.34	0.00	0.66	0.36	1.45

3.6.67 The Authority notes that the Aeronautical Rates and Taxes submitted by MgIAL is ~65% higher than the expenses approved in the Tariff Order for the First Control Period and the same has been verified through relevant documents by the Independent Consultant.

3.6.68 The Authority through its Independent Consultant examined each sub-component of Rates and Taxes as submitted by the operator vide emails dated 13th June 2026 and 26th June 2026 through invoices and other relevant details. The Authority notes that the increase in actual costs vis-à-vis the estimates is primarily attributable to higher property tax arising from terminal area expansion and the addition of new facilities such as cargo and fuel farm. The Authority also observed year-on-year fluctuations in these costs, which are mainly on account of provision reversals and DG taxes etc. Accordingly, the higher actual costs have been considered justified by the Authority for the purpose of true-up of the First Control Period.

3.6.69 The Operator has applied an allocation ratio of 98.60% based on the Gross Fixed Asset Ratio. However, the Authority has considered Gross Fixed Asset Ratio based on the revised computation (Refer Table 30). The Aeronautical Rates and Taxes proposed by the Authority for True up of First Control Period are provided below:

Table 123: Aeronautical Rates and Taxes proposed by the Authority for True up of First Control Period
(₹in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Actual Rates and Taxes	0.43	0.72	0.49	1.18	0.90	3.72
Allocation Ratio	98.04%	97.37%	97.58%	97.58%	97.44%	
Aero Rates and Taxes considered for True up	0.42	0.70	0.48	1.16	0.88	3.63

Security Expenses:

3.6.70 The Authority observes that the Security Expenses majorly include expenses for AMC of various security equipment (X-BIS, ETD, DFMD, TCV etc.) and SLA based Security contracts which are essential for smooth and secure operations of the airport.

3.6.71 MgIAL has submitted the Security Expenses for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised Security Expenses for FY26. Accordingly, the comparison of Aeronautical Security expenses approved by the Authority for the First Control Period with the Security Expenses submitted by MgIAL for True up are provided in the table below:

Table 124: Comparison of Security Expenses as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Security Expenses approved by the Authority (A)	2.07	2.29	3.02	3.17	3.33	13.88
Aeronautical Security Expenses submitted by MgIAL for True up (B)	3.17	4.51	4.66	4.84	5.91	23.10
Variation (B-A)	1.10	2.22	1.64	1.67	2.58	9.22

3.6.72 The Authority notes that the Aeronautical Security Expenses submitted by MgIAL is ~66% higher than the expenses approved in the Tariff Order for the First Control Period.

3.6.73 The Operator provided a detailed breakdown of each sub-line item under Security Expenses vide email dated 13th June 2026 (Refer Annexure 2: Detail Breakdown of O&M Expenses for First Control Period), along with the allocation methodology used to arrive at the final aeronautical allocation ratio.

3.6.74 The Authority through its Independent Consultant have verified the Security Expenses through relevant purchase orders and invoices. The Authority also examined the higher actuals for security expenses as compared to those approved and noted that the increase is primarily attributable to the expansion of terminal area, along with the creation of new facilities such as cargo and fuel farm. The major contributors to the increased cost are SLA based security contract, AMC of equipment, CAMC for threat containment vessel (part of BDDS) and services to hire vehicle/drivers for security function. Accordingly, the higher costs have been considered by the Authority for the purpose of true-up of First Control Period.

3.6.75 The Operator applied allocation methodologies for each line item based on either Aeronautical classification or the Gross Fixed Asset Ratio (GFAR). The Authority, upon detailed examination of each line item, has reassessed and allocated the expenses using a combination of Aeronautical classification and Terminal Building Ratio (Refer Table 30), in line with the methodology used in First Control Period Tariff Order. The Aeronautical Security Expenses proposed by the Authority for the purpose of true-up of First Control Period is provided in the table below:

Table 125: Aeronautical Security Expenses proposed by the Authority for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Actual Security Expenses	3.20	4.56	4.71	4.89	5.97	23.33
Allocation Ratio	94.55%	94.86%	94.33%	94.11%	93.92%	
Aero Security Expenses considered for True up	3.03	4.33	4.44	4.60	5.61	22.01

Corporate Allocation Expenses:

3.6.76 The Authority observes that Corporate Allocation Expenses arise from shared corporate functions performed by AAHL and AEL (the holding company) for a group of Airports, with proportionate allocation to MgIAL.

3.6.77 MgIAL has submitted the Corporate Allocation Expenses for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised Corporate Allocation Expenses for FY26. Accordingly, the comparison of Aeronautical Corporate Allocation Expenses approved by the Authority for the First Control Period with the Corporate Allocation Expenses submitted by MgIAL for True up are provided in the table below:

Table 126: Comparison of Corporate Allocation Expenses as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Corporate Allocation Expenses approved by the Authority (A)	9.36	9.92	10.51	11.14	11.81	52.75
Aeronautical Corporate Allocation Expenses submitted by MgIAL for True up (B)	6.05	12.05	6.96	9.29	2.59	36.92
Variation (B-A)	(3.31)	2.13	(3.55)	(1.85)	(9.22)	(15.83)

3.6.78 The Authority notes that the Aeronautical Corporate Allocation Expenses submitted by MgIAL is ~30% lower than the expenses approved in the Tariff Order for the First Control Period.

3.6.79 The Authority notes the following about the corporate allocation costs:

- i. AEL provides various strategic functions/activities like corporate finance, legal, central procurement, green initiative, ESG, Information technology, human resource management, etc while AAHL provides expertise and specialist domain knowledge in Airports Operation, Airside Management, Master Planning, Designing, Airport Development, Airport Regulatory, Hospitality, Customer management, Cargo Development and management, Airline Marketing, Non-Aeronautical etc.
- ii. AEL and AAHL incur costs at the corporate level to provide these services and support to various Group Companies (including Airports) and Airport companies. The major composition of these costs includes salaries and administrative costs. These costs (except shareholders services and non-Aeronautical services) are recovered by AEL and AAHL through a pre-determined allocation method.

3.6.80 MgIAL has provided a detailed breakdown of each business head for corporate allocation which is verified by the Authority through its Independent Consultant using CA certificates. The details of the breakdown are provided in the table below:

Table 127: Corporate Allocation Expenses submitted by Operator for True up of First Control Period**(₹ in Crore)**

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
AAHL						
Human Resource	0.60	1.07	0.54	0.49	0.20	2.90
Finance, Tax & Internal Audit	0.19	0.57	0.42	0.56	0.10	1.84
IT	0.18	0.32	0.40	0.43	0.35	1.68
Operations, CEO's Office	3.47	7.68	2.69	4.38	0.47	18.69
EHS & Security	0.13	0.57	0.30	0.48	0.08	1.56
Regulatory	0.04	0.46	0.40	0.47	0.02	1.39
Legal Team	0.02	0.16	0.02	-	0.03	0.23
AEL						
Human Resource	0.75	0.57	1.39	1.56	0.41	4.68
Finance, Tax & Internal Audit	0.61	0.27	0.66	0.55	0.47	2.56
IT	0.34	0.38	0.41	0.42	0.19	1.74
Legal Team	0.02	0.01	0.01	0.01	0.01	0.06
CMD Office	0.09	0.74	0.15	0.51	0.42	1.91
Total Corporate Allocation	6.44	12.80	7.39	9.86	2.75	39.24

3.6.81 The Authority, at the time of tariff determination for the First Control Period, had examined the Legal Expenses included under Corporate Allocation and arrived at its decision state in para no. 10.5.7 of the First Control Period Tariff Order: *“The Authority reviewed the comments of AO relating to Corporate Cost Allocation, in respect of the allocated cost ~₹ 0.15 Crores towards In-house legal team. The Authority has already allowed the employee expenses towards the inhouse legal team of the AO and therefore, is of the view that providing additional expenses towards legal department at the corporate level would result in redundancy. Hence, the Authority has decided to exclude the same from the Aeronautical O&M expenses”.*

3.6.82 Accordingly, the Authority has not considered ₹0.28 crores of Legal Team expenses from Corporate Allocation for the purpose of True up of First Control Period.

3.6.83 The Operator has applied an allocation ratio of 94.01% based on the Employee Headcount Ratio (EHCR). However, the Authority has considered the Employee Headcount Ratio based on the revised calculation (Refer Table 113). The Aeronautical Corporate Allocation Expenses proposed by the Authority for True up of First Control Period is provided in the table below:

Table 128: Aeronautical Corporate Allocation Expenses proposed by the Authority for True up of First Control Period**(₹ in Crore)**

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Actual Corporate Allocation Expenses	6.44	12.80	7.39	9.86	2.75	39.24
Legal team	(0.04)	(0.17)	(0.03)	(0.01)	(0.03)	(0.28)
Corporate Allocation Expenses Considered	6.40	12.63	7.36	9.85	2.72	38.96
Allocation Ratio	89.19%	90.00%	95.00%	93.90%	95.19%	
Aero Corporate Allocation Expenses considered for True up	5.71	11.37	6.99	9.25	2.59	35.90

UDF Collection Charges:

3.6.84 The Authority observes that the Collection of UDF Charges payable by MgIAL pertain to the commission paid to airlines towards the collection of User Development Fee ("UDF") from both embarking and disembarking passengers (excluding Transit Passenger) at Mangaluru International Airport. The said charges are, by their very nature, traffic-driven, and are incurred in the ordinary course of UDF collection on behalf of MgIAL.

3.6.85 MgIAL has submitted the UDF Collection Charges for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised charge for FY26. Accordingly, the comparison of Aeronautical UDF Collection Charges approved by the Authority for the First Control Period with the UDF collection charges submitted by MgIAL for True up are provided in the table below:

Table 129: Comparison of UDF Collection Charges as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period

(₹in Crore)

Particulars (FY ending March 31)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical UDF Charges approved by the Authority (A)	0.28	0.50	0.58	0.75	0.90	3.01
Aeronautical UDF Charges submitted by MgIAL for True up (B)	0.21	0.49	0.57	0.76	1.48	3.52
Variation (B-A)	(0.07)	(0.01)	(0.01)	0.01	0.58	0.51

3.6.86 The Authority notes that the Aeronautical UDF Collection Charges submitted by MgIAL is ~17% higher than the expenses approved in the Tariff Order for the First Control Period.

3.6.87 The Authority notes that UDF Collection Charges of ₹5 per passenger is being claimed by the Airlines and the same is paid by the Airport Operator if invoices is paid timely by the Airlines. The Authority also notes that the per passenger cost as claimed by the operator is less than ₹5 for all the years except FY 26. On examination, the operator vide email 20th June 2026 confirmed that the cost of ₹1.48 crore in FY 26 includes UDF collection charges of airlines from the previous periods. The details are provided below:

Table 130: UDF Collection Charges as per operator for FY 26

(₹in Crore)

Particulars (FY ending 31 st March)	Period (2025)	FY26
UDF Collection Charges		1.48
Less: Collection Charges pertaining to FY 2024-25		
Air India Express	24 th April – 25 th May	(0.293)
Interglobe Aviation Ltd	08 th Feb – 15 th Feb	(0.017)
Interglobe Aviation Ltd	16 th Feb – 23 rd Feb	(0.019)
Interglobe Aviation Ltd	24 th Feb – 28 th Feb	(0.011)
Interglobe Aviation Ltd	01 st Mar – 07 th Mar	(0.015)
Interglobe Aviation Ltd	08 th Mar – 15 th Mar	(0.016)
Interglobe Aviation Ltd	16 th Mar – 23 rd Mar	(0.016)
Interglobe Aviation Ltd	24 th Mar – 31 st Mar	(0.017)
UDF Collection Charges for FY 2025-26		1.08

Particulars (FY ending 31 st March)	Period (2025)	FY26
Number of Passenger (Mn)		2.55
Collection Charge per Passenger for FY 2025-26		4.22

3.6.88 Considering that the collection charges are within the permissible limits along with the supporting documents, the Authority has considered the UDF collection charges as provided by the Operator for True up in First Control Period.

3.6.89 The Operator has applied a 100% allocation ratio as collection of UDF charges are considered as Aeronautical activity, this is in line with what is approved at the time of First Control Period. Hence, the Authority considers an allocation ratio of 100%. The Aeronautical UDF Collection charges proposed by the Authority for True up of First Control Period are provided below:

Table 131: Aeronautical UDF Collection Charges proposed by the Authority for True up of First Control Period

<i>(₹ in Crore)</i>						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Actual UDF Collection Charges	0.21	0.49	0.57	0.76	1.48	3.52
Number of Passengers (mn.)	1.01	1.81	2.03	2.34	2.55	9.74
Collection Charge per Passenger	2.12	2.73	2.79	3.26	4.22*	
Allocation Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	
Aero UDF Collection Charges considered for True up	0.21	0.49	0.57	0.76	1.48	3.52

*Refer Table 130

Other Administrative Expenses:

3.6.90 The Authority observes that Other Administrative Expenses comprise consultancy and professional service charges, membership fees, staff conveyances and for printing & stationery

3.6.91 MgiAL has submitted the Other Administrative Expenses for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgiAL submitted a revised Other Administrative Expenses for FY26. Accordingly, the comparison of Aeronautical Other Administrative expenses approved by the Authority for the First Control Period with the Other Administrative Expenses submitted by MgiAL for True up are provided in the table below:

Table 132: Comparison of Other Administrative Expenses as approved in the First Control Period Order and as submitted by MgiAL for True-Up of the First Control Period

<i>(₹ in Crore)</i>						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Other Admin Expenses approved by the Authority (A)	4.34	4.79	5.03	5.28	5.54	24.97
Aeronautical Other Admin Expenses submitted by MgiAL for True up (B)	5.85	6.51	3.93	5.63	5.86	27.78
Variation (B-A)	1.51	1.72	(1.10)	0.35	0.32	2.81

3.6.92 The Authority notes that the Aeronautical Other Administrative Expenses submitted by MgiAL is ~11% higher than the expenses approved in the Tariff Order for the First Control Period.

3.6.93 The Operator provided a detailed breakdown of each sub-line item under Other Administrative Expenses vide email dated 13th June 2026 (Refer Annexure 2: Detail Breakdown of O&M Expenses for

First Control Period), along with the allocation methodology used to arrive at the final aeronautical allocation ratio.

- 3.6.94 The Authority through its Independent Consultant have verified the Other Administrative Expenses through relevant purchase orders and invoices. Upon detailed examination, the Authority observed that an amount of ₹2.90 crore for Independent Engineer Fees was included within the Other Administrative Expenses. Accordingly, the Authority has not considered ₹2.90 crore under other administrative expenses for the purpose of true-up, as Independent Engineer Fees have been considered as a separate line item under O&M Expenses (Refer para 3.6.119).
- 3.6.95 The Authority observed that, after excluding the Independent Engineer fees, the approved Other Administrative Expenses are largely in line with those claimed by the Airport Operator. On detailed examination, the Authority noted that the year-on-year variations in this cost head are primarily attributable to expenditure on consultancy services, which are typically one-time in nature for specific assignments. For instance, FY 2022 included a one-time cost of ₹2.95 crore towards Asset Assessment work at the Airport which included expenses pertaining to detailed study involving physical inspection, mappings, documentation, recommendation for repairs work at the Airport. Further, given the relatively lower engagement of professional consultancy services in FY 2024, a corresponding reduction in Other Administrative Expenses has been observed.
- 3.6.96 The Operator applied allocation methodologies for each line item based on either Aeronautical classification, Terminal Building Ratio (TBR), Gross Fixed Asset Ratio (GFAR) or Employee Headcount Ratio (EHCR). The Authority, upon detailed examination of each line item, has reassessed and allocated the expenses using a combination of Aeronautical classification, EHCR, GFAR and TBR (Refer Table 112, Table 30 and Table 84). The Aeronautical Other Administrative Expenses proposed by the Authority for the purpose of true-up are provided in the table below:

Table 133: Aeronautical Other Administrative Expenses proposed by the Authority for True up of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Actual Other Admin Expenses	5.97	6.64	4.02	5.74	5.98	28.35
Independent Engineer Fees	-	1.45	-	-	1.45	2.90
Other Admin Expenses considered for True up	5.97	5.19	4.02	5.74	4.53	25.45
Allocation Ratio	97.35%	96.93%	96.67%	97.54%	97.40%	
Aero Other Admin Expenses considered for True up	5.81	5.03	3.89	5.60	4.42	24.74

Insurance:

- 3.6.97 The Authority observes that the Insurances by MgIAL majorly include Airport Owner and Operator Liability Insurance, Industry All Risk Insurance, Cyber Insurance and Terrorism Insurance.
- 3.6.98 MgIAL has submitted the Insurances for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised Insurances for FY26. Accordingly, the comparison of Aeronautical Insurances approved by the Authority for the First Control Period with the Insurance submitted by MgIAL for True up are provided in the table below:

Table 134: Comparison of Insurances as approved in the First Control Period Order and as submitted by MgiAL for True-Up of the First Control Period*(₹ in Crore)*

Particulars (FY ending 31st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Insurances approved by the Authority (A)	1.01	1.44	1.71	1.78	1.86	7.80
Aeronautical Insurances submitted by MgiAL for True up (B)	0.81	1.05	1.03	1.18	0.93	5.01
Variation (B-A)	(0.20)	(0.39)	(0.68)	(0.60)	(0.93)	(2.79)

3.6.99 The Authority notes that the Aeronautical Insurances submitted by MgiAL is ~36% lower than the expenses approved in the Tariff Order for the First Control Period.

3.6.100 The Authority through its Independent Consultant has validated the Invoices for Insurance Premium along with the Audited Financial Statements for the premiums from FY 22 to FY 26. The Authority has considered the same for the True up for the First Control Period.

3.6.101 The Operator has applied a 98.60% allocation ratio as Insurances based on Gross Fixed Asset Ratio (GFAR), this is in line with what is approved at the time of First Control Period. The Authority also considered the updated Gross Fixed Asset Ratio for determining the aeronautical expenses related to Insurance (Refer Table 84). The Aeronautical Insurance proposed by the Authority for True up of First control period is provided in the table below:

Table 135: Aeronautical Insurances proposed by the Authority for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Actual Insurances	0.82	1.07	1.05	1.20	0.94	5.08
Allocation Ratio	98.04%	97.37%	97.58%	97.58%	97.44%	
Aero Insurances considered for True up	0.81	1.04	1.02	1.17	0.92	4.95

Repair and Maintenance (R&M):

3.6.102 The Authority notes that the Repair and Maintenance Expenses include civil, electrical and mechanical maintenance works relating to the airport, including terminal, runways, taxiways, plant and machinery. The major expenses are for SLA-based Technical Contract, Maintenance contract for civil work, O&M contract for electrical and mechanical installations and CMC for lift, elevators, HVAC system and others.

3.6.103 MgiAL has submitted the Repair and Maintenance Expenses for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgiAL submitted a revised Repair and Maintenance Expenses for FY26. Accordingly, the comparison of Aeronautical Repair and Maintenance expenses approved by the Authority for the First Control Period and submitted by MgiAL for True up are provided in the table below:

Table 136: Comparison of R&M as approved in the First Control Period Order and as submitted by MgiAL for True-Up of the First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical R&M Expenses approved	7.42	7.41	25.54	29.21	33.58	103.16

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
by the Authority (A)						
Aeronautical R&M Expenses submitted by MgIAL for True up (B)	11.23	14.82	14.96	16.64	16.04	73.69
Variation (B-A)	3.81	7.41	(10.58)	(12.57)	(17.54)	(29.47)

3.6.104 The Authority notes that the Aeronautical Repair and Maintenance Expenses submitted by MgIAL is ~29% lower than the expenses approved in the Tariff Order for the First Control Period.

3.6.105 The Authority had projected ₹103.16 crore in the First Control Period Tariff Order, based on the lower of 6% of the opening RAB for repairs and maintenance or the amount claimed by the operator. The Authority considered that the airport is a brownfield project with significant new capital additions under warranty, hence, it restricted R&M expenses to 6% of the opening net block of aeronautical assets.

3.6.106 The Authority has hence considered to rationalize R&M expenses based on 6% of opening RAB for the True up as per the para no. 10.5.8 of the First Control Period. *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."*

3.6.107 The Operator provided a detailed breakdown of each sub-line item under Repair and Maintenance Expenses vide email 13th June 2026 (Refer Annexure 2: Detail Breakdown of O&M Expenses for First Control Period), along with the allocation methodology used to arrive at the final aeronautical allocation ratio.

3.6.108 The Authority through its Independent Consultant have verified the Repair and Maintenance Expenses through relevant purchase orders and invoices. On further examination, the Authority notes that while the cost approved during the First Control Period was based on the Net Asset Block, which was expected to increase significantly in FY24 due to projected terminal expansion, the actual repairs and maintenance expenses exhibited a steady growth over the period without a corresponding sharp increase, which ultimately resulted in a lower R&M expense.

3.6.109 The Operator applied allocation methodologies for each line item based on either Aeronautical classification or the Gross Fixed Asset Ratio (GFAR). However, the Authority, upon detailed examination of each line item, has reassessed and allocated the expenses using a combination of Aeronautical classification, GFAR and TBR (Refer Table 30 and Table 84) for determination of Aeronautical R&M Expenses.

3.6.110 The Authority has considered the R&M expenses based on the lower of 6% of opening RAB or the expenses allocated by the Authority on the claims made by the Operator. The Aeronautical R&M Expenses proposed by the Authority are provided below:

Table 137: Aeronautical Repair and Maintenance proposed by the Authority for True up of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Actual R&M Expenses	11.39	15.03	15.18	16.88	16.27	74.75
Allocation Ratio	97.18%	97.63%	98.00%	97.95%	97.96%	
Aero Allocation of R&M Expenses	11.07	14.67	14.88	16.53	15.94	73.09
Opening RAB	123.67	140.40	459.37	625.14	699.11	
6% of Opening RAB	7.42	8.42	27.56	37.51	41.95	122.86

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aero R&M Expenses considered for True up	7.42	8.42	14.88	16.53	15.94	63.19

Other Operating Expenses:

3.6.111 The Authority notes that Other Expenses majorly includes the expenses relating to outsourced manpower hiring services along with other housekeeping and ancillary services.

3.6.112 MgIAL has submitted the Other Operating Expenses for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised Other Operating Expenses for FY26. Accordingly, the comparison of Aeronautical Other expenses approved by the Authority for the First Control Period with the Other Operating Expenses submitted by MgIAL for True up of First Control Period is provided in the table below:

Table 138: Comparison of Other Operating Expenses as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period

<i>(₹ in Crore)</i>						
Particulars (FY ending 31 st March)	2022	2023	2024	2025	2026	Total
Aeronautical Other Expenses approved by the Authority (A)	6.09	6.72	8.89	9.33	9.80	40.83
Aeronautical Other Expenses submitted by MgIAL for True up (B)	5.36	7.40	8.81	10.71	11.30	43.58
Variation (B-A)	(0.73)	0.68	(0.08)	1.38	1.50	2.75

3.6.113 The Authority notes that the Aeronautical Other Expenses submitted by MgIAL is ~7% higher than the expenses approved in the Tariff Order for the First Control Period.

3.6.114 The Operator provided a detailed breakdown of each sub-line item under Other Operating Expenses vide email dated 13th June 2026 (Refer Annexure 2: Detail Breakdown of O&M Expenses for First Control Period), along with the allocation methodology used to arrive at the final aeronautical allocation ratio.

3.6.115 The Authority through its Independent Consultant have verified the Other Operating Expenses through relevant purchase orders and invoices. The Authority further examined the higher actuals for Other Expenses as compared to those approved in the First Control Period Tariff Order and observed that the increase is primarily attributable to the outsourcing of hiring and training activities, now a part of other expenses, which were earlier undertaken in-house. This shift has resulted in optimizing costs resulting in a corresponding reduction in in-house employee costs, with expenses being incurred towards external agencies for only the services rendered. Hence, the Authority find the Other Operating Expenses of AO to be justified.

3.6.116 The Operator applied allocation methodologies for each line item based on either Aeronautical classification, Terminal Building Ratio (TBR) or Employee Headcount Ratio (EHCR). The Authority, upon detailed examination of each line item, has reassessed and allocated the expenses using a combination of Aeronautical classification, EHCR and TBR (Refer Table 113 and Table 30). The Aeronautical Other Operating Expenses proposed by the Authority for the purpose of true-up are provided in the table below:

Table 139: Aeronautical Other Operating Expenses proposed by the Authority for True up of First Control Period*(₹in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Actual Other Expenses	5.57	7.69	9.16	11.14	11.75	45.31
Allocation Ratio	93.31%	92.25%	92.09%	92.28%	92.09%	
Aero Other Expenses considered for True up	5.20	7.09	8.44	10.28	10.82	41.83

Independent Engineer Fees:

3.6.117 The Authority notes that Independent Engineer Fees is appointed from the COD with the responsibility of reviewing the projects being carried out by the Airport Operator on site.

3.6.118 MgIAL has not submitted Independent Engineer Fees as a separate line item for True up of the First Control Period in MYTP and included it as a component of Other Administrative Expenses and Soft Cost.

3.6.119 The Authority noted that Independent Engineer (IE) Fees amounting to ₹ 2.90 crore had been included under Other Administrative Expenses for two periods (Refer Section 3.6.94). Further, the Authority through its Independent Consultant reviewed the Independent Engineer contract and noted that the total contract value amounted to ₹9.37 crore for the period from 15.10.2020 to 15.03.2027 comprising of 2 contracts of 3 years each. The Authority proportioned the contract cost based on the duration falling within the First Control Period.

3.6.120 Based on the proportionate amount and the amount claimed by the Operator under Other Administrative Expenses, the Authority has considered Independent Engineer Fees amounting to ₹7.60 crore for the purpose of True-up of First Control Period.

3.6.121 The Authority also notes that an amount of ₹7.90 crore towards Independent Engineer Fees was approved in the Tariff Order for the First Control Period. Therefore, the amount considered in the present True-up is within the approved limit.

3.6.122 The Authority proposes to consider an allocation ratio of 100% for determining the Aeronautical Independent Engineer Fees as these are considered as pass-through as per Concession Agreement (Refer Article 24, Clause 24.3.1 of Concession Agreement). The Aeronautical Independent Engineer Fees proposed by the Authority for the purpose of true-up are provided in the table below:

Table 140: Aeronautical Independent Engineer Fees proposed by the Authority for True up of First Control Period*(₹in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Independent Engineer Fees	1.58	1.45	1.58	1.55	1.45	7.60
Allocation Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	
Aero Other Expenses considered for True up	1.58	1.45	1.58	1.55	1.45	7.60

Digitization Cost

3.6.123 The Authority observes that the Digitization at Mangaluru International Airport has commenced in FY 23 and was operational for four years in the control period.

3.6.124 MgIAL has submitted the Digitization costs for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email

dated 13th June 2026, MgIAL submitted a revised cost for FY26. Accordingly, the comparison of Aeronautical Digitization costs approved by the Authority for the First Control Period and submitted by MgIAL for True up are provided in the table below:

Table 141: Comparison of Digitization Costs as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Digitization costs approved by the Authority (A)	-	-	-	-	-	-
Aeronautical Digitization costs submitted by MgIAL for True up (B)	0.00	4.26	10.55	10.58	10.62	36.01
Variation (B-A)	0.00	4.26	10.55	10.58	10.62	36.01

3.6.125 The Authority notes that no provision had been approved towards Digitization costs in the Tariff Order for the First Control Period.

3.6.126 The Authority has validated the Operations and Maintenance (O&M) contract pertaining to Digitization costs and notes that the expenses claimed by the Operator are in accordance with the terms and scope of the said contract. Hence, the Authority have duly considered the Operator's provided O&M expenses for Digitization for True up for the First Control Period.

3.6.127 The Authority notes that increasing passenger expectations and the growing demand for real-time information and seamless airport services have necessitated the adoption of digital solutions across airport operations. The Airport Operator has submitted that digital transformation is essential for enhancing passenger experience, improving service quality, and enabling the delivery of integrated end-to-end services through a unified digital platform.

3.6.128 The Authority further notes that, while focusing on augmentation of airport infrastructure and passenger handling capacity, the Airport Operator may require specialized expertise to undertake digital transformation initiatives. Accordingly, the Airport Operator has engaged a third-party service provider through a competitive bidding process to support the implementation of digitalization initiatives and technology-driven solutions aimed at improving operational efficiency and customer experience. Some of the key features and services available through the platform have been submitted by the Airport Operator as part of its digitalization initiatives, as below:

- i. Real-time Flight Information and Tracker
- ii. Real-time Security and Check-in Queue Information
- iii. Baggage Belt Information
- iv. Baggage Tracker
- v. Flight Information via FIDS
- vi. Wayfinding via Maps
- vii. Lost & Found
- viii. Wi-Fi
- ix. Boarding Pass Scan
- x. Airport Experience Pages
- xi. Airport Information Pages (about childcare, yoga room, etc.)

xii. Help & Support (CRM)

xiii. Feedback pages

xiv. FAQ Chatbot

xv. Customer Experience Centre

3.6.129 The Authority observes that it is a challenging task to clearly differentiate the costs of Digitization between Aeronautical and Non-Aeronautical services. The Authority notes that MgIAL, in its MYTP submission, had allocated the 82% of the incurred digitalization cost as aeronautical.

3.6.130 The Authority is reaching the 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.

3.6.131 The Authority, based on the approach adopted in the case of NMIAL First Control Period Tariff Order (Order No. 07/2026-27), has considered onboarding costs at approximately 13.11% of the total Digitization cost, as specific information regarding the exact proportion of onboarding costs was not available for MgIAL. Accordingly, such onboarding costs have been treated as non-aeronautical expenditure.

3.6.132 For the purposes of Aeronautical Allocation of the Digitization Cost, the Authority proposes to implement a Multi-Criteria Decision Analysis (MCDA) approach to allocate the Costs between Aeronautical and Non-Aeronautical, in line with NMIAL First Control Period Tariff Order (Order No. 07/2026-27) and MIAL Fourth Control Period Tariff Order (Order No. 01/2025-26).

3.6.133 This MCDA approach employs a list of variables to segregate the costs. Each variable has 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 by the Adani Digital Labs through the Adani One App have been grouped into different categories based on the nature / similarity of their functions. Following which, each of the categorizations is assigned a score under each variable based on their function. Each variable and its categorization is detailed below:

- i. Different variables have 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?)

Table 142: 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

3.6.134 The use cases have been classified into different categories (Aeronautical & Non-Aeronautical) based on the kind/variety of services they offer and ranked for each of the variables mentioned above.

Table 143: Digitization Cost Allocation – Multi Criteria Decision Analysis Approach – Score card

S. No.	Use Case/Feature Name	Necessity	Channel Usefulness	Revenue Generating Capacity	Total Score
Aeronautical Services:					
1	Flight Tracking Information	5	2	-	7
2	Baggage Belt Information and Tracker	5	2	-	7
3	Other Aeronautical Services (includes Security & Check-in Queue information, Boarding Pass Scan, etc.)	5	2	-	7
Total Aero Score					21
Non-Aeronautical Services:					
6	Concessionaires	5	5	5	15
7	Baggage Wrapping	5	5	5	15
8	Banking Related Services	-	-	1	1
9	Other Booking related services	4	3	5	12
10	Other Non-Aeronautical Services	1	1	4	6
Total Non-Aero Score					49

3.6.135 Using these scores of Aeronautical and Non-Aeronautical, the allocation percentage is identified as below:

Table 144: Digitization Cost Aeronautical Allocation as proposed by the Authority

Total Score's	
Total Aeronautical Score (a)	21
Total Non-Aeronautical Score (b)	49
Total (c) = (a) + (b)	70
Aeronautical Allocation (%) (c = a/c)	30.00%

3.6.136 Therefore, as seen from the preceding table, the Digitization Cost can be allocated at 30.00% and the Authority is seeking stakeholder response before concluding on this aspect.

3.6.137 The Aeronautical Digitization costs proposed by the Authority for True up of First Control Period are provided below:

Table 145: Aeronautical Digitization costs proposed by the Authority for True up of First Control Period**(₹ in Crore)**

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Digitization Cost (A)	-	5.2	12.86	12.9	12.95	43.91
Onboarding costs (B=A*13.11%)	-	0.68	1.69	1.69	1.70	5.76
Total digitization cost (C=A-B)	-	4.52	11.17	11.21	11.25	38.15
Allocation Ratio considered (D)	-	30%	30%	30%	30%	30%
Aero Digitization costs considered for True up (E=C*D)	-	1.36	3.35	3.36	3.37	11.44

Cargo

3.6.138 The Authority observes that the Cargo Operating Expenses at Mangaluru International Airport have commenced in FY 24 and was operational for three years in the control period.

3.6.139 MgIAL has submitted the Cargo Operating Expenses for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised cost for FY26. Accordingly, the comparison of Aeronautical Cargo Operating Expenses approved by the Authority for the First Control

Period and submitted by MgIAL for True up are provided in the table below:

Table 146: Comparison of Cargo Expenses as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Cargo Operating Expenses approved by the Authority (A)	-	-	3.26	3.81	4.49	11.57
Aeronautical Cargo Operating Expenses submitted by MgIAL for True up (B)	-	-	1.13	2.68	3.58	7.39
Variation (B-A)	-	-	(2.13)	(1.13)	(0.91)	(4.18)

3.6.140 The Authority notes that the Aeronautical Cargo Operating Expenses submitted by MgIAL is ~36% lower than the expenses approved in the Tariff Order for the First Control Period.

3.6.141 At the time of tariff determination, the Authority considered the operating expenditure after making appropriate revisions to the estimates submitted by the Airport Operator, including adjustments to the projected year-on-year growth in salary costs and other operating expenses.

3.6.142 The Authority has validated the salary-related invoices, audited financial statements for FY 2021-22 to FY 2025-26, and the Customs Cost Recovery Order dated 4th April 2025, in support of the claimed expenditure.

3.6.143 The Operator has applied a 100% allocation ratio for Cargo Operating Expenses as it is an Aeronautical activity, this is in line with what is approved at the time of First Control Period. Hence, the Authority considers an allocation ratio of 100%. The Aeronautical Cargo Operating Expenses considered by the Authority are provided below:

Table 147: Aeronautical Cargo Operating Expenses proposed by the Authority for True up of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Insourced salary	-	-	0.07	0.13	0.08	0.28
O&M Expenses	-	-	1.06	2.10	1.72	4.88
Customs Cost Recovery	-	-	0.00	0.46	1.78	2.24
Total Cargo Operating Expenses	-	-	1.13	2.69	3.58	7.40
Allocation Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	
Aero Cargo Operating Expenses considered for True up	-	-	1.13	2.69	3.58	7.40

Fuel Farm:

3.6.144 The Authority observes that the Fuel Farm at Mangaluru International Airport has commenced in FY 24 and was operational for three years in the control period.

3.6.145 MgIAL has submitted the Fuel Farm Expenses for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised cost for FY26. Accordingly, the comparison of Aeronautical Fuel Farm Expenses approved by the Authority for the First Control Period with Fuel Farm expenses submitted by MgIAL for True up are provided in the table below:

Table 148: Comparison of Fuel Farm Expenses as approved in the First Control Period Order and as submitted by MglAL for True-Up of the First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Fuel Farm Expenses approved by the Authority (A)	-	-	4.70	4.92	5.54	15.16
Aeronautical Fuel Farm Expenses submitted by MglAL for True up (B)	-	-	1.38	5.34	5.84	12.57
Variation (B-A)	-	-	(3.32)	0.42	0.30	(2.59)

3.6.146 The Authority notes that the Aeronautical Fuel Farm Expenses submitted by MglAL is ~17% lower than the expenses approved in the Tariff Order for the First Control Period.

3.6.147 At the time of the Tariff Determination, the fuel farm facility was not under operation, hence the operating expense were projected by the Authority based on Benchmarks.

3.6.148 The Authority notes that though MglAL is the Operator for Fuel Farm Services at the Airport and the operations and maintenance have been outsourced to Adani Aviation Fuel Services Limited (AAFSL) under a contract initially awarded for the period from May 2023 to December 2024 and subsequently extended up to December 2026. The Fuel Farm expenses as submitted by the operator pertains to the operation and maintenance of the fuel farm facility calculated based on the annual fuel throughput at the Airport as per the contract.

3.6.149 The Authority through its Independent Consultant has validated the Operations and Maintenance (O&M) contract pertaining to Fuel Farm expenses and notes that the expenses claimed by the Operator are in accordance with the terms and scope of the said contract. Hence, the Authority have duly considered the Operator's provided O&M expenses for Fuel Farm for True up for the First Control Period.

3.6.150 The Operator has applied a 100% allocation ratio for Fuel Farm Expenses as it is an Aeronautical activity, this is in line with what is approved at the time of First Control Period. Hence, the Authority considers an allocation ratio of 100%. The Aeronautical Fuel Farm Expenses proposed by the Authority are provided below:

Table 149: Aeronautical Fuel Farm Expenses proposed by the Authority for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Insourced Salary for Fuel Farm	-	-	-	-	-	-
O&M Cost	-	-	1.38	5.34	5.84	12.57
Total Fuel Farm Expenses	-	-	1.38	5.34	5.84	12.57
Allocation Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	
Aero Fuel Farm Expenses considered for True up	-	-	1.38	5.34	5.84	12.57

Interest on Working Capital:

3.6.151 The Authority notes that Interest on Working Capital represents the financing cost incurred by the Airport Operator to meet its short-term operational funding requirements.

3.6.152 MglAL has submitted the Interest on Working Capital for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Accordingly, the comparison of Aeronautical Interest on Working Capital approved by the Authority for the First

Control Period with the Interest on Working Capital as submitted by MgIAL for True up is provided in the table below:

Table 150: Comparison of Interest on Working Capital as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Interest on Working Capital approved by the Authority (A)	-	0.15	1.00	2.27	3.26	6.68
Aeronautical Interest on Working Capital submitted by MgIAL for True up (B)	4.82	11.43	16.83	19.44	21.31	73.84
Variation (B-A)	4.82	11.28	15.83	17.17	18.05	67.16

3.6.153 The Authority notes that the Aeronautical Interest on Working Capital submitted by MgIAL is ~11 times higher than the expenses approved in the Tariff Order for the First Control Period.

3.6.154 As per the MYTP, the Authority notes that the interest estimation is based on negative cash flows to fund business requirements. The Operator attributed this to external and regulatory factors such as lower-than-projected traffic, reduced aeronautical revenues, and deferment of 29.23% of the approved ARR. Consequently, the Operator relied on inter-corporate deposits (ICDs) at an interest rate of 12.03% to meet its working capital and operational requirements, hence leading to higher interest on working capital in comparison to what is approved in the First Control Period Tariff Order.

3.6.155 The Authority notes that the methodology adopted by the Operator for computation of Interest on Working Capital is based on the net cash flows arising from operating, investing, and financing activities of the business. In the Authority's view, such an approach effectively seeks compensation for the overall negative cash position of the airport rather than the working capital requirement arising from day-to-day operations. The Authority notes that a similar approach had been proposed and disallowed during the Tariff Determination of First Control Period, and accordingly, the Authority continues to maintain the same position for the purpose of this true-up.

3.6.156 The Authority, vide email dated 13th June 2026, sought details relating to trade receivables and trade payables for the purpose of independently assessing the working capital requirement. However, the requisite details were not furnished by the Operator.

3.6.157 In the absence of the required receivable and payable details, the Authority has independently computed the working capital requirement based on the aeronautical revenues and operating costs. For this purpose, the Authority has considered a receivable period of 15 days and a payable period of 15 days. The interest on the resulting net working capital has been calculated at 10.08% (weighted average cost of debt proposed by the Authority for the First Control Period - Refer para 3.5.13) for calculating the Interest on Working Capital for the purpose of True up of First Control Period.

3.6.158 The Operator has applied 98.60% allocation ratio for Interest on Working Capital based on the Gross Fixed Asset Ratio (GFAR). The Authority considers an allocation ratio of 100% as the calculation for Interest on working capital is solely based on Aeronautical Revenue and Costs. The Aeronautical Interest on Working Capital proposed by the Authority for the True up of First Control Period is provided in the table below:

Table 151: Aeronautical Interest on Working Capital proposed by the Authority for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aero Revenue	28.43	55.35	140.16	192.03	227.16	643.12
Aero Cost (Excluding Financing Charges)	70.12	84.18	92.02	106.13	105.01	457.47
Receivables @ 15 Days (A)	1.17	2.27	5.74	7.89	9.34	
Payables @ 15 Days (B)	2.88	3.46	3.77	4.36	4.32	
Net Working Capital (A-B)	-	-	1.97	3.53	5.02	
Opening Balance (C)	-	-	-	1.97	3.53	
Addition/Repayment	-	-	1.97	1.56	1.49	
Closing Balance (D)	-	-	1.97	3.53	5.02	
Interest on Working Capital (C+D)/2*10.08%	-	-	0.10	0.28	0.43	0.81
Allocation Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	
Aero Interest on Working Capital considered for True up	-	-	0.10	0.28	0.43	0.81

Financing Charges:

3.6.159 The Authority notes that Financing Charges include charges for Performance Bond Guarantee (PBG) and other bank charges which are necessary for day-to-day operations.

3.6.160 MgIAL has submitted the Financing Charges for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised cost for FY26. Accordingly, the comparison of Aeronautical Finance Charges approved by the Authority for the First Control Period with Financing Charges as submitted by MgIAL for True up are provided in the table below:

Table 152: Comparison of Financing Charges as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Financing Charges approved by the Authority (A)	3.22	2.51	0.65	0.81	0.60	7.79
Aeronautical Financing Charges submitted by MgIAL for True up (B)	0.50	0.63	0.65	0.64	0.71	3.14
Variation (B-A)	(2.72)	(1.88)	-	(0.17)	0.11	(4.65)

3.6.161 The Authority notes that the Aeronautical Financing Charges submitted by MgIAL is ~60% lower than the expenses approved in the Tariff Order for the First Control Period. The Authority observes that the higher cost approved during the First Control Period was based on projected aeronautical CAPEX and the corresponding financing costs associated with such investments. However, on examination of the actual expenditure, it is noted that the financing charges remained relatively stable during the Control Period and were not materially impacted by the CAPEX, resulting in a significant variance between the approved and actual amounts.

3.6.162 Upon examination of the financing charges, the Authority notes that the Airport Operator is required to

maintain a Performance Bank Guarantee of ₹120 crore under the Concession Agreement, for which an annual guaranteed commission of 0.5% is payable, amounting to approximately ₹0.60 crore per annum. Further, the Operator vide email dated 13th June 2026 confirmed that additional expenditure of around ₹3–5 lakh per annum is incurred towards banking charges necessary for the day-to-day operations of the airport including processing charges for PBG, LC Charges and Bank Transaction Charges.

3.6.163 The Authority through its Independent Consultant has validated the financing charges through audited financial statements and the certificate for Performance Bond Guarantee and considered the expenses submitted by the AO to be justified.

3.6.164 The Authority notes that the Operator has applied 100% allocation ratio for Financing Charges. On further examination the Authority notes that PBG Charges are considered as Aeronautical charges as the same was mandated as part of the Concession Agreement's Clause 9.1.1 which states that *"The Concessionaire shall, for the performance of its obligations during Phase 1 hereunder provide to the Authority, no later than 120 (one hundred and twenty) days from the date of this Agreement, an irrevocable and unconditional guarantee from a Bank for a sum equivalent to Rs. 120,00,00,000 (Rupees One Hundred and Twenty Crore) in the form set forth in Schedule E ("Performance Security"). Until such time the Performance Security is provided by the Concessionaire pursuant hereto and the same comes into effect, the Bid Security shall remain in force and effect and upon such provision of the Performance Security pursuant hereto, the Authority shall release the Bid Security to the Concessionaire"*.

3.6.165 Further, the Authority proposes to consider the other Financing Charges at Gross Fixed Asset Ratio (GFAR) as per Table 84. Accordingly, the Aeronautical Financing Charges proposed by the Authority for the True up of First Control Period is provided in the table below:

Table 153: Aeronautical Financing Charges proposed by the Authority for True up of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Performance Bond Guarantee (PBG) (A)	0.45	0.60	0.60	0.60	0.60	2.85
Allocation Ratio (B)	100.00%	100.00%	100.00%	100.00%	100.00%	
Processing Charges for PBG (C)	0.05	-	-	-	-	0.05
LC Charges and Bank Transaction Charges (incl Foreign Payment Service Charges) (D)	-	0.03	0.05	0.04	0.11	0.24
Allocation Ratio (E)	98.04%	97.37%	97.58%	97.58%	97.44%	
Aero Financing Charges considered for True up (F=A*B+C*E+D*E)	0.50	0.63	0.65	0.64	0.71	3.14

3.6.166 Based on the examination of each O&M expenses and its sub-components, the Authority has considered the following allocation ratio as provided in the table below:

Table 154: Allocation Ratio considered by the Authority for O&M Expenses for True up of First Control Period

(in %)

Particulars (FY ending 31 st March)	Classification	FY22	FY23	FY24	FY25	FY26
AAI employees/Deficit Employees	-	98.14%	98.14%	99.07%	100.00%	100.00%
Manpower expenses – AO Employees	EHCR*	89.19%	90.00%	95.00%	93.90%	95.19%
Utility expenses (Others)	Aero*	100.00%	100.00%	100.00%	100.00%	100.00%

Particulars (FY ending 31 st March)	Classification	FY22	FY23	FY24	FY25	FY26
Utility expenses (Water Charges)	TBR	92.00%	92.00%	92.00%	92.00%	92.00%
IT expenses	Aero, TBR**	93.41%	92.28%	93.30%	92.82%	92.35%
Rates & taxes	GFAR*	98.04%	97.37%	97.58%	97.58%	97.44%
Security Expense	Aero, TBR**	94.55%	94.86%	94.33%	94.11%	93.92%
Corporate Allocation	EHCR*	89.19%	90.00%	95.00%	93.90%	95.19%
Administrative Expenses: Collection charges on UDF	Aero*	100.00%	100.00%	100.00%	100.00%	100.00%
Administrative Expenses – Others	Aero, EHCR, GFAR, TBR**	97.35%	96.93%	96.67%	97.54%	97.40%
Insurance	GFAR*	98.04%	97.37%	97.58%	97.58%	97.44%
Repair and Maintenance	Aero, GFAR, TBR**	97.18%	97.63%	98.00%	97.95%	97.96%
Other Operating Expenses	Aero, EHCR, TBR**	93.31%	92.25%	92.09%	92.28%	92.09%
Independent Engineer Fees	Aero*	100.00%	100.00%	100.00%	100.00%	100.00%
Digitization Cost	-	30.00%	30.00%	30.00%	30.00%	30.00%
Boundary Wall Repair Expenses	Aero*	-	-	-	-	-
Cargo Expenses	Aero*	100.00%	100.00%	100.00%	100.00%	100.00%
Fuel Farm	Aero*	100.00%	100.00%	100.00%	100.00%	100.00%
Interest on Working Capital Loan	Aero***	100.00%	100.00%	100.00%	100.00%	100.00%
Financing Charges (PBG)	Aero*	100.00%	100.00%	100.00%	100.00%	100.00%
Financing Charges (Others)	GFAR	98.04%	97.37%	97.58%	97.58%	97.44%

(Aero = Aeronautical, EHCR = Employee Headcount Ratio, GFAR = Gross Fixed Asset Ratio, TBR = Terminal Building Ratio)

* The basis for allocation remains aligned with the classification as approved by the Authority in the Tariff Order of First Control Period, with updated figures incorporated for the purpose of true-up

** The overall allocation ratio has been derived based on a detailed analysis of each sub-component of the respective expense category

*** Calculation is based on Aeronautical Revenue and Costs, hence, a 100% allocation ratio is applied

3.6.167 The Authority proposed the following Aeronautical O&M Expenses proposed for True up of the First Control Period based on the allocation ratio is provided in the table below:

Table 155: Aeronautical O&M Expenses proposed by the Authority for the True up of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Airport Expenses						
AAI employees/Deficit Employees (mandatory cost) {Refer Table 109}	21.23	18.18	16.74	14.83	14.43	85.40
Manpower expenses - AO Employees {Refer Table 114}	7.81	9.91	10.56	8.91	12.69	49.88
Utility expenses {Refer Table 119}	8.72	10.79	13.02	12.82	13.16	58.51
IT expenses {Refer Table 121}	2.18	4.02	3.55	7.28	7.84	24.87
Rates & taxes {Refer Table 123}	0.42	0.70	0.48	1.16	0.88	3.63
Security Expense {Refer Table 125}	3.03	4.33	4.44	4.60	5.61	22.01
Corporate Allocation {Refer Table 128}	5.71	11.37	6.99	9.25	2.59	35.90
Administrative Expenses: Collection charges on UDF {Refer Table 131}	0.21	0.49	0.57	0.76	1.48	3.52
Administrative Expenses - Others {Refer Table 133}	5.81	5.03	3.89	5.60	4.42	24.74
Insurance {Refer Table 135}	0.81	1.04	1.02	1.17	0.92	4.95
Repair and Maintenance {Refer Table 137}	7.42	8.42	14.88	16.53	15.94	63.19

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Other Operating Expenses {Refer Table 139}	5.20	7.09	8.44	10.28	10.82	41.83
Independent Engineer Fees {Refer Table 140}	1.58	1.45	1.58	1.55	1.45	7.60
Digitization Cost {Refer Table 145}	-	1.36	3.35	3.36	3.37	11.44
Boundary Wall Repair Expenses	-	-	-	-	-	-
Total Airport Expenses (1)	70.12	84.18	89.51	98.10	95.59	437.50
Cargo Operating Expenses						
Insourced salary {Refer Table 147}	-	-	0.07	0.13	0.08	0.28
O&M Cost {Refer Table 147}	-	-	1.06	2.10	1.72	4.88
Customs Cost Recovery {Refer Table 147}	-	-	-	0.46	1.78	2.24
Total Cargo Operating Expenses (2)	-	-	1.13	2.69	3.58	7.40
Fuel Farm Expenses						
Insourced salary {Refer Table 149}	-	-	-	-	-	-
O&M Cost {Refer Table 149}	-	-	1.38	5.34	5.84	12.57
Total Fuel Farm Expenses (3)	-	-	1.38	5.34	5.84	12.57
Interest on Working Capital Loan (4) {Refer Table 151}	-	-	0.10	0.28	0.43	0.81
Financing Charges (5) {Refer Table 153}	0.50	0.63	0.65	0.64	0.71	3.14
Grand Total (1+2+3+4+5)	70.62	84.81	92.77	107.05	106.15	461.41

3.6.168 In view of the above, the Authority proposes to consider Aeronautical Operating Expenses of ₹461.41 Crores as per Table 155 for True up of the First Control Period as against MgIAL's submission of ₹571.27 Crores as per Table 105.

3.6.169 The above variation is primarily attributable to the non-consideration of Interest on Short-Term Loans, which were availed by the Operator to bridge cash flow shortfalls and meet operational requirements (Refer para 3.6.155). Further, the Authority has restricted the Repair and Maintenance (R&M) expenses to 6% of the opening RAB and have rationalized the digitization expenses based on Multi Criteria Decision Analysis methodology as adopted under other similar Airports.

3.7 True up of Non-Aeronautical Revenue for the First Control Period

MgIAL's submission regarding Non-Aeronautical Revenue for the True up of the First Control Period

3.7.1 MgIAL has submitted the Non-Aeronautical Revenue for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised cost for FY26. Accordingly, the Non-Aeronautical Revenue considered by the Authority for the First Control Period and submitted by MgIAL for True up are provided in the table below:

Table 156: Comparison of NAR as approved in the First Control Period Order and as submitted by MgIAL for True-Up of the First Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Non-Aeronautical Revenue approved by the Authority (A)	8.20	17.36	19.10	20.05	21.05	85.76
Non-Aeronautical Revenue submitted by MgIAL for True up (B)	8.74	8.18	6.04	7.07	9.24	39.27
Variation (B-A)	0.54	(9.18)	(13.06)	(12.98)	(11.81)	(46.49)

3.7.2 As per the submission made by the operator during the tariff order of First Control Period. The operator stated that it follows a model of Master Concessionaire for managing the commercial activities in the airport. As per the Agreement, the scope of the Master Concessionaire is to develop, operate, maintain, manage the Non-Aeronautical businesses at Mangaluru International Airport, in accordance with best-in-class standards and good industry practices, and at par with facilities at comparable airports. The services offered are:

- i. Duty Free Stores
- ii. Food and Beverage Outlets
- iii. Retail Outlets
- iv. Lounges
- v. Advertising, Sponsorship and Promotion Opportunities
- vi. Car Parks and Ground Transportation Facilities
- vii. Airport Hotels and Transit Hotels
- viii. Preferred partners association for including but not limited to pouring rights, services in air Business Center
- ix. City side Development
- x. Flight Catering Services
- xi. Freight consolidators/forwarders or agents
- xii. Left luggage, lost and found, excess baggage
- xiii. Porter service, special assistance services (such as paid wheelchair services)
- xiv. Meet and assist services
- xv. Provision of land and space for various stakeholders at Airport
- xvi. Various Passenger amenities and entertainment areas
- xvii. Airport village comprising of various retail, food and beverage, entertainment and amenities options
- xviii. Any other services, as may be mutually agreed by the parties or permitted pursuant to the applicable laws.

3.7.3 As per the terms of the Master Service Agreement Service provider (Adani Airport Holdings Limited) shall pay to the Airport Operator an amount which is higher of the following:

- i. Minimum Guarantee amount of ₹ 6 Crores per annum or
- ii. The amount arrived at by multiplying the Revenue Share Percentage (10%) with Gross Revenue in that year.

3.7.4 Further, it is stated in the Agreement that the Minimum Guarantee amount on ₹6 Crores per annum shall remain unchanged for the first five years from the date of signing the Master Services Agreement. Thereafter, this Minimum Guarantee amount shall be increased at the rate of 50% of the Delta CPI (IW) every year.

Recap of decisions taken by the Authority regarding Non-Aeronautical Revenue for the First Control Period

3.7.5 The Authority as per Decision Nos. 11.6.2, in the Tariff Order for the First Control Period, decided: *“The AO should take efforts to substantially increase the NAR of MIA for the First Control Period, in line with other similar/ AAI airports.”*

Table 157: Non-Aeronautical Revenue decided by the Authority in the Tariff Order of First Control Period

<i>(₹ in Crore)</i>						
Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
1. Revenue from Master Service	5.00	15.47	17.12	17.97	18.86	74.42

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Agreement						
2. Other Income not covered Under MSA						
a. Advertising	0.09	-	-	-	-	0.09
b. Car Parking	0.16	-	-	-	-	0.16
c. Lounges	0.02	-	-	-	-	0.02
d. Services	0.12	-	-	-	-	0.12
e. Space Rental: Others	1.01	-	-	-	-	1.01
f. Space Rental: Govt. Agencies	1.80	1.89	1.98	2.08	2.19	9.94
Total (a: f)	3.20	1.89	1.98	2.08	2.19	11.34
3. Grand Total (1+2)	8.20	17.36	19.10	20.05	21.05	85.76

Authority's Examination regarding True Up of Non-Aeronautical Revenues for the First Control Period

3.7.6 The Authority analyzed the Non-Aeronautical Revenue (NAR) submitted by the Airport Operator for the First Control Period and observed that the actual NAR accrued at Mangaluru International Airport was lower than both than the NAR approved by the Authority in the Tariff Order for the First Control Period and the NAR projections submitted by the Operator during tariff determination for the First Control Period. The details of the analysis are presented in the table below:

Table 158: Analysis of NAR as per the submissions made by MglIAL and NAR determined at the time of Tariff Determination of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26
Traffic in Mn. (Actual)	1.0	1.8	2.0	2.4	2.6
NAR submitted by MglIAL in FCP	8.2	7.9	8.0	8.1	8.2
NAR/Pax (₹)	81.2	43.6	39.3	34.4	32.1
NAR as approved by Authority in FCP	8.2	17.4	19.1	20.1	21.1
NAR/Pax (₹)	81.2	95.9	94.1	85.3	82.5
NAR submitted by MglIAL in MYTP	8.7	8.2	6.0	7.1	9.2
NAR/Pax (₹)	86.5	45.2	29.8	30.1	36.2

3.7.7 The Authority has further undertaken a comparative assessment of non-aeronautical revenue (NAR) per passenger realized at airports having a comparable traffic profile in terms of passenger throughput and international traffic mix. For example, Authority notes that Mangaluru International Airport handled an average annual passenger traffic of 1.95 million during FY 2022-26, of which approximately 27% comprised international passengers. In comparison, Amritsar Airport handled an average annual passenger traffic of 2.86 million passengers during the same period. The Authority observes that, notwithstanding a broadly comparable traffic base, the benchmark airports have consistently realized substantially higher non-aeronautical revenue per passenger as compared to the levels submitted by MglIAL.

3.7.8 The comparative analysis as reflected in the chart below by the Authority for non-aeronautical revenue per passenger at airports with similar traffic profile such as Amritsar, Cochin and MoPA (where MSA is applicable) indicates that MglIAL's average non aeronautical revenue of approximately ₹46 per passenger is significantly lower than that of Amritsar (around ₹110 per passenger FY 2022 to FY 2026), Cochin (around ₹203 per passenger FY 2022 to FY 2026), MoPA (around ₹102 per passenger FY 2024 to FY 2026) and the one approved by AERA in FCP (around ₹88 per passenger FY 2022 to FY 2026).

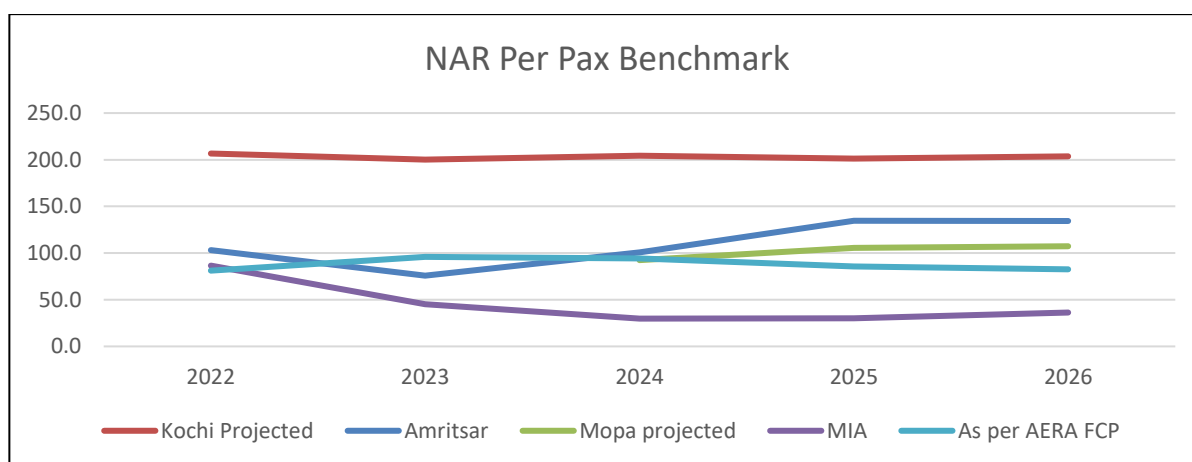


Figure 3: Benchmark of Non-Aeronautical Revenue per Passenger across Airports

- 3.7.9 The Authority further notes that Space Rentals: Others which are considered as a part of Non-Aeronautical Revenue at the time of tariff determination of First Control Period is in relation to Space Rentals from Airlines. The Authority is of the view that space rentals from agencies providing aeronautical services should be treated as aeronautical revenue. Hence, the Authority has excluded Space Rentals from airlines providing aeronautical services from the NAR for the purpose of True up and is considered as a part of Aeronautical Revenue. The Authority projected revenue from Space Rentals based on the actual revenue reported for FY 2022. For the purpose of projection, 50% of the revenue under Other Space Rentals was considered as revenue from Space Rentals to Airlines and was escalated annually using a WPI growth rate totaling to ₹2.73 crores.
- 3.7.10 The Authority further reviewed the basis adopted in the First Control Period Tariff Order (Order No. 38/2022-23) for determination of Non-Aeronautical Revenue and notes that the projections were made after considering the significant gap between the proposed Non-Aeronautical Revenue by MgIAL for the First Control Period (₹40.34 crores) and the revenue historically achieved by AAI during the pre-COD period (₹72.51 crores). The Authority in the First Control Period Tariff Order (Order No. 38/2022-23) had also observed that the projected revenue did not adequately reflect the expected increase in terminal commercial area, recovery in passenger traffic following the COVID-19 pandemic, and the potential for improved monetization of commercial opportunities at the Airport.
- 3.7.11 Accordingly, the authority in the First Control Period Tariff Order (Order No. 38/2022-23), post considering the expansion of the terminal, the anticipated increase of passenger traffic to pre-pandemic levels, and the expectation that the Airport Operator may bring efficiencies in the Non-aeronautical operations, had projected Non-Aeronautical Revenue of ₹85.76 crore.
- 3.7.12 The Authority further notes that the Airport Operator has not undertaken significant measures to enhance Non-Aeronautical Revenue (NAR) generation during the First Control Period in reference to Decision No. 11.6.2. (Refer para 3.7.5). The lower-than-approved NAR achievement has consequently resulted in a higher tariff burden on airport users. Accordingly, the Authority is of the view that the Non-Aeronautical Revenue approved in the First Control Period was based on reasonable assumptions and therefore the Authority proposes to consider the NAR as approved at the time of Tariff Determination of the First Control Period for the purpose of True up.

Table 159: Non-Aeronautical Revenue proposed by Authority for True up of First Control Period
(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
NAR as per Operator	8.74	8.18	6.04	7.07	9.24	39.27
Less: Space Rentals from Airlines	(0.51)	(0.55)	(0.55)	(0.56)	(0.56)	(2.73)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Adjusted NAR	8.23	7.63	5.49	6.51	8.68	36.54
Non-Aeronautical Revenues proposed for True up of First Control Period	8.20	17.36	19.10	20.05	21.05	85.76
30% of NAR for Cross Subsidization	2.46	5.21	5.73	6.02	6.32	25.73

3.7.13 In view of the above, the Authority proposes to consider Non-Aeronautical Revenue of ₹85.76 Crores for the True-Up of the First Control Period, as against MgIAL's submission of NAR of ₹39.27 Crores.

3.8 True up of Aeronautical Revenues for the First Control Period

MgIAL's submission regarding True up of Aeronautical Revenues for the First Control Period as per MYTP for the Second Control Period

3.8.1 MgIAL as part of True Up for the First Control Period has submitted the Aeronautical Revenues generated during the First Control Period in MYTP is provided in the table below:

Table 160: Aeronautical Revenue submitted by MgIAL towards True-up of First Control Period in MYTP

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Landing revenue	6.89	11.27	31.43	45.44	57.30	152.33
Parking & housing revenue	0.20	0.18	0.35	2.08	4.03	6.84
Ground handling revenue	0.08	3.96	6.13	7.95	9.06	27.18
Passenger UDF	14.09	28.95	87.10	111.58	125.48	367.20
CUTE and BRS revenue	-	1.79	2.01	2.30	2.94	9.04
X- Ray Screening Charges	-	1.10	7.19	9.94	11.40	29.63
Cargo revenue	-	-	2.07	3.10	3.71	8.88
Fuel Revenues	-	-	2.56	8.62	9.18	20.36
Aero Other Incomes	6.66	7.57	0.76	0.46	-	15.45
Total Aero revenue	27.92	54.82	139.61	191.46	223.10	636.92

3.8.2 MgIAL has submitted the Aeronautical Revenues for True up of the First Control Period in MYTP based on audited actuals incurred during the period till FY25 and estimation for FY26. Subsequently, vide email dated 13th June 2026, MgIAL submitted a revised cost for FY26. Accordingly, the Actual Aeronautical Revenue submitted by MgIAL for True up are provided in the table below:

Table 161: Actual Aeronautical Revenue as per MgIAL for the True-up of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Landing revenue	6.89	11.27	31.43	45.44	54.37	149.40
Parking & housing revenue	0.20	0.18	0.35	2.08	10.95	13.76
Ground handling revenue	0.08	3.96	6.13	7.95	8.73	26.85
Passenger UDF	14.09	28.95	87.10	111.58	124.46	366.18
CUTE and BRS revenue	-	1.79	2.01	2.30	2.57	8.67
X- Ray Screening Charges	-	1.10	7.19	9.94	10.86	29.09
Cargo revenue	-	-	2.07	3.10	3.82	8.99
Fuel Revenues	-	-	2.56	8.62	8.73	19.91
Aero Other Incomes	6.66	7.57	0.76	0.46	2.08	17.53
Total Aero revenue	27.92	54.82	139.61	191.46	226.57	640.39

Recap of decisions taken by the Authority regarding the Aeronautical Revenues in the First Control Period

3.8.3 The Authority, in the Tariff Order for the First Control Period, decided the Aeronautical Revenue as per the table below:

Table 162: Aeronautical Revenue considered by the Authority in the Tariff Order of the First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Landing revenue	6.89	12.31	43.04	66.32	86.76	215.33
Parking & housing revenue	0.20	0.09	0.62	1.47	2.56	4.94
Ground handling revenue	1.03	1.44	1.66	1.94	2.24	8.31
Passenger UDF	18.23	38.03	109.34	155.23	193.97	514.80
CUTE and BRS revenue	1.56	1.71	1.96	2.39	2.83	10.45
X- Ray Screening Charges	-	1.21	8.73	12.61	14.81	37.36
Cargo revenue	-	-	2.71	3.61	4.80	11.13
Fuel Revenues	-	-	10.21	12.21	14.21	36.64
Total	27.91	54.78	178.28	255.79	322.19	838.94

Authority's examination regarding True up of Aeronautical Revenues for the First Control Period

3.8.4 The Authority, through its Independent Consultant has verified the Aeronautical Revenue submitted by MgIAL for the purpose of true-up of the First Control Period against the Audited Financial Statements for the period FY 2022 to FY 2026.

3.8.5 The Authority notes that the actual Aeronautical Revenue during the First Control Period was approximately 24% lower than the revenue considered by the Authority at the time of tariff determination for the First Control Period. The Authority observes that this variance is primarily attributable to the revenue realized during FY 2024, FY 2025, and FY 2026, which was adversely impacted by lower-than-projected passenger movements as compared to the projections approved by the Authority at the time of tariff determination (Refer para 3.3.8).

3.8.6 The Authority notes that ₹2.74 crore for Space Rentals, which is considered as a part of Non-Aeronautical Revenue at the time of tariff determination of First Control Period is in relation to Space Rentals from Airlines. (Refer para 3.7.9) The Authority is of the view that space rentals from agencies providing aeronautical services should be treated as aeronautical revenue. Hence, the Authority has excluded Space Rentals from airlines providing aeronautical services from the NAR for the purpose of True up and is considered as a part of Aeronautical Revenue.

3.8.7 The Aeronautical Revenues proposed to be considered by the Authority for True up of First Control Period is as shown in the table below:

Table 163: Aeronautical Revenue proposed by the Authority for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Revenue	27.92	54.82	139.61	191.46	226.57	640.39
Add: Space Rentals from Airlines	0.51	0.55	0.55	0.56	0.56	2.73
Aeronautical Revenue proposed for True-up of First Control Period	28.43	55.38	140.16	192.02	227.13	643.12

3.8.8 In view of the above, the Authority proposes to consider Aeronautical Revenue of ₹643.12 Crores for the True-Up of the First Control Period, as against MgIAL's submission of Aeronautical Revenue of

₹640.39 Crores

3.9 True up of Aeronautical Taxes for the First Control Period**MgIAL's submission regarding Aeronautical Taxes for the True up of First Control Period**

- 3.9.1 MgIAL in its submission for True up for the First Control Period as per MYTP for the Second Control Period has submitted the Aeronautical Taxes which has been computed after considering aeronautical revenue, 30% of non-aeronautical revenue, operation and maintenance expenditure, depreciation on capex and financing allowance and interest expenses.
- 3.9.2 The Airport Operator has computed the Interest Expenses by applying an average Cost of Debt of 12.03% (Refer para 3.5.3) and a notional capital structure comprising 48% Debt and 52% Equity, in line with the gearing ratio approved by the Authority.
- 3.9.3 The Aeronautical Taxes submitted by MgIAL towards True up for the First Control Period in MYTP is presented in the table below:

Table 164: Aeronautical Taxes submitted by MgIAL in MYTP for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Revenues	27.92	54.82	139.61	191.46	223.10	636.92
30% Non-Aeronautical Revenues	2.62	2.45	1.81	2.12	1.97	10.98
Less O&M Expenses	(79.47)	(107.70)	(116.14)	(132.64)	(147.58)	(583.53)
Less: Interest costs on Loan	(7.65)	(17.90)	(32.85)	(40.21)	(47.75)	(146.36)
Less: Depreciation	(9.98)	(16.26)	(32.93)	(38.84)	(44.27)	(142.29)
Less: Depreciation for Financing Allowance	-	(0.53)	(1.14)	(1.26)	(2.11)	(5.04)
Profit Before Tax (PBT)	(66.55)	(85.12)	(41.63)	(19.38)	(16.65)	(229.32)
Taxable Income after setoff of previous year losses	(92.10)	(177.22)	(218.85)	(238.22)	(254.87)	
Tax Rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	-	-	-	-	-	-

- 3.9.4 Based on the Actuals of FY 26 as provided by MgIAL vide email dated 13th June 2026, the revised Aeronautical Taxes for True up of First Control Period is shown in the table below:

Table 165: Revised Aeronautical Taxes for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Revenues	27.92	54.82	139.61	191.46	226.57	640.39
30% Non-Aeronautical Revenues	2.62	2.45	1.81	2.12	2.77	11.78
Less O&M Expenses	(79.47)	(107.70)	(116.14)	(132.62)	(135.33)	(571.27)
Less: Interest costs on Loan	(7.65)	(17.90)	(32.84)	(40.20)	(45.65)	(144.25)
Less: Depreciation	(10.00)	(16.33)	(33.05)	(39.00)	(49.17)	(147.55)
Less: Depreciation for Financing Allowance	-	(0.53)	(1.14)	(1.26)	(2.11)	(5.04)
Profit Before Tax (PBT)	(66.57)	(85.19)	(41.75)	(19.51)	(2.92)	(215.94)
Taxable Income after setoff of previous year losses	(92.12)	(177.31)	(219.07)	(238.57)	(241.49)	
Tax Rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	-	-	-	-	-	-

Recap of decisions taken by the Authority regarding Aeronautical Taxes for the First Control Period

- 3.9.5 The Authority as per Decision Nos. 12.5.2, in the Tariff Order for the First Control Period, decided:
“To True up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Second Control Period.”
- 3.9.6 The Aeronautical Taxes approved by the Authority at the time of Tariff Determination of First Control Period:

Table 166: Aeronautical Taxes approved by the Authority in tariff order of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Revenues	27.91	54.78	178.28	255.79	322.19	838.94
30% Non-Aeronautical Revenues	-	-	-	-	-	-
Less O&M Expenses	76.50	86.01	126.53	132.04	143.52	564.60
Less: Depreciation	15.34	48.56	67.46	59.47	55.44	246.27
Profit Before Tax (PBT)	(63.93)	(79.79)	(15.71)	64.28	123.23	28.08
Tax Rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	-	-	-	16.18	31.02	47.20

Authority's examination of Aeronautical Taxation for the True up of First Control Period

- 3.9.7 The Authority observes that MgiAL 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 is done to reduce tariff pressure on passengers and incentivize the operator to make effective investments in non-aeronautical income generating sources. Therefore, the Authority is of the view that the consideration of 30% non-aeronautical revenues as part of revenues from aeronautical services would result in unjust enrichment to the airport operator effectively reducing the cross-subsidy benefit to the airport user from the present 30% of non-aeronautical revenue. Hence, the Authority has not considered NAR for the computation of Aeronautical Taxes.
- 3.9.8 The Authority also notes that for the purpose of tax calculation, MgiAL has considered interest cost by applying notional gearing ratio of 48% on average RAB. 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. MgiAL has proposed financing of new capex through 65% debt and 35% equity. Accordingly, the Authority has considered interest expenses by considering 65% RAB financing through debt for computation of Aeronautical Tax along with an average cost of debt of 10.08% (Refer para 3.5.13). The Aero Interest as considered by the Authority is provided in the table below:

Table 167: Aeronautical Interest considered by Authority for True up of First Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Average RAB – {Refer Table 93}	132.03	299.88	542.26	662.13	739.25	
Gearing	65.00%	65.00%	65.00%	65.00%	65.00%	
Cost of Debt	10.08%	10.08%	10.08%	10.08%	10.08%	
Aeronautical Interest	8.65	19.65	35.53	43.38	48.43	155.63

- 3.9.9 The Authority has not considered Depreciation on Financing Allowance for the purpose of True up, this is in line with the decision taken by Authority at the time of Tariff Determination of First Control Period

(Refer para 3.4.11 and para 3.4.10)

3.9.10 The Authority notes that the Airport Operator has considered prior period tax losses amounting to ₹25.55 crore in the computation of aeronautical tax. However, the Authority observes that, in the Tariff Order for the First Control Period, prior period losses pertaining to the pre-COD period were considered while undertaking the true-up of AAI. Further, while determining the aeronautical tax liability of the Airport Operator for the First Control Period of Mangaluru International Airport, such prior period losses were not considered. Accordingly, the Authority has not considered any prior-period tax losses for the true-up of the First Control Period.

3.9.11 The Aeronautical Taxes proposed by the Authority for the True up of First Control Period is presented in the table below:

Table 168: Aeronautical Taxes proposed by Authority for True up of First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Revenues {Refer Table 163}	28.43	55.38	140.16	192.02	227.13	643.12
30% Non-Aeronautical Revenues	-	-	-	-	-	-
Less O&M Expenses {Refer Table 155}	(70.62)	(84.81)	(92.77)	(107.05)	(106.15)	(461.41)
Less: Interest costs on Loan {Refer Table 167}	(8.65)	(19.65)	(35.53)	(43.38)	(48.43)	(155.63)
Less: Depreciation {Refer Table 90}	(9.87)	(15.59)	(31.21)	(36.20)	(45.60)	(138.47)
Profit Before Tax	(60.72)	(64.68)	(19.35)	5.39	26.96	(112.40)
Taxable Income after setoff of previous year losses	(60.72)	(125.39)	(144.74)	(139.35)	(112.40)	
Tax Rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	-	-	-	-	-	-

3.9.12 In view of the above, the Authority, in line with the MgIAL's submission, proposes to consider the Aeronautical Taxes as Nil towards True Up for the First Control Period

3.10 True up of Aggregate Revenue Requirement for the First Control Period

MgIAL's submission regarding Aggregated Revenue Requirement (ARR) for True up of the First Control Period

3.10.1 The Aggregate Revenue Requirement for True up submitted by MgIAL for the First Control Period as per MYTP for the Second Control Period is as shown in the table below:

Table 169: ARR submitted by MgIAL in MYTP for True up of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Average RAB (A) {Refer Table 91}	132.50	310.05	568.83	696.33	826.92	
FRoR (B) {Refer Table 96}	14.87%	14.87%	14.87%	14.87%	14.87%	
Return on RAB (C = A * B)	19.70	46.10	84.58	103.54	122.96	376.88
Aero Depreciation (D) {Refer Table 85}	9.98	16.79	34.07	40.10	46.39	147.33
Aero O&M Expense (E) {Refer Table 104}	79.47	107.70	116.14	132.64	147.58	583.53
Aero Taxes (F) {Refer Table 164}	-	-	-	-	-	-
ARR (G = C+D+E+F)	109.15	170.59	234.79	276.29	316.92	1,107.74

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Less: 30% of NAR (H) {Refer Table 156}	2.62	2.45	1.81	2.12	1.97	10.98
Total ARR (I=G-H)	106.53	168.14	232.98	274.16	314.95	1,096.76
True up of AAI from 2017 till COD (J) {Refer Table 10}	81.14	-	-	-	-	81.14
True up of AO from COD till 31 st March 2021 (K) {Refer Table 10}	46.81	-	-	-	-	46.81
Net ARR (L=I+J+K)	234.48	168.14	232.98	274.16	314.95	1,224.71
Actual Aeronautical Revenue (M) {Refer Table 161}	27.92	54.82	139.61	191.46	223.10	636.92
Under recovery/(Over recovery)	206.55	113.32	93.36	82.71	91.85	587.79
Future Value Factor (N)	2.00	1.74	1.52	1.32	1.15	
FV of ARR (O=L*N)	468.94	292.74	353.12	361.76	361.79	1,838.34
FV of Aero-Revenue (P=M*N)	55.84	95.45	211.61	252.63	256.27	871.81
True up of Under recovery/ (Over recovery) as on 31st March 2027	413.10	197.29	141.51	109.13	105.51	966.53

3.10.2 Based on the Actuals of FY 26 as submitted by MgIAL vide email dated 13th June 2026, the Revised Aggregate Revenue Requirement for True up of First Control Period is as shown in the table below:

Table 170: Revised ARR for True up of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Average RAB (A) {Refer Table 91}	132.49	310.00	568.68	696.04	790.18	
FRoR (B) {Refer Table 96}	14.87%	14.87%	14.87%	14.87%	14.87%	
Return on RAB (C = A * B)	19.70	46.09	84.56	103.50	117.49	371.34
Aero Depreciation (D) {Refer Table 86}	10.00	16.87	34.19	40.26	51.28	152.59
Aero O&M Expense (E) {Refer Table 105}	79.47	107.70	116.14	132.62	135.33	571.27
Aero Taxes (F) {Refer Table 165}	-	-	-	-	-	-
ARR (G = C+D+E+F)	109.17	170.66	234.89	276.38	304.10	1,095.20
Less: 30% of NAR (H) {Refer Table 156}	2.62	2.45	1.81	2.12	2.77	11.78
Total ARR (I=G-H)	106.54	168.21	233.08	274.26	301.33	1,083.42
True up of AAI from 2017 till COD (J) {Refer Table 10}	81.14	-	-	-	-	81.14
True up of AO from COD till 31 st March 2021 (K) {Refer Table 10}	46.81	-	-	-	-	46.81
Net ARR (L=I+J+K)	234.49	168.21	233.08	274.26	301.33	1,211.37
Actual Aeronautical Revenue (M) {Refer Table 161}	27.92	54.82	139.61	191.46	226.57	640.39
Under recovery/(Over recovery)	206.57	113.38	93.47	82.80	74.76	570.98
Future Value Factor (N)	2.00	1.74	1.52	1.32	1.15	

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
FV of ARR (O=L*N)	468.97	292.86	353.28	361.88	346.14	1,823.13
FV of Aero-Revenue (P=M*N)	55.84	95.45	211.61	252.63	260.26	875.79
True up of Under recovery/ (Over recovery) as on 31st March 2027	413.13	197.41	141.67	109.25	85.88	947.34

Recap of decisions taken by the Authority regarding Aggregate Revenue Requirement (ARR) for the First Control Period

3.10.3 The Authority, in the Tariff Order for the First Control Period, decided the following in regard to the Aggregate Revenue Requirement for the First Control Period:

- Decision Nos. 14.6.3: *“To consider VTP effective from 1st February, 2023 as given in para 18.1.3 Annexure -I B of this Tariff Order.”*
- Decision Nos. 14.6.4: *“The Authority directs MIA to keep a separate record of landing charges earned, expenditure incurred and incentives granted under VTP during the First Control Period for information for stakeholders and AERA so as to take a considered view for determination of Aeronautical Tariff for the next Control Period. The Authority directs MIA to ensure that the principles of non-discrimination of ICAO are not violated.”*
- Decision Nos. 14.6.5: *“The Authority directs MIA to maintain separate accounts for its Cargo Handling and Fuel services and submit Annual Compliance Statement (ACS) for each accounting year (ending on 31st March) as per AERA CGF Guidelines.”*

3.10.4 The Aggregate Revenue Requirement considered by the Authority in the Tariff Order of the First Control Period can be seen in the table below:

Table 171: Aggregate Revenue Requirement approved by the Authority in the Tariff Order of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Average RAB (A)	123.59	274.70	518.53	596.32	576.06	
FRoR (B)	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on RAB (C = A * B)	15.09	33.54	63.31	72.81	70.34	255.09
Aero Depreciation (D)	10.45	19.23	31.84	35.80	33.65	130.96
Aero O&M Expense (E)	76.50	86.01	126.53	132.04	143.52	564.60
Aero Taxes (F)	-	-	-	16.18	31.02	47.20
ARR (G = C+D+E+F)	102.04	138.78	221.69	256.83	278.52	997.85
Less: 30% of NAR (H)	2.46	5.21	5.73	6.02	6.32	25.73
Total ARR (I=G-H)	99.58	133.57	215.96	250.81	272.2	972.12
True up of AAI from 2017 till COD (J)	81.14	-	-	-	-	81.14
True up of AO from COD till 31 st March 2021 (K)	31.01	-	-	-	-	31.01
Net ARR (L=I+J+K)	211.73	133.57	215.96	250.81	272.2	1,084.27
Projected Aeronautical Revenue (M)	27.91	54.78	178.28	255.79	322.19	838.95

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Under recovery/(Over recovery)	183.82	78.79	37.68	(4.98)	(49.98)	245.33
Present Value Factor (N)	1.00	0.89	0.79	0.71	0.63	
FV of ARR (O=L*N)	211.73	119.04	171.52	177.52	171.70	851.51
FV of Aero-Revenue (P=M*N)	27.91	48.82	141.59	181.05	203.23	602.60
True up of Under recovery/ (Over recovery) as on 31st March 2022	183.82	70.22	29.93	(3.52)	(31.53)	248.91

Authority' examination and proposal regarding ARR for True up of the First Control Period

3.10.5 The Authority, based on the examination of various building blocks from FY22 to FY26 has determined the ARR for the First Control Period:

Table 172: Aggregate Revenue Requirement proposed to be considered by the Authority for True up of the First Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY22	FY23	FY24	FY25	FY26	Total
Average RAB (A) {Refer Table 93}	132.03	299.88	542.26	662.13	739.25	
FRoR (B) {Refer Table 100}	12.73%	12.73%	12.73%	12.73%	12.73%	
Return on RAB (C = A * B)	16.81	38.18	69.04	84.30	94.12	302.45
Aero Depreciation (D) {Refer Table 90}	9.87	15.59	31.21	36.20	45.60	138.47
Aero O&M Expense (E) {Refer Table 155}	70.62	84.81	92.77	107.05	106.15	461.41
Aero Taxes (F) {Refer Table 168}	-	-	-	-	-	-
ARR (G = C+D+E+F)	97.30	138.59	193.02	227.55	245.86	902.33
Less: 30% of NAR (H) {Refer Table 159}	(2.46)	(5.21)	(5.73)	(6.02)	(6.32)	(25.73)
Total ARR (I=G-H)	94.84	133.38	187.29	221.54	239.55	876.60
True up of AAI from 2017 till COD (J)	81.14	-	-	-	-	81.14
True up of AO from COD till 31 st March 2021 (K) {Refer Table 11}	31.01	-	-	-	-	31.01
Net ARR (L=I+J+K)	206.99	133.38	187.29	221.54	239.55	988.75
Actual Aeronautical Revenue (M) – {Refer Table 163}	28.43	55.38	140.16	192.02	227.13	643.12
Under recovery/(Over recovery)	178.57	78.00	47.13	29.52	12.42	345.63
Future Value Factor (N)	1.82	1.62	1.43	1.27	1.13	
FV of ARR (O=L*N)	376.87	215.41	268.32	281.54	270.05	1,412.18
FV of Aero-Revenue (P=M*N)	51.76	89.43	200.80	244.03	256.05	842.07
True up of Under recovery/ (Over recovery) as on 31st March 2027	325.11	125.98	67.52	37.51	14.00	570.11

3.10.6 Based on the above detailed analysis, the Authority proposes to consider under-recovery amounting to ₹570.11 crore and the same will be adjusted in the ARR to be determined for the Second Control Period.

3.11 Authority's proposals regarding True up for the First Control Period

Based on the material before it and based on its examination, the Authority proposes the following regarding True up for the First Control Period.

- 3.11.1 To consider Traffic for True up for the First Control Period based on Actuals as per Table 13.
- 3.11.2 To consider Aeronautical Capex for True up of the First Control Period as per Table 81.
- 3.11.3 To consider the Aeronautical Depreciation and Regulatory Asset Base (RAB) for True up for the First Control Period as per Table 93.
- 3.11.4 To consider the FRoR for True up for the First Control Period as per Table 100.
- 3.11.5 To consider Aeronautical Operation and Maintenance Expenses for True up for the First Control Period as per Table 155.
- 3.11.6 To consider Non-Aeronautical Revenue for True up for the First Control Period as per Table 159.
- 3.11.7 To consider Aeronautical Revenues for True up for the First Control Period as per Table 163.
- 3.11.8 To consider Aeronautical Taxes as Nil for the First Control Period as per Table 168.
- 3.11.9 To consider ARR under recovery of ₹570.11 crores (as on 31st March 2027) till the First Control Period for the tariff determination for the Second Control Period as per Table 172.

4. TRAFFIC PROJECTIONS FOR THE SECOND CONTROL PERIOD

4.1 MgIAL's submission regarding Traffic projections for the Second Control Period

4.1.1 MgIAL has, in its MYTP for the Second Control Period, submitted traffic projections in respect of passenger traffic, Air Traffic Movements (ATM) and cargo for Mangaluru International Airport, Mangaluru for the period FY 2026–27 to FY 2030–31. The said projections were developed based on OAG's traffic study report 'Market Assessment and Traffic Forecast Study – Mangaluru' completed in February 2025. OAG had projected total passenger traffic of 17.82 Mn, ATMs of 121.63 thousand and cargo of 42,390 MT over the Second Control Period.

Passenger and ATM

4.1.2 As the traffic study was completed in February 2025, OAG developed passenger traffic forecasts for domestic and international operations at MIA for the period FY 2025 to FY 2071. The forecasts were prepared using a bottom-up approach for FY 2025–FY 2029 and a top-down approach for FY 2030–FY 2071. Given the relatively low share of transfer traffic, OAG estimated transfer passengers based on historical trends in their proportion to total traffic. Aircraft Traffic Movements (ATMs) were subsequently derived from the projected passenger traffic, considering expected load factors and average aircraft size over the forecast period. A summary of the methodology adopted by OAG for the traffic forecast is provided below.

- Bottom approach (FY 2025-FY 2029): The first five years of the forecast, the period FY2025-2029, is considered as the short-term forecast and is prepared on a bottom-up basis, looking at airline plans by carrier by route for both Domestic and International Traffic.
- Top Down Approach (FY 2030 – FY 2071): Having established the short term forecast till FY 2029, the long term forecast for the 41 year period from FY 2030 – FY 2071 was done using econometric model based on regression analysis between econometric parameters GDP and passenger traffic.
- In estimating Aircraft Traffic Movements (ATMs), assumptions were made regarding the evolution of average aircraft size and passenger load factors over the forecast period. These assumptions are then applied to the projected passenger traffic to derive the corresponding ATM forecasts.
- The said primary forecast has thereafter formed the basis for the derivation of secondary forecasts, including peak hour activity and transfer traffic.

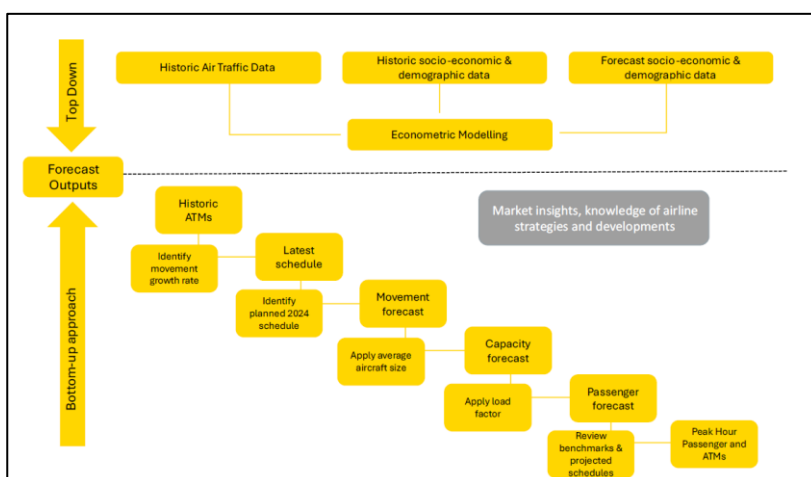


Figure 4: Air Traffic Forecast Approach taken by OAG

4.1.3 The transfer traffic projections in respect of Mangaluru International Airport, Mangaluru (MIA) for the Second Control Period have been based on the historic proportions of the transfer traffic with respect to the total traffic. In the absence of detailed information about the composition of the transfer market

OAG assumed the historic transfer passenger to the total passenger traffic ratios to be constant through the forecast period.

Cargo

- 4.1.4 For the purpose of forecasting cargo traffic at Mangaluru International Airport (MIA) over the Second Control Period, OAG has adopted a simulation-based forecasting approach that combines macroeconomic indicators, commodity-specific growth drivers, and airport-specific characteristics to estimate future cargo demand.
- OAG in its report has submitted that the forecasting model is primarily anchored on regional Gross Domestic Product (GDP) and population growth within the airport catchment area. GDP forecasts have been derived from projections published by S&P Global (2023), while population forecasts are based on historical growth trends and projections published by the World Bank and the United Nations (2024). These variables have been considered as the primary demand drivers for air cargo traffic.
 - In addition to macroeconomic parameters, OAG as per the report has undertaken an assessment of commodity-specific growth prospects in India across import, export, and domestic cargo segments. In this regard, particular emphasis has been placed on key commodity categories such as e-commerce, pharmaceuticals, consumer electronics (including mobile phones) and semiconductors, and perishables including flowers, fruits, and vegetables, having regard to the cargo profile observed at the airport.
 - The cargo forecast for MIA has been developed by combining the airport's existing commodity mix, differentiated across domestic and international as well as inbound and outbound traffic, with the expected growth trajectory of individual commodity categories and the forecasted GDP and population growth within the airport catchment area.
 - Further, OAG has developed low and high growth scenarios to account for the varying growth potential of individual airports. The factors considered include proximity to major cargo hub airports, potential integration within the Blue Dart network, the existing route network, availability of wide-body cargo capacity, and potential capacity constraints at hub airports.
- 4.1.5 Based on the above methodology and assumptions, OAG has provided the cargo traffic forecasts for MIA for the Second Control Period. The growth rates considered for each traffic category, namely Passenger Traffic, ATM, and Cargo Traffic, are presented in the table below:

Table 173: Growth Rates considered by OAG towards Traffic Projections for MgiAL for the Second Control Period

Particulars (FY ending 31 st March)	FY27*	FY28	FY29	FY30	FY31
Passenger Traffic					
Domestic	20%	15%	6%	7%	7%
International	7%	11%	12%	6%	6%
ATM					
Domestic	12%	14%	5%	7%	6%
International	1%	11%	12%	4%	4%
Cargo					
Domestic	24%	7%	7%	2%	6%
International	63%	12%	12%	7%	7%

*The growth rate for FY 27 was considered based on the projected traffic for FY 26

4.1.6 Accordingly, MgiAL, in its MYTP, has submitted the traffic projections for the Second Control Period adopting the growth rates derived from the OAG study, as detailed in the table below:

Table 174: Traffic Projections Submitted by MgiAL for the Second Control Period as per MYTP

Particulars (FY ending 31 st March)	FY27*	FY28	FY29	FY30	FY31	Total
Passenger Traffic (Mn)						
Domestic	2.24	2.59	2.75	2.94	3.15	13.67
<i>Domestic YoY Growth*</i>	20%	15%	6%	7%	7%	
International	0.68	0.76	0.85	0.9	0.96	4.15
<i>International YoY Growth*</i>	7%	11%	12%	6%	6%	
Total	2.92	3.35	3.6	3.84	4.11	17.82
Air Traffic Movements (Nos)						
Domestic	16.08	18.39	19.33	20.61	21.94	96.35
<i>Domestic YoY Growth*</i>	12%	14%	5%	7%	6%	
International	4.23	4.69	5.23	5.45	5.68	25.28
<i>International YoY Growth*</i>	1%	11%	12%	4%	4%	
Total	20.31	23.08	24.56	26.06	27.62	121.62
Cargo Projection (MT)						
Domestic	4,827	5,177	5,551	5,677	6,040	27,272
<i>Domestic YoY Growth*</i>	24%	7%	7%	2%	6%	
International	2,445	2,750	3,093	3,303	3,527	15,118
<i>International YoY Growth*</i>	63%	12%	12%	7%	7%	
Total	7,272	7,927	8,644	8,980	9,567	42,390

*The growth rate for FY 27 was considered based on the projected traffic for FY 26

4.2 Authority's examination regarding Traffic projections for the Second Control Period

4.2.1 The Authority has taken cognizance of the International Air Transport Association (IATA) report dated 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 November.*
- 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.*

4.2.2 The Authority has carefully examined the traffic projections submitted by MgiAL in respect of Mangaluru International Airport, Mangaluru (MIA) for the Second Control Period (i.e., FY 2026–27 to FY 2030–31), as developed by its independent traffic consultant, OAG and undertaken a detailed examination of the methodology adopted.

Passenger Traffic

- 4.2.3 The Authority has examined the Top Down and Bottom Up approach adopted by OAG for Mangaluru International Airport, Mangaluru (MIA) for the Second Control Period, as submitted by MgIAL.
- 4.2.4 The Authority notes that the traffic study undertaken by OAG in FY 2025 envisaged a short-term traffic forecast based on a bottom-up approach for the period FY 2025 to FY 2029. Accordingly, the growth rates estimated by OAG for the projection of Passenger Traffic and ATMs during the Second Control Period were applied to the projected base traffic for FY26. However, with the actual traffic data for FY26 now being available, the Authority is of the considered view that the actual FY26 traffic figures, being the most recent and empirically verifiable data points, ought to constitute the appropriate base for traffic forecasting over the Second Control Period. The Authority, accordingly, proposes to consider the growth rates estimated by OAG to the actual FY26 traffic base, in lieu of the projected FY26 base, for analysis of Passenger Traffic and ATMs submitted by MgIAL during the Second Control Period.
- 4.2.5 The Authority notes that MgIAL subsequently confirmed that no revision to the traffic forecast is warranted based on the actual traffic achieved in FY26 and submitted that the Passenger Traffic and ATM projections for the Second Control Period should remain unchanged from those considered in the MYTP. Accordingly, MgIAL has requested that the traffic forecasts submitted under the MYTP may be considered for the purpose of determination of aeronautical tariffs during the Second Control Period.
- 4.2.6 The Authority observes that the traffic forecasts submitted by MgIAL for the Second Control Period are characterized by considerable volatility, with domestic passenger traffic growth rates ranging from 7% to 26% and international passenger traffic growth rates ranging from (-)12% to 6% over the forecast period (Refer Table 184). The Authority is of the view that such substantial variations warrant careful consideration while assessing the reasonableness and reliability of the traffic projections.
- 4.2.7 The Authority is of the view that a key factor contributing to the observed variation in the traffic projections is the timing of the traffic study. Since the study was undertaken during FY 2024-25, it could not fully capture the impact of subsequent developments affecting air travel demand and operational patterns. These include disruptions arising from evolving consumer travel behavior, heightened safety concerns, and changes in the global geopolitical environment, all of which have introduced additional uncertainty into traffic growth trends.
- 4.2.8 The Authority further observes a reduction in the growth rate of the OAG projected traffic from 12% in FY 28 to 6% in FY29 and FY30. The Authority notes that this discontinuity arises primarily on account of the transition in forecasting methodology, wherein the traffic projections up to FY29 were developed using a bottom-up approach, while the projections from FY30 onwards were derived using a top-down econometric modelling approach. In the Authority's view, the resultant variation is attributable to the change in methodology rather than an underlying shift in traffic fundamentals. Accordingly, the Authority does not consider such abrupt variation to be representative of the expected traffic trajectory and, therefore, does not propose to rely upon the same for the purpose of traffic determination.
- 4.2.9 **Growth Rate for Base Traffic Forecast:** In view of the foregoing, the Authority has decided to undertake an independent review and recalibration of the traffic forecasts for Mangaluru International Airport (MIA) for the Second Control Period. The Authority is of the considered view that a traffic forecast based on historical traffic trends would provide a more reasonable basis for traffic determination under the prevailing circumstances. Accordingly, the Authority has adopted an approach based on the analysis of MIA's historical traffic performance over the last fifteen years for projecting Passenger Traffic and ATMs during the Second Control Period.
- 4.2.10 For the purpose of the historical trend analysis, the Authority has segmented the traffic data into two distinct periods, namely the pre-COVID and post-COVID periods, to appropriately account for the

structural impact of the pandemic on air travel demand. The pre-COVID period considered for the analysis comprises FY11 to FY19, while the post-COVID period comprises FY23 to FY26.

- 4.2.11 The table below presents the analysis of the historical traffic growth trends at Mangaluru International Airport (MIA), based on the CAGR observed during the pre-COVID (FY11–FY19) and post-COVID (FY23–FY26) periods.

Table 175: Historical trend Analysis for MIA's International and Domestic Passenger Traffic

Particulars	Pre Covid CAGR (FY 11- FY 19)	Post Covid CAGR (FY 23 - FY 26)	Average CAGR
Domestic Traffic	13%	12%	12.5%
International Traffic	14%	13%	13.5%

- 4.2.12 The Authority notes from the above analysis that the traffic growth trends observed at Mangaluru International Airport (MIA) during the post-COVID period are broadly consistent with the historical growth trends witnessed during the pre-COVID period.
- 4.2.13 The Authority considers the 8-year CAGR (FY 2010-11 to FY 2018-19) and the 3-year CAGR (FY 2022-23 to FY 2025-26) as representative of the airport's pre-pandemic stable growth phase and post-pandemic recovery period, respectively. Together, these periods provide a reliable basis for assessing the underlying growth trajectory of passenger traffic at MIA, while avoiding distortions arising from pandemic-affected years. Accordingly, the Authority has adopted the average annual growth rates of 12.5% for domestic passenger traffic and 13.5% for international passenger traffic for forecasting the base passenger traffic during the Second Control Period. the base passenger traffic during the Second Control Period.
- 4.2.14 **Domestic Traffic Projections:** The Authority notes that domestic passenger traffic during FY26 was impacted by certain operational disruptions and evolving passenger sentiment. Accordingly, in order to appropriately capture the near-term recovery trajectory and underlying traffic trends, the Authority has undertaken a separate assessment of domestic passenger traffic for FY27 before applying the historic growth assumptions for the remainder of the Second Control Period.
- 4.2.15 The Authority, through its Independent Traffic Consultant, observed a significant moderation in the growth of domestic passenger traffic at Mangaluru International Airport (MIA) during FY26, whereas international passenger traffic continued to exhibit a positive growth trend. In order to assess the underlying reasons for this slowdown, the Authority also examined traffic trends at the national level. The analysis revealed that the moderation in domestic traffic growth was not unique to MIA but was observed across the Indian aviation sector, with domestic passenger traffic growth at the national level declining from 9% in FY 25 to 1.4% in FY 26 (Refer Table 176). Accordingly, the Authority is of the view that the slowdown in domestic traffic at MIA reflects broader industry trends rather than airport-specific factors. This slowdown may be attributable to changes in passenger travel behavior and heightened safety concerns during FY26, which impacted domestic air travel demand across the country.

Table 176: Domestic passenger traffic and YoY growth rate in India and Mangaluru from FY 2024 - FY 2026

Particulars (FY ending 31 st March)	FY 24 (Actual)	FY 25 (Actual)	FY 26 (Actual)
Domestic Passenger Traffic in India			
Domestic Pax Traffic	306.8	334.7	339.4
Domestic YoY Growth Rate		9%	1.42%
Domestic Passenger Traffic in Mangaluru			
Domestic Pax traffic	1.51	1.73	1.78

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Particulars (FY ending 31st March)	FY 24 (Actual)	FY 25 (Actual)	FY 26 (Actual)
Domestic YoY Growth Rate		14%	3%

4.2.16 It is felt that the moderation in domestic passenger traffic growth during FY26 is largely attributable to temporary factors and does not reflect the long-term demand potential of the airport. Accordingly, the Authority expects the deferred or latent demand to materialize in FY27. Therefore, for the purpose of estimating domestic passenger traffic for FY27, the Authority has considered FY25 as the reference year and applied the historical year-on-year growth rate for two consecutive years, instead of applying the growth rate to the FY26 traffic level. This approach is considered appropriate to account for the traffic growth that may have been deferred during FY26.

4.2.17 The table below presents the revised domestic passenger traffic forecast for FY27 based on the above methodology, along with a comparison against the base traffic projections done based on the historical growth rates.

Table 177: Revised domestic passenger traffic and YoY growth rate projected by Authority for Second Control Period at MIA

Particulars (FY ending 31st March)	FY 26 (Actual)	FY 27	FY 28	FY 29	FY 30	FY 31
Base Domestic Traffic						
Traffic	1.78	2.00	2.25	2.53	2.85	3.21
YoY Growth Rate		12.5%	12.5%	12.5%	12.5%	12.5%
Revised Domestic Traffic						
Traffic	1.78	2.19	2.46	2.77	3.11	3.50
YoY Growth Rate		23%	12.5%	12.5%	12.5%	12.5%

4.2.18 **International Traffic Projections:** For the international traffic Authority notes that Mangaluru International Airport (MIA) recorded positive growth during FY26, broadly in line with the historical trend analysis. However, the traffic outlook for FY27 warrants careful assessment in view of the evolving geopolitical developments, particularly in the Middle East, which constitutes a major catchment for MIA's international traffic. Consequently, a moderation in international passenger traffic is likely during the initial part of FY27.

4.2.19 The Authority, through its Independent Traffic Consultant, analyzed the year-on-year performance of international passenger traffic during the first quarter of FY27 by comparing the actual traffic recorded in April and May FY27 with the corresponding months of FY26. The results of the analysis are presented in the table below.

Table 178: YoY comparison of International traffic for the first quarter of FY 2026 and FY 2027

Particulars (FY ending 31st March)	FY 26 (Actual)	FY 27 (Actual)	Variation
April	64,558	30,320	-53%
May	62,159	44,445	-28%
June	50,620	58,637	16%

4.2.20 The above analysis indicates that international passenger traffic contracted by 53% in April FY27, with the decline moderating to 28% in May FY27. Subsequently, traffic registered a 15% year-on-year growth in June FY27, reflecting an improvement in demand following the disruptions observed during the initial months of the financial year. The recovery in traffic coincides with the stabilization of the geopolitical situation in the Middle East during the latter part of the quarter. Considering the emerging recovery trend and the available traffic data, the Authority has considered a moderated growth trajectory for the remaining months of FY27, equivalent to 50%

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- 4.2.21 of the year-on-year growth rate recorded in June FY27. Accordingly, the monthly traffic projections for the balance period of FY27 have been revised to reflect the recovery trend, forming the basis for the estimate of annual international passenger traffic for FY27.
- 4.2.22 The table below presents the monthly international passenger traffic projections for FY27, developed based on the traffic recovery trend observed during the initial months of the year and the assumptions discussed above.

Table 179: International traffic projections for FY 2027

Month	Traffic in FY 26*	Traffic in FY 27	Variation
April	64,558	30,320*	-53%*
May	62,159	44,445*	-28%*
June	50,620	58,637	16%
July	66,739	72,078	8%
August	72,849	78,677	8%
September	66,564	71,889	8%
October	74,292	80,235	8%
November	76,579	82,705	8%
December	79,065	85,390	8%
January	81,740	88,279	8%
February	63,245	68,305	8%
March	13,016	14,057	8%
Total	7,71,426	7,75,019	0.5%

*Actual Traffic referred from AAI website

- 4.2.23 Based on the monthly traffic assessment, the international passenger traffic for FY27 is estimated at approximately 0.775 million passengers, representing a year-on-year growth of 0.47% over FY26.
- 4.2.24 The table below presents the revised international passenger traffic forecast for FY27 based on the above approach, along with a comparison against the base traffic projections done based on the historical growth rates.

Table 180: Revised International passenger traffic and YoY growth rate projected by Authority for Second Control Period at MIA

Particulars (FY ending 31 st March)	FY 26 (Actual)	FY 27	FY 28	FY 29	FY 30	FY 31
Base International Traffic						
Traffic	0.77	0.87	0.99	1.13	1.28	1.45
YoY Growth Rate		13.5%	13.5%	13.5%	13.5%	13.5%
Revised International Traffic						
Traffic	0.77	0.78	0.99	1.13	1.28	1.45
YoY Growth Rate		0.47%	28%	13.5%	13.5%	13.5%

Aircraft Traffic Movements (ATMs) Traffic

- 4.2.25 The Authority notes that to estimate Aircraft Traffic Movements (ATMs), passenger traffic forecasts were converted into aircraft movements using assumptions on average aircraft size and passenger load factors over the forecast period. These assumptions determine the number of passengers carried per flight and, consequently, the ATM requirements corresponding to the projected passenger traffic. The table below presents the ATM-to-passenger ratios considered by MglAL for projecting domestic and

international ATMs based on OAG Study.

Table 181: Calculation of Pax/ATM considered by OAG for the Second Control Period

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31
Domestic Traffic	2.24	2.59	2.75	2.94	3.15
Domestic ATM	16.08	18.39	19.33	20.61	21.94
Pax/ATM (derived)	139	141	142	143	144
International Traffic	0.68	0.76	0.85	0.9	0.96
International ATM	4.23	4.69	5.23	5.45	5.68
Pax/ATM (derived)	161	162	163	165	169

4.2.26 The assumptions relating to passenger load factors and average aircraft size adopted in the OAG traffic study have been considered reasonable by the Authority for the purpose of ATM forecasting. Accordingly, the same passenger-to-ATM ratios have been applied to the Authority's revised passenger traffic forecasts to derive the corresponding domestic and international ATM projections for the Second Control Period. The resultant ATM forecasts are presented in the table below.

Table 182: Calculation of Pax/ATM considered by Authority for the Second Control Period

Particulars (FY ending 31 st March)	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Domestic Traffic (in Mn)	2.19	2.46	2.77	3.11	3.50	14.03
Pax/ATM (as per Table 181)	139	141	142	143	144	
Domestic ATM (in 000's)	15.70	17.47	19.46	21.83	24.40	98.85
International Traffic (in Mn)	0.78	0.99	1.13	1.28	1.45	5.63
Pax/ATM (as per Table 181)	161	162	163	165	169	
International ATM (in 000's)	4.82	6.13	6.94	7.75	8.60	34.24
Total Traffic	2.96	3.45	3.90	4.39	4.96	19.66
Total ATM (in 000's)	20.52	23.60	26.40	29.58	33.00	133.10

Cargo Traffic

4.2.27 The Authority has examined the cargo traffic forecasting methodology adopted by OAG for MIA. Similar to the passenger traffic forecast, the cargo forecast has been segmented into short-term and long-term projections. The short-term forecast covers the period from FY 2025 to FY 2029, while the long-term forecast has been developed for the period from FY 2029 to FY 2071.

4.2.28 The Authority further notes that the cargo forecast traffic study undertaken by OAG in FY 2025 envisaged a short-term traffic forecast for the period FY 2025 to FY 2029. Accordingly, the growth rates estimated by OAG for the projection of Cargo Traffic during the Second Control Period were applied to the projected base traffic for FY26. However, with the actual traffic data for FY26 now being available, the Authority is of the considered view that the actual FY26 traffic figures, being the most recent and empirically verifiable data points, ought to constitute the appropriate base for cargo traffic forecasting over the Second Control Period. The Authority accordingly proposes to consider the growth rates estimated by OAG to the actual FY26 traffic base, in lieu of the projected FY26 base, for analysis of cargo traffic during the Second Control Period.

4.2.29 The Authority notes that MgiAL subsequently confirmed that no revision to the cargo traffic forecast is warranted based on the actual traffic achieved in FY26 and submitted that the Cargo Traffic projections for the Second Control Period should remain unchanged from those considered in the MYTP. Accordingly, MgiAL has requested that the Cargo traffic forecasts submitted under the MYTP may be considered for the purpose of determination of aeronautical tariffs during the Second Control

Period.

- 4.2.30 The Authority observes that the cargo traffic forecasts submitted by MgIAL for the Second Control Period are characterized by considerable volatility, with domestic cargo traffic growth rates ranging from 2% to 26% and international cargo traffic growth rates ranging from 7% to 22% over the forecast period (Refer Table 184). The Authority is of the view that such substantial variations warrant careful consideration while assessing the reasonableness and reliability of the traffic projections.
- 4.2.31 In view of the above, the Authority sought detailed workings and supporting analysis underlying the cargo traffic forecasts from MgIAL. However, MgIAL was unable to provide detailed calculations supporting the projected cargo traffic growth rates.
- 4.2.32 In view of the foregoing, the Authority has decided to undertake an independent review and recalibration of the cargo traffic forecasts for Mangaluru International Airport (MIA) for the Second Control Period. The Authority is of the considered view that a traffic forecast based on historical traffic trends would provide a more reasonable basis for traffic determination under the prevailing circumstances. Accordingly, the Authority has adopted an approach based on the analysis of MIA's historical traffic performance over the post covid years for projecting Cargo traffic for the Second Control Period.
- 4.2.33 The table below presents the analysis of the historical traffic growth trends at Mangaluru International Airport (MIA), based on the CAGR observed during the post-COVID (FY23–FY26) periods.

Table 183: Historical trend Analysis for MIA's International and Domestic Cargo Traffic

Particulars	Post Covid CAGR (FY 23 - FY 26)
Domestic Traffic	12%
International Traffic	16%

- 4.2.34 The Authority notes from the above analysis that the traffic growth trends observed at Mangaluru International Airport (MIA) during the post-COVID period are broadly consistent with the cargo traffic growth trends across the other airports witnessed during the post-COVID period. Accordingly, the Authority has adopted the average annual growth rates of 12% for domestic cargo traffic and 16% for international cargo traffic for forecasting the cargo traffic during the Second Control Period.
- 4.2.35 Based on the foregoing, the projected Passenger, ATM and Cargo Traffic proposed to be considered by the Authority for the Second Control Period is presented in the table below:

Table 184: Traffic proposed to be considered by the Authority for the Second Control Period

Particulars (FY ending 31 st March)						
Passenger Traffic (Mn)	FY27	FY28	FY29	FY30	FY31	Total
Domestic Pax submitted by Operator	2.24	2.59	2.75	2.94	3.15	13.67
Domestic Pax Proposed by Authority	2.19	2.46	2.77	3.11	3.50	14.03
<i>Domestic YoY Growth submitted by Operator based on FY 26 Actuals</i>	26%	15%	6%	7%	7%	
<i>Domestic YoY Growth Proposed by Authority</i>	23%	12.5%	12.5%	12.5%	12.5%	
International Pax submitted by Operator	0.68	0.76	0.85	0.9	0.96	4.15
International Pax proposed by Authority	0.78	0.99	1.13	1.28	1.45	5.63
<i>International YoY Growth submitted by Operator based on FY 26 Actuals</i>	-12%	11%	12%	6%	6%	
<i>International YoY Growth proposed by Authority</i>	0.47%	28%	13.5%	13.5%	13.5%	
Total Pax submitted by Operator	2.92	3.35	3.6	3.84	4.11	17.82

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Particulars (FY ending 31st March)						
Total Pax proposed by Authority	2.96	3.45	3.90	4.39	4.96	19.66
<i>Total Pax YoY Growth submitted by Operator based on FY 26 Actuals</i>	15%	15%	7%	7%	7%	
<i>Total Pax YoY Growth proposed by Authority</i>	16.1%	16.6%	12.8%	12.8%	12.8%	
Air Traffic Movements (in 000's)	FY27	FY28	FY29	FY30	FY31	Total
Domestic ATM submitted by Operator	16.08	18.39	19.33	20.61	21.94	96.35
Domestic ATM Proposed by Authority	15.70	17.47	19.46	21.83	24.40	98.85
<i>Domestic ATM YoY Growth by Operator based on FY 26 Actuals</i>	18%	14%	5%	7%	6%	
<i>Domestic ATM YoY Growth Proposed by Authority</i>	14.8%	11.3%	11.4%	12.2%	11.8%	
International ATM submitted by Operator	4.23	4.69	5.23	5.45	5.68	25.28
International ATM proposed by Authority	4.82	6.13	6.94	7.75	8.60	34.24
<i>International ATM YoY Growth by Operator based on FY 26 Actuals</i>	-1%	18%	14%	5%	7%	
<i>International ATM YoY Growth proposed by Authority</i>	13%	27%	13%	12%	11%	
Total ATM submitted by Operator	20.31	23.08	24.56	26.06	27.62	121.63
Total ATM proposed by Authority	20.52	23.60	26.40	29.58	33.00	133.10
<i>Total ATM YoY Growth by Operator based on FY 26 Actuals</i>	13%	14%	6%	6%	6%	
<i>Total ATM YoY Growth proposed by Authority</i>	14%	15%	12%	12%	12%	
Cargo Projection (in MT)	FY27	FY28	FY29	FY30	FY31	Total
Domestic Cargo submitted by Operator	4,827	5,177	5,551	5,677	6,040	27,272
Domestic Cargo Proposed by Authority	4,301	4,817	5,395	6,042	6,767	27,322
<i>Domestic Cargo YoY Growth by Operator based on FY 26 Actuals</i>	26%	7%	7%	2%	6%	
<i>Domestic Cargo YoY Growth Proposed by Authority</i>	12%	12%	12%	12%	12%	
International Cargo submitted by Operator	2,445	2,750	3,093	3,303	3,527	15,118
International Cargo proposed by Authority	2,333	2,706	3,139	3,641	4,224	16,043
<i>International Cargo YoY by Operator based on FY 26 Actuals</i>	22%	12%	12%	7%	7%	
<i>International Cargo YoY Growth proposed by Authority</i>	16%	16%	16%	16%	16%	
Total Cargo submitted by Operator	7,272	7,927	8,644	8,980	9,567	42,390
Total Cargo proposed by Authority	6,634	7,523	8,534	9,683	10,991	43,365
<i>Total Cargo YoY by Operator based on FY 26 Actuals</i>	24%	9%	9%	4%	7%	
<i>Total Cargo YoY Growth proposed by Authority</i>	13.4%	13.4%	13.4%	13.5%	13.5%	

4.3 Authority's proposal regarding Traffic projections for the Second Control Period

Based on the material before it and its examination, the Authority proposes the following with respect to Traffic projections for the Second Control Period:

- 4.3.1 To consider Traffic projections as per Table 184 for the Second Control Period.
- 4.3.2 To true up the traffic volume (Passenger, ATM and cargo) based on actual traffic in the Second Control Period while determining tariff for the Third Control Period.

**5. CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET
BASE (RAB) FOR THE SECOND CONTROL PERIOD**

5.1 Background

- 5.1.1 Regulatory Asset Base (RAB) is one of the essential elements in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an Airport Operator. To encourage 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.
- 5.1.2 Mangaluru International Airport Limited (MgIAL) has submitted its MYTP for the Second Control Period in respect of Mangaluru International Airport, Mangaluru. As part of the MYTP, MgIAL has submitted its capital expenditure plan for the Second Control Period along with details of project-wise capital expenditure, means of finance, proposed capitalization, and classification of assets into aeronautical, non-aeronautical and common.
- 5.1.3 The capital expenditure plan submitted by MgIAL for the Second 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 Second Control Period.
- 5.1.4 The Authority notes that MIA has witnessed sustained traffic growth in the previous control period and MgIAL has undertaken expansion in the First Control Period to augment the airport capacity to 3 MPPA. In its MYTP for the Second Control Period, MgIAL has 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.
- 5.1.5 The Authority further notes that the capital expenditure submitted by MgIAL for the Second Control Period comprises various project heads including terminal-related development, airside infrastructure, landside infrastructure, support systems, utilities, and other allied works. MgIAL has also submitted the proposed year-wise capitalization schedule and the allocation of such assets between aeronautical and non-aeronautical activities.
- 5.1.6 Based on traffic forecasts, passenger traffic at MIA is expected to increase to over 4 million passengers per annum by FY 2030-31. Corresponding growth in air traffic movements, cargo volumes and fuel throughput further reinforces the requirement for timely infrastructure enhancement.
- 5.1.7 MgIAL has prepared a Master Plan for the long-term development of the airport in line with the Concession Agreement. The master plan identifies infrastructure requirements for the concession period based on traffic forecasts and operational requirements, forming the basis for CAPEX proposals during SCP.
- 5.1.8 The proposed capital expenditure for SCP broadly comprises:
- i. Airside Improvement Projects (runway upgrades, taxiways, apron expansion, safety systems, drainage and geotechnical works)
 - ii. Terminal Building modification and expansion works (capacity augmentation, process improvements, compliance upgrades)
 - iii. Landside / Ancillary Infrastructure (access, support buildings, emergency access systems)
 - iv. Sustaining / Minor Capex (asset replacement, lifecycle upgrades, safety and compliance works)
- 5.1.9 MgIAL has submitted that a significant portion of CAPEX relates to airside safety and compliance

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD requirements, particularly considering the unique topography of MIA, which is a tabletop airport. This necessitates additional investments in systems such as:

- i. Precision Approach Lighting upgrades
- ii. Runway strip compliance works
- iii. EMAS (Engineered Materials Arrestor System)
- iv. Drainage and slope stabilization works
- v. Geo-hazard mitigation measures

5.1.10 In addition, airside capacity and operational efficiency improvements have been proposed, including Development of additional taxiways (E1, E3, E4), Geotechnical strengthening and reconstruction of parallel taxi track, Apron expansion and Development of isolated aircraft parking position (IAPP).

5.1.11 The Authority notes that terminal capacity constraints have already emerged, with 80% of the existing terminal capacity (~3 MPPA) being exceeded. MgIAL has proposed expansion and modification of the terminal building to cater to projected traffic demand up to ~5 MPPA horizon, including Increase in check-in counters, SHA and processor capacity, Segregation of arrival and departure passenger flows, Expansion of baggage handling systems and terminal area and Improvement in passenger circulation and service levels.

5.1.12 Further, MgIAL has proposed supporting and safety-critical infrastructure including Secondary CCR for redundancy, Emergency runway access road, Storm water drainage network and site grading, Relocation of glide path and safety systems and Bomb cooling pit relocation and apron control building.

5.1.13 The Authority also notes that a portion of the proposed CAPEX relates to **mitigation of terrain-related risks**, including slope stabilization, retaining structures, and geotechnical strengthening, which are critical for safety given the airport's location and history of soil/embankment distress.

5.1.14 In addition to major CAPEX, MgIAL has also proposed **sustaining capital expenditure** towards replacement and refurbishment of ageing assets, compliance with regulatory requirements, and maintenance of operational efficiency and service standards.

5.1.15 The Authority has appointed Grant Thornton Bharat LLP ("GTBL") to undertake an independent evaluation of the capital expenditure plan submitted by MgIAL for the Second Control Period and to assess the reasonableness, efficiency and prudence check of the proposed capital expenditure, project scope and implementation schedule.

5.1.16 Based on the submissions made by MgIAL, the analysis undertaken by the Independent Consultant, and the applicable regulatory principles, the Authority has examined the capital expenditure plan for the Second Control Period in the subsequent paragraphs.

5.1.17 Accordingly, the Authority has undertaken examination of the proposed capital expenditure, including:

- i. Expansion Capex for the Second Control Period.
- ii. General Capex for the Second Control Period
- iii. Aeronautical Allocation of Capital Expenditure for the Second Control Period
- iv. Aeronautical Depreciation for the Second Control Period
- v. Regulatory Asset Base for the Second Control Period

5.2 MgIAL's submission regarding Capital Expenditure (Capex) for the Second Control Period

5.2.1 MgIAL in its MYTP for the Second Control Period has submitted the Capital Expenditure, Depreciation and Regulatory Asset Base for the period FY 2026-27 to FY 2030-31. MgIAL has submitted that the capital expenditure proposed for the Second 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

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MIA.

- 5.2.2 MgIAL has submitted that the capital expenditure proposed for the Second Control Period comprises the following broad categories:
- Airside Improvement Works
 - Terminal Building modification and expansion works
 - Kerbside & Landside Improvement Works
 - Ancillary/Support Infrastructure
 - Sustaining / Minor Capex
- 5.2.3 MgIAL has submitted that it has appointed M/s OAG for undertaking a traffic growth study for MIA. Based on the study undertaken by OAG, MgIAL has projected passenger traffic to increase from 2.92 million passengers in FY 2026-27 to 4.11 million passengers in FY 2030-31.
- 5.2.4 The Airport Operator, Mangaluru International Airport Limited (MgIAL), has submitted that the proposed capital expenditure for the Second Control Period is primarily driven by a combination of capacity constraints, regulatory requirements, and operational challenges. Further, the Airport Operator has highlighted gaps in airside infrastructure, including non-compliance of the runway strip, congestion in taxiway operations, and absence of an Isolated Aircraft Parking Position. The Airport Operator has also submitted that several of the proposed works are required to meet safety and regulatory requirements stipulated by DGCA, ICAO, and BCAS. In addition, MgIAL has stated that existing constrained layouts are leading to operational inefficiencies. The Airport Operator has also projected traffic growth up to approximately 4.11 MPPA by FY 2030–31, which further necessitates capacity augmentation.
- 5.2.5 MgIAL has proposed a series of capital expenditure projects for implementation during the Second Control Period, covering airside, terminal, landside, safety, and utility infrastructure. According to MgIAL, the proposed investments are aimed at addressing regulatory compliance requirements, enhancing operational safety and resilience, augmenting airport capacity to accommodate future traffic growth, and improving passenger service levels. MgIAL has further submitted that several projects are necessitated by site-specific constraints, including the airport's tabletop configuration, high rainfall conditions, geotechnical vulnerabilities, and existing infrastructure limitations. The project-wise objectives and corresponding regulatory and operational requirements submitted by MgIAL are summarized in the table below:

Table 185: Project's Objectives and Regulatory/Operational Need as submitted by MgIAL for Second Control Period

Code	Project	Key Objective	Regulatory/Operational Need
A1-1	Precision approach lighting (CAT-I) for RWY 24	Enhanced safety during Aircraft Landing	To ensure compliance, PAL CAT-I is required
A1-1	Upgradation of CAT-I to CAT-III, Precision Approach Lighting (RWY 24)	Enhance landing safety under low visibility conditions	Required due to low visibility (RVR ~200m) and to meet precision approach / DGCA compliance requirements
A1-2	Widening of runway strip (south of RWY 06-24)	Improve runway safety and compliance	Existing strip width (75m) non-compliant vs required 140m per DGCA norms
A1-3	Recarpeting of runway	Maintain runway surface quality and safety	Lifecycle requirement for safe operations, especially critical for tabletop airport
A1-4	EMAS (Engineered Materials Arrestor System)	Prevent fatalities during runway overruns	Safety requirement for tabletop airports lacking adequate RESA
A2-1	Taxiways E1, E3 and E4	Improve airside capacity and reduce delays	Single taxiway access currently causing congestion and safety risks
A2-2	Geo-technical strengthening & reconstruction of parallel taxi track	Ensure structural stability of airside infrastructure	Required due to geotechnical instability and slope risks

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Code	Project	Key Objective	Regulatory/Operational Need
A3	Isolated Aircraft Parking Position (IAPP)	Provide dedicated isolation bay for aircraft	Mandatory compliance with DGCA/ICAO/BCAS norms
A4	Storm water drainage & grading works	Protect assets and airport operations from flooding	High rainfall (~3500 mm) causing runoff and operational disruptions
A5	Secondary CCR	Ensure redundancy in AGL power systems	Required for reliability of airfield lighting systems
A6	Emergency runway access road	Improve emergency response efficiency	DGCA CAR requirement for ARFF response time compliance
A7	Geo-hazard risk mitigation measures	Ensure long-term airfield stability and safety	Location in high landslide vulnerability zone requiring risk mitigation
A8	Extension of apron	Increase aircraft parking capacity	Existing 15 stands are insufficient for projected traffic
A9	Relocation of bomb cooling pit	Improve safety compliance and operational layout	Existing location violates BCAS/ICAO safety buffer norms
A10	Apron control building	Provide safe and functional operational facility	Existing building structurally distressed
A11	Relocation of glide path	Enable full utilization of runway length	Required due to runway extension and aviation standards
B1	Terminal Building modification and expansion works	Increase passenger capacity and improve LOS	Existing capacity (2 MPPA) exceeded; flow and infrastructure constraints
C1	Kerbside improvement works	Improve passenger safety and traffic flow	Existing kerb distance (~6m) non-compliant vs BCAS requirement (~30m)
D1	Multi-Facility Building	Provide office space, parking and support functions	Terminal space constraints impacting operations and stakeholder facilities
E1	11 KV HT Ring Main System (AGL/NAVAIDS/CNS)	Ensure reliable and redundant power supply	DGCA requirement for secondary power sources and increasing load demand
G	Sustaining/Minor Capex	Safe and efficient functional operations	Operational and Safety needs

5.2.6 MgIAL has submitted the capital expenditure plan for the Second Control Period comprising Airside Improvement Works, Terminal Building modification and expansion works, Kerbside & Landside Improvement Works, Ancillary / Support Infrastructure, Utility Improvement Works and Sustaining / Minor Capex. The overall Capex plan submitted by MgIAL for the Second Control Period is as follows:

Table 186: Overall Hard Cost Plan submitted by MgIAL for the Second Control Period

(₹ in Crore)

S.no.	Particulars	Hard Cost submitted by MgIAL in MYTP	Capitalization year/ date
A	Airside Improvement Works	1469.26	Yearly Capitalization
A1-1	Precision approach lighting (CAT-I) for RWY 24	84.94	March 2027
A1-1	Upgradation of CAT-I to CAT-III, Precision Approach Lighting (RWY 24)	1.66	March 2030
A1-2	Widening of runway strip (south of RWY 06-24)	264.65	September 2030
A1-3	Recarpeting of runway	47.82	March 2030
A1-4	EMAS (Engineered Materials Arrestor System)	113.65	March 2029
A2-1	Taxiways E1, E3 and E4	25.77	June 2026
A2-2	Geo-technical strengthening & reconstruction of parallel taxi track	438.58	November 2028
A3	Isolated Aircraft Parking Position (IAPP)	42.43	March 2027

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S.no.	Particulars	Hard Cost submitted by MgIAL in MYTP	Capitalization year/ date
A4	Storm water drainage & grading works	305.1	March 2031
A5	Secondary CCR	46.25	February 2027
A6	Emergency runway access road	22.7	December 2027
A7	Geo-hazard risk mitigation measures	47.81	December 2030
A8	Extension of apron	12.06	May 2028
A9	Relocation of bomb cooling pit	1.35	March 2027
A10	Apron control building	11.67	March 2028
A11	Relocation of glide path	2.83	September 2029
B	Terminal Building modification and expansion works	706.67	March 2029
C	Kerbside & Landside Improvement Works	138.19	March 2029
D	Ancillary/Support Infrastructure - Multi-Facility Building	377.62	December 2028
E	Utility Improvement Works - 11 KV HT Ring Main System (AGL/NAVAIDS/CNS)	18.51	March 2028
G	Sustaining / Minor Capex Works	273.38	Yearly Capitalization
	Total Hard Cost	2983.63	

5.2.7 MgIAL has submitted that all the project costs are projected to be funded through 65% debt and 35% equity.

Airside Improvement Works

5.2.8 MgIAL has proposed Airside Improvement Works as part of the SCP Capex programme to enhance airside operational capacity, address identified infrastructure deficiencies, improve compliance with DGCA, ICAO and BCAS requirements, and strengthen operational safety at Mangaluru International Airport. The proposed interventions are intended to support projected traffic growth during the SCP while ensuring safe and efficient aircraft operations at the airport.

5.2.9 MgIAL has submitted that certain critical airside infrastructure presently requires augmentation or modification due to regulatory compliance requirements, operational limitations, capacity constraints and the unique topographical characteristics of the airport. Key concerns identified include non-compliance of runway strip dimensions for precision approach operations, absence of a dedicated isolated aircraft parking position, lack of an Engineered Materials Arrestor System (EMAS), operational limitations associated with taxiway connectivity to the west apron, geotechnical issues affecting the parallel taxi track, inadequate storm water drainage infrastructure, and the need for additional airside support facilities.

5.2.10 MgIAL has further submitted that the proposed Airside Improvement Works comprise a combination of runway, taxiway, apron, safety, navigational aid and supporting infrastructure projects to facilitate safe aircraft movement, reduce operational constraints, enhance airfield resilience, and ensure compliance with applicable aviation standards. The proposed developments are planned in line with the airport master plan and projected traffic requirements during the SCP.

5.2.11 The proposed scope includes runway improvement works such as installation of CAT-III Precision Approach Lighting System (PALS), widening of the runway strip, runway recarpeting, and installation of EMAS. The scope also includes taxiway enhancement projects such as construction of Taxiways E1, E3 and E4 and geotechnical strengthening and reconstruction of the parallel taxi track to improve aircraft movement efficiency and mitigate safety risks associated with existing infrastructure conditions.

5.2.12 MgIAL has additionally proposed construction of an Isolated Aircraft Parking Position (IAPP),

extension of the existing apron, relocation of the Bomb Cooling Pit, relocation of the Glide Path facility, development of a Secondary CCR, construction of an Emergency Runway Access Road, and a new Apron Control Building. Further, comprehensive storm water drainage and site grading works, along with geo-hazard risk mitigation measures, have been proposed to address terrain-related operational challenges and protect critical airport infrastructure.

- 5.2.13 MgIAL has submitted that the proposed Taxiway E1, E3 and E4 development is intended to provide additional aircraft access routes to the west apron and mitigate safety risks arising from the current dependence on a single taxiway interface for both arriving and departing aircraft movements. The proposed intervention is expected to improve aircraft circulation efficiency and reduce potential operational conflicts during peak traffic periods.
- 5.2.14 MgIAL has further submitted that the proposed geotechnical strengthening and reconstruction of the parallel taxi track is necessitated by recurring structural distress and slope stability issues observed in the valley sections of the existing infrastructure. The proposed work comprises of reconstruction of the taxi track alignment to improve long-term structural stability and operational safety.
- 5.2.15 The proposed Airside Improvement Works are expected to enhance operational safety, improve aircraft maneuvering efficiency, strengthen regulatory compliance, mitigate airside infrastructure risks, and support future growth in aircraft movements at the airport.
- 5.2.16 MgIAL has submitted that the proposed Airside Improvement Works are required to address regulatory compliance requirements, enhance operational safety, provide airside redundancy and augment airport capacity. The proposed works include runway-related improvements, taxiway enhancements, apron development, airfield electrical infrastructure, drainage and grading works, and other safety-related infrastructure. The capex cost submitted by MgIAL towards Airside Improvement Works is as follows:

Terminal Building modification and expansion works

- 5.2.17 MgIAL has proposed Terminal Building modification and expansion works as part of the SCP Capex programme to address existing terminal capacity constraints, operational inefficiencies, and passenger processing limitations. The existing terminal building is designed for a capacity of approximately 2 MPPA (The Authority through the Independent consultant notes that while MgIAL has considered the existing terminal capacity as 2 MPPA, the Independent Consultant has assessed the terminal capacity at 3 MPPA., refer para 5.3.144); however, the airport has already handled about 2.34 MPPA in FY 2024-25, indicating that the terminal is operating beyond its intended design capacity.
- 5.2.18 MgIAL has further submitted that the existing terminal layout suffers from several functional and operational limitations, including inadequate check-in capacity, constrained security hold areas, insufficient seating provisions, limited immigration and emigration facilities, inadequate baggage handling infrastructure, and a common corridor for arriving and departing passengers. The existing passenger flow arrangement restricts efficient terminal operations and results in congestion during peak periods, while also limiting the effective utilization of boarding gates.
- 5.2.19 In view of the projected traffic growth during the SCP and in accordance with the Concession Agreement and applicable planning guidelines, MgIAL has proposed modification and expansion of the existing terminal building to cater to passenger demand up to FY 2035. The proposed development is planned to accommodate approximately 5 MPPA and a segregated peak hour passenger demand of about 2,776 passengers.
- 5.2.20 The proposed scope comprises modification of approximately 48,000 sqm of the existing terminal along with expansion of approximately 27,115 sqm. The works include architectural, structural, interior, MEP and allied system upgrades across the terminal building. Key interventions include expansion of check-in facilities, enhancement of domestic and international security hold areas, augmentation of

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immigration and emigration counters, increase in passenger seating capacity, improvement of circulation areas, and expansion of baggage reclaim facilities.

Table 187: List of Improvements to Enhance the Capacity of Various Passenger Processing Facilities in the Existing Terminal Building as per MgIAL

Particulars	Existing	Post Expansion
Check-in Counters	22	31 + 4 SBD
Security Screening	2 Dom + 2 Int XBIS	4 Dom ATRS + 3 Int ATRS + 3 Swing ATRS
Emigration Counters	12	20
Immigration Counters	14	36
Domestic Baggage Reclaim Belts	3	3 (new)
International Baggage Reclaim Belts	2	3

5.2.21 MgIAL has further submitted that the proposed terminal expansion includes substantial upgrades to the baggage handling system, including implementation of inline baggage screening with CT-EDS Standard III machines, introduction of baggage tracking and sortation systems, enhancement of reclaim facilities and provision of additional check-in and security processing facilities. MgIAL has submitted that these interventions are expected to increase baggage handling throughput from approximately 600 bags per hour to approximately 1,560 bags per hour.

5.2.22 MgIAL has also proposed comprehensive upgradation of the Baggage Handling System (BHS) to improve passenger processing efficiency and facilitate compliance with the latest BCAS requirements. The proposed system includes inline baggage screening with CT-EDS Standard-3 technology, enhanced baggage tracking and sortation capabilities, increased system redundancy, and throughput enhancement from approximately 600 bags per hour to 1,560 bags per hour.

Table 188: Details of existing and proposed BHS system as per MgIAL

Particulars	Existing	Post Expansion
Throughput Capacity	600 Bags per hour	1560 Bags per hour
Check-in counters	No redundancy. All the line connected to single takeaway conveyor	Complete flexibility in island setup with additional redundancy via 180-degree curves
Level 1 X-Ray Lines	- Standalone X-ray machines - No inline baggage screening available - Not compliant to the requirement of CT-EDS machine	- Inline baggage screening with CT-EDS std 3 machines. 100% redundancy with load sharing and fallback capabilities.
Level 3,4 feeder lines	Manual process and no dedicated feeder lines	Dedicated standalone X-ray machine along with PTRI workstations. Including direct connectivity of confirm threat bag to TCv.
Sortation	NA	HLC based sortation between carousels. SCADA for monitoring

5.2.23 The proposed terminal development is expected to enhance passenger handling capability, improve operational efficiency, facilitate segregation of arriving and departing passenger flows, strengthen regulatory compliance, and provide adequate processing infrastructure to meet the forecast traffic requirements of the airport. Accordingly, MgIAL has proposed terminal modification, and expansion works with an estimated base project cost of Rs. 706.67 crore, planned for implementation during the period from June 2026 to March 2029.

Table 189: Terminal capacity post enhancement as per MgIAL

Particular	Passenger Handling Capacity before Enhancement Works	Enhancement	Passenger Handling Capacity Post Enhancement Works
Terminal Capacity (MPPA)	2 MPPA	3 MPPA	5 MPPA

5.2.24 The capex cost submitted by MgIAL towards Terminal Building modification and expansion works is as follows:

Table 190: Capex Costs towards Terminal Building modification and expansion works as per MgIAL

Particular	Unit	Quantity	Rate (₹)	Cost (₹ in Crore)
Terminal Building Modification	Sqm	48,000	54,301	260.65
Terminal Building Expansion Works	Sqm	27,115	1,64,492	446.02

Kerbside & Landside Improvement Works

5.2.25 MgIAL has submitted that the existing Kerbside arrangement is not compliant with the recent BCAS requirements regarding the separation distance between terminal building and passenger alighting points. Accordingly, the Airport Operator has proposed construction of at-grade roads, elevated roads and associated ramps to improve passenger circulation, safety and operational efficiency. The capex cost submitted by MgIAL towards Kerbside & Landside Improvement Works is as follows:

Table 191: Capex Costs towards Kerbside & Landside Improvement Works as per MgIAL

Particular	Unit	Quantity	Rate (₹)	Cost (₹ in Crore)
At Grade Road	Sqm	17,942	9,197	16.50
Elevated Road & Down Ramp	Sqm	15,130	80,429	121.69

Ancillary/Support Infrastructure

5.2.26 MgIAL has submitted that the proposed Multi-Facility Building is intended to address office accommodation requirements of various airport stakeholders and to relocate non-passenger functions from the constrained terminal building. The proposed facility would also accommodate parking and ancillary operational functions. The capex cost submitted by MgIAL towards Ancillary / Support Infrastructure is as follows:

Table 192: Capex Costs towards Ancillary/Support Infrastructure as per MgIAL

Particular	Unit	Quantity	Rate (₹)	Cost (₹ in Crore)
Multi Facility Building	Sqm	54,000	69,929	377.62

Utility Improvement Works

5.2.27 MgIAL has submitted that the existing power distribution system would require augmentation to cater to the enhanced electrical demand arising from the proposed capacity expansion projects. Accordingly, MgIAL has proposed implementation of an 11 KV HT Ring Main System for AGL, NAVAIDS and CNS facilities to provide redundancy and ensure compliance with applicable DGCA requirements.

5.2.28 The capex cost submitted by MgIAL towards Utility Improvement Works is as follows:

Table 193: Capex costs towards Utility Improvement Works as per MgIAL

Particular	Unit	Quantity	Rate (₹)	Cost (₹ in Crore)
11 KV HT Ring Main System for AGL/ NAVAIDS/ CNS facilities	Rmt	13,456	13,755	18.51

Sustaining / Minor Capex

5.2.29 MgIAL has submitted 104 Minor Capex items under the Sustaining / Minor Capex category for the Second Control Period, with an aggregate proposed capital expenditure of Rs. 273.38 Crores. The proposed expenditure comprises various operational, safety, regulatory, infrastructure augmentation and asset replacement initiatives required to support efficient airport operations during the Control Period.

- 5.2.30 MgIAL has submitted that the major allocations proposed by MgIAL include Rs. 22.22 Crores towards Strengthening of Existing Apron, Rs. 21 Crores towards RDE (Radiological Detection Equipment), Rs. 16.64 Crores towards PIDS (Perimeter Intrusion Detection System), and Rs. 14 Crores towards DAR kit. Further, MgIAL has submitted Rs. 11.21 Crores towards Crash Fire Tenders (Rosenbauer), Rs. 11 Crores towards Gurupura river water project, and Rs. 10.62 Crores towards Bituminous carpeting works.

5.3 Authority's examination regarding Capex for the Second Control Period

- 5.3.1 The Authority has examined the capital expenditure proposed by MgIAL in its MYTP for the Second Control Period with reference to the traffic projections, capacity requirements, Master Plan, project scope, implementation approach, cost estimates, asset classification and regulatory principles applicable for determination of aeronautical tariff. For the purpose of detailed evaluation, the proposed capital expenditure has been categorized under the following broad heads in line with the submission made by MgIAL:
- i. Airside Improvement Works
 - ii. Terminal Building modification and expansion works
 - iii. Kerbside & Landside Improvement Works
 - iv. Ancillary/Support Infrastructure
 - v. Sustaining / Minor Capex
- 5.3.2 While examining the capital expenditure proposed by MgIAL for the Second Control Period, the Authority has taken into consideration the traffic projections submitted by the Airport Operator, the capacity available, the existing airport infrastructure, the operational and regulatory constraints currently being experienced at the airport, and the requirement for augmentation of terminal, airside and associated infrastructure over the Second Control Period.
- 5.3.3 The Authority notes that MgIAL has submitted that the existing terminal building is designed to handle approximately 2 MPPA, whereas the airport handled approximately 2.34 MPPA in FY 2024-25. MgIAL has further submitted that passenger traffic is projected to increase to approximately 4.11 MPPA by FY 2030-31, thereby necessitating augmentation of airport infrastructure to cater to future traffic demand.
- 5.3.4 The Authority further notes MgIAL's submission that, apart from capacity constraints in the terminal building, several operational and regulatory gaps continue to exist within the airport infrastructure. These include non-compliance of the runway strip with prescribed standards, operational constraints arising from existing taxiway arrangements, absence of a dedicated Isolated Aircraft Parking Position (IAPP), geotechnical challenges impacting airside infrastructure, and limitations in several passenger processing areas within the terminal building.
- 5.3.5 The Authority notes MgIAL's submission that the existing terminal layout does not permit achievement of the desired capacity and level of service through minor modifications alone. The Airport Operator has submitted that the current terminal is constrained across various processing elements including check-in facilities, security screening areas, immigration and emigration facilities, baggage handling systems, seating areas and passenger circulation arrangements, which restrict the airport's ability to efficiently accommodate future traffic growth.
- 5.3.6 The Authority, through its Independent Consultant, sought clarification from MgIAL regarding the requirement of the proposed terminal modification project, considering that terminal expansion works had been undertaken during the First Control Period. In response, MgIAL submitted that the project executed during the First Control Period primarily pertained to the expansion of the terminal building infrastructure handed over by AAI at the time of Commercial Operation Date (COD). MgIAL also submitted that the works undertaken during the First Control Period were primarily limited to minor

terminal building improvements, including installation of access ladders, roof handrailing, and provision of theme lighting within the terminal.

- 5.3.7 MgIAL further submitted that the present proposal is distinct in nature and is aimed at addressing the operational constraints currently observed within the terminal. MgIAL clarified that the refurbishment works pertain predominantly to terminal areas other than those expanded during the First Control Period. The Authority, through its Independent Consultant, has taken note of the submissions made by MgIAL regarding the distinction between the works undertaken during the First Control Period and the scope of the present proposal.
- 5.3.8 The Authority further notes that MgIAL has proposed terminal modification and expansion works, baggage handling system upgrades, airside infrastructure enhancements, geotechnical strengthening works, geo-hazard mitigation measures, and other associated development works to address the identified constraints. According to the Airport Operator, these interventions are intended to enhance operational efficiency, address safety and regulatory requirements, improve passenger experience, and facilitate handling of the projected traffic demand over the planning horizon.
- 5.3.9 The Authority notes MgIAL's submission that the proposed terminal modification and expansion works are intended to increase the airport's passenger handling capacity to approximately 5 MPPA and cater to projected traffic demand up to FY 2035. The proposed development is also expected to address existing bottlenecks in passenger processing and improve the overall functionality of the terminal building.
- 5.3.10 Accordingly, the Authority proposes to examine the necessity, scope, phasing and cost of the proposed projects having regard to the projected traffic growth, existing infrastructure utilization levels, regulatory requirements, operational benefits expected from the proposed interventions, and the extent to which the proposed investments are required for maintaining safe, efficient and sustainable airport operations during the Second Control Period.
- 5.3.11 For assessment of cost reasonableness of the proposed CAPEX schemes, the Authority, through its Independent Consultant, reviewed the quantities, specifications and rates considered by MgIAL and benchmarked the same against applicable government schedule rates, including the Central Public Works Department (CPWD) Delhi Schedule of Rates (DSR) and CPWD Plinth Area Rates (PAR), wherever relevant. The benchmark rates were adjusted to reflect prevailing rates in Karnataka through appropriate indexation/escalation factors and localization adjustments for comparison with the corresponding Karnataka Public Works Department (KPWD) rates and the rates submitted by MgIAL. Further, in line with the established industry practice, an additional 5% allowance was considered for works executed in the operational airside environment to account for associated construction constraints. In addition, a further 5% allowance was considered for works affected by the tabletop configuration, hilly terrain and other site-specific constraints at Mangaluru Airport based on the provisions provided in the circular for the scheduled rates for Karnataka. The benchmarked rates, after incorporating the applicable indexation, localization and site-specific adjustments, were compared with the rates submitted by MgIAL to assess the reasonableness of the proposed project costs.

Capex evaluation through an Independent Capex Consultant

- 5.3.12 The Authority has engaged **Grant Thornton Bharat LLP (GTBL)** as an Independent Consultant to carry out an independent technical and cost evaluation of the capital expenditure proposed by MgIAL for the Second Control Period. The Independent Consultant has reviewed the submissions made by MgIAL, including the Multi Year Tariff Proposal, project cost plans, design basis reports, concept notes, tender documents, purchase orders / contract documents, bills of quantities, traffic studies, and other supporting documents submitted by MgIAL.
- 5.3.13 The Authority notes that the Independent Consultant has undertaken an assessment of the proposed

capital expenditure based on the following broad approach:

- i. Review of traffic projections submitted by MgIAL and assessment of passenger growth, aircraft movements and capacity requirements;
- ii. Review of the necessity of each project proposed by MgIAL, including assessment of whether such projects are required during the Second Control Period or may be deferred;
- iii. Assessment of the project scope with reference to applicable national and international standards, including ICAO, IATA, DGCA CAR, BCAS and other relevant norms;
- iv. Review of project cost estimates, bill of quantities and underlying cost assumptions submitted by MgIAL;
- v. Review of procurement strategies and available contract / bid information, wherever made available;
- vi. Review of cost components including escalation, taxes, soft costs and other associated costs;
- vii. Assessment of prudent and admissible cost for each project based on scope, necessity, quantities and overall reasonableness.

5.3.14 The Authority has considered the observations and recommendations of the Independent Consultant while examining the necessity, reasonableness and prudence of the proposed capital expenditure. The capex evaluation undertaken by the Independent Consultant covers the project scope, cost estimates, phasing, capitalization schedule and technical parameters of the projects proposed by MgIAL for the Second Control Period. The justifications submitted by MgIAL were evaluated against the projected traffic requirement, capacity assessment, proposed scope, prevailing cost benchmarks and applicable AERA principles. The observations and recommendations of the Independent Consultant have been duly considered by the Authority while finalizing its assessment of the capital expenditure for the Second Control Period.

Airport Users Consultative Committee (AUCC)

5.3.15 The Authority notes that MgIAL conducted the Airport Users Consultative Committee (AUCC) meeting for the capital expenditure projects proposed under the Second Control Period for Mangaluru International Airport spanning from 1st April 2026 to 31st March 2031 in hybrid mode on 11th November 2025 at 11:00 a.m. The meeting was attended by representatives from airlines, airline associations, government and regulatory authorities, AAI, CISF, Customs, Bureau of Immigration, passenger associations, consultants, trade bodies, cargo operators, and other airport stakeholders. The AUCC meeting provided a platform for stakeholders to review and provide feedback on the proposed development plan and associated capital expenditure for the airport.

5.3.16 As per the minutes of the AUCC meeting, the Authority observes that MgIAL broadly discussed the following with the stakeholders:

- i. Proposed terminal building modification and expansion works;
- ii. Kerbside improvement works, including at-grade roads, elevated roads, and down ramps;
- iii. Development of ancillary infrastructure, including the proposed Multi-Facility Building (MFB);
- iv. Airside infrastructure projects, including relocation of Bomb Cooling Pit, Glide Path facility, Apron Control Building, and associated operational facilities;
- v. Utility infrastructure projects, including the proposed 11 kV HT Ring Main System for AGL, CNS and NAVAIDS facilities;
- vi. Traffic forecasts, terminal planning philosophy, and passenger facilitation measures; and
- vii. Proposed capital expenditure estimates and implementation strategy for the Second Control Period.

5.3.17 The Authority notes that MgIAL presented the airport's traffic growth trajectory and highlighted the need for infrastructure augmentation to cater to future passenger demand. MgIAL submitted that the

existing terminal, originally designed for approximately 2 MPPA, handled around 2.34 million passengers in FY 2024-25 and is expected to require further capacity enhancement to cater to projected traffic growth over the planning horizon. Accordingly, MgIAL proposed terminal expansion and associated landside and airside infrastructure works to enhance passenger processing capacity, improve operational efficiency, and maintain regulatory compliance.

- 5.3.18 The Authority further notes that stakeholders raised observations relating to terminal planning, passenger circulation, Kerbside traffic management, segregation of arriving and departing passengers, operational efficiency of the proposed Multi-Facility Building, passenger convenience, accessibility for Passenger with Reduced Mobility (PRM), emergency vehicle access, and the overall effectiveness of the proposed terminal and landside development concept.
- 5.3.19 With respect to terminal planning and Kerbside circulation, the Authority notes that stakeholders expressed concerns regarding the proposed passenger arrival and departure arrangements, including the potential for congestion arising from common vehicular access routes, vehicle dwell times, passenger pick-up and drop-off activities, trolley management, emergency access, and overall Kerbside operational efficiency. Stakeholders suggested that the proposed configuration be reviewed to ensure effective city-side traffic management and passenger convenience.
- 5.3.20 MgIAL responded that the proposed terminal and Kerbside design incorporate complete segregation of arriving and departing passenger flows as well as associated vehicular movements. MgIAL clarified that arriving passengers would be processed through dedicated arrival facilities and connected to the proposed Multi-Facility Building through dedicated pedestrian infrastructure, while departing passengers would utilize separate drop-off facilities. MgIAL further submitted that the proposed arrangement eliminates conflicts between arriving and departing traffic streams and enhances passenger convenience through the provision of travellers, buggy services, dedicated circulation routes, and improved accessibility infrastructure.
- 5.3.21 The Authority notes that stakeholders also sought clarification regarding facilities for emergency vehicles, VIP movement, and Passenger with Reduced Mobility (PRM). MgIAL submitted that dedicated access arrangements have been incorporated within the proposed design to cater to these user groups and to ensure operational flexibility while reducing congestion at passenger kerb. MgIAL further stated that the proposed Multi-Facility Building has been designed to facilitate seamless movement of both passengers and vehicles while maintaining safety and service quality standards.
- 5.3.22 The Authority notes that the proposed Multi-Facility Building was also discussed during the AUCC meeting. MgIAL explained that the facility is intended to consolidate administrative offices, stakeholder facilities, passenger support functions, and parking infrastructure into an integrated development connected to the terminal through pedestrian linkages. Stakeholders sought clarifications regarding passenger accessibility, traffic management, and operational integration, which were addressed by MgIAL during the meeting.
- 5.3.23 The Authority further notes that stakeholders were informed regarding the proposed airside and utility infrastructure projects, including relocation of operational facilities, airfield support infrastructure, and power supply augmentation works required to support future airport operations and regulatory requirements.
- 5.3.24 The Authority has examined the proposed capital expenditure after considering project necessity, stakeholder comments, MgIAL's responses, cost reasonableness, implementation phasing, asset allocation, and tariff impact as part of the present tariff determination exercise.

Bifurcation of Capex for the Second Control Period

- 5.3.25 MgIAL has submitted the capitalization schedule for the projects as follows:

Table 194: Capitalization schedule proposed by MgIAL for the Second Control Period

(₹ in Crore)

S. No	Category	Particulars	Hard Cost submitted by MgIAL	Capitalization year/ date
A1-1	Airside – Runway	Precision Approach Lighting	84.94	March 2027
A1-1		Precision Approach Lighting (CAT-III) for RWY 24	1.66	March 2030
A1-2		Widening of runway strip (south of RWY 06-24)	264.65	September 2030
A1-3		Recarpeting of runway	47.82	March 2030
A1-4		EMAS (Engineered Materials Arrestor System)	113.65	March 2029
A2-1	Airside – Taxiway	Taxiways E1, E3 and E4	25.77	June 2026
A2-2		Geo-technical strengthening & reconstruction of parallel taxi track	438.58	November 2028
A3	Airside – Apron	Isolated Aircraft Parking Position (IAPP)	42.43	March 2027
A4	Airside – Drainage	Storm water drainage & grading works	305.10	March 2031
A5	Airside – Electrical	Secondary CCR	46.25	February 2027
A6	Airside – Safety	Emergency runway access road	22.70	December 2027
A7	Airside – Geotechnical	Geo-hazard risk mitigation measures	47.81	December 2030
A8	Airside – Apron	Extension of apron	12.06	May 2028
A9	Airside – Safety	Relocation of bomb cooling pit	1.35	March 2027
A10	Airside – Buildings	Apron control building	11.67	March 2028
A11	Airside – CNS	Relocation of glide path	2.83	September 2029
B1	Terminal	Terminal Building modification and expansion works	706.67	March 2029
C1	Landside	Kerbside improvement works (At-grade + elevated roads)	138.19	March 2029
D1	Landside – Ancillary	Multi-Facility Building	377.62	December 2028
E1	Utilities	11 KV HT Ring Main System (AGL/NAVAIDS/CNS)	18.51	March 2028
F	Sustaining / Minor Capex	Minor Capex	273.38	Yearly Capitalization
	Total Hard Cost		2,983.63	

5.3.26 In the subsequent sections and paragraphs, the Authority has examined each of the above categories of capital expenditure projects in detail.

A1-1. Precision Approach Lighting

5.3.27 The Authority notes that RWY 24 is a Precision Approach Runway equipped with an Instrument Landing System (ILS). However, the existing approach lighting system comprises a Simplified Approach Lighting System (SALS), which does not fully satisfy the requirements prescribed under DGCA Civil Aviation Requirements (CAR) for precision approach operations. Accordingly, the MgIAL has undertaken implementation of a Precision Approach Lighting System (PALS) CAT-I for RWY 24.

5.3.28 The Authority, through its Independent Consultant, has examined the technical justification, project status and cost reasonableness of the proposed works. The Authority, through its Independent Consultant, notes that the project is currently under execution and is necessary for compliance with DGCA requirements applicable to CAT-I precision approach operations.

5.3.29 As part of its assessment, the Independent Consultant reviewed supporting documents including Purchase Orders, Service Orders, work completion records, project progress status and cost estimates submitted by the MgIAL. The Independent Consultant also undertook site verification to assess the

- 5.3.30 The Authority, through its Independent Consultant, further reviewed the implementation timeline and noted that the project commenced in October 2025 and was completed in July 2026. The Independent Consultant during the site inspection observed that more than 90% of the project execution works were completed and the inauguration of the project was scheduled in July 2026. Further during subsequent clarification and discussions with MgIAL, through its Independent Consultant, the Authority noted that the project has been completed and capitalized in the current financial year.
- 5.3.31 The Authority, through its Independent Consultant, notes that the cost proposed by MgIAL towards Precision Approach Lighting (CAT-I) for RWY 24 is ₹84.94 Crores. For assessment of cost reasonableness, the Authority, through its Independent Consultant, examined the scope of works in relation to the requirement for upgrading the existing SALS to a PALS compliant with DGCA CAR requirements for precision approach operations, along with the awarded contract value, detailed cost estimates, quantities envisaged under the project, procurement records and other supporting documents submitted by MgIAL. The Authority further noted that the contract was awarded through an open and competitive tendering process, providing reasonable assurance regarding the competitiveness of the price discovered. The Authority also notes that the project is essential to enable compliance of RWY 24, which is equipped with an ILS and operated as a Precision Approach Runway. Based on the review undertaken, the Authority found the proposed expenditure to be justified.
- 5.3.32 Accordingly, the Authority proposes to consider ₹84.94 Crores towards Precision Approach Lighting (CAT-I) for RWY 24, in line with the cost submitted by MgIAL.

A1-1. Precision Approach Lighting (CAT-III) for RWY 24

- 5.3.33 The Authority notes that RWY 24 is classified as a Precision Approach Runway and is equipped with an Instrument Landing System (ILS). The MgIAL has proposed a future upgrade of the approach lighting system from CAT-I to CAT-III standards to support enhanced low-visibility operations.
- 5.3.34 The Authority, through its Independent Consultant, has examined the technical justification, implementation schedule and proposed expenditure associated with the project. The Independent Consultant notes that the CAT-I Precision Approach Lighting System is completed and is expected to be operationalized during FY 2027, following which DGCA inspection, testing and certification activities would be required.

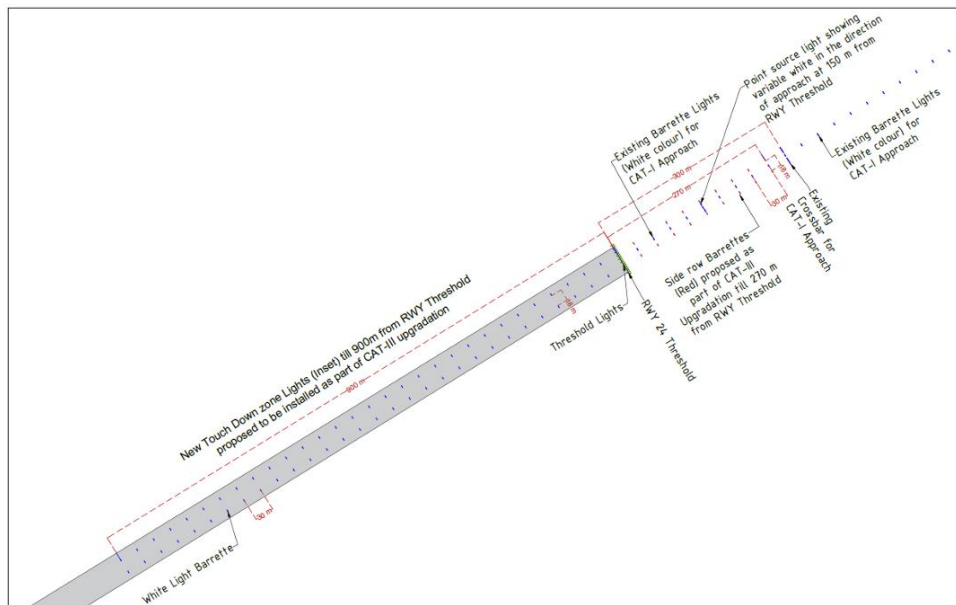


Figure 5: Proposed Upgradation of CAT-I to CAT-III Precision approach lighting for RWY 24

- 5.3.35 The Authority, through its Independent Consultant, further notes that implementation of the CAT-III upgrade is proposed to be undertaken in conjunction with the next runway recarpeting programme currently planned for FY 2030. The commencement of the CAT-III project is contingent upon the successful commissioning and operational performance of the CAT-I system. Following installation of the CAT-I facilities, flight validation trials and operational assessment are expected to be undertaken over a minimum period of three months, followed by DGCA review and commissioning. Subsequently, approximately 2 to 3 years of satisfactory live operations may be required to establish system reliability before initiation of the CAT-III project. The implementation of CAT-III shall thereafter be subject to a similar process of validation, operational assessment, and regulatory approvals.
- 5.3.36 The Authority, through its Independent Consultant, notes that the MgIAL has proposed a capital expenditure of ₹1.66 Crores towards Precision Approach Lighting (CAT-III) for RWY 24 during the Second Control Period. Based on the implementation timeline reviewed by the Authority, through its Independent Consultant, the proposed expenditure is unlikely to materialize within the current control period and remains subject to future regulatory approvals and execution milestones.
- 5.3.37 Accordingly, the Authority proposes to consider Precision Approach Lighting (CAT-III) for RWY 24 on actual incurrence basis, subject to reasonability of rates and efficiency.

A1-2. Widening of Basic Strip (South of RWY 06-24)

- 5.3.38 The Authority notes that RWY 06-24 is operated as a Precision Approach Runway. As per applicable regulatory requirements, the runway strip is required to extend up to 140 meters from the runway centerline. MgIAL has submitted that, along a stretch of approximately 1,390 meters on the southern side of the runway from 24 end, the existing strip width is only 75 meters and therefore does not conform to the prescribed standards.
- 5.3.39 The Authority, through its Independent Consultant, further notes that the non-compliant stretch comprises approximately 450 meters of valley terrain with a significant level difference and approximately 940 meters of flat land. To achieve compliance with the prescribed runway strip requirements, the MgIAL has proposed widening of the basic strip along with associated infrastructure works including storm water drainage, perimeter road, boundary wall and related civil works.
- 5.3.40 The Authority, through its Independent Consultant, has examined the technical justification, regulatory requirement and cost reasonableness of the proposed works. The Authority, through its Independent Consultant, notes that the existing strip width of 75 meters is lower than the prescribed requirement of 140 meters for a Precision Approach Runway and that widening of the strip is necessary from both operational safety and regulatory compliance perspectives.
- 5.3.41 As part of its assessment, the Independent Consultant undertook site verification to validate the existing dimensions and physical constraints along the proposed stretch. The Independent Consultant also reviewed supporting documentation submitted by MgIAL, including correspondence and approvals relating to the non-compliant strip, along with the detailed cost estimates for the proposed development works.

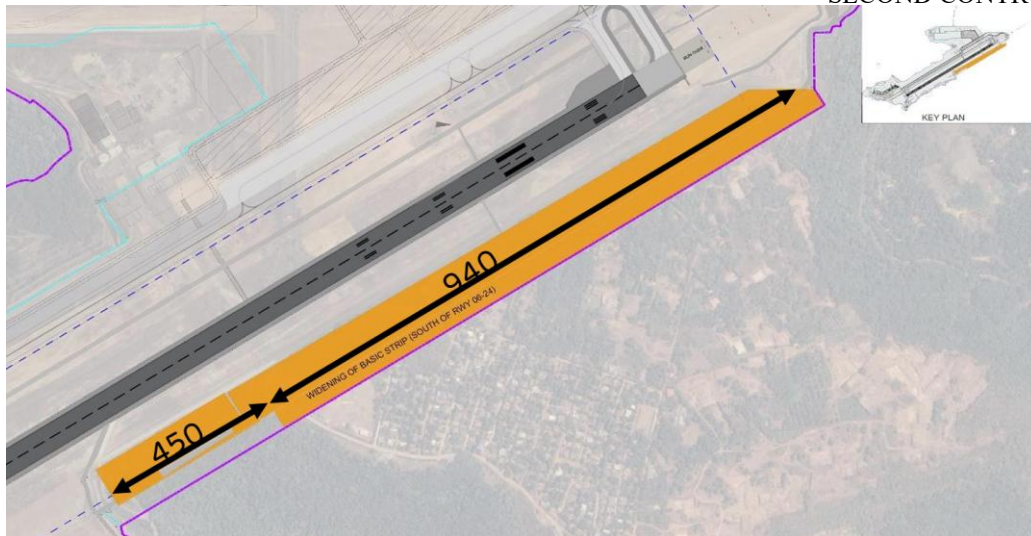


Figure 6: Proposed Widening of Basic Strip (South of RWY 06-24)

- 5.3.42 The Authority, through its Independent Consultant, notes that MgIAL had submitted the project timeline with commencement in October 2027 and capitalisation by September 2029. The Authority, through its Independent Consultant, further reviewed the proposed implementation timeline and noted that the project is presently under planning. Based on the subsequent discussion with MgIAL, it is understood that the tendering for the project is yet to be commenced and the tentative timeline for the tendering is March 2028. As tendering is delayed, project capitalization in September 2029 is not feasible.
- 5.3.43 Accordingly, the Authority proposes to consider Widening of Basic Strip (South of RWY 06-24) on actual incurrence basis, subject to reasonability of rates and efficiency.

A1-3. Runway Recarpeting of RWY 06-24

- 5.3.44 The Authority notes that MgIAL has proposed recarpeting of RWY 06-24 during FY 2029-30. MgIAL has submitted that the last runway recarpeting was undertaken during FY 2024 and that, considering the operational requirements of a table-top airport with limited runway length, periodic resurfacing of the runway is essential to maintain pavement performance and operational safety.
- 5.3.45 The Authority, through its Independent Consultant, has examined the technical justification, current pavement condition and proposed expenditure associated with the recarpeting works. The Independent Consultant notes that runway recarpeting was recently undertaken in FY 2024.
- 5.3.46 As part of its assessment, the Independent Consultant undertook site verification and reviewed the pavement condition reports, friction testing records and cost estimates submitted by MgIAL. Based on the information reviewed, the Independent Consultant has not identified any immediate requirement for runway recarpeting during the current control period. Therefore, the Authority through its Independent Consultant notes that the runway is performing satisfactorily based on the assessment and the pavement reports.
- 5.3.47 The Authority, through its Independent Consultant, is of the view that future recarpeting requirements should be determined based on periodic pavement condition assessments, friction testing results, operational requirements and the requisite regulatory approvals prevailing at the time of implementation. The timing and extent of any future intervention should therefore be based on actual pavement performance rather than a predetermined schedule.
- 5.3.48 The Authority notes that MgIAL has proposed a capital expenditure of ₹47.82 Crores towards runway recarpeting of RWY 06-24. However, considering the current pavement condition and the findings of the Independent Consultant, the Authority is of the view that the requirement for recarpeting has not

been sufficiently established for the Second Control Period.

- 5.3.49 However, being operational and safety matter, the Authority will consider Runway Recarpeting of RWY 06-24 on actual incurrence basis, subject to need establishment, reasonability of rates and efficiency.

A1-4. Engineered Materials Arrestor System (EMAS)

- 5.3.50 The Authority notes that MgIAL has proposed installation of an Engineered Materials Arrestor System (EMAS) at the runway end safety area (RESA) of RWY 06-24. MgIAL has submitted that Mangaluru International Airport, being a tabletop airport with a runway length of 2,450 meters, requires enhanced runway end safety provisions to mitigate the risks associated with runway overruns and overshoots.
- 5.3.51 The Authority further notes that EMAS is a proven safety enhancement system designed to safely decelerate aircraft through the controlled crushing of engineered materials, thereby reducing stopping distances and mitigating the consequences of runway excursions. MgIAL has proposed installation of EMAS beyond RWY 06, considering the operational preference for RWY 24 and the available runway end safety area at the opposite end.



Figure 7: EMAS (Engineered Materials Arrestor System) proposed by MgIAL

- 5.3.52 The Authority, through its Independent Consultant, has examined the technical justification, operational requirement and cost reasonableness of the proposed project. The Authority, through its Independent Consultant, notes that while installation of EMAS is not presently mandated under applicable regulatory requirements, such systems are widely recognized as an additional safety enhancement, particularly for airports with terrain constraints and limited overrun areas.
- 5.3.53 The Authority, through its Independent Consultant, reviewed historical runway excursions and overshoot events at the airport and noted that no major incidents have been reported in the last 5 years. However, considering the tabletop nature of the airport, the significant consequences associated with runway overruns and the airport's operational characteristics, the Independent Consultant is of the view that adoption of a conservative safety approach is appropriate. Accordingly, the Authority considers provision of EMAS to be justified from an operational safety perspective.
- 5.3.54 The Authority notes that the MgIAL has proposed the capitalization of the project by March 2029. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to further assess the project capitalization timeline. The Authority through its Independent Consultant

noted that the project is presently under planning and the tendering process of the project is tentatively scheduled in October 2027. Accordingly, the Authority through its Independent Consultant proposes to defer the capitalization to March 2030 as against March 2029 submitted by Airport Operator.

- 5.3.55 The Authority through its Independent Consultant also benchmarked the proposed expenditure for assessing cost proposed by the MgIAL for the project. Given the limited implementation of EMAS technology in India and the absence of comparable domestic airport benchmarks, the independent consultant benchmarked the cost associated with comparable EMAS installations at International airports. Further, as MgIAL has proposed procurement of the EMAS system from overseas suppliers, the use of an international benchmark was considered appropriate. Hence, the cost data from the EMAS installation at Boca Raton Airport, Florida, was considered and adjusted for inflation and prevailing USD-INR exchange rates. Based on this assessment, the Authority through its Independent Consultant has found the cost estimate of MgIAL reasonable.
- 5.3.56 Accordingly, the Authority proposes to consider ₹113.65 Crores towards installation of the Engineered Materials Arrestor System (EMAS), in line with the cost submitted by MgIAL.

A2-1. Construction of Taxiways E1, E3 and E4

- 5.3.57 The Authority notes that access to the western apron at the airport is presently constrained by a single taxiway connection at the junction of Taxiways E and G. MgIAL has submitted that arriving and departing aircraft currently utilize the same movement corridor, resulting in operational constraints, delays in aircraft movements and reduced airside efficiency.
- 5.3.58 The Authority, through its Independent Consultant, further notes that MgIAL has proposed construction of Taxiways E1, E3 and E4, comprising approximately 33,000 sqm of additional taxiway pavement, through extension of the parallel Taxiway G. The proposed development is intended to facilitate independent aircraft movements, improve operational flexibility and enhance overall airside safety.

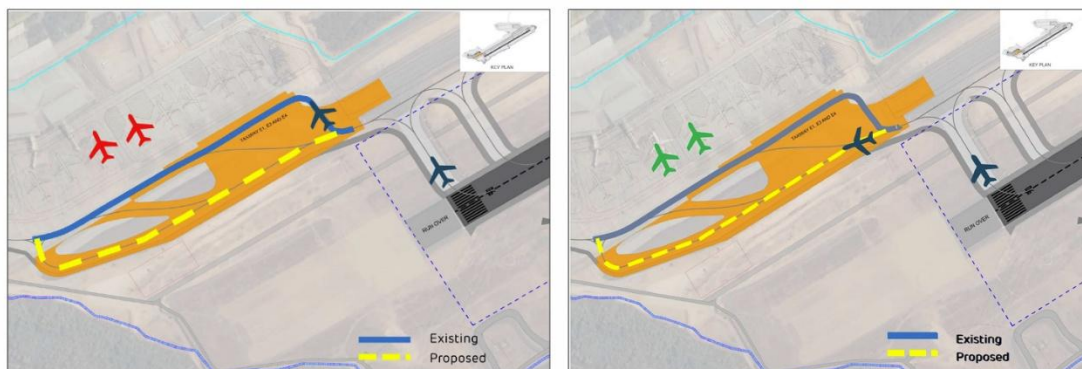


Figure 8: Proposed Master Plan for the Proposed Taxiway

- 5.3.59 The Authority, through its Independent Consultant, has examined the operational requirement, technical justification and cost reasonableness of the proposed works. The Independent Consultant notes that the existing taxiway configuration limits simultaneous aircraft movements and can result in operational delays, particularly during periods of increased traffic demand. Construction of the proposed taxiways would enable more efficient aircraft routing and improve airside capacity utilization. Further, considering that passenger traffic at Mangaluru International Airport is projected to increase by approximately 88% by FY 2031 compared to current levels, the proposed taxiway infrastructure would support the anticipated growth in aircraft movements and help maintain operational efficiency. The Independent Consultant also notes that the proposed works would mitigate potential safety risks arising from simultaneous ground operations involving aircraft departing from the West Apron and arriving aircraft using Taxiways E/G1 by improving aircraft segregation, reducing operational conflicts, and enhancing overall airside safety. Based on the assessment, the Authority through its Independent

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Consultant considers the proposed development to be justified from both operational efficiency and safety perspectives.

- 5.3.60 The Authority notes that the MgIAL has proposed the capitalization of the project by June 2026. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to further assess the project capitalization timeline. The Authority, through its Independent Consultant, noted that the project is presently under execution and further observed, during the site visit, that the progress achieved under the project is not commensurate with the capitalization timeline proposed by MgIAL. Accordingly, the Authority through its Independent Consultant proposes to defer the capitalization to December 2026 as against June 2026 submitted by Airport Operator.
- 5.3.61 For assessment of cost reasonableness, the Authority through its Independent Consultant benchmarked the proposed taxiway construction cost against normative rates approved by the Authority for similar airside pavement works.
- 5.3.62 In the Order No.07/2016-2017 dated 13th June 2016 on “In the matter of Normative Approach to Building blocks in Economic Regulations of Major Airports - Capital costs Regarding” provides normative cost for Apron, taxiway, runway. The normative cost for the Runway/taxiway/Apron (excluding earthwork up to sub grade level) was ~ 4,700/- per sqm based on the project executed in FY 2015-16. The Authority had adjusted the normative cost on account of additional tax impact of 6% on account of GST in line with the adjustment made in arriving normative cost for terminal cost across all Airports uniformly. The inflation adjusted normative rate for Runway/ Taxiway/ Apron excluding earthwork up to sub grad level proposed to be as follows:

Table 195: Inflation Adjusted normative rates computed for runway/taxiway/apron by the Authority

Financial Year	WPI Index*	Inflation %**	Inflation Adjusted Cost	Inflation adjusted normative cost @ 18% GST (in ₹ per sqm)
FY 2016	109.70		4,700***	4,952
FY 2017	111.60		4,781	5,038
FY 2018	114.90		4,923	5,187
FY 2019	119.80		5,133	5,408
FY 2020	121.80		5,218	5,498
FY 2021	123.40		5,287	5,570
FY 2022		7.14%#	5,664	5,968
FY 2023		9.41%	6,198	6,529
FY 2024		-0.70%	6,217	6,484
FY 2025		2.30%	6,453	6,633
FY 2026		0.40%	6,698	6,659
Mangaluru specific allowance to account for site-specific construction challenges arising from the hilly terrain and topographical conditions				5%
FY 2026 rate post Mangaluru specific allowance				6,992

*Source: Office of the Economic Adviser, Government of India (<https://eaindstry.nic.in>)

**Source: Reserve Bank of India Publications (<https://www.rbi.org.in/scripts/publications.aspx/publication=BiMonthly>)

*** Base amount as per Order No. 7/2016-17 dated 13th June 2016 which is inclusive of prevalent tax of 12%

Note:

Inflation adjusted base amount (inclusive of 12% GST) (A) = ₹4,700 per sqm

Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112) = ₹4,196 per sqm

Add GST @ 18% (C=B*18%) = ₹755 per sqm

Normative cost including GST (D=B+C) = ₹4,952 per sqm

#Instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated 18th April 2022 by Debt. For Promotion of Industry and Internal Trade, Government of India), the Authority had considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which worked out to 7.14%.

- 5.3.63 The Authority through its independent consultant further estimated the per unit sqm meter cost proposed by MgIAL for the pavement works and compared it with the normative cost calculated in the above table. The Authority through its Independent consultant noted that the per unit cost estimated by MgIAL for the pavement works lower than the normative cost (Refer Table 196). Thus, the Authority consider

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₹6,885 per sqm submitted by MgIAL as against the normative cost of ₹6,992 per sqm for the pavement works for the required for the construction of Taxiways E1, E3 and E4.

- 5.3.64 Further, for assessment of cost reasonableness for the works other than the pavement works like GSE Area, AGL works and Signages and other civil works, the Independent Consultant reviewed the quantities and rates considered by MgIAL and benchmarked the same against applicable government schedule and market rates (Refer Table 197). The Authority, through its Independent Consultant, finds the cost of ₹923.53 per sqm to be in line with the cost submitted by MgIAL (Refer Table 196).

Table 196: Cost Assessment of Taxiway by the Authority

Particulars	Value
Proposed Taxiway's pavement cost by per sqm as per MgIAL	₹ 6,885 per sqm
Runway/Taxiway/Apron Cost per sqm according to Authority's normative benchmark for FY 2026 plus Mangaluru specific allowance to account for site-specific construction challenges arising from the hilly terrain and topographical conditions	₹ 6,992 per sqm
Exclusion Items from the normative by per sqm as per MgIAL (Refer Table 197)	₹ 923.53 per sqm
Exclusion Items from the normative by per sqm as per the Authority (Refer Table 197)	₹ 923.53 per sqm
Area in sqm for Block Cost Estimate for Taxiway	33,000 sqm
Cost proposed to be considered by the Authority	₹ 25.77 crores

Table 197: Cost Assessment Exclusions Items from Taxiway by the Authority

Particulars	Value as per MgIAL	Value as per the Authority
GSE Area	₹ 0.49 crores	₹ 0.49 crores
AGL works	₹ 1.83 crores	₹ 1.83 crores
Signages and other civil works	₹ 0.73 crores	₹ 0.73 crores
Total of Exclusion Items from the normative cost	₹ 3.04 crores	₹ 3.04 crores
Area in sqm for Block Cost Estimate for Taxiway	33,000 sqm	33,000 sqm
Exclusion Items from the normative cost by per sqm	₹ 923.53 per sqm	₹ 923.53 per sqm

- 5.3.65 The Authority notes that MgIAL has proposed a capital expenditure of ₹25.77 Crores towards construction of Taxiways E1, E3 and E4. Based on the assessment carried out by the Independent Consultant, the reasonable cost of the project is assessed at ₹25.77 Crores.
- 5.3.66 Accordingly, the Authority proposes to consider ₹25.77 Crores towards construction of Taxiways E1, E3 and E4, which is in line with the cost of ₹25.77 Crores submitted by MgIAL.

A2-2. Geo-technical Strengthening and Reconstruction of Parallel Taxi Track

- 5.3.67 The Authority notes that MgIAL has proposed geo-technical strengthening of sub-soil strata along with reconstruction of the parallel taxi track to address slope stability concerns and enhance the long-term structural integrity of the airside infrastructure. MgIAL has submitted that the proposed intervention is necessary considering the historical geotechnical challenges encountered at the airport and is intended to improve the safety and reliability of aircraft operations.
- 5.3.68 The Authority, through its Independent Consultant, further notes that the proposed works comprise strengthening of the underlying soil through specialized geo-technical measures and reconstruction of the affected taxi track sections to ensure continued operational safety and asset stability. The Authority notes that MgIAL has proposed geo-technical strengthening of sub-soil strata along with reconstruction of the parallel taxi track to address slope stability concerns and enhance the long-term structural integrity of the airside infrastructure. MgIAL has submitted that the proposed intervention is necessary considering the historical geotechnical challenges encountered at the airport and is intended to improve the safety and reliability of aircraft operations.
- 5.3.69 As part of its assessment, the Authority through its Independent Consultant reviewed the reports prepared by IIT Indore and Genstru, the pre- and post-modification Pavement Classification Rating (PCR) and Aircraft Classification Rating (ACR) assessments, the Letter of Award, work orders and the proposed project implementation schedule. The Independent Consultant also verified the proposed



Figure 9: Cracks at Parallel Taxi Track assessed by the Independent Consultant during site visit

- 5.3.70 The Authority, through its Independent Consultant, notes that the proposed project is necessary to address recurring geotechnical instability issues observed along the Parallel Taxi Track (PTT) embankment, including slope failures, wall collapse and pavement distress arising from challenging site conditions such as deep subsurface water flows, steep embankment slopes and marginal fill characteristics. Based on its review of technical studies and expert recommendations, the Authority through its Independent Consultant is of the view that the proposed geotechnical strengthening and reconstruction works are operationally justified to restore the long-term structural stability of the PTT, enhance aviation safety and ensure safe and reliable aircraft operations. The Independent Consultant further notes that the proposed reconstruction with Code C separation from the runway would position the taxiway farther from the cliff edge and improve overall operational safety.
- 5.3.71 The Authority notes that the MgIAL has proposed the capitalization of the project by November 2028. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to further assess the project capitalization timeline. The Authority, through its Independent Consultant, noted that the project is presently under execution. The independent Consultant during site visit also noted that the strengthening work has already started and the progress achieved under the project is commensurate with the capitalization timeline proposed by MgIAL. Accordingly, the Authority through its Independent Consultant proposes the capitalization to November 2028 which is in line with the submission made by Airport Operator.
- 5.3.72 For assessment of cost reasonableness, the Authority, through its Independent Consultant, reviewed the quantities and rates considered by MgIAL and benchmarked the same against applicable government schedule rates. Additionally, the Independent Consultant considered a 5% allowance towards airside construction requirements and a further 5% allowance to account for the tabletop terrain, hilly topography and site-specific constraints associated with Mangaluru International Airport. (Refer 5.3.11)
- 5.3.73 The Authority notes that MgIAL has proposed a capital expenditure of ₹438.58 Crores towards geotechnical strengthening and reconstruction of the parallel taxi track. While the requirement of the project is justified, the Authority notes that the cost proposed by MgIAL is higher than the cost assessed by the Independent Consultant. Accordingly, the Authority proposes to consider ₹423.23 Crores towards Geo-technical Strengthening and Reconstruction of the Parallel Taxi Track, as against the cost of ₹438.58 Crores submitted by MgIAL.

A3. Isolated Aircraft Parking Position (IAPP)

- 5.3.74 The Authority notes that MgIAL has proposed development of a dedicated Isolated Aircraft Parking

Position (IAPP) on the southern side of the runway. MgIAL has submitted that the airport currently does not have a dedicated isolation parking bay and that the turn pad of the old RWY 09-27 is presently being utilized for isolation parking purposes.

- 5.3.75 The Authority further notes that the proposed facility is intended to provide a Code D compliant Isolated Aircraft Parking Position with an area of approximately 21,031 sqm, including shoulders, in accordance with the requirements stipulated under DGCA Civil Aviation Requirements (CAR), ICAO standards and BCAS guidelines.
- 5.3.76 The Authority, through its Independent Consultant, has examined the technical justification, regulatory requirements and cost reasonableness of the proposed development. The Independent Consultant reviewed the existing isolation parking arrangements and noted that the current location does not fully comply with the prescribed separation requirements, as certain buildings and structures are located within the prescribed 100 meter safety distance, resulting in non-compliance with applicable DGCA requirements.

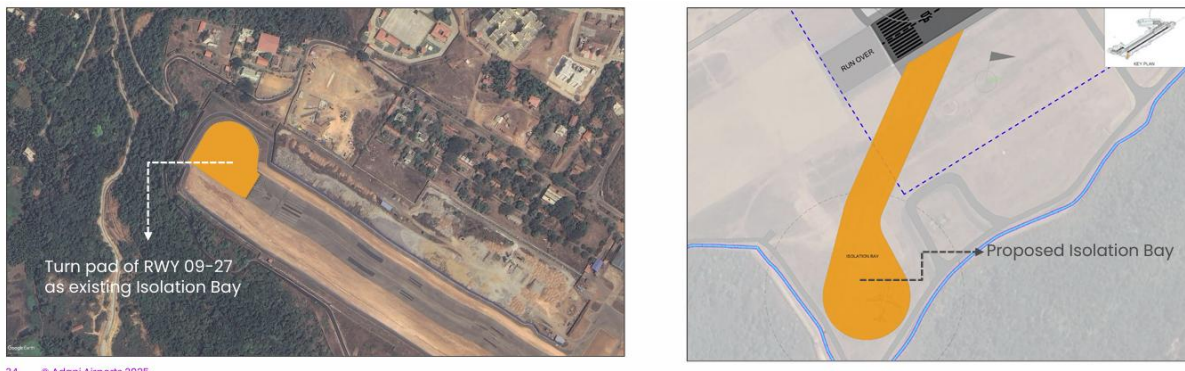


Figure 10: Current and Proposed location of IAPP

- 5.3.77 The Authority is of the view that establishment of a dedicated and compliant Isolated Aircraft Parking Position is necessary to meet regulatory requirements and strengthen the airport's capability to safely handle security-related contingencies and aircraft isolation requirements. Accordingly, the Authority considers the proposed development to be justified and recommends its implementation during the current control period.
- 5.3.78 The Authority notes that the MgIAL has proposed the capitalization of the project by March 2027. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to further assess the project capitalization timeline. The Authority, through its Independent Consultant, noted that the project is presently under execution. The independent Consultant during site visit also noted that the progress achieved under the project is commensurate with the capitalization timeline proposed by MgIAL. Accordingly, the Authority through its Independent Consultant proposes the capitalization to March 2027 which is in line with the submission made by Airport Operator.
- 5.3.79 For assessment of cost reasonableness, the Authority through its Independent Consultant benchmarked the proposed IAPP construction cost against normative rates approved by the Authority for similar airside pavement works.
- 5.3.80 The Authority through its independent consultant further estimated the per unit sqm meter cost proposed by MgIAL for the pavement works and compared it with the normative cost calculated in the table (Refer Table 195). The Authority through its Independent consultant noted that the per unit cost estimated by MgIAL for the pavement works higher than the normative cost (Refer Table 197). Thus, the Authority considered the cost of ₹6,992 per sqm as against the cost of ₹9,029 per sqm submitted by MgIAL for the pavement works for the required for the construction of the Isolated Aircraft Parking Position.

5.3.81 Further, for assessment of cost reasonableness for the works other than the pavement works like Earth Work, Demolition & Enabling Work, Infra Related Works, AGL works, Electrical work, ICT/ELV Work, Drainage Work and Retaining Wall (Refer Table 199), the Authority, through its Independent Consultant, reviewed the quantities and rates considered by MgIAL and benchmarked the same against applicable government schedule rates (Refer Table 197). Additionally, the Independent Consultant considered a 5% allowance towards airside construction requirements and a further 5% allowance to account for the tabletop terrain, hilly topography and site-specific constraints associated with Mangaluru International Airport (Refer 5.3.11). Accordingly, the Authority, through its Independent Consultant, proposed to consider the cost of ₹10,883 per sqm as against the cost of ₹11,055 per sqm submitted by MgIAL for the works other than the pavement works.

Table 198: Cost Assessment of Isolated Aircraft Parking Position by the Authority

Particulars	Value
Proposed IAPP's pavement cost by per sqm MgIAL	₹ 9,029 per sqm
Runway/Taxiway/Apron Cost per sqm according to Authority's normative benchmark for FY 2026 plus Mangaluru specific allowance to account for site-specific construction challenges arising from the hilly terrain and topographical conditions	₹ 6,992 per sqm
Labour cess	1%
Exclusion Items from the normative by per sqm as per MgIAL (Refer Table 199)	₹ 11,055 per sqm
Exclusion Items from the normative by per sqm as per the Authority (Refer Table 199)	₹ 10,883 per sqm
Area in sqm for Cost Estimate for IAPP	21,031 sqm
Cost proposed to be considered by the Authority	₹ 37.74 crores

Table 199: Cost Assessment of the Exclusions Items from Isolated Aircraft Parking Position by the Authority

Particulars	Value as per MgIAL	Value as per the Authority
Earth Work	₹ 4.34 crores	₹ 4.34 crores
Demolition & Enabling Work	₹ 0.36 crores	₹ 0.36 crores
Infra Related Works	₹ 8.13 crores	₹ 8.13 crores
AGL works	₹ 5.14 crores	₹ 5.14 crores
Electrical work	₹ 0.33 crores	₹ 0.33 crores
ICT/ELV Work	₹ 0.36 crores	₹ 0.36 crores
Drainage Work	₹ 2.57 crores	₹ 2.35 crores
Retaining Wall Area	₹ 2.01 crores	₹ 1.86 crores
Total of Exclusion Items from the normative cost	₹ 23.25 crores	₹ 22.89 crores
Area in sqm for Block Cost Estimate for Taxiway	21,031 sqm	21,031 sqm
Exclusion Items from the normative cost by per sqm	₹ 11,055 per sqm	₹ 10,883 per sqm

5.3.82 Based on the benchmarked rates, the Authority, through its Independent Consultant, assessed the reasonable project cost at ₹37.74 Crores. The Authority notes that MgIAL has proposed a capital expenditure of ₹42.43 Crores towards development of the Isolated Aircraft Parking Position.

5.3.83 Accordingly, the Authority proposes to consider ₹37.74 Crores towards development of the Isolated Aircraft Parking Position (IAPP), against the cost of ₹42.43 Crores submitted by MgIAL.

A4. Storm Water Drainage and Associated Site Grading Works

5.3.84 The Authority notes that MgIAL has proposed construction of storm water drainage infrastructure along with associated site grading works to improve runoff management across the airport premises. MgIAL has submitted that Mangaluru experiences annual rainfall of approximately 3,500 mm and that, in the absence of an adequate storm water drainage network, surface runoff has the potential to cause flooding and erosion in the adjoining foothill areas.

5.3.85 The Authority further notes that the proposed storm water drainage system is intended to facilitate proper collection, conveyance and discharge of storm water generated within the airport premises. MgIAL has submitted that out of the total planned storm water drainage network of approximately 13,466 meters, around 9,316 meters has already been completed, while the balance length of

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD approximately 4,150 meters is proposed to be executed during the Second Control Period.

- 5.3.86 The Authority, through the Independent Consultant, has examined the technical justification, operational requirement and cost reasonableness of the proposed works. The Independent Consultant notes that, considering the high rainfall intensity experienced at Mangaluru International Airport and the undulating topography surrounding the airport, an effective storm water management system is necessary to ensure safe airport operations and to mitigate the risk of water accumulation, erosion and flooding in adjoining areas.
- 5.3.87 As part of its assessment, the Independent Consultant undertook site verification and reviewed the drainage layout, engineering proposals and cost estimates submitted by MgIAL. Based on the assessment, the Independent Consultant is of the view that the proposed storm water drainage and associated grading works are justified from an operational and safety perspective and are required for effective runoff management.
- 5.3.88 The Independent Consultant notes that the proposed project is presently expected to be completed and capitalized towards the end of the Second Control Period, with capitalization currently projected in March 2031. Given the advanced stage of the control period at which capitalization is expected to occur, any delay in project execution may result in capitalization being deferred beyond the current control period.
- 5.3.89 Accordingly, the Authority will consider Storm Water Drainage and Associated Site Grading Works on actual incurrence basis, subject to need establishment, reasonability of rates and efficiency.

A5. Secondary CCR

- 5.3.90 The Authority notes that MgIAL has proposed development of a Secondary Constant Current Regulator (“CCR”) facility to support the planned expansion of airside infrastructure, including runway extension, parallel taxiway development, and associated airfield ground lighting (“AGL”) systems. The proposed Secondary CCR is intended to provide redundancy in the electrical distribution network and ensure uninterrupted operation of critical AGL systems. The Authority further notes that the proposed built-up area for the facility is approximately 1,925 sqm.
- 5.3.91 The Authority, through its Independent Consultant, has examined the operational requirements, technical justification and cost reasonableness of the proposed Secondary CCR. The Independent Consultant has observed that the existing AGL power supply arrangement does not provide adequate redundancy to support the future airside infrastructure envisaged during the Second Control Period. Accordingly, the Independent Consultant has considered the provision of a Secondary CCR to be operationally justified from a reliability and safety perspective.
- 5.3.92 The Authority notes that the MgIAL has proposed the capitalization of the project by February 2027. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to further assess the project capitalization timeline. The Authority, through its Independent Consultant, noted that the project is presently under execution and further observed, during the site visit, that the progress achieved under the project is not commensurate with the capitalization timeline proposed by MgIAL. Accordingly, the Authority through its Independent Consultant proposes to defer the capitalization to December 2028 as against February 2027 submitted by Airport Operator.
- 5.3.93 The Authority, through its Independent Consultant, further reviewed the proposed implementation timeline and, during the site visit, observed that the project is presently under execution. Based on the subsequent discussion with Airport Operator, it is envisaged to be capitalised by December 2028. The Authority through its Independent Consultant observed that the proposed implementation period is reasonable considering the equipment installation and associated civil works involved under the project.
- 5.3.94 For verification of the proposal, the Independent Consultant undertook a site visit to assess the

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD requirements arising from the planned runway extension and associated airside developments. The Independent Consultant also reviewed the cost estimates submitted by MgIAL and examined the proposed scope of works.

- 5.3.95 For assessment of cost reasonableness, the Independent Consultant reviewed the quantities and rates considered by MgIAL and benchmarked the same against applicable government schedule rates. Additionally, the Independent Consultant considered a 5% allowance towards airside construction requirements and a further 5% allowance to account for the tabletop terrain, hilly topography and site-specific constraints associated with Mangaluru Airport. (Refer 5.3.11)
- 5.3.96 The Authority notes that MgIAL has proposed a capital expenditure of ₹46.25 Crores towards Secondary CCR. While the requirement of the project is justified, the Authority notes that the cost proposed by MgIAL is higher than the cost assessed by the Independent Consultant.
- 5.3.97 Accordingly, the Authority proposes to consider ₹42.39 Crores towards Secondary CCR, against the cost of ₹46.25 Crores submitted by MgIAL.

A6. Emergency RWY Access Road

- 5.3.98 The Authority notes that MgIAL has proposed construction of an Emergency Runway Access Road to facilitate compliance with the response time requirements prescribed under DGCA CAR for Aircraft Rescue and Fire Fighting (“ARFF”) operations. MgIAL has submitted that, in accordance with DGCA CAR Section 4, Series B, Part I, emergency access roads should be provided where terrain conditions permit, to enable achievement of the prescribed emergency response times. The proposed Emergency RWY Access Road covers an area of approximately 46,116 sqm.

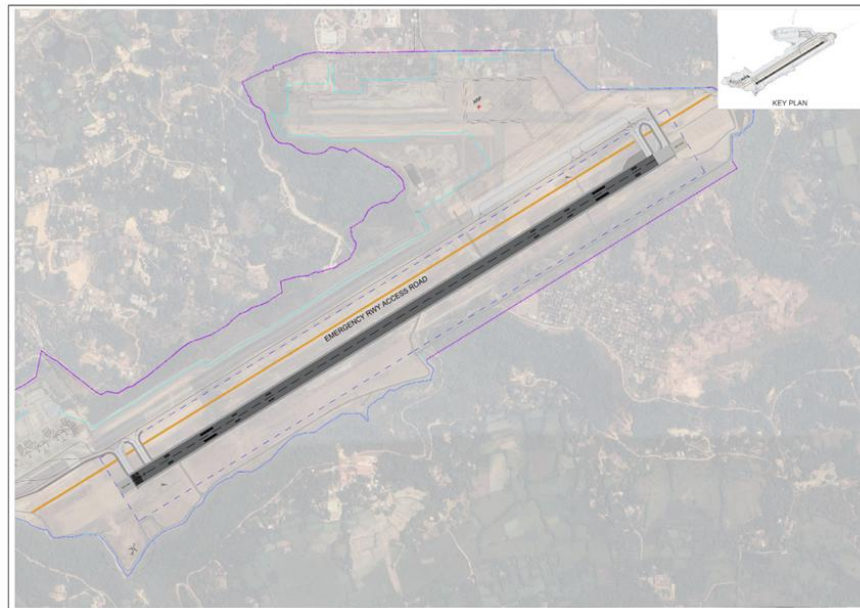


Figure 11: Proposed Emergency RWY access road

- 5.3.99 The Authority, through its Independent Consultant, has examined the operational requirements, technical justification and cost reasonableness of the proposed Emergency RWY Access Road. The Independent Consultant has noted that the proposed infrastructure is required to facilitate timely access for emergency response vehicles and ensure compliance with DGCA-prescribed ARFF response time norms. Accordingly, the Independent Consultant has considered the proposed development to be justified from a safety and regulatory compliance perspective.
- 5.3.100 The Authority notes that the MgIAL has proposed the capitalization of the project by December 2027. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to

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further assess the project capitalization timeline. The Authority, through its Independent Consultant, noted that the project is presently under execution. The independent Consultant during site visit also noted that the progress achieved under the project is commensurate with the capitalization timeline proposed by MgIAL. Accordingly, the Authority through its Independent Consultant proposes the capitalization to December 2027 which is in line with the submission made by Airport Operator.

5.3.101 For verification of the proposal, the Independent Consultant undertook a site visit to assess the requirement of the proposed Emergency RWY Access Road and reviewed the cost estimates submitted by MgIAL.

Table 200: Cost Assessment of Emergency RWY Access Road by the Authority

Particulars	Value
Proposed Emergency RWY Access Road cost per sqm MgIAL	₹ 4,095.50
Cost for Emergency RWY Access Road per sqm at Ahmedabad Airport in FY2023	₹ 3,500
Area in sqm for Cost Estimate for Emergency RWY Access Road	46,116 sqm
Inflation adjustment percentage for FY 2024	-0.70%
Inflation adjustment percentage for FY 2025	2.30%
Inflation adjustment percentage for FY 2026	0.40%
Inflation adjusted rate per sqm for FY 2026	₹ 3,569.66
Mangaluru specific allowance to account for site-specific construction challenges arising from the hilly terrain and topographical conditions	5%
Cost proposed to be considered by the Authority	₹ 17.28 crores

5.3.102 The Authority, through its Independent Consultant, notes that MgIAL has proposed a capital expenditure of ₹ 22.70 Crores towards construction of the Emergency RWY Access Road. The Independent Consultant has assessed the reasonableness of the proposed cost with reference to benchmark rates adopted from Ahmedabad Airport, wherein the cost of emergency access roads was assessed at ₹ 3,500 per sqm (FY23 cost). The benchmark rate was subsequently escalated to account for inflation and further adjusted by 5% considering the tabletop terrain conditions at Mangaluru International Airport (Refer 5.3.11). The benchmark rate has been suitably escalated to account for inflation and indexed to the relevant price level applicable to the proposed implementation period.

5.3.103 The Authority through its Independent Consultant has estimated the cost of the proposed Emergency RWY Access Road based on the above assessment at ₹ 17.28 Crores. Accordingly, the Authority proposes to consider ₹ 17.28 Crores towards construction of the Emergency RWY Access Road against the cost of ₹ 22.70 Crores submitted by MgIAL.

A7. Geo-Hazard Risk Mitigation Measures

5.3.104 The Authority notes that MgIAL has proposed Geo-Hazard Risk Mitigation Measures to address slope stability concerns and strengthen the geotechnical integrity of areas surrounding critical airside infrastructure. MgIAL has submitted that Mangaluru International Airport, being located on a tabletop terrain, has historically faced challenges relating to slope stability and geotechnical conditions. The proposed intervention is intended to complement the strengthening, and reconstruction works planned for the parallel taxi track and enhance the safety of aircraft operations and associated airport assets.

5.3.105 The Authority, through its Independent Consultant, has examined the operational requirements, technical justification and implementation status of the proposed Geo-Hazard Risk Mitigation Measures. The Independent Consultant has noted, based on site visits and stakeholder interactions, that the detailed geotechnical study required to define the scope of mitigation measures is yet to be finalized. The consultant has further observed that the study is proposed to be undertaken after appointment of the relevant agency, following which the design, construction methodology and implementation plan would be finalized.

5.3.106 The Independent Consultant has noted that considering the status of the project and the timelines

required for completion of the study, design finalization, approvals and execution, the proposed works are unlikely to be completed within the current Control Period. However, given the importance of slope stability and geotechnical safety for continued airport operations, the Independent Consultant has acknowledged the underlying requirement for such intervention.

- 5.3.107 For verification of the proposal, the Independent Consultant undertook site visits to assess the prevailing ground conditions and reviewed the cost estimates submitted by MgIAL.
- 5.3.108 The Authority, through its Independent Consultant notes that MgIAL has proposed a capital expenditure of ₹47.81 Crores towards Geo-Hazard Risk Mitigation Measures. However, in the absence of a completed geotechnical study, finalized scope of work and definitive execution plan, the Authority is unable to assess the technical necessity, extent of works, and whether the proposed geo-protection measures pertain solely to airport land and aeronautical infrastructure or extend beyond the airport boundary. Accordingly, the admissibility of the proposed expenditure for tariff determination cannot be evaluated at this stage.
- 5.3.109 Accordingly, the Authority will consider Geo-Hazard Risk Mitigation Measures on actual incurrence basis, subject to completion of the requisite studies, determination of project scope, need establishment, reasonability of rates and efficiency.

A8. Extension of Apron

- 5.3.110 The Authority notes that MgIAL has proposed an Extension of Apron to augment aircraft parking capacity and support anticipated growth in air traffic. MgIAL has submitted that the existing 15 Code C aircraft stands may become insufficient to cater to projected peak-hour demand and future traffic growth. Accordingly, an apron expansion of approximately 7,000 square meters, including provision for Ground Support Equipment (GSE) parking, has been proposed to enhance stand availability, improve operational efficiency and maintain service levels.
- 5.3.111 The Authority, through its Independent Consultant, has observed that MIA is projected to handle peak-hour passenger traffic of approximately 2,334 passengers by FY 2031, compared to 1,187 peak-hour passengers in FY 2024. Further, the current apron stand occupancy during peak hours is reported to be approximately 80%. Considering that overall passenger traffic at MIA is projected to increase by approximately 88% by FY 2031 over the current levels, the Authority notes that the proposed Extension of Apron is justified to cater to the anticipated growth in traffic.
- 5.3.112 The Authority through its independent consultant further estimated the per unit sqm meter cost proposed by MgIAL for the pavement works and compared it with the normative cost calculated in the table (Refer Table 195). The Authority through its Independent consultant noted that the per unit cost estimated by MgIAL for the pavement works lower than the normative cost (Refer Table 196). Thus, the Authority consider ₹6,221 per sqm submitted by MgIAL as against the normative cost of ₹6,992 per sqm for the pavement works for the required for the construction of Extension of Apron.
- 5.3.113 Further, for assessment of cost reasonableness for the works other than the pavement works like Site Clearance, Excavation, Disposal, Filling & Related Works and Retaining Wall & other civil work, the Authority, through its Independent Consultant, reviewed the quantities and rates considered by MgIAL and benchmarked the same against applicable government schedule rates. Additionally, the Independent Consultant considered a 5% allowance towards airside construction requirements and a further 5% allowance to account for the tabletop terrain, hilly topography and site-specific constraints associated with MIA (Refer 5.3.11). Accordingly, the Authority, through its Independent Consultant, proposed to consider the cost of ₹10,562 per sqm as against the cost of ₹11,022 per sqm submitted by MgIAL for the works other than the pavement works.

Table 201: Cost Assessment of Extension of Apron by the Authority

Particulars	Value
Proposed Relocation of Extension of Apron per sqm cost by MgIAL	₹ 6,221 per sqm
Runway/Taxiway/Apron Cost per sqm according to Authority's normative benchmark for FY 2026 plus Mangaluru specific allowance to account for site-specific construction challenges arising from the hilly terrain and topographical conditions	₹ 6,992 per sqm
Exclusion Items from the normative cost by per sqm as per MgIAL (Refer Table 202)	₹ 11,022 per sqm
Exclusion Items from the normative cost by per sqm as per the Authority (Refer Table 202)	₹ 10,562 per sqm
Extension of Apron area by MgIAL per sqm	7,000 sqm
Cost proposed to be considered by the Authority	₹ 11.74 crores

Table 202: Cost Assessment of the Exclusions Items from Extension of Apron by the Authority

Particulars	Value as per MgIAL	Value as per the Authority
Site Clearance	₹ 0.68 crores	₹ 0.60 crores
Excavation	₹ 0.46 crores	₹ 0.46 crores
Disposal	₹ 1.17 crores	₹ 1.17 crores
Filling and Related works	₹ 3.74 crores	₹ 3.69 crores
Retaining wall & other civil works	₹ 1.66 crores	₹ 1.47 crores
Total of Exclusion Items from the normative cost	₹ 7.72 crores	₹ 7.39 crores
Extension of Apron area	7,000 sqm	7,000 sqm
Exclusion Items from the normative cost by per sqm	₹ 11,022 per sqm	₹ 10,562 per sqm

5.3.114 The Authority notes that MgIAL has proposed a capital expenditure of ₹ 12.06 Crores towards Extension of Apron. Based on the benchmarking analysis undertaken by the Independent Consultant, the assessed cost works out to ₹ 11.74 Crores.

5.3.115 Accordingly, the Authority proposes to consider ₹ 11.74 Crores towards Extension of Apron during the Second Control Period.

A9. Relocation of Bomb Cooling Pit

5.3.116 The Authority notes that MgIAL has proposed relocation of the existing Bomb Cooling Pit to ensure compliance with safety requirements prescribed by the Bureau of Civil Aviation Security (BCAS), DGCA, and ICAO guidelines. MgIAL has submitted that the existing Bomb Cooling Pit is located within the prescribed 100 m safety buffer from the apron and associated airport operational buildings, resulting in non-compliance with applicable safety norms.

5.3.117 The Authority further notes that the proposed relocation is intended to shift the Bomb Cooling Pit to a compliant location within the airport premises, thereby enhancing operational safety, ensuring regulatory compliance, and facilitating future airside development activities without operational constraints.

5.3.118 The Authority, through its Independent Consultant, has examined the operational requirements, technical justification and cost reasonableness of the proposed relocation. The Independent Consultant has observed that the current Bomb Cooling Pit location is situated within the prescribed exclusion distance from the Apron Control Building and other operational facilities, thereby warranting relocation from a regulatory and safety perspective.

5.3.119 The Independent Consultant has noted that relocation of the Bomb Cooling Pit would ensure compliance with BCAS and DGCA requirements relating to the safe handling and isolation of suspicious objects and explosives, while also reducing operational risk associated with the current location. Accordingly, the Independent Consultant has considered the requirement for relocation to be justified.

5.3.120 For verification of the proposal, the Independent Consultant reviewed the existing and proposed locations of the Bomb Cooling Pit, examined the separation distances from operational facilities, and

reviewed the cost estimates submitted by MgIAL.

- 5.3.121 The Authority notes that the MgIAL has proposed the capitalization of the project by March 2027. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to further assess the project capitalization timeline. The Authority, through its Independent Consultant, noted that the project is presently under execution. The independent Consultant during site visit also noted that the progress achieved under the project is commensurate with the capitalization timeline proposed by MgIAL. Accordingly, the Authority through its Independent Consultant proposes the capitalization to March 2027 which is in line with the submission made by Airport Operator.
- 5.3.122 The Independent Consultant has benchmarked the proposed cost with reference to Bomb Cooling Pit facilities implemented at comparable Indian airports. The Authority, through its Independent consultant notes that the Bomb Cooling Pit developed at Chennai Airport in 2017 had an estimated cost of approximately ₹ 53.65 Lakhs. The benchmark cost has been escalated for inflation and further adjusted to account for site-specific conditions at Mangaluru International Airport, including the tabletop terrain configuration.

Table 203: Cost Assessment of Relocation of Bomb Cooling Pit by the Authority

Particulars	Value
Proposed Relocation of Bomb Cooling Pit cost by MgIAL	₹ 1.35 crores
Cost of Bomb Cooling Pit at Chennai Airport (FY 18)	₹ 0.54 crores
Inflation adjusted cost of Bomb Cooling Pit for FY26	₹ 0.73 crores
Mangaluru specific allowance to account for site-specific construction challenges arising from the hilly terrain and topographical conditions	5%
Cost proposed to be considered by the Authority	₹ 0.77 crores

- 5.3.123 The Authority notes that MgIAL has proposed a capital expenditure of ₹ 1.35 Crores towards relocation of the Bomb Cooling Pit. Based on the benchmarking analysis undertaken by the Independent Consultant, the assessed cost works out to ₹ 0.77 Crores (Refer Table 203).
- 5.3.124 Accordingly, the Authority proposes to consider ₹ 0.77 Crores towards relocation of the Bomb Cooling Pit during the Second Control Period, as against ₹ 1.35 Crores proposed by MgIAL.

A10. Apron Control Building

- 5.3.125 The Authority notes that MgIAL has proposed construction of a new Apron Control Building to replace the existing facility, which has become structurally distressed due to ageing and prolonged operational use. MgIAL has submitted that the existing building, presently utilized as an office facility for airside staff, is no longer suitable for long-term operational requirements and poses challenges from both safety and maintenance perspectives. Accordingly, MgIAL has proposed development of a new Apron Control Building to support continued airside operations and accommodate the functional requirements of the concerned personnel.
- 5.3.126 The Authority further notes that the proposed Apron Control Building, with a built-up area of approximately 1,557 sqm, is intended to provide a safe and operationally efficient facility for apron management activities. The proposed development is expected to improve operational continuity, staff safety, and coordination of airside operations.
- 5.3.127 The Authority, through its Independent Consultant, has examined the operational requirements, technical justification and cost reasonableness of the proposed Apron Control Building. The Independent Consultant has noted, based on site visits and supporting documentation submitted by MgIAL, that the existing building exhibits visible signs of structural deterioration, including cracks and general wear and tear, requiring significant repairs and rehabilitation.
- 5.3.128 The Authority, through its Independent Consultant, notes that the proposed facility is expected to

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strengthen apron surveillance and coordination functions, thereby supporting safe and reliable apron operations, enhancing operational efficiency, and improving staff safety. Accordingly, the Independent Consultant has considered the requirement for the replacement of Apron Control Building to be justified from an operational and safety perspective.

5.3.129 For cost assessment, the Independent Consultant has benchmarked the proposed building cost with reference to the unit rates considered in the tariff determination of comparable airport infrastructure projects. The Independent Consultant has adopted a benchmark construction rate of a staff building of Mumbai Airport (MIAL) at ₹ 60,600 per sqm, the benchmark cost has been escalated for inflation (Refer Table 201). Additionally, the Independent Consultant considered a 5% allowance towards airside construction requirements and a further 5% allowance to account for the tabletop terrain, hilly topography and site-specific constraints associated with Mangaluru Airport. (Refer 5.3.11)

Table 204: Cost Assessment of Apron Control Building by the Authority

Particulars	Value
Proposed Built-up Area	1,557 sqm
Proposed Apron Control Building cost by MgIAL per sqm	₹ 74,961 / sqm
Benchmark Building Rate at Mumbai Airport (FY 2024)	₹ 60,600 / sqm
Inflation adjustment percentage for FY 2025	2.30%
Inflation adjustment percentage for FY 2026	0.40%
Benchmark Building Rate at Mumbai Airport (FY 2026)	₹ 62,242 / sqm
Additional Provision for Airside Construction	5%
Additional Provision for Mangaluru Terrain Conditions	5%
Benchmark Building Rate at Mumbai Airport (FY 2026) post escalation of Airside and Mangalore Hilly Terrain & Table Top	₹ 68,622 / sqm
Cost Proposed to be Considered by the Authority	₹ 10.68 Cr

5.3.130 Based on the above methodology, the Independent Consultant has assessed the cost of the proposed Apron Control Building at ₹ 10.68 Crores.

5.3.131 The Authority notes that MgIAL has proposed a capital expenditure of ₹ 11.67 Crores towards construction of the Apron Control Building. Since the cost proposed by MgIAL is marginally higher than the cost assessed by the Independent Consultant, the Authority proposes to consider ₹ 10.68 Crores towards the Apron Control Building during the Second Control Period.

A11. Relocation of Glide Path

5.3.132 The Authority notes that Mangaluru International Airport Limited (“MgIAL”) has proposed relocation of the existing Glide Path (GP) facility associated with Runway 24. MgIAL has submitted that following the extension of the runway by approximately 73 meters, the existing Glide Path installation would no longer be suitable to support precision approach operations over the full extended runway length. Accordingly, MgIAL has proposed relocation of the Glide Path facility to the southern side of Runway 24, along with associated basic strip widening and civil works, covering an area of approximately 9,750 sqm.

5.3.133 The Authority, through its Independent Consultant, notes that the proposed relocation is intended to facilitate operationalization of the extended runway length and ensure continued compliance with applicable aviation safety and navigation standards. The Glide Path forms an integral component of the Instrument Landing System (“ILS”) and is essential for providing vertical guidance to aircraft during approach and landing operations.

5.3.134 The Authority, through its Independent Consultant, has examined the operational requirements, technical justification and cost reasonableness of the proposed relocation. The Independent Consultant has observed that the extension of Runway 24 necessitates corresponding relocation of the Glide Path facility to ensure adequate navigational coverage and maintain compliance with operational

requirements prescribed for precision approach procedures.

- 5.3.135 The Authority, through its Independent Consultant, has further noted that the proposed relocation is directly linked to the runway extension project and is required for utilization of the full extended runway length. Accordingly, The Authority through its Independent Consultant has considered the requirement for relocation of the Glide Path facility to be justified from an operational and safety perspective.
- 5.3.136 For verification of the proposal, the Independent Consultant undertook site visits to assess the existing and proposed locations of the Glide Path facility and reviewed the cost estimates submitted by MgIAL.
- 5.3.137 The Authority notes that the MgIAL has proposed the capitalization of the project by September 2029. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to further assess the project capitalization timeline. The Authority through its Independent Consultant noted that the project is presently under planning and the tendering process of the project is tentatively scheduled in October 2027. Accordingly, the Authority through its Independent Consultant proposes the capitalization to September 2029 which is in line with the submission made by Airport Operator.
- 5.3.138 The Independent Consultant further reviewed the proposed implementation timeline and noted that the project is presently under planning and is envisaged to commence in October 2028 and be completed by September 2029. Based on the review undertaken, the proposed timeline has been found to be justified.
- 5.3.139 For assessment of cost reasonableness, the Authority, through its Independent Consultant, reviewed the quantities and rates considered by MgIAL and benchmarked the same against applicable government schedule rates. Additionally, the Independent Consultant considered a 5% allowance towards airside construction requirements and a further 5% allowance to account for the tabletop terrain, hilly topography and site-specific constraints associated with Mangaluru Airport (Refer 5.3.11).
- 5.3.140 Based on the above methodology, the Independent Consultant has assessed the cost of relocation of the Glide Path facility at ₹ 2.23 Crores.
- 5.3.141 The Authority notes that MgIAL has proposed a capital expenditure of ₹ 2.83 Crores towards relocation of the Glide Path facility. Based on the assessment carried out by the Independent Consultant, the Authority proposes to consider ₹ 2.23 Crores towards the project during the Second Control Period.

B. Terminal Building modification and expansion works

- 5.3.142 The Authority notes that MgIAL has proposed Terminal Building modification and expansion works to augment the capacity and operational efficiency of the existing passenger terminal. MgIAL has submitted that the existing terminal was originally designed for handling approximately 2 MPPA. However, passenger traffic has already reached 2.34 MPPA in FY 2025, resulting in capacity constraints across passenger processing facilities. MgIAL has further submitted that the current terminal layout faces operational and regulatory limitations, including inadequate passenger processing areas, constrained baggage handling facilities and inefficient segregation of domestic and international passenger flows. Accordingly, MgIAL has proposed expansion and reconfiguration of the existing terminal facilities to enhance terminal capacity to approximately 5 MPPA, thereby supporting future traffic growth until the proposed Eastern Terminal becomes operational.
- 5.3.143 The Authority notes that MgIAL has submitted that the existing terminal building is designed to handle approximately 2 MPPA, whereas the airport handled approximately 2.34 MPPA in FY 2024-25. MgIAL has further submitted that passenger traffic is projected to increase to approximately 4.11 MPPA by FY 2030-31, thereby necessitating augmentation of airport infrastructure to cater to future traffic demand. However, based on an independent assessment of peak-hour passenger traffic and after considering the enhanced space and operational requirements under the revised BCAS guidelines, the Authority has assessed the terminal capacity at 3 MPPA (refer Para 3.4.44), as against the 2 MPPA submitted by

MgIAL.

- 5.3.144 The Authority, through its Independent Consultant, has examined the traffic requirement, operational justification and cost reasonableness of the proposed Terminal Building modification and expansion works.
- 5.3.145 The Authority, through its Independent Consultant, further notes that, based on the revised terminal capacity of 3 MPPA, the airport is currently operating at a utilization level exceeding 80%. Considering the projected growth in passenger traffic during the Second Control Period, the Authority is of the view that construction of the proposed terminal building may be considered during the Second Control Period to adequately cater to future demand.
- 5.3.146 The Authority, through its Independent Consultant, further notes that, as per IMG planning norms, terminal infrastructure planning is based on the traffic projected for the 10th year of the planning horizon, necessitating development ahead of future demand growth. Based on the traffic projections submitted by MgIAL, passenger traffic is expected to reach 5 million passengers per annum by FY 2035, necessitating augmentation of the existing terminal infrastructure to avoid congestion and maintain service quality standards.
- 5.3.147 The Authority has further observed that expansion within the existing terminal footprint is constrained and that the proposed development includes terminal reconfiguration, expansion of passenger processing areas, baggage handling improvements and associated support infrastructure. Authority through its independent consultant has noted that the proposed intervention would improve passenger circulation, efficiency and compliance with applicable regulatory and operational requirements.
- 5.3.148 For verification of the proposal, the Independent Consultant further undertook site visits to assess the operational constraints within the existing terminal and reviewed the traffic forecasts, capacity assessments, and cost estimates submitted by MgIAL. The site visit revealed inadequate seating capacity within the domestic and international SHAs, including the bus gate lounge, as well as the absence of a dedicated international arrival bus gate facility, with immigration processing currently undertaken at the first floor, thereby constraining passenger processing and operational efficiency.
- 5.3.149 The Authority further notes that both the existing Terminal and the proposed Terminal are integrated terminals handling domestic and international traffic. 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 205: Area per PHP Norms considered for Terminal Planning as per IMG/IATA

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

- 5.3.150 The Authority, through its Independent Consultant, has reviewed the capacity augmentation proposed under the Terminal Building modification and expansion works project and assessed the adequacy of terminal infrastructure planned for the Second Control Period. For this purpose, the combined capacity of the existing terminal and the proposed New Terminal Building have been considered and evaluated against the projected peak hour passenger demand. The summary of the combined terminal area and the corresponding area available per peak hour passenger is presented in the table below:

Table 206: Summary of Area Considered for MIA Terminals by the Authority

Particulars	Value
Combined Terminal Capacity in Second Control Period	5 MPPA
Combined PHP for the 5MPPA capacity	2,776
Existing Terminal area	48,000 sqm
Proposed New Terminal Building area	27,115 sqm
Combined Terminal area	75,115 sqm
Combined Area per PHP	27.06 sqm/PHP

B1. Terminal Building Modification

- 5.3.151 The Authority, through its Independent Consultant, notes that the existing terminal building is currently operating at approximately 3 MPPA. Further, the existing terminal layout has operational limitations, including intermixing of arriving and departing passengers due to a common circulation corridor, constraints in the security hold area, limited passenger seating and circulation space, and bottlenecks in immigration, emigration and baggage processing areas. To address these deficiencies, MgIAL has proposed modification works within the existing terminal footprint, comprising reconfiguration of passenger processing areas, enhancement of security hold areas, augmentation of immigration and emigration facilities, increase in passenger seating and circulation spaces, expansion of baggage reclaim facilities, and upgrade of the baggage handling system to improve processing capacity, operational efficiency and regulatory compliance.
- 5.3.152 The Authority, through its Independent Consultant, notes that the existing upper ground floor layout is constrained from both capacity and operational perspectives. The Independent Consultant has observed that the current check-in area does not provide adequate space for augmentation of check-in counters to cater to future traffic demand. Further, the layout results in intermixing of domestic and international departing passengers between the check-in and security screening areas, leading to passenger congestion and operational inefficiencies. The existing terminal also lacks sufficient space for addition of domestic and international security screening lanes in line with future requirements. In addition, seating capacity within the Security Hold Areas (SHA) and bus gate lounges is limited relative to projected passenger volumes, while the absence of a dedicated international arrival bus gate arrangement further constrains passenger flow and terminal operations.

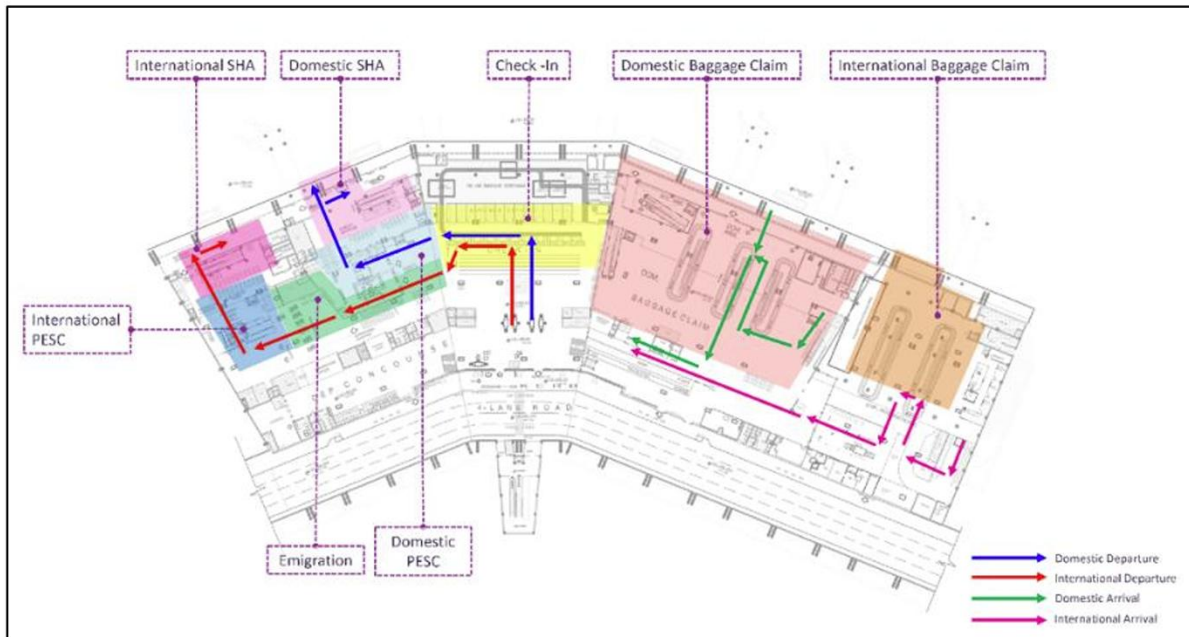


Figure 12: Issues in existing upper ground floor of the Terminal

5.3.153 The Authority, through its Independent Consultant, further notes that the existing first-floor configuration is constrained in accommodating future passenger growth. The Independent Consultant has observed that seating capacity within the domestic and international departure SHAs is inadequate relative to current and projected traffic demand. Further, the common corridor used by arriving and departing passengers restricts terminal processing capacity, affects effective utilization of boarding gates, and results in congestion within the departure SHA, particularly during peak periods. The Authority also notes that the existing layout does not provide adequate space for augmentation of immigration counters to meet current and future operational requirements. These constraints collectively necessitate reconfiguration and expansion of the terminal building to improve passenger flow, processing efficiency and overall operational performance of the terminal building.

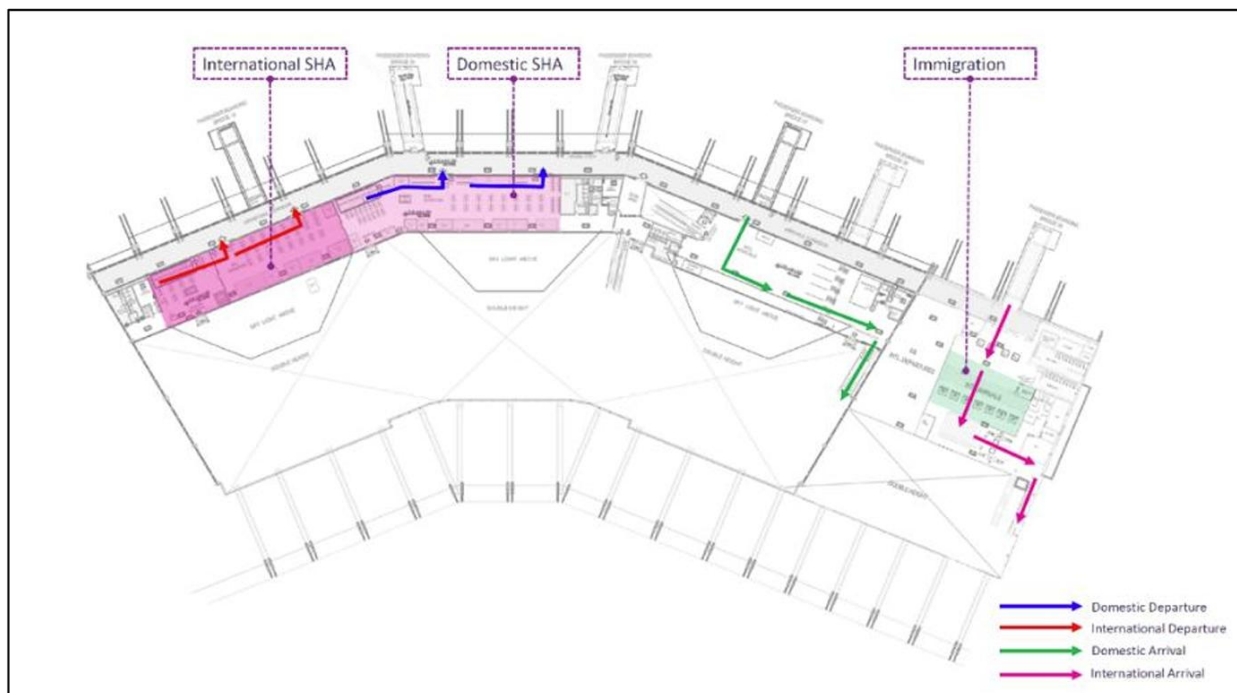


Figure 13: Issues on the existing first floor of the Terminal

5.3.154 The Authority, through its Independent Consultant, notes that the proposed modifications will improve the capacity and functionality of key passenger processing areas and address existing constraints relating to check-in, security screening and immigration processing.

Table 207: Existing vs Proposed Passenger Processing Facilities in the Terminal Building as per MgIAL

Facility	Existing	Proposed
Check-in Counters	22	31 + 7 Provision
Self-Bag Drop	Nil	4 + 4 Provision
Emigration Counters	12	20
Immigration Counters	14	36
Security Screening	Existing configuration	Additional ATRS-based screening facilities

5.3.155 The Authority notes that the proposed Upper Ground Floor modifications focus on improving passenger processing infrastructure within the existing terminal footprint. The reconfiguration includes augmentation of check-in and security screening facilities, provision for self-bag drop systems, and rationalization of passenger circulation areas to address congestion observed under the current arrangement. The proposed changes are intended to support projected traffic growth and improve overall terminal operations areas to address congestion observed under the current operations

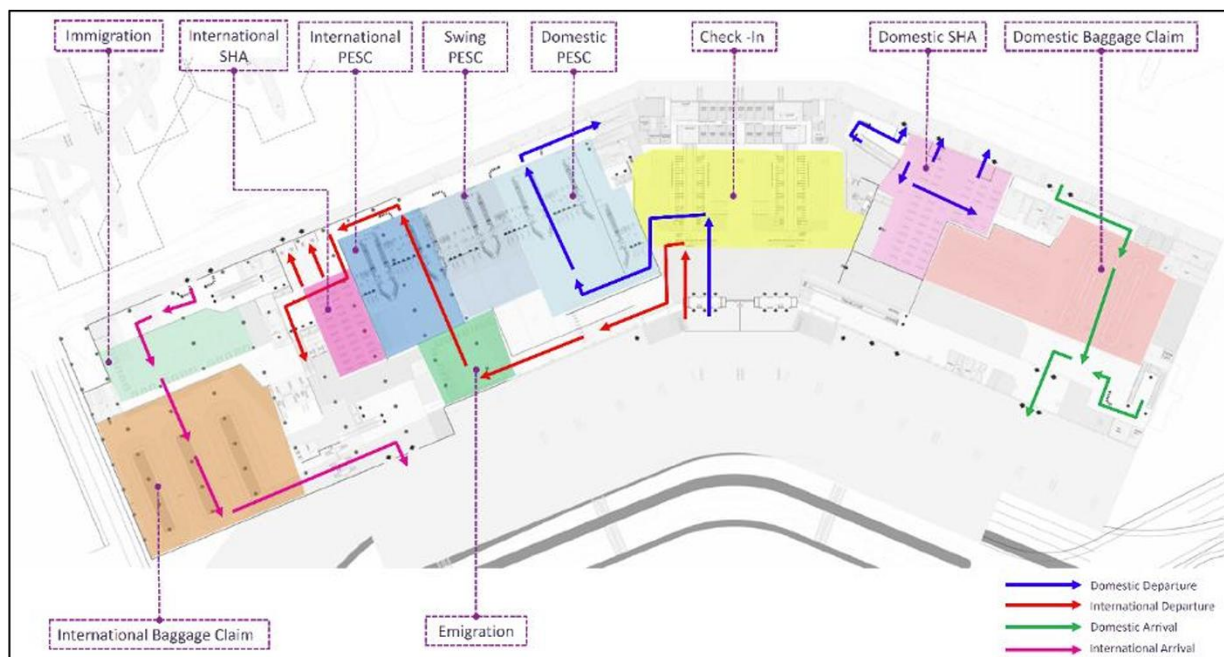


Figure 14: Proposed Upper Ground Floor Plan

5.3.156 The Authority notes that the proposed First Floor modifications are aimed at addressing space constraints within the departure areas and improving passenger circulation. The reconfigured layout provides for augmentation of passenger holding and waiting facilities, optimization of available terminal space, and improved segregation of passenger flows where required. The proposed changes are expected to enhance the level of service offered to passengers and provide adequate capacity to accommodate projected traffic growth over the planning horizon.

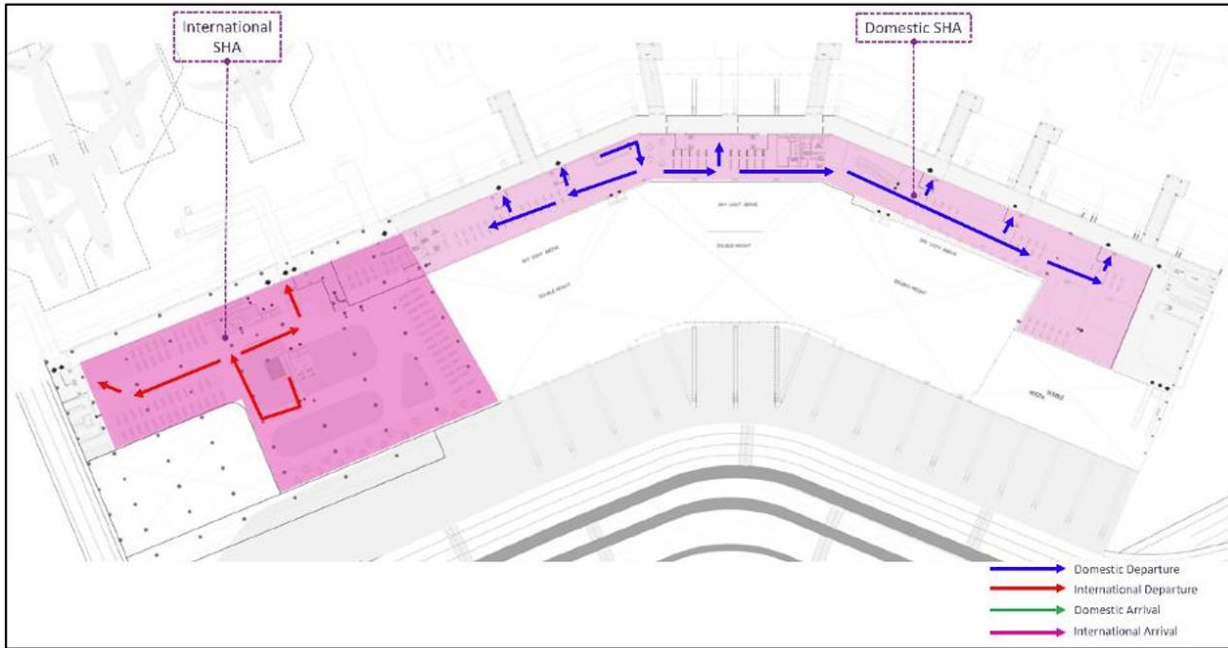


Figure 15: Proposed First Floor Plan

5.3.157 The Authority, through its Independent Consultant, notes that MGIAL has proposed a capital expenditure of ₹ 260.65 Crores towards Terminal Building Modification during the Second Control Period. Based on the assessment undertaken, the airport operator has not submitted a detailed phasing plan for implementation of the proposed works. Further, no adequate clarification has been provided regarding the sequencing and corresponding expenditure phasing. Accordingly, the timing and extent of expenditure incurrence remain uncertain at this stage.

5.3.158 Accordingly, the Authority proposes to consider Terminal Building Modification on actual incurrence basis, subject to submission of detailed project phasing, justification of scope, and assessment of reasonability of rates and efficiency.

B2. Terminal Building Expansion Works

5.3.159 The Authority notes that MGIAL has proposed a capital expenditure of ₹ 446.02 Crores towards Expansion Works under the Terminal Building modification and expansion works project. The Independent Consultant has examined the traffic requirement, terminal capacity utilization and cost reasonableness of the proposed expansion. The Independent Consultant noted that, as per IMG/IATA planning norms, terminal building capacity is generally assessed based on peak hour passenger demand, with indicative planning norms of approximately 25 sqm per domestic peak hour passenger and 35 sqm per international peak hour passenger.

5.3.160 Based on the traffic projections derived by Authority, through its Independent Consultant (Refer Table 184), terminal capacity utilization is expected to reach approximately 87.7% in FY 2031 and 98.28% in FY 2032, with the existing terminal expected to face capacity constraints from FY 2033 onwards. The Independent Consultant further noted that, as per IMG planning guidelines, terminal infrastructure at smaller airports (<5 MPPA) is generally planned considering a 10-year horizon from the planning year. Accordingly, the Independent Consultant considers the requirement for terminal expansion to be justified from both capacity and long-term planning perspectives.

5.3.161 The Authority notes that the MGIAL has proposed the capitalization of the project by March 2029. The Independent Consultant further conducted the site visit and subsequent discussions with MGIAL to further assess the project capitalization timeline. The Authority through its Independent Consultant noted that the project is presently under tendering and the commencement of the project is tentatively

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD scheduled in February 2027. Accordingly, the Authority through its Independent Consultant proposes the capitalization to February 2030 as against March 2029 submitted by Airport Operator.

5.3.162 In the Order No.07/2016-2017 dated 13th June 2016 on “In the matter of Normative Approach to Building blocks in Economic Regulations of Major Airports - Capital costs Regarding” the ceiling cost mentioned is inclusive of taxes applicable at that time i.e. 12%. Subsequently, GST had been introduced wherein the GST rate is 18%. Hence, the adjusted inflation normative cost was worked out below by considering the additional 6% resulting in a total GST rate of 18%. The Authority, in this regard noted that the proposed normative cost of 1,00,000 per sqm is inclusive of GST, Accordingly, the Authority first arrived at normative cost excluding of GST and then applied 18% GST which came to 1,05,357 per sqm, the amount so arrived is indexed with inflation to arrive normative rates for following years. The adjusted normative inflation costs, thus derived, are presented in the table below:

Table 208: Inflation Adjusted Normative Rates computed for the Terminal Building by the Authority

Financial Year	Inflation Rate	Inflation adjusted normative cost @ 18% GST (in ₹ per sqm)
FY 2021	1.31%	1,05,357
FY 2022	7.14%	1,12,879
FY 2023	9.41%	1,23,501
FY 2024	-0.70%	1,22,637
FY 2025	2.30%	1,25,458
FY 2026	0.40%	1,25,959

5.3.163 For assessment of cost reasonableness, the Independent Consultant reviewed the proposed built-up area of 27,115 sqm and benchmarked the unit rate proposed by MgIAL against comparable airport terminal expansion projects. The Independent Consultant noted that MgIAL has proposed a unit rate of ₹ 1,64,492 per sqm, whereas the benchmark rate derived from the terminal expansion project at Guwahati Airport was ₹ 1,25,959 per sqm. In addition, an adjustment of 5% has been considered to account for the site-specific challenges associated with the tabletop and hilly terrain conditions at Mangaluru Airport.

5.3.164 Based on the above assessment, the Independent Consultant has estimated the cost of the proposed Terminal Building Expansion Works at ₹ 358.62 Crores, as per the following:

Table 209: Cost Assessment for Terminal Building Expansion Works

Particulars	Value
Proposed Built-up Area for Terminal Building Expansion Works per sqm by MgIAL	27,115 sqm
Proposed Terminal Building Expansion Works cost per sqm by MgIAL	₹1,64,492 per sqm
Cost for Terminal Building Expansion Works per sqm as per normative	₹1,25,959 per sqm
Mangaluru specific allowance to account for site-specific construction challenges arising from the hilly terrain and topographical conditions	5%
Cost proposed to be considered by the Authority for Terminal Building Expansion Works	₹358.62 crores

5.3.165 Accordingly, the Authority proposes to consider ₹ 358.62 Crores towards Terminal Building Expansion Works against the cost of ₹ 446.02 Crores submitted by MgIAL.

C. Kerbside Improvement Works

C1. At-Grade Road:

5.3.166 The Authority notes that MgIAL has proposed Kerbside Improvement Works comprising reconfiguration of the existing Kerbside circulation system and development of new at-grade roads over an area of approximately 17,942 sqm. MgIAL has submitted that the existing passenger alighting point is located only 6 meters from the terminal building, which is not in compliance with the applicable BCAS safety requirement of 30 meters. Accordingly, MgIAL has proposed reconfiguration of the Kerbside layout and associated road infrastructure to ensure regulatory compliance, enhance passenger

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safety, improve vehicular circulation and support future terminal expansion and traffic growth.

- 5.3.167 The Authority, through its Independent Consultant, has examined the operational requirement, regulatory justification and cost reasonableness of the proposed Kerbside Improvement Works. The Independent Consultant has noted that the existing Kerbside arrangement does not meet the prescribed setback requirements and that the proposed intervention is intended to address the identified compliance gap while improving traffic management within the terminal precinct.
- 5.3.168 For verification of the proposal, the Independent Consultant reviewed the supporting documentation submitted by MgIAL demonstrating the applicable 30-metre safety requirement, undertook site visits to assess the existing Kerbside configuration and verified the current separation distance between the passenger drop-off zone and terminal building.
- 5.3.169 The Authority notes that the MgIAL has proposed the capitalization of the project by March 2029. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to further assess the project capitalization timeline. The Authority through its Independent Consultant noted that the project is presently under tendering and the commencement of the project is tentatively scheduled in February 2027. Accordingly, the Authority through its Independent Consultant proposes the capitalization to August 2029 as against March 2029 submitted by Airport Operator.

Table 210: Existing and Proposed Kerbside Configuration

Particulars	Value
Existing Distance from Terminal Building	6 m
BCAS Requirement	30 m
Compliance Gap	24 m
Proposed At-Grade Road Area	17,942 sqm

- 5.3.170 For assessment of cost reasonableness, the Independent Consultant reviewed the quantities and rates considered by MgIAL and benchmarked the same against applicable government schedule rates. Additionally, the Independent Consultant considered a 5% allowance to account for the tabletop terrain, hilly topography and site-specific constraints associated with Mangaluru Airport (Refer 5.3.11).
- 5.3.171 The Authority, through its Independent Consultant, notes that the proposed development is primarily driven by regulatory compliance requirements relating to passenger safety and terminal security. The Authority further notes that the proposed Kerbside reconfiguration forms part of the overall terminal development plan and is intended to improve vehicular circulation, reduce congestion and support future passenger traffic growth. The Authority observes from the AUCC discussions that stakeholders raised concerns regarding passenger circulation, Kerbside traffic management and operational efficiency, to which MgIAL responded that the proposed design incorporates segregation of arriving and departing passenger and vehicular movements. Accordingly, the Authority considers the proposed Kerbside reconfiguration necessary to support the planned terminal capacity enhancement and associated landside development.
- 5.3.172 The Authority notes that MgIAL has proposed a capital expenditure of ₹ 16.50 Crores towards relocation of the Kerbside Improvement Works: At-Grade Road. Based on the assessment carried out by the Independent Consultant, the Authority proposes to consider ₹ 11.90 Crores towards the project during the Second Control Period.

C2. Elevated Road & Down Ramp

- 5.3.173 The Authority notes that MgIAL has proposed Kerbside Improvement Works comprising construction of an elevated road and associated down ramp infrastructure to address existing terminal kerbside area constraints and comply with applicable BCAS safety requirements. MgIAL has submitted that the current passenger alighting point is located only 6 meters from the terminal building against the prescribed BCAS requirement of 30 meters. Accordingly, MgIAL has proposed development of an

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elevated road of approximately 7,471 sqm along with a down ramp of approximately 7,659 sqm to relocate Kerbside operations, improve passenger safety, enhance traffic circulation and support future terminal expansion and passenger growth.

- 5.3.174 The Authority, through its Independent Consultant, has examined the operational requirement, regulatory justification and cost reasonableness of the proposed Elevated Road & Down Ramp works. The Independent Consultant has noted that the proposed development forms part of the overall Kerbside reconfiguration strategy intended to address the identified compliance gap and facilitate segregation of vehicular movements in the terminal precinct.
- 5.3.175 The Independent Consultant has further observed that implementation of the proposed works would be subject to approval from the relevant security and regulatory authorities. However, considering the requirement to achieve compliance with BCAS norms and improve terminal-side traffic management, the Independent Consultant has considered the proposed intervention justified from an operational and safety perspective.
- 5.3.176 For verification of the proposal, the Independent Consultant reviewed the supporting documentation submitted by MgIAL regarding the applicable 30-metre safety requirement and undertook site visits to assess the existing Kerbside configuration and the current setback available at the terminal frontage.
- 5.3.177 The Authority notes that the MgIAL has proposed the capitalization of the project by March 2029. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to further assess the project capitalization timeline. The Authority through its Independent Consultant noted that the project is presently under tendering and the commencement of the project is tentatively scheduled in February 2027. Accordingly, the Authority through its Independent Consultant proposes the capitalization to August 2029 as against March 2029 submitted by Airport Operator.

Table 211: Existing and Proposed Kerbside Configuration

Particulars	Value
Elevated Road Area	7,471 sqm
Down Ramp Area	7,659 sqm
Total Development Area	15,130 sqm

- 5.3.178 For assessment of cost reasonableness, the Independent Consultant reviewed the quantities and rates considered by MgIAL and benchmarked the same against applicable government schedule rates. Additionally, the Independent Consultant considered a 5% allowance to account for the tabletop terrain, hilly topography and site-specific constraints associated with Mangaluru Airport (Refer 5.3.11).
- 5.3.179 The Authority, through its Independent Consultant, notes that the proposed development is primarily driven by regulatory compliance requirements relating to passenger safety and terminal security. The Authority further notes that the proposed elevated road system would improve terminal frontage circulation, facilitate segregation of vehicular traffic streams, reduce congestion and support future passenger growth associated with terminal expansion.
- 5.3.180 The Authority notes that MgIAL has proposed a capital expenditure of ₹121.69 Crores towards relocation of the Kerbside Improvement Works: Elevated Road & Down Ramp. Based on the assessment carried out by the Independent Consultant, the Authority proposes to consider ₹112.30 Crores towards the project during the Second Control Period.

D. Ancillary Building Development Works: Multi Facility Building

- 5.3.181 The Authority, through its Independent Consultant, notes that MgIAL has proposed a capital expenditure of ₹ 377.62 Crores towards the development of a Multi Facility Building. The Authority further notes that the proposed facility is intended to accommodate various administrative and support functions. However, based on the assessment of the Independent Consultant, the scale and scope of the

proposed infrastructure have not been supported with sufficient justification. Further, in the absence of detailed project plans and visibility regarding the final utilisation of the facility, the allocation of the proposed expenditure between aeronautical and non- aeronautical functions cannot be appropriately determined at this stage.

5.3.182 The Authority also observes that, at the present stage, detailed project plans, implementation timelines, and clear visibility regarding the operational need, utilisation, and phasing of the proposed facility are not available for adequate assessment of the project requirement. Accordingly, the Authority is unable to conclusively determine the necessity and appropriateness of the proposed expenditure within the tariff determination framework of the Second Control Period.

5.3.183 In view of the above, the Authority proposes not to consider the expenditure towards the Multi Facility Building during the tariff determination of the Second Control Period. The Authority reiterates that capital projects should demonstrate a clear linkage to the operational and service requirements of the Airport. Since the requirement, scale, and timing of the proposed facility are presently not determinable with reasonable certainty, the project is proposed to be deferred and may be reviewed during the next Control Period based on detailed plans, updated traffic and operational requirements, and adequate supporting justification available at that stage.

E. Utility Improvement Works: 11 kV HT Ring Main System for AGL / NAVAIDS / CNS Facilities

5.3.184 The Authority notes that MgIAL has proposed the development of a 33/11 kV, 5 MVA (N+1) electrical distribution substation along with an associated 11 kV High Tension (“HT”) Ring Main System to provide a reliable and redundant power supply to critical airport facilities, including Airfield Ground Lighting (“AGL”), Navigation Aids (“NAVAIDS”), Communication, Navigation and Surveillance (“CNS”) systems and other operational infrastructure. MgIAL has submitted that the proposed system is required to meet DGCA requirements relating to secondary power availability for critical aviation facilities and to address the increased electrical demand arising from airport expansion and operational upgrades.

5.3.185 The Authority, through its Independent Consultant, has examined the operational requirement, technical justification and cost reasonableness of the proposed HT Ring Main System. The Independent Consultant has reviewed the proposed network configuration, power redundancy requirements, planned electrical load growth and the impact of runway and airside infrastructure upgrades on the airport’s power distribution system.

5.3.186 The Independent Consultant has observed that the requirement for the proposed electrical infrastructure arises from the ongoing runway upgradation works and the anticipated change in airport operating category, which necessitate enhanced reliability and redundancy of power supply for critical operational systems. The Independent Consultant has further noted that uninterrupted power availability for AGL, NAVAIDS and CNS facilities is essential to ensure regulatory compliance and operational safety.

5.3.187 Based on its review, the Independent Consultant is of the view that the proposed HT Ring Main System is operationally justified and may be considered for implementation during the Second Control Period, subject to assessment of the reasonableness of the associated capital expenditure. For verification of the proposal, the Independent Consultant undertook site visits to assess the affected areas and reviewed supporting documentation submitted by MgIAL.

5.3.188 The Authority notes that the MgIAL has proposed the capitalization of the project by March 2028. The Independent Consultant further conducted the site visit and subsequent discussions with MgIAL to further assess the project capitalization timeline. The Authority through its Independent Consultant noted that the project is presently under tendering and the commencement of the project is tentatively scheduled in February 2027. Accordingly, the Authority through its Independent Consultant proposes

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the capitalization to February 2029 as against March 2028 submitted by Airport Operator.

5.3.189 The Authority, through its Independent Consultant, notes that MgIAL has proposed a capital expenditure of ₹ 18.51 Crores towards the development of the HT Ring Main System. The Independent Consultant has assessed the submitted cost estimates with reference to applicable and comparable benchmark costs for electrical distribution infrastructure. Based on this assessment, the Independent Consultant has evaluated the admissible cost of the proposed work at ₹ 18.48 Crores.

5.3.190 The Authority notes that the proposed HT Ring Main System is essential for ensuring power redundancy, operational resilience and regulatory compliance for critical airport systems. Accordingly, the Authority proposes to consider ₹ 18.48 Crores towards the development of the 11 kV HT Ring Main System for AGL, NAVAIDS and CNS facilities during the Second Control Period, against the cost of ₹ 18.51 Crores submitted by MgIAL.

F. Sustaining / Minor Capex Works

5.3.191 Based on the assessment undertaken, the Independent Consultant adopted a structured prudence review approach to evaluate the admissibility of the proposed expenditure. The assessment was undertaken in the following manner:

- i. Necessity Assessment: Each item was reviewed to determine whether it was essential from the perspective of airport operations, safety, security and regulatory compliance. Only those items considered necessary for efficient airport functioning were taken forward for detailed assessment.
- ii. Benchmark and Cost Reasonableness Assessment: For items where relevant benchmark references and supporting procurement documentation were available, the Independent Consultant assessed the reasonableness of the proposed cost with reference to comparable airport projects and other available benchmark sources. The expenditure considered reasonable based on such benchmarking was proposed for inclusion.
- iii. Items Supported by Procurement Documentation but without Benchmark References: For items where benchmark references were not available but supporting procurement records and cost substantiation were provided, the Independent Consultant undertook a prudence review and recommended consideration of the expenditure after appropriate rationalization, particularly for safety, security, and regulatory compliance related items.
- iv. Items with Limited Cost Substantiation: For items where neither benchmark references nor adequate cost substantiation were available, the Independent Consultant adopted a conservative approach and recommended consideration of the expenditure after suitable rationalization.

5.3.192 Accordingly, the Authority classified the 104 minor capex items into the following categories:

- i. Items assessed through benchmarking and detailed cost review;
- ii. Items supported by adequate technical justification and documentation and considered in full;
- iii. Safety, security, and regulatory compliance related items, for which the proposed expenditure was considered after appropriate rationalization based on the nature and criticality of the asset;
- iv. Other items with limited cost substantiation, for which the proposed expenditure was considered on a prudent and conservative basis after rationalization of the associated costs; and
- v. Items not considered for inclusion in the Second Control Period.

Items assessed through benchmarking

5.3.193 The Authority, through its Independent Consultant, undertook a detailed benchmarking exercise for selected Minor Capex items where suitable benchmark references and supporting cost information were available. The outcome of the benchmarking assessment and the expenditure considered reasonable by the Authority is summarized in the table below.

Table 212: Minor Capex Item with Benchmark considered by the Authority*(₹ in Crore)*

S. No.	Capex Item	Amount Submitted by AO	Amount Considered by the Authority
1	Crash Fire Tenders (Rosenbauer)	11.21	11.21
2	Mobile Command post (MCP)	1.55	1.55
3	Binoculars	0.08	0.08
4	Centralized UPS at IXE	1.38	1.38
5	FWS (Fuel Water Separator) replacement (120 Cum-Hr, price includes supply and installation of FWS)	2.00	2.00
6	QRT (Quick Response Team) equipment	10.61	10.61
7	Access control system	5.01	4.20
8	BDDS (Bomb Detection & Disposal Squad) equipment	1.14	1.14
9	Scooter Trolley	0.15	0.15
10	RDE (Radiological Detection Equipment)	21.00	12.13
	Total	54.13	44.45

Radiological Detection Equipment (RDE)

5.3.194 The Authority notes that MgIAL has proposed procurement of Radiological Detection Equipment (RDE) at a total cost of ₹21.00 Crores. The proposed equipment is intended to enhance the airport's capability to detect radioactive materials and strengthen compliance with applicable security requirements.

5.3.195 For cost assessment, the Authority, through its Independent Consultant, benchmarked the proposed Radiological Detection Equipment (RDE) and its associated line items against relevant benchmarks. Based on the benchmarking exercise, the Independent Consultant assessed the reasonable project cost at ₹12.13 Crores.

5.3.196 The Authority observes that the cost proposed by MgIAL is significantly higher than the benchmarked cost assessed by the Independent Consultant. Accordingly, the Authority proposes to consider ₹12.13 Crores towards procurement of Radiological Detection Equipment against ₹21.00 Crores proposed by MgIAL.

Access Control System

5.3.197 The Authority notes that MgIAL has proposed development of an Access Control System at a cost of ₹5.01 Crores to enhance access management, security monitoring and control of restricted operational areas within the airport premises.

5.3.198 The Independent Consultant assessed the reasonableness of the proposed expenditure with reference to benchmark costs considered by the Authority in the tariff determination of Mumbai International Airport Limited ("MIAL"). Based on the cost assessment, the Independent Consultant assessed the reasonable project cost at ₹4.20 Crores. Accordingly, the Authority proposes to consider ₹4.20 Crores towards the Access Control System against the cost of ₹5.01 Crores submitted by MgIAL.

Items supported by technical justification and documentation

5.3.199 The Authority notes that, for the items covered under the 'Items supported by adequate technical justification and documentation and considered in full' category, MgIAL has furnished adequate supporting documentation, including technical justification, project scope, cost estimates, procurement details and implementation plans.

5.3.200 The Authority, through its Independent Consultant, has reviewed the submitted documents, assessed the operational requirement and examined the reasonableness of the proposed expenditure. Based on the assessment undertaken, the Independent Consultant has found the requirement and associated costs

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to be reasonable and appropriately supported.

5.3.201 The Authority notes that MgIAL has proposed a capital expenditure of ₹87.13 Crores under this category. The proposed expenditure is necessary for airport operations and has been adequately substantiated by MgIAL through supporting documentation and cost details. Accordingly, the Authority has not identified any requirement for cost rationalization.

5.3.202 Accordingly, the Authority proposes to consider ₹87,13 Crores towards the items covered under this category, in line with the cost submitted by MgIAL. The outcome of the assessment and the expenditure considered reasonable by the Authority is summarized in the table below.

Table 213: Minor Capex Items considered in full by the Authority

(₹ in Crore)

S. No.	Capex Item	Amount Submitted by AO	Amount Considered by the Authority
1	Strengthening of Existing Apron	22.22	22.22
2	Bituminous carpeting works in G Taxiway between G1 & G9 Taxiway at Mangaluru International Airport	10.62	10.62
3	Video Surveillance System	8.65	8.65
4	Security equipment	6.20	6.20
5	ASG (Airport Security Group) requirement	6.16	6.16
6	Refueller-16KL	3.75	3.75
7	Personal protective equipment (PPE)	2.15	2.15
8	Fleet decarbonization	2.05	2.05
9	HVAC energy saving projects	1.79	1.79
10	STP augmentation works sewage line works	1.50	1.50
11	Structural strengthening works	1.49	1.49
12	Airside DGCA compliance works / Court of Enquiry compliance such as DTGM, Obstruction lights, Frangible Signs, Civil Structures, Wind Cones, MET requirements, Visual Aids	1.44	1.44
13	Light fixture upgradation works in side terminal	1.34	1.34
14	Power supply upgradation works at fuel farm	1.20	1.20
15	Landside development (Specimen plants for terminal) (61)	0.80	0.80
16	Exit road development-design & execution	0.35	0.35
17	Pick-up Vehicle (Maintenance)	0.33	0.33
18	Valley fire hydrant accessibility civil improvement works	0.31	0.31
19	WIFI Kiosk Tech refresh	0.28	0.28
20	Fuel farm entry road development	0.19	0.19
21	Landside development (1600 tree plantation)	0.12	0.12
22	FBLB kiosk new procurement	0.08	0.08
23	Inflatable Tent	0.06	0.06
24	FBLB kiosk tech refresh	0.05	0.05
25	DAR Kit	14.00	14.00
	Total	87.13	87.13

Safety, security and regulatory compliance related items

5.3.203 The Authority notes that a number of the remaining Minor Capex items proposed by MgIAL are directly related to airport safety, security and regulatory compliance requirements. These items are intended to support the continued safe and secure operation of the airport and facilitate compliance with applicable regulatory requirements.

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5.3.204 The Authority, through its Independent Consultant, reviewed the necessity of these items and examined the supporting information submitted by MgIAL. While the Independent Consultant is of the view that the proposed items are generally required from an operational and regulatory perspective, detailed benchmark references and adequate cost substantiation were not available for all items. Accordingly, considering the requirement of such assets and the scope for cost optimization, the Authority considers it appropriate to adopt a prudent approach in assessing the admissible expenditure.

5.3.205 Accordingly, the Authority proposes to consider ₹43.90 Crores against the expenditure of ₹58.53 Crores proposed by MgIAL after appropriate rationalization of the proposed costs, resulting in a reduction of ₹14.63 Crores. The cost of actual work shall be considered during true-up, subject to reasonability and efficiency.

5.3.206 The details of safety, security and regulatory compliance related items are provided in the table below.

Table 214: Minor Capex Items with Safety, security and regulatory compliance considered by the Authority

(₹ in Crore)

S. No.	Capex Item	Amount Submitted by AO	Amount Considered by the Authority
1	PIDS (Perimeter Intrusion Detection System)	16.64	12.48
2	Boundary wall strengthening works	10.48	7.86
3	Land slide prevention works	6.86	5.15
4	Capital spares for CFT	5.01	3.75
5	Perimeter road pavement works	2.96	2.22
6	Perimeter road lighting system augmentation works	2.23	1.67
7	Upgradation of CCR UPS system	2.16	1.62
8	Augmentation of earthing and lightning arrestors	1.52	1.14
9	Airside sign board upgradation	1.43	1.07
10	Valley Hydrant Pressurized Line augmentation	1.33	0.99
11	Upgradation of PHE, FAS, FPS systems at NATS & ATC	1.14	0.86
12	Replacement of concentrina coil & barbed wires	1.00	0.75
13	Upgradation of MT section facility	0.91	0.68
14	Traffic and signages work in landside and airside	0.89	0.67
15	Capital spares for ASFT	0.86	0.64
16	Capital Spares for TRILO / New Holland Grass Mowing Machine for Airfield DGCA Compliance	0.80	0.60
17	Construction of view cutter at airside	0.76	0.57
18	Airside Stores	0.50	0.38
19	Breathing Air (BA) Compressor	0.30	0.23
20	Crash Ambulance	0.27	0.20
21	Face mask (BA)	0.10	0.08
22	Fire Extinguishers	0.10	0.08
23	Firefighting hose	0.10	0.08
24	Radar based Speed sign (2) fixed	0.10	0.07
25	SRA boxes for SHAs	0.08	0.06
	Total	58.53	43.90

Other items with limited cost substantiation

5.3.207 The Authority further notes that certain proposed Minor Capex items are not directly linked to critical safety, security or regulatory compliance requirements. In addition, limited supporting information and cost substantiation were available for these items.

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5.3.208 In view of the limited supporting documentation and considering the need to maintain prudence in capital expenditure planning, the Independent Consultant is of the opinion that there remains substantial scope for cost optimization in respect of such items. The Authority is also mindful of the need to allow only efficient expenditure while maintaining tariffs at an optimal level.

5.3.209 Accordingly, the Authority proposes to consider ₹31.21 Crores against the expenditure of ₹62.41 Crores proposed by MgIAL after appropriate rationalization of the proposed costs, resulting in a reduction of ₹31.20 Crores. The cost of actual work shall be considered during true-up, subject to reasonability and efficiency. The details of the other items are provided in the table below.

Table 215: Minor Capex Items with limited cost substantiation considered by the Authority

(₹ in Crore)

S. No.	Capex Item	Amount Submitted by AO	Amount Considered by the Authority
1	Replacement of 2 nos. of PBB	6.04	3.02
2	Upgradation of existing electrical panels in power distribution system	5.55	2.77
3	Trolleys	3.91	1.96
4	Conversion of Air-conditioning system to energy efficient system	3.78	1.89
5	Server hardware/software Tech refresh	3.74	1.87
6	Refueller-25KL - (Qty - 2)	3.60	1.80
7	Augmentation of EV charging station	2.70	1.35
8	PPS project tech refresh	2.61	1.31
9	Capital spares for RRRM	2.12	1.06
10	Replacement of outdoor electricity power distribution panel (End of Life)	1.96	0.98
11	Laptop/Desktop Tech refresh	1.76	0.88
12	BMS system upgradation	1.64	0.82
13	FIDS Tech refresh	1.63	0.82
14	Capital spares for RMS	1.50	0.75
15	Smart Electricity metering and auto billing for concessionaires	1.29	0.65
16	New bore wells / Deepening of Borewells / Piezometer / Telemetric flow meters	1.29	0.65
17	CISCO Video conferencing system tech refresh	1.27	0.64
18	Pavement strengthening works	1.19	0.60
19	Toilet Modification and upgradation works	1.18	0.59
20	New Video conferencing system procurement	1.08	0.54
21	Theme lighting	1.05	0.53
22	Highmast augmentation works at landside	1.04	0.52
23	New E-gate Procurement	0.96	0.48
24	Toilet modification at NATS	0.95	0.48
25	Robo Cleaning Machine	0.95	0.47
26	Road improvement works from crash emergency gate 3 till exit toll booth,	0.87	0.43
27	New Video WALL procurement	0.85	0.42
28	New IT Infra material cost	0.78	0.39
29	IT Infra Tech refresh	0.77	0.38
30	Street light automation	0.67	0.34
31	Video Wall Tech refresh	0.65	0.33
32	Drinking Water Sprouts	0.62	0.31

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S. No.	Capex Item	Amount Submitted by AO	Amount Considered by the Authority
33	New IT Software procurement	0.50	0.25
34	New Passive infra materials cost	0.48	0.24
35	Q Managers	0.42	0.21
36	Portable DG sets 30 KVA	0.36	0.18
37	Replacement of fuel bowser	0.26	0.13
38	Dustbin	0.14	0.07
39	Digital boards(9nos)	0.13	0.06
40	Library	0.05	0.03
41	Interactive TV Set	0.05	0.03
42	Industrial vacuum cleaner	0.02	0.01
	Total	62.41	31.20

Items not considered for inclusion in the Second Control Period.

5.3.210 The Authority notes that three items proposed by MgIAL have not been considered for inclusion in the Second Control Period for the reasons discussed below.

Thermal Imaging Camera

5.3.211 The Authority notes that MgIAL has proposed replacement of existing Thermal Imaging Cameras at an estimated cost of ₹0.18 Crores. The Authority, through its Independent Consultant, notes that Thermal Imaging Cameras typically have an operational life of approximately 8 to 10 years. The existing Thermal Imaging Cameras were last replaced in FY 2025 and based on the assessment of their age and operational requirements, are expected to remain serviceable throughout the Second Control Period. Accordingly, the Authority, through its Independent Consultant, considers that the proposed replacement may be deferred to the subsequent Control Period

5.3.212 Considering the timing of the replacement and the limited justification for replacement by Airport Operator, the Authority is of the view that the expenditure may be more appropriately considered in the subsequent Control Period based on actual requirement and expenditure incurred.

Gurupura River Water Project

5.3.213 The Authority notes that MgIAL has proposed the Gurupura River Water Project at an estimated cost of ₹11.00 Crores to augment water supply requirements at the airport.

5.3.214 The Authority, through its Independent Consultant, observes that the proposed source of water is located outside the airport boundary and that a substantial portion of the proposed infrastructure pertains to development and conveyance works beyond airport premises.

5.3.215 The Authority is of the view that expenditure relating to infrastructure outside the airport premises does not directly constitute airport aeronautical infrastructure and therefore may not be appropriately considered for tariff determination purposes.

5.3.216 Accordingly, the Authority proposes not to consider the expenditure towards the Gurupura River Water Project during the Second Control Period.

5.3.217 Based on the item-wise assessment undertaken by the Authority through the Independent Consultant, expenditure has been considered at varying levels depending on the availability of benchmark references, supporting documentation, cost substantiation and the nature of the requirement. The cumulative expenditure proposed by MgIAL and the amount proposed to be considered by the Authority under Minor Capex Works are summarized in the table below.

Table 216: Summary of Minor Capex items proposed to be considered by the Authority

(₹ in Crore)

S. No.	Capex Item	Amount Submitted by AO	Amount Considered by the Authority
1	Crash Fire Tenders (Rosenbauer)	11.21	11.21
2	Personal protective equipment (PPE)	2.15	2.15
3	Mobile Command post (MCP)	1.55	1.55
4	Breathing Air (BA) Compressor	0.30	0.23
5	Crash Ambulance	0.27	0.20
6	Thermal Imaging Camera	0.18	0.00
7	Fire Extinguishers	0.10	0.08
8	Firefighting hose	0.10	0.08
9	Face mask (BA)	0.10	0.08
10	Binoculars	0.08	0.08
11	Inflatable Tent	0.06	0.06
12	Library	0.05	0.03
13	Industrial vacuum cleaner	0.02	0.01
14	DAR kit	14.00	14.00
15	Airside Stores	0.50	0.38
16	Radar based Speed sign (2) fixed	0.10	0.07
17	Bituminous carpeting works in G Taxiway between G1 & G9 Taxiway at Mangaluru International Airport	10.62	10.62
18	Boundary wall strengthening works	10.48	7.86
19	Land slide prevention works	6.86	5.15
20	Upgradation of existing electrical panels in power distribution system	5.55	2.77
21	Capital spares for CFT	5.01	3.75
22	Replacement of 2 nos. of PBB	6.04	3.02
23	Conversion of Air-conditioning system to energy efficient system	3.78	1.89
24	HVAC energy saving projects	1.79	1.79
25	Perimeter road pavement works	2.96	2.22
26	Airside DGCA compliance works / Court of Enquiry compliance such as DTGM, Obstruction lights, Frangible Signs, Civil Structures, Wind Cones, MET requirements, Visual Aids	1.44	1.44
27	Augmentation of EV charging station	2.70	1.35
28	Perimeter road lighting system augmentation works	2.23	1.67
29	Upgradation of CCR UPS system	2.16	1.62
30	Capital spares for RRRM	2.12	1.06
31	Replacement of outdoor electricity power distribution panel (End of Life)	1.96	0.98
32	Centralized UPS at IXE	1.38	1.38
33	BMS system upgradation	1.64	0.82
34	Augmentation of earthing and lightening arrestors	1.52	1.14
35	STP augmentation works sewage line works	1.50	1.50
36	Capital spares for RMS	1.50	0.75
37	Structural strengthening works	1.49	1.49
38	Valley Hydrant Pressurized Line augmentation	1.33	0.99
39	Airside sign board upgradation	1.43	1.07
40	Light fixture upgradation works in side terminal	1.34	1.34

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S. No.	Capex Item	Amount Submitted by AO	Amount Considered by the Authority
41	Smart Electricity metering and auto billing for concessionaires	1.29	0.65
42	Power supply upgradation works at fuel farm	1.20	1.20
43	Pavement strengthening works	1.19	0.60
44	Toilet Modification and upgradation work	1.18	0.59
45	New bore wells / Deepening of Borewells / Piezometer / Telemetric flow meters	1.29	0.65
46	Upgradation of PHE, FAS, FPS systems at NATS & ATC	1.14	0.86
47	Highmast augmentation works at landside	1.04	0.52
48	Valley fire hydrant accessibility civil improvement works	0.31	0.31
49	Theme lighting	1.05	0.53
50	Replacement of concentrina coil & barbed wires	1.00	0.75
51	Upgradation of MT section facility	0.91	0.68
52	Toilet modification at NATS	0.95	0.48
53	Road improvement works from crash emergency gate 3 till exit toll booth,	0.87	0.43
54	Traffic and signages work in landside and airside	0.89	0.67
55	Capital spares for ASFT	0.86	0.64
56	Capital Spares for TRILO / New Holland Grass Mowing Machine for Airfield DGCA Compliance	0.80	0.60
57	Construction of view cutter at airside	0.76	0.57
58	Street light automation	0.67	0.34
59	Drinking Water Sprouts	0.62	0.31
60	Replacement of fuel bowser	0.26	0.13
61	Portable DG sets 30 KVA	0.36	0.18
62	Gurupura river water project	11.00	0.00
63	Strengthening of Existing Apron	22.22	22.22
64	Fleet decarbonization	2.05	2.05
65	Refueller-16KL	3.75	3.75
66	Refueller-25KL - (Qty - 2)	3.60	1.80
67	FWS (Fuel Water Separator) replacement (120 Cum-Hr, price includes supply and installation of FWS)	2.00	2.00
68	Pick-up Vehicle (Maintenance)	0.33	0.33
69	Landside development (Specimen plants for terminal) (61)	0.80	0.80
70	Exit road development-design & execution	0.35	0.35
71	Fuel farm entry road development	0.19	0.19
72	Landside development (1600 tree plantation)	0.12	0.12
73	Server hardware/software Tech refresh	3.74	1.87
74	PPS project tech refresh	2.61	1.31
75	Laptop/Desktop Tech refresh	1.76	0.88
76	New E-gate Procurement	0.96	0.48
77	New Video conferencing system procurement	1.08	0.54
78	Video Wall Tech refresh	0.65	0.33
79	FIDS Tech refresh	1.63	0.82
80	IT Infra Tech refresh	0.77	0.38
81	New IT Infra material cost	0.78	0.39
82	CISCO Video conferencing system tech refresh	1.27	0.64

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S. No.	Capex Item	Amount Submitted by AO	Amount Considered by the Authority
83	New Video WALL procurement	0.85	0.42
84	New Passive infra materials cost	0.48	0.24
85	WIFI Kiosk Tech refresh	0.28	0.28
86	New IT Software procurement	0.50	0.25
87	FBLB kiosk tech refresh	0.05	0.05
88	FBLB kiosk new procurement	0.08	0.08
89	RDE (Radiological Detection Equipment)	21.00	12.13
90	PIDS (Perimeter Intrusion Detection System)	16.64	12.48
91	QRT (Quick Response Team) equipment	10.61	10.61
92	Video Surveillance System	8.65	8.65
93	Security equipment	6.20	6.20
94	ASG (Airport Security Group) requirement	6.16	6.16
95	Access control system	5.01	4.20
96	BDDS (Bomb Detection & Disposal Squad) equipment	1.14	1.14
97	Trolleys	3.91	1.96
98	Robo Cleaning Machine	0.95	0.47
99	Q Managers	0.42	0.21
100	Dustbin	0.14	0.07
101	Scooter Trolley	0.15	0.15
102	Digital boards (9nos)	0.13	0.06
103	SRA boxes for SHAs	0.08	0.06
104	Interactive TV Set	0.05	0.03
	Total	273.38	206.69

5.3.218 The Authority's assessment of the individual hard cost Capex proposed by MglAL for the Second Control Period has been discussed in the preceding sections. The summary of hard cost components proposed to be considered by the Authority is provided in the table below.

Table 217: Summary of Capital Expenditure (Hard Cost) and Capitalisation Timeline proposed to be considered by the Authority

(₹ in Crore)

S No.	Capex Item	Amount Submitted by AO	Capitalisation Timeline Submitted by AO Capitalisation	Amount Considered by the Authority	Capitalisation Timeline Considered by the Authority
1	Precision approach lighting	84.94	March 2027	84.94	July 2026
2	Precision approach lighting for RWY 24 (Upgradation of CAT-I to CAT-III)	1.66	March 2030	-	
3	Widening of basic strips (South of RWY 06-24)	264.65	September 2030	-	
4	Recarpeting of Runway 06-24	47.82	March 2030	-	
5	EMAS (Engineered Materials Arrestor System)	113.65	March 2029	113.65	March 2031
6	Taxiway E1, E3 and E4	25.77	June 2026	25.77	December 2026
7	Geo-technical Strengthening and Re-Construction of Parallel Taxi Track	438.58	November 2028	423.23	November 2028
8	Isolated Aircraft Parking Position	42.43	March 2027	37.74	March 2027
9	Storm Water Drainage and Associated Grading Works:	305.10	March 2031	-	

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S No.	Capex Item	Amount Submitted by AO	Capitalisation Timeline Submitted by AO Capitalisation	Amount Considered by the Authority	Capitalisation Timeline Considered by the Authority
10	Secondary CCR	46.25	February 2027	42.39	December 2028
11	Emergency RWY access road:	22.70	December 2027	17.28	December 2027
12	Geo-Hazard Risk mitigation measures	47.81	December 2030	-	
13	Extension of Apron	12.06	May 2028	11.74	October 2028
14	Relocation of Bomb Cooling Pit	1.35	March 2027	0.77	March 2027
15	Apron Control Building	11.67	March 2028	10.67	March 2028
16	Relocation of Glide Path	2.83	September 2029	2.23	September 2029
	Terminal Building modification and expansion works:	706.67			
17	Terminal Building Modification	260.65	March 2029	-	
18	Terminal Building Expansion works	446.02	March 2029	358.62	February 2030
	Kerbside Improvement Works 200m x 14m	138.19			
19	At grade Road:	16.50	March 2029	11.90	August 2029
20	Elevated Road & Down Ramp	121.69	March 2029	112.30	August 2029
21	Multi facility building - 54,000 Sqm + Skywalk 7,582 Sqm	377.62	December 2028	-	
22	11 KV HT Ring Main System project for AGL/NAVAIDS/ CNS Facilities	18.51	March 2028	18.48	February 2029
23	Sustaining / Minor Capex	273.38		206.69	
	Total	2983.62		1478.41	

Asset Allocation for the Second Control Period

MgIAL's submission on asset allocation for the Second Control Period

5.3.219 MgIAL has considered the following regarding its basis of allocation of assets between aeronautical and non-aeronautical ratio:

- Assets capitalized over FY 2027 to FY 2031 have been reviewed and were classified as Aeronautical or Common assets.
- Common assets pertaining to the Terminal during the Second Control Period have been allocated between Aeronautical and Non-Aeronautical categories based on MgIAL's commercial area allocation report titled “*Allocation Study of Commercial Area in Mangalore Airport for Financial Reporting Purpose*”, which identifies and classifies the commercial areas within the terminal. The Authority notes that the report was originally prepared for the First Control Period and has been relied upon by MgIAL for asset allocation during the Second Control Period. Based on the said report, MgIAL has applied a Terminal Building Ratio (TBR) of **96.02%** for the Second Control Period. (For Details – Refer Table 22)
- The basis for classification of assets or project categories as per MgIAL is provided in the table below:

Table 218: Asset / Project Category wise allocation ratio as per MgIAL for the Second Control Period

S No.	Asset/Project Category	Basis of Allocation
1	Airside Projects	Considered fully Aeronautical (100%)
2	Terminal Building modification and expansion works	Allocated based on the Terminal Building Ratio of 96.02%
3	Kerbside Improvement Works	Allocated based on the Terminal Building Ratio of 96.02%

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S No.	Asset/Project Category	Basis of Allocation
4	Ancillary Building Development Works	Allocated based on the Terminal Building Ratio of 96.02%
5	Utility Improvement Works	Allocated based on the Terminal Building Ratio of 96.02%
6	Minor Capex	Assets associated with Security, Safety and other minor and sustaining capex for Airside have been considered fully Aeronautical (100%) while assets related to IT Infrastructure, Signages, etc. have been allocated based on the Terminal Building Ratio of 96.02%

5.3.220 The project-wise aeronautical allocation for hard cost as submitted by MgIAL is provided in the table below:

Table 219: Aeronautical Capex as per MgIAL for the Second Control Period

(₹ in Crore)

Particulars	Classification	Total Capex (Hard Cost)	Aeronautical Capex (Hard Cost)
Airside Projects		-	-
Precision approach lighting	Aeronautical	84.94	84.94
Precision approach lighting for RWY 24 (Upgradation of CAT-I to CAT-III)	Aeronautical	1.66	1.66
Widening of runway strip (south of RWY 06-24)	Aeronautical	264.65	264.65
Recarpeting of runway	Aeronautical	47.82	47.82
EMAS (Engineered Materials Arrestor System)	Aeronautical	113.65	113.65
Taxiways E1, E3 and E4	Aeronautical	25.77	25.77
Geo-technical strengthening & reconstruction of parallel taxi track	Aeronautical	438.58	438.58
Isolated Aircraft Parking Position (IAPP)	Aeronautical	42.43	42.43
Storm water drainage & grading works	Aeronautical	305.10	305.1
Secondary CCR	Aeronautical	46.25	46.25
Emergency runway access road	Aeronautical	22.70	22.7
Geo-hazard risk mitigation measures	Aeronautical	47.81	47.81
Extension of apron	Aeronautical	12.06	12.06
Relocation of bomb cooling pit	Aeronautical	1.35	1.35
Apron control building	Aeronautical	11.67	11.67
Relocation of glide path	Aeronautical	2.83	2.83
Terminal Building modification and expansion works:		-	-
Terminal Building Modification	Common*	260.65	250.28
Terminal Building Expansion works	Common*	446.02	428.27
Kerbside Improvement Works 200m x 14m		-	-
At grade Road:	Common*	16.50	15.84
Elevated Road & Down Ramp	Common*	121.69	116.85
Multi-Facility Building	Common*	377.62	362.59

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Particulars	Classification	Total Capex (Hard Cost)	Aeronautical Capex (Hard Cost)
11 KV HT Ring Main System (AGL/NAVAIDS/CNS)	Common*	18.51	17.77
Minor/Sustaining Capex	Aeronautical	181.62	181.62
Minor/Sustaining Capex	Common*	91.75	88.10
Total Hard Cost		2,983.62	2,930.58

*Used Common Ratio (TBR) of 96.02%

5.3.221 Based on the above, MgIAL has submitted total hard cost of ₹2,983.62 crore for the Second Control Period, of which ₹2,930.58 crore has been classified as aeronautical hard cost.

Authority's examination for asset allocation for the Second Control Period

5.3.222 The Authority has examined MgIAL's asset allocation methodology for the proposed Capital Expenditure for the Second Control Period and, through its Independent Consultant, reassessed the aeronautical and non-aeronautical allocation of the CAPEX assets.

5.3.223 The Authority notes that terminal building allocation ratios of 92:8 have been adopted at comparable airports such as Trichy, Varanasi, Raipur, Amritsar, and Calicut (which is a table top airport), taking into account their size, scale, and operational characteristics similar to that of Mangaluru International Airport.

5.3.224 The Authority is of the view that the Airport Operator should continue its efforts to enhance operational efficiency and maximize non-aeronautical revenue generation. Considering the IMG recommendations, IATA norms, the findings of the independent study on asset allocation, and the Authority's decision in Order No. 38/2022-23 for MgIAL for the First Control Period, the Authority proposes to adopt a Terminal Building Ratio of **92:8** (Aeronautical: Non-Aeronautical) for asset allocation during the Second Control Period. This approach is also consistent with the allocation ratios adopted for comparable airports.

5.3.225 Based on the above analysis and the projects approved by the Authority, the project-wise aeronautical allocation as proposed by Authority for hard cost is provided in the table below:

Table 220: Aeronautical Capex proposed by the Authority for the Second Control Period

(₹ in Crore)

Particulars	Classification	Total Capex (Hard Cost)	Aeronautical Capex (Hard Cost)
Airside Projects			
Precision approach lighting	Aeronautical	84.94	84.94
Precision approach lighting for RWY 24 (Upgradation of CAT-I to CAT-III)	Aeronautical	-	-
Widening of runway strip (south of RWY 06-24)	Aeronautical	-	-
Recarpeting of runway	Aeronautical	-	-
EMAS (Engineered Materials Arrestor System)	Aeronautical	113.65	113.65
Taxiways E1, E3 and E4	Aeronautical	25.77	25.77
Geo-technical strengthening & reconstruction of parallel taxi track	Aeronautical	423.23	423.23
Isolated Aircraft Parking Position (IAPP)	Aeronautical	37.74	37.74
Storm water drainage & grading works	Aeronautical	-	-
Secondary CCR	Aeronautical	42.39	42.39

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Particulars	Classification	Total Capex (Hard Cost)	Aeronautical Capex (Hard Cost)
Emergency runway access road	Aeronautical	17.28	17.28
Geo-hazard risk mitigation measures	Aeronautical	-	-
Extension of apron	Aeronautical	11.74	11.74
Relocation of bomb cooling pit	Aeronautical	0.77	0.77
Apron control building	Aeronautical	10.68	10.68
Relocation of glide path	Aeronautical	2.23	2.23
Terminal Building modification and expansion works:			
Terminal Building Modification	Common*	-	-
Terminal Building Expansion works	Common*	358.62	329.93
Kerbside Improvement Works 200m x 14m			
At grade Road:	Common*	11.90	10.95
Elevated Road & Down Ramp	Common*	112.30	103.32
Multi-Facility Building	Common*	-	-
11 KV HT Ring Main System (AGL/NAVAIDS/CNS)	Common*	18.48	17.00
Minor/Sustaining Capex	Aeronautical	146.57	146.57
Minor/Sustaining Capex	Common*	60.11	55.31
Total Hard Cost		1,478.41	1,433.49

*Used Common Ratio (TBR) of 92%

5.3.226 Based on the above, the Authority proposes to consider total hard cost of ₹1,478.41 crore for the Second Control Period, of which ₹1,433.49 crore has been classified as aeronautical hard cost.

Indexation, Soft Cost and Financing Allowance/IDC

Indexation

5.3.227 MgIAL has proposed indexation of ₹184.12 crores based on year-wise phasing of the project along with a 5% Y-o-Y escalation as per RBI forecaster survey December 2022.

5.3.228 The Authority examined the proposed CAPEX through its Independent Consultant and derived an admissible aero capex of ₹1,433.49 crore as of FY 2026, which has been considered as the base cost for assessment. Further, the Authority, through its Independent Consultant has examined the claim of MgIAL towards indexation. The Authority notes that, for projects where purchase orders have already been placed, the cost is already finalised and is deemed to be inclusive of indexation / expected price escalation up to the date of award. Accordingly, the Authority does not propose to consider separate indexation on the already awarded portion of such projects for the purpose of the present capex analysis.

5.3.229 For the unawarded and uncommitted packages, the year-wise phasing of project expenditure for each package has been reviewed. Since these packages are yet to be executed, their costs need to be projected forward to the years in which the expenditure is likely to be incurred. For this purpose, an indexation factor representing expected inflation has been applied to escalate the base costs to the respective forecast years. In this regard, MgIAL has proposed inflation-based indexation rates of 5% Y-o-Y. The Authority has examined these rates and finds them to be on a higher side. Hence, the Authority proposes to consider WPI as per the *Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 101* (Refer Table 233), for the purpose of projecting the costs of unawarded and uncommitted package.

5.3.230 Accordingly, the Authority has considered indexation only on the unawarded / uncommitted packages. Based on the above methodology, the indexation proposed to be considered by the Authority on aeronautical assets amounts to ₹54.25 Crores, as against ₹184.12 Crores claimed by MgIAL.

Soft Cost

5.3.231 MgIAL has proposed soft costs of ₹605.95 Crores, equivalent to 20% of the project cost, comprising Planning Consultancy, Project Management Consultancy (PMC), Contingency Cost, ESI & EPF and Other Technical Services like preliminary sketches, estimates, structural design as per CPWD SOP 2022 dated 13th July 2022.

5.3.232 As per the CPWD norms, MgIAL provided the following breakdown of costs considered:

- i. Planning Consultancy 4% and Project Management Consultancy 5%
- ii. Other Technical Services like Preliminary Sketches, Detailed Drawings, Preliminary Estimates, Structural Design, Execution, Audit & Account etc. is ranging between 7% to 24% depending upon size of the project
- iii. Contingency cost is 3%
- iv. ESI & EPF ranging between 0.85% to 4.2%

5.3.233 The Authority, upon review of MgIAL's submission, explanation and relevant supporting documents, has following views with respect to the soft cost proposed by MgIAL for the Second Control Period:

- i. The Authority observes that in the case of other PPP airports such as DIAL, GIAL, JIAL, 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 20% claimed by MgIAL is on the higher side and requires moderation.
- ii. The Authority also notes that certain capex items proposed by MgIAL relate to airside and operational works, including pavement works 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.
- iii. The Authority further observes that MgIAL 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.
- iv. Soft cost claimed by the MgIAL included contingencies also, which do not come as a separate line item while capitalizing the assets and is not to be claimed without any contingent activity.

5.3.234 Accordingly, considering the nature of the capex proposed by MgIAL, 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 proposes to restrict the allowable soft cost to 8% of the aeronautical capex of the projects allowed by the Authority for the Second Control Period, as against 20% claimed by MgIAL.

5.3.235 Based on the above approach, i.e. soft cost of 8%, the total soft cost proposed to be considered by the Authority on aeronautical assets amounts to ₹119.02 crore, as against ₹605.95 claimed by MgIAL.

Interest During Construction (IDC)/ Financing Allowance

5.3.236 MgIAL has proposed Financing Allowance of ₹485.22 crore for all projects relating to major CAPEX.

- 5.3.237 The Authority notes that MgIAL has claimed Financing Allowance on the average Capital Work-in-Progress (CWIP) and computed the same by considering 35% of the project funding as equity. Further, Interest During Construction (IDC) has been computed on the remaining 65% debt portion. MgIAL has computed the Financing Allowance on both debt and equity portion using average cost of debt of 12.03%.
- 5.3.238 The Authority notes that, in the case of a greenfield airport, investments in regulatory assets may require a considerable gestation period before the airport facilities are commissioned and made available for passenger use. During such period, the Airport Operator may not earn aeronautical revenues from such assets. Accordingly, Financing Allowance has been considered in case of greenfield airports, considering the relatively longer development and commissioning period and the associated delay in earning returns on substantial upfront capital investments.
- 5.3.239 However, in the case of a brownfield airport, incremental capital investments are undertaken while the existing airport continues to remain operational and the Airport Operator continues to earn revenues from users. Accordingly, the Authority has never provided financing allowance in case of brownfield airports. Further, in the case of greenfield airports such as BIAL, HIAL and CIAL, Financing Allowance was allowed during the initial stages of airport development, subsequent to which such allowance was restricted to the debt portion of the proposed capital expenditure. In the case of Mangaluru International Airport, the proposed capital projects are being undertaken alongside the existing airport operations.
- 5.3.240 The Authority further observes that Financing Allowance is a notional allowance and is distinct from the actual financing cost forming part of the capital expenditure incurred on a project, such as Interest During Construction (IDC). Allowing Financing Allowance on average CWIP, in addition to IDC on the debt-funded portion, may result in the capitalization of a notional financing cost over and above the actual project cost, particularly where the capital expenditure is funded through a combination of debt and equity. Accordingly, considering that Mangaluru International Airport is a brownfield airport, the Authority proposes not to consider the Financing Allowance claimed by MgIAL.
- 5.3.241 However, the Authority has considered IDC to be provided on the debt portion of the total value of proposed aeronautical capital expenditure based on gearing ratio as submitted by MgIAL (debt-equity ratio of 65:35) and cost of debt @ 10.20% (Refer Table 232) for the Second Control Period.
- 5.3.242 Based on the above approach, the Authority has proposed to consider IDC of ₹115.01 crore on aeronautical assets as against the Financing Allowance of ₹485.22 crore as submitted by MgIAL.

Project-wise Aeronautical Capex including Hard Cost, Indexation, Taxes, Soft Cost and IDC

- 5.3.243 MgIAL's vide email dated 07.08.2026, has provided the following details on the adjustment within the capex being capitalized:
- i. Capitalization of CWIP pertaining to the First Control Period, which was projected to be completed during the Second Control Period; and
 - ii. Exclusion of runway recarpeting works, which was treated as O&M Expenses.
- 5.3.244 Upon review, the Authority notes that the CWIP details submitted by MgIAL vide email dated 29.06.2026 do not include any assets pertaining to the First Control Period, as all such assets have already been capitalized and considered in the revised FAR. Further, as the Authority has not considered the runway recarpeting works, no adjustment on this account is required. Accordingly, neither of the above adjustments has been considered by the Authority while determining the capital expenditure to be capitalized. The Authority has also classified the eligible projects into appropriate asset categories, and the details of the capitalization considered are provided in the table below:

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE
SECOND CONTROL PERIOD

Table 221: Summary of Capitalized Aeronautical Capex Items with Indexation, Soft Cost and IDC
(₹ in Crore)

S No.	Capex Item	Asset Classification	Aero Capex Submitted by MglAL	Aero Capex Considered by the Authority
1	Precision approach lighting	Runway, Taxiway and Apron	84.94	84.94
2	Precision approach lighting for RWY 24 (Upgradation of CAT-I to CAT-III)	Runway, Taxiway and Apron	1.66	-
3	Widening of basic strips (South of RWY 06-24)	Runway, Taxiway and Apron	264.65	-
4	Recarpeting of Runway 06-24	Runway, Taxiway and Apron	47.82	-
5	EMAS (Engineered Materials Arrestor System)	Runway, Taxiway and Apron	113.65	113.65
6	Taxiway E1, E3 and E4	Runway, Taxiway and Apron	25.77	25.77
7	Geo-technical Strengthening and Re-Construction of Parallel Taxi Track	Runway, Taxiway and Apron	438.58	423.23
8	Isolated Aircraft Parking Position	Runway, Taxiway and Apron	42.43	37.74
9	Storm Water Drainage and Associated Grading Works:	Building	305.1	-
10	Secondary CCR	Runway, Taxiway and Apron	46.25	42.39
11	Emergency RWY access road:	Runway, Taxiway and Apron	22.7	17.28
12	Geo-Hazard Risk mitigation measures	Runway, Taxiway and Apron	47.81	-
13	Extension of Apron	Runway, Taxiway and Apron	12.06	11.74
14	Relocation of Bomb Cooling Pit	Building	1.35	0.77
15	Apron Control Building	Runway, Taxiway and Apron	11.67	10.68
16	Relocation of Glide Path	Runway, Taxiway and Apron	2.83	2.23
17	Terminal Modification	Building	250.28	-
18	Terminal Building Expansion works	Building	428.27	329.93
19	At grade Road:	Access Road	15.84	10.95
20	Elevated Road & Down Ramp	Access Road	116.85	103.32
21	Multi facility building - 54,000 Sqm + Skywalk 7,582 Sqm	Building	362.59	-
22	11 KV HT Ring Main System project for AGL/NAVAIDS/ CNS Facilities	Plant and Machinery	17.77	17.00
23	Sustaining / Minor Capex	Building	63.53	43.45
24	Sustaining / Minor Capex	Plant and Machinery	149.33	115.31
25	Sustaining / Minor Capex	Runway, Taxiway and Apron	15.02	14.28
26	Sustaining / Minor Capex	IT Equipment	30.14	20.23
27	Sustaining / Minor Capex	Vehicles	7.95	6.08
28	Sustaining / Minor Capex	Access Road	1.37	0.92
29	Sustaining / Minor Capex	Furniture & Fixtures	1.43	0.91
30	Sustaining / Minor Capex	Boundary Wall	0.96	0.69
31	Total Aeronautical Hard Cost		2,930.58	1,433.49
32	Indexation		184.12	54.25
33	Soft Cost		605.95	119.02

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

S No.	Capex Item	Asset Classification	Aero Capex Submitted by MgIAL	Aero Capex Considered by the Authority
34	Financing Allowance/IDC		485.22	115.01
35	Total Aeronautical Capex		4,205.87	1,721.77
36	Add: CWIP of First Control Period		152.31	-
37	Less: Runway Recarpeting considered as O&M Expenses		(57.38)*	-
38	Total Capex Capitalized		4,300.80	1,721.77

(* The value of Runway Recarpeting differs from S.No. 4 as it includes Indexation, Soft Cost and Financing Allowance which is not considered in the hard cost)

5.3.245 The Authority has proposed the Terminal Building Expansion Works under the Incremental ARR approach based on the user-pay principle (Refer para 12.7.1). For this purpose, the Authority has considered a total capital cost of ₹ 414.75 crore (comprising Hard Cost of ₹329.93 crore, Indexation of ₹ 24.40 crore, Soft Cost of ₹ 28.35 crore, and IDC of ₹ 32.08 crore) as against the total cost of ₹ 616.45 crore submitted by MgIAL (comprising Hard Cost of ₹428.27 crore, Indexation of ₹ 23.88 crore, Soft Cost of ₹ 90.43 crore, and IDC of ₹ 73.88 crore).

5.3.246 The Aeronautical capex schedule considered by the Authority for the Second Control Period based on the Asset Categories defined is provided in the table below:

Table 222: Aeronautical Capex additions proposed by the Authority for the Second Control Period based on asset categories

<i>(₹ in Crore)</i>						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Building	3.56	29.97	5.17	422.29	4.03	465.02
Access Road	0.56	0.45	-	142.52	-	143.52
Boundary wall	-	-	-	-	0.85	0.85
Plant and Machinery	42.03	20.52	45.82	24.06	20.06	152.48
Furniture & fixtures	0.06	0.08	0.82	0.04	0.05	1.05
IT equipment	6.08	4.34	2.06	7.73	2.31	22.52
Vehicles	0.36	4.01	1.45	-	1.12	6.94
Runway, Taxiway and Apron	188.24	33.41	557.91	149.25	0.58	929.38
Grand Total	240.88	92.77	613.22	745.89	29.01	1,721.77

5.3.247 The Authority proposes to reduce 1% of the uncanceled 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 MgIAL 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 MgIAL and is also encouragement for MgIAL to commission/ capitalize the proposed assets as per the approved CAPEX plan/schedule.

5.3.248 The Authority further notes that MgIAL has not submitted an updated Gross Fixed Asset Ratio (GFAR) based on the proportion of aeronautical assets to the total gross block of assets. Accordingly, based on its assessment of Capital Expenditure, IDC, Soft Costs, and the applicable allocation ratios, the Authority has determined the aeronautical asset base for the Second Control Period. The GFAR proposed by the Authority for the Second Control Period is presented in the table below:

Table 223: Gross Fixed Asset Ratio proposed by the Authority for Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31
Total Gross Block of Assets	1,188.16	1,282.19	1,898.06	2,693.68	2,723.49
Total Gross Aeronautical Block of Assets	1,162.99	1,255.76	1,868.98	2,614.88	2,643.89
Gross Fixed Asset Ratio (GFAR)	97.88%	97.94%	98.47%	97.07%	97.08%
Average Gross Fixed Asset Ratio (GFAR)	97.69%				

Depreciation for the Second Control Period

5.4 MgIAL's submission regarding Depreciation for the Second Control Period

5.4.1 For the assets proposed to be capitalized during the Second Control Period, MgIAL has submitted that the depreciation has been commutated based on the applicable useful life as prescribed under AERA Order No. 35/2017-18 dated 12th January 2018. MgIAL has followed a straight line depreciation method and have considered the following:

- i. **Existing Assets:** Depreciation has been considered for the entire year.
- ii. **New Asset Addition:** For assets capitalized during the year, MgIAL has considered depreciation for a half year.

5.4.2 The depreciation submitted by MgIAL for the Second Control Period is provided in the table below:

Table 224: Aeronautical Depreciation submitted by MgIAL for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Depreciation	62.55	75.17	128.27	180.15	197.34	643.48

5.5 Authority's Examination regarding Depreciation for the Second Control Period

5.5.1 The Authority examined the useful life of various asset categories in conjunction with Amendment No. 1 to AERA Order No. 35/2017-18 dated 09.04.2018 and compared the same with the useful life adopted by MgIAL for the purpose of calculating depreciation. Accordingly, the Authority has proposed the useful life of assets as set out in the table below for the purpose of calculating depreciation for Second Control Period.

Table 225: Useful life of asset considered for depreciation by Authority for Second Control Period

Asset Category	Useful Life as per MgIAL (Years)	Useful Life Considered for True up (Years)
Buildings	30	30
Runway, Taxiway and Apron	30	30
Boundary Wall	5	5
IT equipment	3	3
Plant & Machinery	15	15
Access Road	10	10
Furniture & Fixtures	7	7
Vehicles	8	8
Office Equipment	5	5
Fuel	15	15
Software	5	5

5.5.2 Based on the above analysis and actual capitalization date of the projects considered by the Authority along with its aero allocation, Aeronautical depreciation has been calculated by the Authority for the Second Control Period.

5.5.3 The Authority notes that MgIAL has included Financing Allowance as part of the asset base and has

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5.5.4 The Authority has also followed a straight-line depreciation method and have considered the following:

- i. **Existing Assets:** Depreciation has been considered for the entire year.
- ii. **New Asset Addition (Major Capex):** The Authority has calculated depreciation based on the number of days the asset is available for use during the relevant financial year, in accordance with the projected capitalization dates as considered by the Authority for the Second Control Period.
- iii. **New Asset Addition (Minor Capex):** The Authority notes that MgIAL has not provided specific capitalization dates for Minor Capex and has only submitted the projected annual capital expenditure. Accordingly, depreciation has been considered on a half-year basis for such asset addition.

5.5.5 Accordingly, the Aeronautical depreciation proposed by the Authority for the Second Control Period is provided in the Table below:

Table 226: Aeronautical Depreciation Proposed by the Authority for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Depreciation	54.70	61.19	69.31	96.08	116.81	398.09

Regulatory Asset Base (RAB) for the Second Control Period

5.6 MgIAL's submission regarding Regulatory Asset Base for the Second Control Period

5.6.1 MgIAL has submitted the resultant RAB and Depreciation for the Second Control Period after considering opening RAB, additions and depreciation. The RAB and Depreciation submitted by MgIAL for the Second Control Period is shown in the table below:

Table 227: Regulatory Asset Base (RAB) submitted by MgIAL for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Opening RAB	920.07	1,268.13	1,381.37	3,822.95	3,718.87	
Add: Addition (Including Financing Allowance)	410.62	188.40	2,569.86	76.07	1,055.86	4,300.80
Less: Depreciation	(62.55)	(75.17)	(128.27)	(180.15)	(197.34)	(643.48)
Closing RAB	1,268.13	1,381.37	3,822.95	3,718.87	4,577.39	
Average RAB	1,094.10	1,324.75	2,602.16	3,770.91	4,148.13	

5.7 Authority's examination regarding Regulatory Asset Base (RAB) for the Second Control Period

5.7.1 The Authority has carefully examined the capital expenditure, asset allocation and depreciation. Considering the above, the RAB for the Second Control Period as considered by the Authority is shown below:

Table 228: Regulatory Asset Base proposed to be considered by the Authority for Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Opening RAB (A)	779.39*	965.56	997.14	1,541.05	2,190.87	

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Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Capital Additions (B) {Refer Table 222}	240.88	92.77	613.22	745.89	29.01	1,721.77
Depreciation (C) {Refer Table 226}	(54.70)	(61.19)	(69.31)	(96.08)	(116.81)	(398.09)
Closing RAB (D = A+B+C)	965.56	997.14	1,541.05	2,190.87	2,103.06	
Average RAB (E= (A+D)/2)	872.47	981.35	1,269.10	1,865.96	2,146.96	

*Refer Table 93

5.8 Authority's proposal regarding Capex, Depreciation and RAB for the Second Control Period

Based on the materials before it and its analysis, the Authority proposes the following with regards to CAPEX, depreciation, and RAB for the Second Control Period.

- 5.8.1 To consider the aeronautical additions for the Second Control Period in accordance with Table 222.
- 5.8.2 To true up the aeronautical additions based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for next control period.
- 5.8.3 To consider the aeronautical depreciation for the Second Control Period in accordance with Table 226.
- 5.8.4 To true up the depreciation based on the actual asset additions and actual date of capitalization during the tariff determination of the next Control Period.
- 5.8.5 To consider the Regulatory Asset Base for the Second Control Period in accordance with Table 228.
- 5.8.6 To True up the RAB based on actuals at the time of tariff determination for the next Control Period.
- 5.8.7 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, as mentioned in para 5.3.247. The same will be examined during true up of the Second Control Period, at the time of determination of tariff for the next Control Period.
- 5.8.8 To allow only IDC during the Second Control Period and not to allow the Financing Allowance as mentioned in para no. 5.3.241.
- 5.8.9 To consider the Terminal Building ratio of 92:8 as mentioned in para no. 5.3.224.

6. FAIR RATE OF RETURN (FROR) FOR THE SECOND CONTROL PERIOD

6.1 MgIAL's submission regarding FRoR for the Second Control Period

Cost of Equity:

- 6.1.1 MgIAL submitted a detailed Cost of Equity assessment based on Capital Asset Pricing Model (CAPM), incorporating airport-specific risk factors and taking into account the principles set out in the Hon'ble TDSAT Judgment dated 11th September 2025. MgIAL has individually assessed each of the components of CAPM separately, which include the beta, risk-free rate and the equity risk premium.
- 6.1.2 For the estimation of **Beta**, MgIAL identified a set of listed airports across the globe or airports that have regulated betas. The comparability assessment was undertaken based on factors such as the regulatory environment, operational structure, payment structure, and ownership structure. The equity betas of the selected airports were first estimated and subsequently unlevered using the Hamada equation to eliminate the impact of differing capital structures. Thereafter, the beta was re-levered using a gearing ratio of 48:52 (Debt: Equity), resulting in an estimated equity beta ranging from **1.321 to 1.329**.
- 6.1.3 For the estimation of **Risk-Free Rate**, MgIAL considered the 20-year average of daily yields on 10-year Government of India securities, resulting in a risk-free rate of **7.44%**.
- 6.1.4 For the estimation of **Equity Risk Premium (ERP)**, MgIAL considered the average of ERP estimates derived from multiple established sources to avoid potential bias associated with reliance on a single methodology. The sources considered included Prof. Damodaran's sovereign bond-based ERP estimates, Grant Thornton's historical and forward-looking ERP study of India, Incwert Valuation Chronicles, and ERPs derived from historical returns of the Nifty 50 and Sensex indices. Based on the analysis of these sources, MgIAL adopted an ERP of **6.98%**.
- 6.1.5 Using the CAPM formula and the above analysis for the estimated risk-free rate, equity beta, and equity risk premium, MgIAL computed a Base Cost of Equity (CoE) in the range of **16.67% to 16.72%** based on an assumed gearing ratio of 48:52.
- 6.1.6 MgIAL further submitted that the CAPM-derived CoE does not fully capture certain airport-specific risks and, therefore, proposed an additional alpha of 0.5% to reflect such risks. The airport-specific risks identified by MgIAL include:
- i. Terrain and operational risks arising from the airport's tabletop runway and constrained land availability;
 - ii. Growth and competitive risks due to lower historical traffic growth compared to the national average and competition from Kannur Airport; and
 - iii. Risks associated with being a relatively newer airport operator as acknowledged by the Authority in para 4.6.20 Tariff Order No 08/2021-22 for Cochin Airport for the Third Control Period that newer airport operators cannot be compared with old airport operators and would have greater risk associated in comparison to established company.
- 6.1.7 Based on the above methodology and airport-specific risk adjustment, MgIAL has considered a **Cost of Equity of 17.22%** for the Second Control Period.

Cost of Debt:

- 6.1.8 MgIAL has considered effective cost of debt i.e. **12.03%** for the Second Control Period computed based on the actual debt outstanding as of 31st March 2025 which is in line with the Hon'ble TDSAT judgement dated 11th September 2025.

- 6.1.9 As per the MYTP for Second Control Period, MgIAL has availed three debt instruments, of which two carry an interest rate of 12.00%. The Inter-Corporate Deposits (ICD) have been taken by MgIAL from Adani Airports Holdings Ltd. For the third debt instrument, Adani Airport Holdings Ltd. raised a three-year External Commercial Borrowing (ECB) from a consortium of reputed lenders, namely Standard Chartered Bank and Barclays Bank PLC, at an all-in cost of 12.10%. This debt is used to meet the operational requirements for six airports and has been again refinanced in May 2025. A portion of these funds was subsequently on-lent to Mangaluru International Airport Limited (MgIAL) at an interest rate of 12.25%. The calculation for Cost of Debt (CoD) by MgIAL for the Second Control Period is provided in the table below:

Table 229: Cost of Debt as Submitted by MgIAL for the Second Control Period*(₹ in Crore)*

Debt Instrument (FY ending 31 st March)	Interest Rate	2025
NCD	12.00%	75.00
ICD	12.00%	815.12
ICD	12.25%	134.64
Total Debt Facilities		1,024.76
Weighted Average CoD		12.03%

Gearing Ratio

- 6.1.10 MgIAL has considered a gearing ratio of 48:52, i.e., 48% debt and 52% equity, for computation of the Fair Rate of Return (FRoR) for the Second Control Period.

Calculation of FRoR for the Second Control Period

- 6.1.11 Considering the above, MgIAL has arrived at FRoR of **14.73%**, the details of which are shown in the following table:

Table 230: FRoR submitted by MgIAL for Second Control Period as per MYTP

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	17.22%	52%	8.96%
Debt	12.03%	48%	5.77%
FRoR			14.73%

6.2 Authority's Examination regarding FRoR for Second Control Period**Cost of Equity**

- 6.2.1 The Authority notes that MgIAL has proposed Cost of Equity of 17.22% for the Second Control Period.
- 6.2.2 The Authority notes that independent studies were commissioned for evaluation of cost of capital in respect of major PPP airports, namely DIAL, MIAL, GHIAL, BIAL and CIAL, through a premier institute, IIM Bangalore. The Authority proposes to consider the findings of these studies, to the extent applicable and relevant, as a benchmark for determination of the Cost of Equity for Mangaluru International Airport for the Second Control Period.
- 6.2.3 The independent study reports had drawn from the international experience of airports, and their conclusions have been evaluated to the extent comparable with Mangaluru International Airport in terms of hybrid till, ownership structure, size, scale of operations and regulatory framework. The median and average Cost of equity arrived at by the independent study reports are 15.16% and 15.18%, respectively, as shown in the table below:

Table 231: Computation of Cost of equity as per IIM Bangalore independent study reports*(in %)*

Particulars	CIAL	MIAL	BIAL	DIAL	GHIAL	Average
Risk Free Rate (a)	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%
Equity Beta (b)	0.9427	0.9391	0.9262	0.9732	0.9442	0.94508
Equity Risk Premium (c)	8.06%	8.06%	8.06%	8.06%	8.06%	8.06%
Cost of Equity (d=a+b*c)	15.16%	15.13%	15.03%	15.41%	15.17%	15.18%

- 6.2.4 The above independent study reports have used the Capital Asset Pricing Model (CAPM) and a notional gearing (Debt: Equity) ratio of 48:52 to determine the levered Equity beta and accordingly, derive the Cost of Equity.
- 6.2.5 The Authority noted that the Cost of Equity for the purpose of determination of FRoR should be fairly consistent in case of PPP airports across India, given that key inputs under the CAPM framework such as the risk-free rate and market return are derived in the Indian context and do not vary materially across airports operating under similar regulatory and economic environments. Further, the Authority noted that the averaging approach adopted in the independent study helps normalize airport-specific risks, thereby ensuring a balanced and comparable cost of equity across airports.
- 6.2.6 Based on the above reports, the Authority proposes to consider the Cost of Equity as **15.18%** for Mangaluru International Airport for the Second Control Period

Cost of Debt

- 6.2.7 The Authority notes MgIAL's submission regarding the Cost of Debt (CoD), wherein MgIAL has projected the CoD based on the weighted average borrowing cost of the loan outstanding as on 31st March 2025.
- 6.2.8 The Authority has not considered the actual Cost of Debt for the Second Control Period in view of the Hon'ble TDSAT judgement 11th September 2025 as claimed by MgIAL in the MYTP, as the Authority has challenged this decision of Hon'ble TDSAT by filing Civil Appeal in Hon'ble Supreme Court.
- 6.2.9 The Authority considers SBI MCLR plus the corresponding credit spread of MgIAL as a reasonable benchmark for assessing the Cost of Debt. Further, the Authority based on discussion with MgIAL notes that the credit rating for the MgIAL is currently not available. Thus, for the purpose of determining the credit rating for computation of risk spread, the Authority has considered the credit rating determined by it for MIAL in the Order No. 01/2025-26. Accordingly, the Authority has considered an AA- credit rating for MgIAL and the corresponding 5-year corporate bond spread of 150 basis points as published by FIMMDA as of April 2024 (Refer Figure 2).
- 6.2.10 The Authority notes that the 1-Year average MCLR as of March 2026 is 8.70%, combined with a 150 basis point risk spread equals to a Cost of Debt of 10.20% which is lower than the Cost of Debt of 12.03% as submitted by MgIAL for the Second Control Period.
- 6.2.11 The Authority further notes that MgIAL's current borrowing majorly comprises of Inter-Corporate Deposits from related parties resulting in higher cost of debt for the Airport. The Authority based on the benchmark of SBI MCLR plus 150 bps from the Airport's available credit rating has proposed to consider Cost of Debt at **10.20%** for computation of Fair Rate of Return for the Second Control period.

Gearing

- 6.2.12 The Authority notes that MgIAL has considered a gearing ratio of 48:52, i.e., 48% debt and 52% equity, for computation of the Fair Rate of Return (FRoR) for the Second Control Period and accordingly the same has been considered for the computation of FRoR. The Authority would also like to reiterate that FRoR has been computed on the basis of efficient capital structure consisting of cost of equity, cost of

debt and gearing ratio. Hence, notional gearing ratio will not be trued up during tariff determination for the next control period.

Calculation of FRoR for the Second Control Period

6.2.13 Based on the above, the Authority proposes to consider the FRoR as **12.79%** for the Second Control Period based on Cost of Equity of **15.18%**, Cost of Debt of **10.20%** and notional debt-equity ratio of 48%:52%. The calculation of FRoR is shown in the table below:

Table 232: FRoR proposed to be considered for Second Control Period

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.18%	52%	7.89%
Debt	10.20%	48%	4.90%
FRoR			12.79%

6.3 Authority's proposal regarding FRoR for the Second Control Period

Based on the material before the Authority and its examination, the Authority proposes the following regarding FRoR for the Second Control Period:

- 6.3.1 To consider Cost of Equity, Cost of Debt, notional debt-equity ratio and FRoR for the Second Control Period as per Table 232.
- 6.3.2 At the time of tariff determination of Third Control Period, to true up the Cost of Debt for the Second Control Period based on actuals (or) SBI average 1-year MCLR plus 150 bps of spread, whichever is lower.
- 6.3.3 At the time of tariff determination of Third Control Period, to true up credit spread based on actual credit rating or 150 bps, whichever is lower.

7. INFLATION FOR THE SECOND CONTROL PERIOD

7.1 MgIAL's submission regarding Inflation for the Second Control Period

- 7.1.1 MgIAL has applied an inflation rate of 5% for the estimation of Capital Expenditure (CAPEX) and an inflation rate of 10% for the estimation of Operations and Maintenance (O&M) expenses for the Second Control Period.

7.2 Authority's Examination regarding Inflation for Second Control Period

- 7.2.1 The Authority has examined the submission made by MgIAL with respect to the inflation rate proposed for the Second Control Period.
- 7.2.2 The Authority considers mean of the forecasted Inflation based on WPI: All commodities as per the *Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 101*, which projects the inflation at 8.1% for FY 2027 and 3.7% for FY 2028.
- 7.2.3 The Authority further notes that the actual WPI inflation for FY 2026, as published by the Office of the Economic Adviser, was **0.4%**. Further, the inflation forecast for FY 2027 of **8.1%** 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 projecting O&M Expenses. Accordingly, the Authority proposes to consider a moderate impact of the sharp year-on-year variation in inflation by considering the average of the actual WPI inflation for FY2026 (0.4%) and the projected inflation for FY 2027 (8.1%), resulting in an inflation rate of **4.25%** for FY 2027.
- 7.2.4 For the subsequent years of the Second Control Period, the Authority assumes that the inflation rate would remain stable and constant from FY 2028 till FY 2031 at 3.70%. Accordingly, the following table presents the inflation rates proposed to be considered by the Authority for the Second Control Period.

Table 233: Inflation rates proposed to be considered by the Authority for the Second Control Period

<i>(in %)</i>					
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31
WPI Inflation	4.25%	3.70%	3.70%	3.70%	3.70%

7.3 Authority's proposal regarding Inflation for the Second Control Period

Based on the material before the Authority and its examination, the Authority proposes the following regarding Inflation for the Second Control Period:

- 7.3.1 To consider the inflation rates for the Second Control Period as per Table 233.

8. AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

8.1 MgIAL's submission regarding O&M Expenses for the Second Control Period

8.1.1 MgIAL has projected O&M Expenses for the Second Control Period based on the following assumptions in MYTP:

- i. **Base Year:** Projected figures for FY 2025-26, the last year of the First Control Period, has been considered as the base year for forecasting expenses for the Second Control Period, with applicable growth percentages applied thereon.
- ii. **Inflationary Increase:** MgIAL has applied an inflationary increase to certain expense heads. A 10% inflation rate has been considered for the Second Control Period.
- iii. **Increase in Terminal Area and other facilities:** MgIAL has proposed the expansion of its Integrated Terminal along with construction of Multi-Facility Building (MFB) in the Second Control Period, with both projects scheduled for completion in FY 2028-29. For the purpose of projecting O&M expenses, MgIAL has considered 33.33% of the Multi-Facility Building area, corresponding to the current terminal-equivalent area, as part of the one-time increase factor applied post commissioning of the assets, i.e. from FY 2029-30 onwards. The increased terminal area is expected to result in higher expenses on account of Rates and Taxes, Security to manage the expanded operational area and other operating expenses. Additionally, the increased passenger handling capacity is expected to drive an increase in Manpower and IT related expenses.

Table 234: Calculation of One-Time increase factor due to increase in Terminal Area as submitted by MgIAL in MYTP of Second Control Period

Particulars (FY ending 31 st March)	Unit	FY27	FY28	FY29	FY30	FY31
Current Terminal Area (A)	Sqm	48,574	48,574	48,574	48,574	48,574
Increase in Terminal Area (B)	Sqm	-	-	-	27,115	-
Increase in Other Major Facility (MFB) (C)	Sqm	-	-	-	54,000	-
Total Increase in Area (D=B+C*33.33%)	Sqm	-	-	-	45,113	-
One-Time Increase Factor (D/A)	%	-	-	-	92.88%	-

8.1.2 The summary of the key growth/escalation factors considered by MgIAL for projecting O&M expenses for the Second Control Period is set out in the table below:

Table 235: Key Growth/Escalation Factors considered by MgIAL for projecting O&M Expenses

<i>(in %)</i>					
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31
Inflation	10.00%	10.00%	10.00%	10.00%	10.00%
Factor for Increase in Area	-	-	-	92.88%	-
Manpower Growth Factor - Operator	34.72%*	-	-	11.34%	-

*Refer Table 245 and Table 236

8.1.3 The category-wise estimation, growth assumptions and rationale submitted by MgIAL for Operating Expenses for the Second Control Period are summarized below:

Table 236: MglAL's rationale and growth assumption on O&M Expenses for the Second Control Period

S. No.	Expense Head	Growth Factor considered by MglAL	Basis of Projection as per MglAL
1	Manpower - AAI	Inflation: 10%	- Manpower head count is based on the number of AAI employees (Deficit employees) for which amount is paid until retirement or other separation from AAI services. - Average salary is escalated at 10% Y-o-Y
2	Manpower - MglAL	Inflation: 10%	- Increase in manpower head count due to expansion of terminal area and other operational requirements. Increase in employees due to installation of In-Line Hold Baggage Screening System which is likely to be completed during FY27. - Average salary is escalated at 10% Y-o-Y
3	Utility Expenses	Power: Inflation: 2% Growth in consumption: 5% One time increase of 92.88% in FY 2030 Water: Inflation: 5% Growth in consumption: 10% One time increase of 92.88% in FY 2030 Fuel: Inflation: 10% One time increase of 92.88% in FY 2030	- Comprises of Power, Water and Fuel Charges - Gross Power consumption is based on the terminal area growth of 92.88% in FY 2030 along with a 5% growth Y-o-Y. MglAL have considered net recoveries for power charges at 6% based on past trends. - Contract for obtaining renewable power at the rate of ₹12.32 per unit in FY 27 with ~2% Y-o-Y increase based on the agreement. - Existing water consumption escalated at 10% Y-o-Y along with factoring the terminal area growth of 92.88% in FY 2030. - Water charges per unit consumption escalated at 5% Y-o-Y - Fuel Charges are escalated at 10% Y-o-Y along with factoring the terminal area growth of 92.88% in FY 2030
4	IT Expenses	Inflation: 10% Increase in employee: 34.72% and 11.34% in FY 2027 and FY 2030 respectively	Baseline cost is escalated at 10% Y-o-Y along with incorporating a growth factor of increase in employee count for FY 27 and FY 30
5	Rates & Taxes	Inflation: 10% One time increase of 92.88% in FY 2030	Baseline cost is escalated at 10% Y-o-Y along with incorporating a one-time growth factor of increase in terminal area
6	Security Expenses	Inflation: 10% One time increase of 92.88% in FY 2030	Baseline cost is escalated at 10% Y-o-Y along with incorporating a one-time growth factor of increase in terminal area
7	Corporate Allocation	Inflation: 10%	Baseline cost is escalated at 10% Y-o-Y
8	Collection of UDF Charges	Passenger Growth	Based on the Y-o-Y growth of passengers
9	Other Administrative Expenses	Inflation: 10% Increase in employee: 34.72% and 11.34% in FY 2027 and FY 2030 respectively	Baseline cost is escalated at 10% Y-o-Y along with incorporating a one-time growth factor of increase in employee count
10	Insurance	0.15% on asset addition	Insurance being considered at 0.15% of gross block of assets
11	Repairs & Maintenance	Inflation: 10% One time increase based on gross block addition	- R&M for new asset addition is considered based on the % increase in the gross block. - Existing R&M expenses escalated at 10% Y-o-Y
12	Other Operating	Inflation: 10% One time increase of	Baseline cost is escalated at 10% Y-o-Y along with incorporating a one-time growth factor of increase in terminal area

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S. No.	Expense Head	Growth Factor considered by MgiAL	Basis of Projection as per MgiAL
	Expenses	92.88% in FY 2030	
13	Independent Engineer Fees	Inflation: 10%	• Baseline cost is escalated at 10% Y-o-Y
14	Digitization Cost	Inflation: 10%	• Baseline cost is escalated at 10% Y-o-Y
15	Runway Recarpeting	-	• Amortized cost along with Fair rate of Return at 14.73% on the unamortized balance is considered
16	Cargo Expenses	Inflation: 10%	• Average insource employee cost, O&M cost and custom cost recovery is projected based on an escalation of 10% Y-o-Y. • Insourced employee count is 1 in FY 27, 2 in FY 28 and 3 in FY 29 and onward.
17	Fuel Operating Expenses	Inflation: 10%	• Average insource employee cost and O&M contract cost is projected based on an escalation of 10% Y-o-Y. • Insourced employee count is 1 in FY 27 and 2 in FY 28 and onwards.
18	Financing Charges	-	• Projected based on Performance Bond Guarantee of ₹120 crore bearing an interest of 0.5% per annum
19	Interest on Working Capital	-	• Interest cost on short term debt/working capital has been assumed equal to annual amount claimed for FY25-26.

8.1.4 Based on the above, the Total O&M expenses submitted by MgiAL for the Second Control Period is shown in the table below:

Table 237: Total O&M Expenses submitted by MgiAL for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Airport Expenses						
AAI employees/Deficit Employees	16.15	17.43	18.81	20.69	20.53	93.62
Manpower expenses - AO Employees	18.52	20.38	22.41	26.05	30.20	117.57
Utility expenses	18.37	19.65	21.11	43.59	46.83	149.55
IT expenses	12.89	14.18	15.60	18.93	20.83	82.44
Rates & taxes	0.90	0.99	1.09	2.21	2.44	7.64
Security Expense	5.60	6.16	6.77	13.74	15.12	47.40
Corporate Allocation	11.59	12.75	14.03	15.43	16.97	70.78
Administrative Expenses: Collection charges on UDF	1.19	1.37	1.47	1.57	1.68	7.28
Administrative Expenses - Others	10.34	11.37	12.51	15.18	16.70	66.10
Insurance	1.97	2.25	6.11	6.22	7.80	24.35
R&M	21.97	28.82	39.28	44.64	87.33	222.04
Other Operating Expenses	13.59	14.94	16.44	33.35	36.68	115.00
Independent Engineer Fees	1.70	1.87	2.06	2.26	2.49	10.39
Digitization Cost	14.25	15.67	17.24	18.96	20.86	86.97
Runway recarpeting	-	-	-	14.86	17.39	32.25
Total Airport Expenses (1)	149.04	167.85	194.93	277.69	343.84	1,133.36
Cargo Operating Expenses						
Insourced salary	0.15	0.33	0.73	0.80	0.88	2.88
O&M Cost	2.80	3.08	3.39	3.73	4.10	17.10

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Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY31	Total
Customs Cost Recovery	1.24	1.36	1.50	1.65	1.82	7.57
Total Cargo Operating Expenses (2)	4.19	4.77	5.62	6.18	6.79	27.55
Fuel Operating Expenses						
Insourced salary	0.10	0.22	0.24	0.27	0.29	1.12
O&M Cost	6.78	7.85	8.86	9.93	11.13	44.54
Total Fuel Operating Expenses (3)	6.88	8.07	9.10	10.19	11.42	45.67
Interest on Working Capital Loan (4)	22.76	22.76	22.76	22.76	22.76	113.79
Financing Charges (5)	0.60	0.60	0.60	0.60	0.60	3.00
Grand Total (1+2+3+4+5)	183.47	204.06	233.00	317.42	385.41	1,323.36

8.1.5 MgIAL has also submitted the basis of allocation of O&M expenses between Aeronautical and Non-Aeronautical expenses as per the table below:

Table 238: Ratio considered by MgIAL to apportion the common expenses for the Second Control Period
(in %)

Particulars (FY ending 31st March)	Basis of Allocation	FY27	FY28	FY29	FY30	FY31
AAI employees/Deficit Employees	Aeronautical	100.00%	100.00%	100.00%	100.00%	100.00%
Manpower expenses - AO Employees	EHCR	97.60%	97.60%	97.60%	97.60%	97.60%
Utility expenses	Aeronautical	100.00%	100.00%	100.00%	100.00%	100.00%
IT expenses	Aero-Non Aero Expense Ratio*	96.56%	96.56%	96.56%	96.56%	96.56%
Rates & taxes	GFAR*	98.60%	98.60%	98.60%	98.60%	98.60%
Security Expense	Aero-Non Aero Expense Ratio*	99.02%	99.02%	99.02%	99.02%	99.02%
Corporate Allocation	EHCR	97.60%	97.60%	97.60%	97.60%	97.60%
Administrative Expenses: Collection charges on UDF	Aeronautical	100.00%	100.00%	100.00%	100.00%	100.00%
Administrative Expenses - Others	Aero-Non Aero Expense Ratio*	98.02%	98.02%	98.02%	98.02%	98.02%
Insurance	GFAR*	98.60%	98.60%	98.60%	98.60%	98.60%
R&M	GFAR*	98.60%	98.60%	98.60%	98.60%	98.60%
Other Operating Expenses	Aero-Non Aero Expense Ratio*	98.58%	98.58%	98.58%	98.58%	98.58%
Independent Engineer Fees	Aeronautical	100.00%	100.00%	100.00%	100.00%	100.00%
Digitization Cost	Aero-Non Aero Expense Ratio*	82.00%	82.00%	82.00%	82.00%	82.00%
Runway recarpeting	Aeronautical	100.00%	100.00%	100.00%	100.00%	100.00%
Cargo Operating Expenses	Aeronautical	100.00%	100.00%	100.00%	100.00%	100.00%
Fuel Operating Expenses	Aeronautical	100.00%	100.00%	100.00%	100.00%	100.00%
Interest on Working Capital Loan	GFAR*	98.60%	98.60%	98.60%	98.60%	98.60%
Financing Charges	Aeronautical	100.00%	100.00%	100.00%	100.00%	100.00%

(* MgIAL has used the average allocation ratio of FCP)

8.1.6 Accordingly, the Aeronautical portion of O&M Expenses for the Second Control Period as per the allocation ratio submitted by MgIAL is given in the table below:

Table 239: Aeronautical O&M Expenses submitted by MgIAL for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY31	Total
Airport Expenses						
AAI employees/Deficit Employees	16.15	17.43	18.81	20.69	20.53	93.62

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Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY31	Total
Manpower expenses - AO Employees	18.08	19.89	21.88	25.43	29.47	114.74
Utility expenses	18.37	19.65	21.11	43.59	46.83	149.55
IT expenses	12.45	13.70	15.07	18.28	20.11	79.60
Rates & taxes	0.89	0.98	1.08	2.18	2.40	7.53
Security Expense	5.54	6.10	6.71	13.61	14.97	46.93
Corporate Allocation	11.32	12.45	13.69	15.06	16.57	69.08
Administrative Expenses: Collection charges on UDF	1.19	1.37	1.47	1.57	1.68	7.28
Administrative Expenses - Others	10.13	11.15	12.26	14.88	16.37	64.79
Insurance	1.94	2.22	6.02	6.13	7.69	24.01
R&M	21.66	28.41	38.73	44.00	86.09	218.89
Other Operating Expenses	13.07	14.37	15.81	32.07	35.28	110.60
Independent Engineer Fees	1.70	1.87	2.06	2.26	2.49	10.39
Digitization Cost	11.68	12.85	14.13	15.55	17.10	71.31
Runway recarpeting	-	-	-	14.86	17.39	32.25
Total Airport Expenses (1)	144.18	162.43	188.82	270.17	334.98	1,100.58
Cargo Operating Expenses						
Insourced salary	0.15	0.33	0.73	0.80	0.88	2.88
O&M Cost	2.80	3.08	3.39	3.73	4.10	17.10
Customs Cost Recovery	1.24	1.36	1.50	1.65	1.82	7.57
Total Cargo Operating Expenses (2)	4.19	4.77	5.62	6.18	6.79	27.55
Fuel Operating Expenses						
Insourced salary	0.10	0.22	0.24	0.27	0.29	1.12
O&M Cost	6.78	7.85	8.86	9.93	11.13	44.54
Total Fuel Operating Expenses (3)	6.88	8.07	9.10	10.19	11.42	45.67
Interest on Working Capital Loan (4)	22.44	22.44	22.44	22.44	22.44	112.20
Financing Charges (5)	0.60	0.60	0.60	0.60	0.60	3.00
Grand Total (1+2+3+4+5)	178.29	198.32	226.57	309.58	376.22	1,288.99

8.2 Authority's examination regarding Aeronautical Operation & Maintenance (O&M) Expenses for the Second Control Period

- 8.2.1 The Authority has carefully examined MgIAL's submission related to Operation and Maintenance (O&M) Expenses for the Second Control Period taking into account the tariff setting principles to ensure that only the efficient, justified and reasonable expenses are allowed.
- 8.2.2 The Authority has reviewed the O&M Expenses and proposes to adopt the following broad methodology for determining the O&M Expenses for the Second Control Period:
- Base year:** The Authority proposes to adopt the actual expenditure of FY 2025-26 as the base year for forecasting expenses for the Second Control Period.
 - Inflationary increase:** The Authority proposes to adopt WPI inflation rate for the Second Control Period based on the results of 101th round of professional forecasters on macroeconomic indicators by RBI (Refer Table 233) as the standard escalator across most O&M expenses, except in the case of:

AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

- a. Employee costs including Corporate allocation cost, where an inflationary rate of 6% Y-o-Y has been considered;
 - b. R&M cost on new asset additions based on 1% of the gross block addition.
 - c. Insurance based on 0.1% of gross asset block.
 - d. Digitization where an inflationary rate of 5% Y-o-Y has been considered as per benchmarks.
- iii. **Terminal Area increase factor:** Against MgIAL's adoption of the Area Increase Factor of 92.88% (Refer Table 235) to be applied in FY 2029-30, the Authority has proposed to not consider the project for Multi Facility Building and hence it is excluded from the calculation, resulting in the net change in area of 55.82% in FY 2030. The Authority further notes that, based on the approach adopted at similar airports, only two-thirds of the terminal area expansion is considered for determining the area increase factor which equals to 37.21%. Further, since the Authority has considered the capitalization of the Terminal Building in February 2030 (i.e., during the second half of FY 2030), the Authority proposes to phase the impact of the terminal area expansion by considering a Terminal Area Increase Factor of 37.21% in FY 2031.

Table 240: Calculation of One-Time increase factor due to increase in Terminal Area as proposed by Authority in MYTP of Second Control Period

Particulars (FY ending 31 st March)	Unit	FY27	FY28	FY29	FY30	FY31
Current Terminal Area (A)	Sqm	48,574	48,574	48,574	48,574	48,574
Increase in Terminal Area (B)	Sqm	-	-	-	-	27,115
Increase in Other Major Facility (MFB) (C)	Sqm	-	-	-	-	-
Total Increase in Area (D=B*2/3)	Sqm	-	-	-	-	18,077
One-Time Increase Factor (D/A)	%	-	-	-	-	37.21%

- iv. **Manpower Growth Factor:** The Authority notes that MgIAL considered increase in manpower by the factor of 34.72% for FY 2027 and 11.34% for FY 2030 (Refer Table 245). The Authority analysis the growth in manpower headcount and proposes to consider manpower increase based on operational requirements by a factor of 10.20% in FY 2027 and 14.81% in FY 2031 (Refer Table 246).

8.2.3 The summary of the key growth/ escalation factors proposed to be considered by the Authority for projecting O&M expenses for the Second Control Period is as follows:

Table 241: Key Growth/Escalation Factors proposed to be considered by the Authority for the Second Control Period

<i>(in %)</i>					
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31
Inflation	4.25%	3.70%	3.70%	3.70%	3.70%
Factor for Increase in Area	-	-	-	-	37.21%
Manpower Growth Factor - Operator	10.20%	-	-	-	14.81%

8.2.4 As part of the tariff determination exercise for the Second Control Period, the Authority, has applied rationalized growth/escalation factors to expense heads for projection of Gross O&M expenses for the Second Control Period.

8.2.5 Operating Expenses are re-allocated into Aeronautical and Non-Aeronautical categories using cost-driver based methodologies, including Aero Gross Fixed Asset Ratio, Employee Head Count Ratio, Terminal Building Ratio and Digitization Ratio, as appropriate to each cost head.

8.2.6 The Authority has examined MgIAL's submission regarding Aeronautical O&M for the Second Control Period and has presented its examination in the subsequent paragraphs:

Manpower Expenses - AAI

8.2.7 The manpower expenses submitted by MgIAL for the Second Control Period is as follows:

Table 242: Manpower Expenses of AAI submitted by MgIAL for the Second Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
AAI Employees	53	52	51	51	46	
Average Employee Salary	0.30	0.34	0.37	0.41	0.45	
Manpower expenses - AAI Employees	16.15	17.43	18.81	20.69	20.53	93.62
Allocation Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Aeronautical Manpower Expenses – AAI Employees	16.15	17.43	18.81	20.69	20.53	93.62

8.2.8 The Authority has examined MgIAL's submission in respect of the Manpower Expenses for the Second Control Period and notes that MgIAL has adopted a growth rate of 10% on average salary for AAI employees along with the projection for employee head count.

8.2.9 The Authority notes that there are 55 employees as of FY 2026, which as per MgIAL is expected to reduce over the years to 46 employees in FY 31 due to AAI employees retiring gradually over the period. The Authority further noted similar reduction in employee headcount in the First Control Period post the Deemed Deputation Period from 61 employees as of March 2024 to 55 employees in March 2026.

8.2.10 The Authority analyzed the reduction in employee count post the deemed deputation period and observed that the average annual decline in employee count was approximately 5%. Accordingly, the Authority proposes to project the AAI employee count by applying a year-on-year reduction factor of 5% to the base employee count of 55 employees in FY 2026.

8.2.11 The Authority notes that the manpower expenses submitted by MgIAL in the Multi-Year Tariff Proposal were premised on the projected FY 2025-26 base figures amounting to ₹0.28 crore per employee, the said projections being framed at the time of submission of the Tariff Proposal. The Authority observes that the actual FY 2025-26 manpower expenses, as subsequently furnished by MgIAL vide its submission dated 20th June 2026 is now available and is used for the projection of employee cost in the Second Control Period.

8.2.12 The Authority further assessed the historical Compound Annual Growth Rate (CAGR) of the manpower expenses for AAI employees during the First Control Period (i.e., FY 22 to FY 26) and observed that the said expense reduced at a CAGR of approximately -10% during the First Control Period. The end of the Deemed Deputation Period led to significant reduction in the employee count and hence reduction in the overall employee cost for AAI. Though there was a reduction in the overall employee cost, the average employee salary grew at a CAGR of ~5.2% during the First Control Period.

8.2.13 The Authority hence proposes to project Manpower Expenses for AAI employees based on the actual average salary as of FY 2026 escalated at a growth rate of 6% per annum for the Second Control Period, as approved by the Authority for other similar airports and considering the empirical growth rate of average employee salary in the First Control Period.

8.2.14 The Authority further notes that MgIAL has applied an allocation ratio of 100% as the employee cost are considered as pass-through expenses for determination of the aeronautical charges as per the

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Concession Agreement. Accordingly, the Authority proposes to consider an allocation ratio of 100% for Manpower Expenses of AAI employees for the Second Control Period.

8.2.15 Based on the above analysis, the Total and Aeronautical Manpower Expenses for AAI Employees proposed to be considered by the Authority for the Second Control Period is as follows:

Table 243: Total and Aeronautical Manpower Expenses of AAI employees as proposed by the Authority for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
AAI Employees (A)	52	50	47	45	43	
Average Employee Salary (B)	0.27	0.29	0.31	0.33	0.35	
Increase %	6.00%	6.00%	6.00%	6.00%	6.00%	
Total Manpower Expenses (C=A*B)	14.27	14.54	14.49	14.70	14.89	72.89
Allocation Ratio (D)	100.00%	100.00%	100.00%	100.00%	100.00%	
Aeronautical Manpower expenses - AAI Employees (E=C*D)	14.27	14.54	14.49	14.70	14.89	72.89

Manpower Expenses – AO Employees

8.2.16 The manpower expenses submitted by MgIAL for the Second Control Period is as follows:

Table 244: Manpower Expenses of AO employees submitted by MgIAL for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
AO Employees	194	194	194	216	216	
Average Employee Salary	0.10	0.11	0.12	0.12	0.14	
Manpower expenses - AO Employees	18.52	20.38	22.41	26.05	30.20	117.57
Allocation Ratio	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%
Aeronautical Manpower Expenses – AO Employees	18.08	19.89	21.88	25.43	29.47	114.74

8.2.17 MgIAL in its MYTP has also provided a detailed projection of employees under each department during the Second Control Period along with the Employee Headcount Ratio. The details are provided in the table below:

Table 245: Department-wise Employee Headcount Projection and EHCR as submitted by MgIAL for Second Control Period

Particulars (FY ending 31 st March)	Classification	FY26 (Projected)	FY27	FY28	FY29	FY30	FY31
CAO Office	Aero	2	2	2	2	2	2
Corporate Communication	Common	1	1	1	1	1	1
Corporate affair	Common	1	1	1	1	1	1
Engineering & Maintenance	Aero	8	8	8	8	11	11
Environment & Sustainability	Aero	1	1	1	1	1	1
Finance & Accounts	Common	10	10	10	10	10	10
Quality	Aero	2	2	2	2	2	2
Horticulture	Common	1	1	1	1	1	1
Human Resources & Admin	Common	5	5	5	5	5	5

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Particulars (FY ending 31st March)	Classification	FY26 (Projected)	FY27	FY28	FY29	FY30	FY31
Information Technology	Common	1	1	1	1	2	2
Legal	Common	1	1	1	1	1	1
Non Aero Commercial	Non-Aero	4	4	4	4	4	4
AOCC	Aero	6	6	6	6	9	9
Terminal	Aero	8	8	8	8	14	14
ARFF	Aero	69	69	69	69	69	69
Airside	Aero	15	15	15	15	19	19
ILHBS	Aero	-	50	50	50	50	50
Regulatory	Aero	1	1	1	1	1	1
Safety	Aero	2	2	2	2	4	4
Security	Aero	3	3	3	3	6	6
Procurement & Contracts	Common	3	3	3	3	3	3
Total		144	194	194	194	216	216
Growth in Employee Count		-	34.72%	-	-	11.34%	-
Classification							
Aero (A)		117	167	167	167	188	188
Non-Aero (B)		4	4	4	4	4	4
Common (C)		23	23	23	23	24	24
EHCR (A/A+B)		96.7%	97.7%	97.7%	97.7%	97.9%	97.9%
Average EHCR (FY 26-31)		97.6%					

- 8.2.18 The Authority notes that the increase in employee headcount is primarily driven by increase in terminal area and other facilities in FY 2030. The Authority also notes the increase in employees in FY 2027 due to installation of In-Line Hold Baggage Screening System.
- 8.2.19 The Authority has examined MgIAL's submission in respect of the Manpower Expenses for the Second Control Period and notes that MgIAL has adopted a growth rate of 10% on average salary for its employees along with the projection for employee head count.
- 8.2.20 The Authority further notes that the manpower expenses submitted by MgIAL in the MYTP were premised on the projected FY 2025-26 base figures amounting to ₹0.09 crore per employee, the said projections being framed at the time of submission of the Tariff Proposal. The Authority observes that the actual FY 2025-26 manpower expenses and employee headcount, as subsequently furnished by MgIAL vide its submission dated 13th June 2026 is now available and is used for the projection of employee cost in the Second Control Period.
- 8.2.21 The Authority has assessed the historical Compound Annual Growth Rate (CAGR) of the manpower expenses for AO employees during the First Control Period (i.e., FY 22 to FY 26) and observed that the said expense grew at a CAGR of approximately 11% during the First Control Period. The Authority further observes that the said growth rate is largely attributable to the increase in manpower headcount consequent to the expansion of Terminal and addition of Fuel and Cargo facility. The Authority also noted that average employee salary has reduced from ₹14.85 lakhs in FY 2022 to ₹9.07 lakhs in FY 2026, reflecting operator's efforts to bring efficiencies within the business by outsourcing non-recurring services and reducing the overall employee cost.
- 8.2.22 The Authority has analyzed the employee headcount and classification as submitted by MgIAL under each department and proposes the following:

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- i. Re-classify employees departments as per the analysis done for the First Control Period (Refer Table 112)
- ii. Allowed increase in employees under CAO Office, Quality, AOCC, Terminal, Airside and Security post the capitalization of Terminal Building (i.e. from FY 2031) as they are directly related to terminal operations. The increase has been considered based on the terminal area expansion.
- iii. Since employees under Corporate Affair were not required in the FCP, it is treated similarly for the upcoming control period and hence not been considered.
- iv. Since employees under Human Resources & Admin have reduced to 4 as per actuals of FY 2026, the same is projected along with increase post the capitalization of Terminal Building (i.e. from FY 2031).
- v. Employees under Non-Aero Commercial have been considered as per Actuals of FY 2026.
- vi. There are 24 employees hired under ILHBS in the last 15 days of FY 26. These have been pro-rata for 2026 actuals and the projected is assumed to be the same for the forecast period as benchmark considered from NMIAL (Order No. 07/2026-27) indicates a requirement of 7 employee for every 1 million passengers, which leads to a requirement of 133 employees over 5 years for a total passenger traffic of 19.10 million, thus returning approximately 27 employee per year. Since AO has currently hired 24 employees for ILHBS, the same has thus been considered for the next 5 years.
- vii. The Authority notes that the employee headcount under the Safety function was 5 in FY 2026. MgIAL, vide email dated 20.06.2026, clarified that the increase was attributable to short-term trainees and does not represent the regular manpower requirement for airport operations. Accordingly, the Authority has not considered the temporary increase in headcount for projection purposes and proposes to consider a baseline headcount of 2 employees, in line with MgIAL's projected requirement. Further, the Authority proposes to consider an increase in employee strength from FY 2031, corresponding to the operational requirements arising from the terminal expansion.
- viii. The employee count under Security increases from 2 to 3 in the first year, which is not attributable to any increase in operational requirements, hence it is not considered for the analysis. However, proportionate increase in FY 2031 is considered by the authority in view of the increasing operational requirements due to terminal expansion.

Table 246: Department-wise Employee Headcount Projection and EHCR proposed by the Authority for the Second Control Period

Particulars (FY ending 31 st March)	Classification	FY26 (Actual)	FY27	FY28	FY29	FY30	FY31
CAO Office	Common	1	1	1	1	1	2
Corporate Communication	Common	1	1	1	1	1	1
Corporate affair	Common	-	-	-	-	-	-
Engineering & Maintenance	Common	8	8	8	8	8	11
Environment & Sustainability	Common	1	1	1	1	1	1
Finance & Accounts	Common	10	10	10	10	10	10
Quality	Aero	1	1	1	1	1	2
Horticulture	Common	1	1	1	1	1	1
Human Resources & Admin	Common	4	4	4	4	4	5
Information Technology	Common	1	1	1	1	1	2
Legal	Common	1	1	1	1	1	1
Non Aero Commercial	Non-Aero	5	5	5	5	5	5

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Particulars (FY ending 31st March)	Classification	FY26 (Actual)	FY27	FY28	FY29	FY30	FY31
AOCC	Aero	5	5	5	5	5	8
Terminal	Common	10	8	8	8	8	13
ARFF	Aero	72	69	69	69	69	69
Airside	Aero	14	14	14	14	14	19
ILBHS	Aero	1*	24	24	24	24	24
Regulatory	Aero	1	1	1	1	1	1
Safety	Aero	5	2	2	2	2	4
Security	Common	2	2	2	2	2	4
Procurement & Contracts	Common	3	3	3	3	3	3
Total		147	162	162	162	162	186
Average Employee Headcount		-	155	162	162	162	186
Growth in Employee Count		-	10.20%	-	-	-	14.81%
Classification							
Aero (A)		99	116	116	116	116	127
Non-Aero (B)		5	5	5	5	5	5
Common (C)		43	41	41	41	41	54
EHCR (A/A+B)		95.19%	95.87%	95.87%	95.87%	95.87%	96.21%
Average EHCR (FY 27-31)		95.94%					

(* Actual employee count is 24)

8.2.23 The Authority proposes to project Manpower Expenses for MgIAL's employees based on the actual average salary as of FY 2026 escalated at a growth rate of 6% per annum for the Second Control Period, as approved by the Authority for other similar airports along with growth in employee headcount as per Table 246. The Authority further proposes to use an allocation ratio based on the updated Y-o-Y EHCR as per Table 246 instead of the average allocation ratio of 97.6% as per MgIAL as per Table 245.

8.2.24 Based on the above analysis, the Total and Aeronautical Manpower Expenses for AO Employees proposed to be considered by the Authority for the Second Control Period is as follows:

Table 247: Total and Aeronautical Manpower Expenses of AO employees as proposed by the Authority for the Second Control Period

(₹ in Crore)						
Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY 31	Total
AO Employees – Average (A)	155	162	162	162	174	
Average Employee Salary (B)	0.10	0.10	0.11	0.11	0.12	
<i>Increase %</i>	<i>6.00%</i>	<i>6.00%</i>	<i>6.00%</i>	<i>6.00%</i>	<i>6.00%</i>	
Total Manpower Expenses (C=A*B)	14.85	16.50	17.49	18.54	21.11	88.50
Allocation Ratio (D)	95.87%	95.87%	95.87%	95.87%	96.21%	
Aeronautical Manpower expenses - AO Employees (E=C*D)	14.23	15.82	16.77	17.78	20.31	84.91

Utility Expenses

8.2.25 The Authority has examined MgIAL's submission in respect of the Utility Expenses for the Second Control Period, and notes that MgIAL has projected the said expenses by escalating the projected FY 2026 base figure. MgIAL has considered an annual increase of 5% in power consumption and 10% in fuel and water consumption. In addition, MgIAL has proposed a one-time Terminal Area increase factor

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of 92.88% in FY 2030, on account of increase in Terminal area and the Multi-Facility building. MgIAL has further applied an annual escalation of approximately 2% in power charges per unit based on the renewable power contract with Powerpulse Trading Solutions Limited from a base rate of ₹12.09 per Kwh in FY 2026 and 5% in water charges per unit over the Second Control Period. On this basis, MgIAL has submitted the Utility Expenses as per the table below:

Table 248: Utility Expenses submitted by MgIAL for the Second Control Period

<i>(₹ in Crore)</i>						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Electricity Cost (Net of Recoveries)	16.96	18.08	19.36	40.01	42.85	137.25
Water Charges	0.27	0.31	0.36	0.77	0.89	2.60
Fuel/Diesel Charges	1.15	1.26	1.39	2.81	3.10	9.70
Total Utility Expenses	18.37	19.65	21.11	43.59	46.83	149.55
Allocation Ratio	100%	100%	100%	100%	100%	
Aeronautical Utility Expenses	18.37	19.65	21.11	43.59	46.83	149.55

- 8.2.26 The Authority notes that Utility Expenses reflected in the said table represent the net expenses borne by MgIAL after recovery of the proportionate utility charges from concessionaires.
- 8.2.27 The Authority further notes that the percentage of power recovery from concessionaires is considered at 6%, which is as per the actual recoveries achieved during FY 2026. The Authority notes that the power recovery percentage considered by MgIAL is significantly lower than that of comparable airports. The Authority was of the view that with the gradual increase in the Non aeronautical operations, the Airport Operator should increase the power recovery from the Concessionaires. The Authority further notes that the average power recovery ranges from 10% to 17% in smaller airports like Coimbatore, Indore, Bhuvneshwar and Calicut. Accordingly, the Authority proposed to consider power recoveries of 10% for the Second Control Period with a view that power cost recoveries will increase with the increase in Non-aeronautical operations as it increased from 3% to 6% in the First Control Period and as observed in other Airports. The Authority has not considered recoveries for Water Charges as there are no sub-level meter installed (Refer para 3.6.50)
- 8.2.28 The Authority notes that linking utility expenses to the Terminal Area and Passenger growth is a rational and technically sound basis, as utility consumption at an airport terminal is directly correlated with the built-up area being operated, maintained, illuminated, and air-conditioned along with the number of passengers utilizing it. The Authority also considers to use inflation rate (Refer Table 233) as the escalator to capture the price-side movement, independent of the volume/area-side movement.
- 8.2.29 In view of the above, the Authority proposes to project the Utility Expenses for the Second Control Period in the following manner:
- Base Year:** Actual Utility Expense incurred in FY26 shall be taken as the base.
 - Base Price (Electricity):** The Authority notes that MgIAL entered into a power procurement agreement with Powerpulse Trading Solutions Limited in September 2025. The Authority further notes that the transaction constitutes a related party arrangement, with a contracted base rate of ₹12.09/kWh for the first year. The Authority, through its Independent Consultant, has verified the contract and the tendering process and notes that the procurement process was conducted in a transparent and competitive manner. However, based on the actual expenditure incurred in FY 2025-26, the effective power purchase rate was ₹9.87/kWh, which is ~18% lower than the contracted rate. Accordingly, the Authority proposes to consider ₹9.87/kWh as the base rate for tariff determination purposes.

- iii. **Escalation – Volume/Area Component (Electricity):** Electricity consumption has been projected based on the growth in passenger traffic and terminal area at the airport. The actual consumption for FY 2026 has been taken as the base and escalated year-on-year in line with 50% of the passenger growth, along with a two-third proportion corresponding to the expansion in terminal area (Refer Table 241) based on the trend observed in the first control period and other benchmark Airports. For the year of terminal expansion, passenger traffic growth has not been considered in the consumption forecast, as the increase in consumption is expected to be driven predominantly by the expansion in terminal area.
- iv. **Escalation – Price Component:** The base figure shall be escalated annually by the prevailing inflation rate over the Control Period based on WPI as per Table 233.
- v. **Escalation – Volume/Area Component (Water):** Water consumption has been projected based on the growth in passenger traffic and terminal area at the airport. The Authority benchmarked water consumption from the trends observed in the First Control Period and noted benchmark consumption levels of 0.04 KL per passenger and 1.59 KL per sqm of terminal area. Accordingly, the Authority has estimated the water requirement based on both benchmarks and proposes to consider the same for the purpose of projecting water consumption during the Second Control Period.
- vi. **Escalation – Area (Fuel):** Apart from the inflationary increase, the Authority has also considered a one-time increase in fuel charges due to terminal expansion by 37.21% in FY 2031 (Refer Table 241).

8.2.30 The Authority has taken note of the detailed breakup of utility expense for FY26 and has projected the electricity, water and power consumption as per the table below:

Table 249: Utility Expenses as proposed by the Authority for the Second Control Period

Particulars (FY ending 31 st March)	Units	FY27	FY28	FY29	FY30	FY31	Total
Passenger Traffic	Mn.	2.96	3.45	3.90	4.39	4.96	
Terminal Area	sqm	48,574	48,574	48,574	48,574	75,689	
Electricity Charges							
Gross Consumption	kWh Cr.	1.43	1.55	1.65	1.75	2.40	8.77
<i>Increase</i>	%	8.08%	8.31%	6.39%	6.39%	37.21%	
Recoveries @ 10%	kWh Cr.	0.14	0.15	0.16	0.18	0.24	0.88
Net Consumption	kWh Cr.	1.29	1.39	1.48	1.58	2.16	7.90
Rate	₹/kWh	10.29	10.67	11.06	11.47	11.89	
<i>Increase</i>	%	4.25%	3.70%	3.70%	3.70%	3.70%	
Total Power Cost (Net of Recoveries)	₹ Cr.	13.22	14.85	16.38	18.08	25.72	88.25
Water Charges							
Consumption based on Traffic @ 0.04 KL/pax	KL Cr.	0.01	0.01	0.02	0.02	0.02	0.08
Consumption based on Area @ 1.59 KL/sqm	KL Cr.	0.01	0.01	0.01	0.01	0.01	0.05
Total Consumption	KL Cr.	0.01	0.01	0.02	0.02	0.02	0.08
Rate	₹/KL	2.09	2.16	2.24	2.33	2.41	
<i>Increase</i>	%	4.25%	3.70%	3.70%	3.70%	3.70%	
Total Water Cost	₹ Cr.	0.02	0.03	0.03	0.04	0.05	0.18
Fuel/Diesel Charges							

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Particulars (FY ending 31st March)	Units	FY27	FY28	FY29	FY30	FY31	Total
Fuel and Diesel Charges	₹ Cr.	0.93	0.97	1.00	1.04	1.47	5.41
<i>Increase</i>	<i>%</i>	<i>4.25%</i>	<i>3.70%</i>	<i>3.70%</i>	<i>3.70%</i>	<i>40.91%</i>	

8.2.31 The Authority further notes that MgIAL has applied an allocation ratio of 100% for Utilities (Net of Recoveries) as the Utilities are aeronautical expenses. The Authority further notes that Water Charges are projected without considering any recoveries and hence the Authority proposes to consider Terminal Building Ratio of 92% (Refer para 5.3.224) for its aero allocation and allocate other Utilities (Net of Recoveries) at an allocation ratio of 100% for the Second Control Period.

8.2.32 Based on the above, Total and Aeronautical Utility expense proposed to be considered by the Authority for the Second Control Period is as per the table below:

Table 250: Total and Aeronautical Utility Expenses as proposed by the Authority for the Second Control Period

<i>(₹ in Crore)</i>						
Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY31	Total
Electricity Charges (Net of Recoveries) (A)	13.22	14.85	16.38	18.08	25.72	88.25
Fuel/Diesel Charges (B)	0.93	0.97	1.00	1.04	1.47	5.41
Allocation Ratio (C)	100.00%	100.00%	100.00%	100.00%	100.00%	
Water Charges (D)	0.02	0.03	0.03	0.04	0.05	0.18
Allocation Ratio (E)	92.00%	92.00%	92.00%	92.00%	92.00%	
Aeronautical Utility Expenses (F=A*C+B*D+E)	14.18	15.84	17.42	19.15	27.23	93.82

IT Expenses

8.2.33 The Authority analyzed MgIAL's submission regarding IT expenses for the Second Control Period and noted that MgIAL has considered projected costs for FY 2026 amounting to ₹8.91 crore as the base for projecting the expenses for the Second Control Period. MgIAL has considered annual growth rate of 10% p.a. In addition to this, MgIAL has considered manpower growth factor of 34.72% in FY27, and 11.34% in FY30.

8.2.34 MgIAL has requested the Authority to consider the IT Expenses as per the table below:

Table 251: IT Expenses submitted by MgIAL for the Second Control Period

<i>(₹ in crores)</i>						
Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY31	Total
IT Expenses submitted by MgIAL	12.89	14.18	15.60	18.93	20.83	82.44
Allocation Ratio	96.56%	96.56%	96.56%	96.56%	96.56%	96.56%
Aeronautical IT Expenses	12.45	13.70	15.07	18.28	20.11	79.60

8.2.35 The Authority notes that IT expenses are incurred towards operation, maintenance and support of the Airport Operator's information technology infrastructure and systems required for airport operations.

8.2.36 The expenditure under this head primarily comprises system license costs, IT consumables, IO/AO support, operating costs of servers, website and other systems, maintenance of office IT infrastructure, cables and data centre room, IT resources, annual maintenance contracts for airport systems, and end-user system support.

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- 8.2.37 The Authority further notes that the Airport Operator has projected an increase in IT expenses over the Control Period, primarily on account of growth in manpower strength and the corresponding increase in IT support and system-related requirements. However, the Authority proposes to consider an escalation at the prevailing rate of inflation based on WPI as per Table 233 along with a terminal area increase factor of 37.21% in FY 2031 (Refer Table 241).
- 8.2.38 The Authority further notes that MgIAL has applied an allocation ratio of 96.56% based on the average allocation for the First Control Period. The Authority proposes to consider the updated Terminal Building Ratio of 92% (Refer para 5.3.224) as the allocation basis for determining the Aeronautical IT Expenses for the Second Control Period.
- 8.2.39 Based on the analysis, the Total and Aeronautical IT Expense proposed to be considered by the Authority for the Second Control Period is as follows:

Table 252: Total and Aeronautical IT Expense proposed to be considered by the Authority for the Second Control Period

(₹ in crores)						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Total IT Expenses (A)	8.85	9.18	9.52	9.87	13.91	51.33
Increase %	4.25%	3.70%	3.70%	3.70%	40.91%	
Allocation Ratio (B)	92.00%	92.00%	92.00%	92.00%	92.00%	
Aeronautical IT Expenses (C=A*B)	8.14	8.44	8.76	9.08	12.80	47.22

Rates and Taxes

- 8.2.40 The Authority has examined MgIAL's submission regarding Rates and Taxes for the Second Control Period and notes that MgIAL has adopted the projected FY 2026 expenditure amounting to ₹0.82 crore as the base for forecasting these expenses. The projection incorporates an annual escalation of 10%, along with a one-time adjustment in FY 2030 for 92.88% to account for the increase in terminal area arising from the proposed Terminal Expansion and Multi-Facility Building.
- 8.2.41 On this basis, MgIAL has requested the Authority to consider the Rates & Taxes as per the table below:

Table 253: Rates and Taxes submitted by MgIAL for the Second Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Rates and Taxes	0.90	0.99	1.09	2.21	2.44	7.64
Allocation Ratio	98.6%	98.6%	98.6%	98.6%	98.6%	98.6%
Aeronautical Rates and Taxes	0.89	0.98	1.08	2.18	2.40	7.53

- 8.2.42 The Authority, on the basis of its analysis of the historical Rates and Taxes expenses incurred by MgIAL during the First Control Period, observes that the year-on-year growth rates of the said expense were highly variable, on account of the inherent nature of the underlying components, comprising principally property tax, road tax, etc., the quantum of which are determined by the relevant governmental authorities and are subject to periodic and discretionary revisions.
- 8.2.43 The Authority is 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 is, accordingly, of the considered view that escalation at the prevailing rate of inflation based on WPI as per Table 233, supplemented by the Terminal Area Increase Factor (to capture the impact of terminal area expansion), constitutes a reasonable and methodologically sound basis for the projection of Rates and Taxes expenses for the Second Control Period.
- 8.2.44 The Authority proposes to project Rates & Taxes at inflation on actual FY 2026 base figure along with

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the terminal area increase factor of 37.21% in FY 2031 on account of the increase in terminal area (Refer Table 241).

8.2.45 The Authority further notes that MgIAL has applied an allocation ratio of 98.60% based on the Gross Fixed Asset Ratio (GFAR) for FY 2025. The Authority proposes to consider the updated Gross Fixed Asset Ratio (GFAR) as per Table 223 as the allocation basis for determining the Aeronautical Rates and Taxes for the Second Control Period.

8.2.46 Based on the above analysis, the Total and Aeronautical portion of Rates & Taxes proposed to be considered by the Authority for the Second Control Period is as follows:

Table 254: Total and Aeronautical Rates and Taxes as proposed by the Authority for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Rates and Taxes (A)	0.94	0.97	1.01	1.05	1.48	5.45
Increase %	4.25%	3.70%	3.70%	3.70%	40.91%	
Allocation Ratio (B)	97.88%	97.94%	98.47%	97.07%	97.08%	
Aeronautical Rates and Taxes (C=A*B)	0.92	0.95	1.00	1.02	1.43	5.32

Security Expenses

8.2.47 The Authority analyzed MgIAL's submission regarding security expenses for the Second Control Period and noted that MgIAL has considered projected costs for FY 2026 amounting ₹5.09 crore as the base for projecting the expenses for the Second Control Period. MgIAL has considered annual growth rate of 10% p.a. in addition, MgIAL has proposed a one-time Terminal Area increase factor of 92.88% in FY 2030, on account of increase in Terminal area and the Multi-Facility building. On this basis, MgIAL has requested the Authority to consider the Security Expenses as per the table below:

Table 255: Security Expenses submitted by MgIAL for the Second Control Period

(₹ in crores)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Security Expenses submitted by MgIAL	5.60	6.16	6.77	13.74	15.12	47.40
Allocation Ratio	99.02%	99.02%	99.02%	99.02%	99.02%	99.02%
Aeronautical Security Expenses	5.54	6.10	6.71	13.61	14.97	46.93

8.2.48 The Authority notes that security-related operating expenses are dynamic in nature and are driven by the prevailing security threat perception as well as security requirements mandated by various regulatory and security agencies and that the Airport Operator has projected significant security expenditure consequent to the expansion of the terminal building and other operational facilities and areas.

8.2.49 The Authority further notes that the security expenses comprise expenditure towards outsourced manpower, security guards, security operations and maintenance, surveillance vehicles, access control systems, and other security automation systems.

8.2.50 The Authority further notes that the activities undertaken through outsourced security services include Kerbside management, patrolling of airport areas, pass section operations, and management of other security automation systems across the airport premises.

8.2.51 The Authority proposes to consider annual growth rate as per the mean of the forecasted Inflation based on WPI: All commodities as per the Table 233, thus considering the inflation at 4.25% for FY 2027 and

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3.7% from FY 2028 till FY 2031. In addition to this, the Authority has considered terminal area increase factor of 37.21% in FY 2031 (Refer Table 241).

8.2.52 The Authority further notes that MgIAL has applied an allocation ratio of 99.02% based on the average of ratio during the First Control Period. The Authority proposes to consider the updated Terminal Building Ratio (TBR) of 92% (Refer para 5.3.224) for determining the Aeronautical Security Expenses for the Second Control Period.

8.2.53 The Total and Aeronautical Security Expense proposed to be considered by the Authority for the Second Control Period is as follows:

Table 256: Total and Aeronautical Security Expense proposed to be considered by the Authority for the Second Control Period

(₹ in crores)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Security Expenses (A)	6.23	6.46	6.70	6.94	9.79	36.11
Increase %	4.25%	3.70%	3.70%	3.70%	40.91%	
Allocation Ratio (B)	92.00%	92.00%	92.00%	92.00%	92.00%	
Aeronautical Security Expenses (C=A*B)	5.73	5.94	6.16	6.39	9.00	33.22

Corporate Cost Allocation

8.2.54 The Authority has examined MgIAL's submission in respect of the Corporate Cost Allocation for the Second Control Period, and notes that MgIAL has projected the said expenses by escalating the projected FY26 base figure amounting to ₹10.54 crore at an inflation based growth rate of 10.00% per annum. On this basis, MgIAL has submitted the Corporate Cost Allocation as per the table below:

Table 257: Corporate Cost Allocation submitted by MgIAL for the Second Control Period

(₹ in crores)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Corporate Cost submitted by MgIAL	11.59	12.75	14.03	15.43	16.97	70.78
Allocation Ratio	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%
Aeronautical Corporate Cost	11.32	12.45	13.69	15.06	16.57	69.08

8.2.55 The Authority notes that the Airport Operator receives corporate support services from Adani Enterprises Limited (AEL) and Adani Airport Holdings Limited (AAHL), which have established centralized capabilities, infrastructure and processes to support various group businesses, including airports.

8.2.56 The Authority further notes that these services cover strategic and operational functions such as finance, legal, procurement, information technology, taxation, internal audit, human resources, and other leadership functions. In addition, AAHL provides specialized aviation expertise relating to airport operations, airside management, airport development, regulatory affairs, commercial development, customer management and other airport-specific functions.

8.2.57 The Authority notes that the costs incurred by AEL and AAHL for providing these services, primarily comprising employee and administrative expenses, are allocated to group entities through defined allocation methodologies and recovered on a cost-to-cost basis without any mark-up. The Airport Operator has submitted that the centralized service model enables operational efficiencies and cost optimization across the airport portfolio.

8.2.58 The Authority proposes to consider annual growth rate of 6%, based on employee growth ratio as

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adopted in other airports, on the actual FY 2026 cost after excluding legal costs.

8.2.59 The Authority further notes that MgIAL has applied an allocation ratio of 97.60% based on the average Employee Head Count Ratio (EHCR). The Authority proposes to consider the updated Employee Head Count Ratio as per Table 246 as the allocation basis for determining the Aeronautical Corporate Cost for the Second Control Period.

8.2.60 The Total and Aeronautical Corporate Cost Allocation expenses proposed to be considered by the Authority for the Second Control Period is as follows:

Table 258: Total and Aeronautical Corporate Cost Allocation proposed to be considered by the Authority for the Second Control Period

(₹ in crores)						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Total Corporate Cost (A)	2.88	3.05	3.24	3.43	3.64	16.24
Increase %	6.00%	6.00%	6.00%	6.00%	6.00%	
Allocation Ratio (B)	95.87%	95.87%	95.87%	95.87%	96.21%	
Aeronautical Corporate Cost (C=A*B)	2.76	2.93	3.10	3.29	3.50	15.58

Administrative Expenses – UDF Collection Charges

8.2.61 The Authority has examined MgIAL's submission regarding UDF Collection Charges for the Second Control Period wherein the expenses are escalated at the passenger growth rate. On this basis, MgIAL has requested the Authority to consider the UDF Collection Charges as per the table below:

Table 259: UDF Collection Charges submitted by MgIAL for the Second Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
UDF Collection Charges	1.19	1.37	1.47	1.57	1.68	7.28
Allocation Ratio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Aeronautical UDF Collection Charges	1.19	1.37	1.47	1.57	1.68	7.28

8.2.62 The Authority notes that MgIAL has projected UDF Collection Charges by considering passenger growth as the escalation factor. Based on its independent assessment, the Authority finds the methodology and projections submitted by MgIAL to be reasonable and justified. Accordingly, the Authority proposes to consider the UDF Collection Charges for the Second Control Period as submitted by MgIAL.

8.2.63 The Authority further notes that MgIAL has applied an allocation ratio of 100% for UDF Collection Charges as it is an aeronautical activity. Accordingly, the Authority proposes to consider an allocation ratio of 100% for UDF Collection Charges for the Second Control Period.

8.2.64 Based on the above analysis, the Total and Aeronautical portion of UDF Collection Charges proposed to be considered by the Authority for the Second Control Period is as follows:

Table 260: Total and Aeronautical UDF Collection Charges as proposed by the Authority for the Second Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
UDF Collection Charges (A)	1.19	1.37	1.47	1.57	1.68	7.28

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Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY31	Total
Allocation Ratio (B)	100.00%	100.00%	100.00%	100.00%	100.00%	
Aeronautical UDF Collection Charges (C=A*B)	1.19	1.37	1.47	1.57	1.68	7.28

Administrative and General Expenses

8.2.65 The Authority analyzed MgIAL's submission regarding Administrative and General Expenses for the Second Control Period and noted that MgIAL has considered projected costs for FY 2026 amounting to ₹7.14 crore as the base for projecting the expenses for the Second Control Period. MgIAL has considered annual growth rate of 10% p.a. In addition, MgIAL has proposed a one-time increase factor of 34.72% in FY 2027 and 11.34% in FY 2030, on account of increase in manpower headcount. On this basis, MgIAL has requested the Authority to consider the Administrative and General Expenses as per the table below:

Table 261: Administrative and General Expenses submitted by MgIAL for the Second Control Period

(₹ in crores)

Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY31	Total
Administrative and General Expenses submitted by MgIAL	10.34	11.37	12.51	15.18	16.70	66.10
Allocation Ratio	98.02%	98.02%	98.02%	98.02%	98.02%	98.02%
Aeronautical Administrative and General Expenses	10.13	11.15	12.26	14.88	16.37	64.79

8.2.66 The Authority notes that administrative expenses comprise consultancy charges, advertisement and marketing expenses, travel expenses, audit fees, printing and stationery, office expenses, communication costs, business promotion expenses and other related expenditures necessary for the efficient functioning of the Airport.

8.2.67 The Authority further notes that these expenses support various business development and stakeholder engagement initiatives, including industry outreach programmes, interactions with stakeholders, participation in domestic and international forums, and catchment area development activities aimed at promoting airport operations and traffic growth.

8.2.68 The Authority is of the view that, given the highly variable nature of Administrative and General Expenses, projection on the basis of historical CAGR would not yield a reliable estimate. Also, there was no direct correlation of the expenses with the Manpower growth. Accordingly, the Authority considered the escalation at the prevailing rate of inflation based on WPI as per Table 233 for the projection of Administrative and General Expenses for the Second Control Period.

8.2.69 The Authority further notes that MgIAL has applied an allocation ratio of 98.02% based on the average allocation for the First Control Period. The Authority proposes to consider the updated Gross Fixed Asset Ratio (GFAR) as per Table 223 as the allocation basis for determining the Aeronautical Administrative and General Expenses for the Second Control Period.

8.2.70 The Total and Aeronautical Administrative and General Expenses proposed to be considered by the Authority for the Second Control Period is as follows:

Table 262: Total and Aeronautical Administrative and General Expenses proposed to be considered by the Authority for the Second Control Period*(₹ in crores)*

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Total Administrative and General Expenses (A)	4.73	4.90	5.08	5.27	5.47	25.45
Increase %	4.25%	3.70%	3.70%	3.70%	3.70%	
Allocation Ratio (B)	97.88%	97.94%	98.47%	97.07%	97.08%	
Aeronautical Administrative and General Expenses (C=A*B)	4.63	4.80	5.01	5.12	5.31	24.86

Insurance

8.2.71 The Authority has examined MgIAL's submission regarding Insurance Expenses for the Second Control Period. It is noted that MgIAL has projected Insurance Expenses based on the Gross Asset Block, applying an insurance rate of 0.15% derived from the actual insurance expenditure incurred in FY 2025 as a percentage of the Gross Asset Block. Accordingly, MgIAL has requested the Authority to consider Insurance Expenses for the Second Control Period as presented in the table below:

Table 263: Insurance Expenses submitted by MgIAL for the Second Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Insurance	1.97	2.25	6.11	6.22	7.80	24.35
Allocation Ratio	98.6%	98.6%	98.6%	98.6%	98.6%	98.6%
Aeronautical Insurance	1.94	2.22	6.02	6.13	7.69	24.01

8.2.72 The Authority undertook an analysis of the historical trend of insurance premium expenditure actually incurred by MgIAL during the First Control Period. The Authority observed that the insurance premium has registered a Compounded Annual Growth Rate (CAGR) of ~3.4% during the period FY22 to FY26, as derived from the audited/actual figures submitted by MgIAL. The Authority further notes that insurance premium as a percentage of the gross asset block stood at 0.10% in FY 2026 and has exhibited a declining trend throughout the First Control Period.

8.2.73 Accordingly, the Authority is of the view that the insurance expenses at 0.15% of the Gross Block of Assets considered by MgIAL appears to be higher than the actual trend observed during the First Control Period. Therefore, the Authority proposes to consider insurance expenses at the rate of 0.10% of the Gross Block, based on the historical trend observed during the First Control Period.

8.2.74 The Authority further notes that MgIAL has applied an allocation ratio of 98.60% based on the Gross Fixed Asset Ratio (GFAR) for FY 2025. The Authority proposes to consider the updated Gross Fixed Asset Ratio (GFAR) as per Table 223 as the allocation basis for determining the Aeronautical Insurance Expenses for the Second Control Period.

8.2.75 Based on the above analysis, the Total and Aeronautical portion of Insurance Expenses proposed to be considered by the Authority for the Second Control Period is as follows:

Table 264: Total and Aeronautical Insurance Expenses as proposed by the Authority for the Second Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Gross Block of Asset (A)	1,188.16	1,282.19	1,898.06	2,693.68	2,723.49	
Total Insurance (B=A*0.1%)	1.19	1.28	1.90	2.69	2.72	9.79

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Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Increase %	26.23%	7.91%	48.03%	41.92%	1.11%	
Allocation Ratio (C)	97.88%	97.94%	98.47%	97.07%	97.08%	
Aeronautical Insurance Expenses (D=B*C)	1.16	1.26	1.87	2.61	2.64	9.55

Repairs and Maintenance (R&M)

8.2.76 The Authority has examined MgIAL's submission regarding Repair and Maintenance (R&M) Expenses for the Second Control Period and notes that these expenses primarily relate to the upkeep of airport infrastructure and facilities, including civil, electrical, and mechanical works associated with the terminal building, runway, parking bays, IT systems, and other plant and machinery. The Authority further notes that MgIAL has projected the existing R&M expenses by applying an annual escalation of 10% based on projected FY 2026 R&M expenses amounting to ₹17.51 crore. For new assets proposed to be capitalized during the Second Control Period, MgIAL has estimated the additional R&M expenses in proportion to the additions to the Gross Block. On this basis, MgIAL has requested the Authority to consider the R&M expenses as per the table below:

Table 265: R&M Expenses submitted by MgIAL for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Existing R&M	19.26	21.19	23.31	25.64	28.20	
R&M for new assets capitalized	2.71	7.63	15.98	19.00	59.13	
Total Repairs & Maintenance	21.97	28.82	39.28	44.64	87.33	222.04
Allocation Ratio	98.6%	98.6%	98.6%	98.6%	98.6%	98.6%
Aeronautical Repairs & Maintenance	21.66	28.41	38.73	44.00	86.09	218.89

8.2.77 The Authority undertook an analysis of the historical trend of R&M expenses actually incurred by MgIAL during the First Control Period. The Authority observed that the R&M expenses observed a Compounded Annual Growth Rate (CAGR) of ~9.3% during the period FY22 to FY26, as derived from the audited/actual figures submitted by MgIAL.

8.2.78 The Authority further notes that the methodology adopted by MgIAL for estimating R&M Expenses associated with new asset additions may result in an overstatement of such expenses, as newly commissioned assets typically require lower maintenance expenditure during the initial years of operation compared to older assets. Accordingly, the Authority is of the view that linking incremental R&M Expenses directly to the proportionate increase in the Gross Block may not be appropriate. The Authority further notes that the actual R&M expenditure incurred on newly capitalized assets during the First Control Period was about 1% which is consistent with the methodology adopted by the Authority during the tariff determination of First Control Period (Order No. 38/2022-23). Accordingly, the Authority proposes to estimate the incremental R&M Expenses for new assets capitalized during the Second Control Period at 1% of the value of asset additions.

8.2.79 In view of the above, the Authority proposes to project the R&M for the Second Control Period in the following manner:

- Base Component:** Actual R&M Expenses incurred in FY 2026 are escalated based on projected WPI as per Table 233.

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- ii. **Incremental Component on New Asset Addition:** An additional allowance equivalent to 1% of the value of the asset additions capitalized during each year of the Second Control Period, to address the incremental Repairs and Maintenance expenditure attributable to the said additions.

8.2.80 The Authority further notes that MgIAL has applied an allocation ratio of 98.60% based on the Gross Fixed Asset Ratio (GFAR) for FY 2025. The Authority proposes to consider the updated Gross Fixed Asset Ratio (GFAR) as per Table 223 as the allocation basis for determining the Aeronautical R&M Expenses for the Second Control Period.

8.2.81 Based on the above analysis, the Total and Aeronautical portion of R&M Expenses proposed to be considered by the Authority for the Second Control Period is as follows:

Table 266: R&M Expenses as proposed by the Authority for the Second Control Period

(₹ in Crore)						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Asset Addition - Gross (A)	241.79	94.04	615.87	795.62	29.81	
Incremental R&M (B=1%*A)	2.42	0.94	6.16	7.96	0.30	17.77
Previous Year's R&M Expenses (C)	16.27	19.38	21.04	27.97	36.96	
Inflation (D)	4.25%	3.70%	3.70%	3.70%	3.70%	
Total R&M Expenses (E=B+C*(1+D))	19.38	21.04	27.97	36.96	38.63	143.98
Increase %	19.11%	8.55%	32.98%	32.14%	4.51%	
Allocation Ratio (F)	97.88%	97.94%	98.47%	97.07%	97.08%	
Aeronautical R&M Expenses (G=F*E)	18.97	20.60	27.55	35.88	37.50	140.50

Other Operating Expenses

8.2.82 The Authority analyzed MgIAL's submission regarding Other Operating Expenses for the Second Control Period and noted that MgIAL has considered projected costs for FY 2026 amounting to ₹12.35 crore as the base for projecting the expenses for the Second Control Period. MgIAL has considered annual growth rate of 10% p.a. based on inflation. In addition to this, MgIAL has considered terminal area increase factor of 92.88% in FY30. On this basis, MgIAL has requested the Authority to consider the Other Operating Expenses as per the table below:

Table 267: Other Operating Expenses submitted by MgIAL for the Second Control Period

(₹ in crores)						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Other Operating Expenses	13.59	14.94	16.44	33.35	36.68	115.00
Allocation Ratio	96.18%	96.18%	96.18%	96.18%	96.18%	96.18%
Aeronautical Other Operating Expenses	13.07	14.37	15.81	32.07	35.28	110.60

8.2.83 The Authority notes that Other Operating Expenses comprise housekeeping and upkeep expenses, horticulture expenses, and outsourced manpower/hire charges incurred for maintaining airport facilities and supporting day-to-day airport operations. The expenditure under this head primarily includes cleaning and housekeeping services, pest control services, passenger toilet cleaning, biomedical waste management services, garbage collection services, bird and wildlife hazard management, and trolley management services.

8.2.84 The Authority further notes that outsourced manpower and hire charges relate to deployment of personnel for operational functions such as Guest Relation Executives (GREs), Customer Service Executives (CSEs), baggage assistants, Airport Operations Control Centre (AOCC) staff, drivers,

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ambulance staff, pantry services and other support activities necessary for efficient airport operations and passenger facilitation.

8.2.85 The Authority proposes to consider annual growth rate as per the mean of the forecasted Inflation based on WPI: All commodities as per the Table 233, thus considering the inflation at 4.25% for FY 2027 and 3.70% from FY 2028 till FY 2031. In addition to this, the Authority has considered terminal area increase factor of 37.21% in FY 2031 (Refer Table 241).

8.2.86 The Authority further notes that MgIAL has applied an allocation ratio of 96.18% based on the average allocation for the First Control Period. The Authority proposes to consider the Terminal Building Ratio (TBR) of 92% (Refer para 5.3.224) for determining the Aeronautical Other Operating Expenses for the Second Control Period.

8.2.87 The Total and Aeronautical Other Operating Expenses proposed to be considered by the Authority for the Second Control Period is as follows:

Table 268: Other Operating Expenses proposed by the Authority for the Second Control Period

<i>(₹ in crores)</i>						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Total Other Operating Expenses (A)	12.25	12.70	13.17	13.66	19.25	71.04
Increase %	4.25%	3.70%	3.70%	3.70%	40.91%	
Allocation Ratio (B)	92.00%	92.00%	92.00%	92.00%	92.00%	
Aeronautical Other Operating Expenses (C=A*B)	11.27	11.69	12.12	12.57	17.71	65.36

Independent Engineers' Cost

8.2.88 The Authority analyzed MgIAL's submission regarding Independent Engineers' fees for the Second Control Period and noted that MgIAL has considered projected costs for FY 2026 amounting to ₹1.55 crore as the base for projecting the expenses for the Second Control Period and has considered an escalation of 10% in the associated cost, based on inflation. On this basis, MgIAL has requested the Authority to consider the Independent Engineers' fees as per the table below:

Table 269: Independent Engineers' fees submitted by MgIAL for the Second Control Period

<i>(₹ in crores)</i>						
Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Independent Engineers' fees	1.70	1.87	2.06	2.26	2.49	10.39
Allocation Ratio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Aeronautical Independent Engineers' fees	1.70	1.87	2.06	2.26	2.49	10.39

8.2.89 The Authority notes that, in accordance with Article 24 of the Concession Agreement, an Independent Engineer is required to be appointed jointly by AAI and the Airport Operator for an initial period of three years and thereafter every three years during the concession period. The Authority further notes that the cost of the Independent Engineer is initially borne by AAI and subsequently reimbursed by the Airport Operator.

8.2.90 The Authority notes that AAI appointed M/s RITES Limited as the Independent Engineer (IE) vide LoA dated 6th March 2024 for a period of three years at a total contract value of ₹4.64 crore, equivalent to an annual cost of ₹1.55 crore. The Airport Operator has projected the IE fees by applying an escalation of 10% per annum on the contracted cost. The Authority further notes that the current contract remains valid only for the first year of the Second Control Period, following which a fresh contract is expected to be awarded. The Authority, hence proposes to consider annual growth rate as per the mean of the forecasted Inflation based on WPI: All commodities as per the Table 233, thus considering the

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inflation at 3.70% from FY 2028 till FY 2031.

- 8.2.91 The Authority proposes to consider an allocation ratio of 100% as proposed by MgIAL for determining the Aeronautical Independent Engineer Fees as these are considered as pass-through as per Concession Agreement (Refer Article 24, Clause 24.3.1 of Concession Agreement). Accordingly, the Total and Aeronautical Independent Engineers' fees proposed to be considered by the Authority for the Second Control Period are as follows:

Table 270: Independent Engineers' fees proposed by the Authority for the Second Control Period

(₹ in crores)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Total Independent Engineers' fees (A)	1.55*	1.60	1.66	1.72	1.79	8.33
Increase %	-	3.70%	3.70%	3.70%	3.70%	
Allocation Ratio (B)	100.00%	100.00%	100.00%	100.00%	100.00%	
Aeronautical Independent Engineers' fees (C=A*B)	1.55	1.60	1.66	1.72	1.79	8.33

(*Based on existing Contract hence no escalation applied)

Digitization Expenses

- 8.2.92 The Authority analyzed MgIAL's submission regarding Digitization expenses for the Second Control Period and noted that MgIAL has considered projected costs for FY 2026 amounting to ₹12.95 crore as the base for projecting the expenses for the Second Control Period. MgIAL has considered annual growth rate of 10% p.a. based on inflation, change of scope, overtime, escalation etc. On this basis, MgIAL has requested the Authority to consider the Digitization expenses as per the table below:

Table 271: Digitization Expenses submitted by MgIAL for the Second Control Period

(₹ in crores)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Digitization Expenses	14.25	15.67	17.24	18.96	20.86	86.97
Allocation Ratio	82.0%	82.0%	82.0%	82.0%	82.0%	82.0%
Aeronautical Digitization Expenses	11.68	12.85	14.13	15.55	17.10	71.31

- 8.2.93 The Authority notes that increasing passenger expectations and the growing demand for real-time information and seamless airport services have necessitated the adoption of digital solutions across airport operations. The Airport Operator has submitted that digital transformation is essential for enhancing passenger experience, improving service quality, and enabling the delivery of integrated end-to-end services through a unified digital platform.
- 8.2.94 The Authority proposes to consider a 5% Y-o-Y growth for digitization expenses in line with the Authority's decision in other tariff orders against MgIAL's proposed escalation of 10% p.a.
- 8.2.95 The Authority, based on the approach adopted in other tariff orders, has also considered onboarding costs at approximately 13.11% of the total Digitization cost, as specific information regarding the exact proportion of onboarding costs was not available for MgIAL. Accordingly, such onboarding costs have been treated as non-aeronautical expenditure.
- 8.2.96 Further, in line with the Multi-Criteria Decision Analysis (MCDA) methodology, as elaborated Digitization Cost item (Refer para 3.6.128) under True up of FCP, an aeronautical allocation ratio of 30% has been considered for the Digitization project.
- 8.2.97 The Total and Aeronautical Digitization Cost proposed to be considered by the Authority for the Second Control Period are as follows:

Table 272: Digitization Cost proposed by the Authority for the Second Control Period*(₹ in crores)*

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Total Digitization Cost (post deduction of onboarding cost) (A)	11.81	12.40	13.02	13.67	14.36	65.26
Increase %	5.00%	5.00%	5.00%	5.00%	5.00%	
Aero Allocation Ratio (B)	30%	30%	30%	30%	30%	
Aeronautical Digitization Cost (C=A*B)	3.54	3.72	3.91	4.10	4.31	19.58

Runway Re-Carpeting

8.2.98 The Authority analyzed MgIAL's submission regarding Runway Re-Carpeting costs for the Second Control Period. MgIAL has submitted that runway recarpeting is proposed in FY 2029-30 to maintain the required pavement condition and operational safety. Further, in line with the approach prescribed under AERA Order No. 35/2017-18, MgIAL has proposed amortization of the recarpeting expenditure over five years along with carrying cost on the unamortized balance. Accordingly, MgIAL has requested the Authority to consider Runway Re-Carpeting costs as per the table below:

Table 273: Runway Re-Carpeting costs submitted by MgIAL for the Second Control Period*(₹ in crores)*

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Amortization of Runway re-carpeting	-	-	-	11.48	11.48	22.95
Return on Un-amortized Amounts	-	-	-	3.38	5.92	9.30
Total Runway Re-Carpeting costs	-	-	-	14.86	17.39	32.25
Allocation Ratio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Aeronautical Runway Re-Carpeting costs	-	-	-	14.86	17.39	32.25

8.2.99 The Authority notes that AERA Order No. 35/2017-18 provides that the useful life of runway assets depends on the design life envisaged at the time of pavement construction, based on which the pavement composition, layer thickness, and other structural components are designed. MgIAL has submitted that the last recarpeting of Runway 06-24 was undertaken during FY 2023-24 and that the next recarpeting is anticipated around FY 2029-30 to maintain the requisite pavement condition and safety standards.

8.2.100 The Airport Operator has further submitted that, considering Mangaluru Airport is a table-top airport with a constrained runway length, maintaining the runway surface to the highest operational standards is critical for safe aircraft operations. Accordingly, MgIAL has proposed a capital outlay of approximately ₹ 48 crore towards runway recarpeting in FY 2029-30, including soft costs but excluding financing allowance.

8.2.101 The Authority observes that, in terms of AERA Order No. 35/2017-18 dated 12th January 2018, expenditure incurred towards recarpeting of runways, taxiways, and aprons is treated as O&M expenditure and amortized over a period of five years to mitigate tariff impact on airport users.

8.2.102 MgIAL has accordingly proposed amortization of the runway recarpeting expenditure over five years and has also sought consideration of carrying cost on the unamortized balance of such expenditure, in line with the approach adopted by the Authority in respect of other airports. The Airport Operator has submitted that such carrying cost would enable recovery of the capital deployed towards recarpeting together with a reasonable return commensurate with the associated risks.

8.2.103 The Authority notes that, based on the review of friction test reports submitted by MgIAL, the runway surface continues to meet the prescribed friction requirements and remains within acceptable operational limits, and accordingly, is of the view that there is no immediate requirement for runway

re-carpeting.

8.2.104 The Authority further notes that the need for future runway re-carpeting should be established based on periodic pavement condition assessments, friction test results, technical evaluations, and applicable regulatory approvals prevailing at the relevant time. Therefore, the Authority proposes that the expenditure towards runway re-carpeting shall be considered based on actual incurrence and demonstrated necessity, supported by the requisite technical assessments and approvals.

Cargo Operating Expenses

8.2.105 The Authority has examined MgIAL's submission in respect of Cargo Operating Expenses for the Second Control Period, and notes that MgIAL has projected the said expense by escalating the FY 2025-26 base figure at 10% indexation for both the Insourced Employee Cost and the O&M Costs. They have also increased the number of employees from 1 in FY 2027 to 2 in FY 2028 and then to 4 in FY 2029. On this basis, MgIAL has requested the Authority to consider Cargo Operating Expenses as per the table below:

Table 274: Cargo Operating Expenses submitted by MgIAL for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Insourced salary	0.15	0.33	0.73	0.80	0.88	2.88
O&M Cost	2.80	3.08	3.39	3.73	4.10	17.10
Customs Cost Recovery	1.24	1.36	1.50	1.65	1.82	7.57
Total Cargo Operating Expenses	4.19	4.77	5.62	6.18	6.79	27.55
Allocation Ratio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Aeronautical Cargo Operating Expenses	4.19	4.77	5.62	6.18	6.79	27.55

8.2.106 The Authority notes that MgIAL has projected in-house employee costs for cargo operations during the Second Control Period. The Airport Operator has submitted that, as of August 2025, cargo operations are managed by one employee and the manpower strength is proposed to increase to two employees in FY 2027-28 and four employees in FY 2028-29. Accordingly, MgIAL has projected the associated employee costs based on the anticipated manpower requirement and 10% year-on-year escalation.

8.2.107 The Authority further notes that MgIAL has projected Cargo Operation and Maintenance expenses towards the day-to-day management of the existing cargo facility, which is presently operated through outsourced manpower. MgIAL has considered projected cost of FY 2025-26 amounting to ₹ 2.55 crore along with an annual escalation of 10% for determining the Cargo O&M cost for the Second Control Period.

8.2.108 The Authority also notes that MgIAL has proposed Customs Cost Recovery Charges as part of the cargo-related operating expenditure. The Airport Operator has submitted that, in accordance with Customs Circular No. 02/2021 dated 19.01.2021, it is required to bear the Customs Cost Recovery Charges applicable to the international cargo facility. Based on the latest debit note issued by the Customs Department, MgIAL has considered charges of ₹ 30.71 lakh per quarter and has projected the same for the Second Control Period with 10% year-on-year escalation.

8.2.109 The Authority notes that, for Insourced Salary, an annual escalation rate of 6% was considered in the First Control Period Tariff Order No. 38/2022-23. Considering the nature of these expenditure heads and in line with the approach adopted in the said Tariff Order, the Authority proposes to continue considering an annual escalation rate of 6% over the projected period, instead of the 10% annual escalation considered by the Airport Operator.

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8.2.110 The Authority based on its independent assessment, notes that the projections submitted by MgIAL for Custom Cost Recovery are reasonable. Accordingly, the Authority proposes to consider the Custom Cost Recovery for the Second Control Period as submitted by MgIAL.

8.2.111 With respect to the O&M cost, the Authority notes that, in the MgIAL First Control Period Tariff Order (Order No. 38/2022-23), annual escalation was considered based on inflationary trends. Adopting a similar approach, the Authority proposes to consider the annual growth rate based on the mean of the forecasted inflation under the WPI: All Commodities category, as per Table 233. Accordingly, the Authority proposes to consider inflation at 4.25% for FY 2027 and 3.70% per annum from FY 2028 to FY 2031 for the purpose of projecting the O&M cost.

8.2.112 The Authority further notes that MgIAL has applied an allocation ratio of 100% for Cargo Operating Expenses. Accordingly, the Authority proposes to consider an allocation ratio of 100%, considering the aeronautical nature of the activity, for Cargo Operating Expenses for the Second Control Period.

8.2.113 Based on the above analysis, The Total and Aeronautical Cargo Operating Expenses proposed to be considered by the Authority for the Second Control Period is as follows:

Table 275: Cargo Operating Expenses proposed by the Authority for the Second Control Period
(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Employee Count	1	2	4	4	4	
Insourced salary per employee	0.15	0.16	0.17	0.18	0.19	
Increase %	-	6.00%	6.00%	6.00%	6.00%	
Insourced salary	0.15	0.32	0.67	0.71	0.76	2.61
O&M Expenses	1.79	1.86	1.93	2.00	2.07	9.65
Increase %	4.25%	3.70%	3.70%	3.70%	3.70%	
Customs Cost Recovery	1.24	1.36	1.50	1.65	1.82	7.57
Total Cargo Operating Expenses	3.18	3.54	4.10	4.36	4.65	19.84
Aero Allocation Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	
Aeronautical Cargo Operating Expenses	3.18	3.54	4.10	4.36	4.65	19.84

Fuel Operating Expenses

8.2.114 The Authority has examined MgIAL's submission in respect of Fuel Operating Expenses for the Second Control Period, and notes that MgIAL has projected the said expense by escalating the FY 2025-26 base figure at 10% indexation for both the Insourced Employee Cost and the O&M Costs. They have also increased the number of employees from 1 in FY 2027 to 2 in FY 2028. On this basis, MgIAL has requested the Authority to consider Fuel Operating Expenses as per the table below:

Table 276: Fuel Operating Expenses submitted by MgIAL for the Second Control Period
(₹ in Crore)

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Fuel Throughput (KL)	50,000	56,400	60,800	64,200	67,700	299,100
Insourced Employee Count (#)	1	2	2	2	2	

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Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY31	Total
Insourced Salary	0.10	0.22	0.24	0.27	0.29	1.12
O&M Cost	6.78	7.85	8.86	9.93	11.12/3	44.54
Total Fuel Operating Expenses	6.88	8.07	9.10	10.19	11.42	45.67
Allocation Ratio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Aeronautical Cargo Operating Expenses	6.88	8.07	9.10	10.19	11.42	45.67

8.2.115 The Authority has examined the submission made by MgIAL and notes that the Airport Operator has considered a fuel throughput-to-ATM ratio of 2.46 KL/ATM for the Second Control Period. The Authority further notes that, in previous tariff determinations, a fuel throughput ratio of 2 KL/ATM was considered for GIAL (Order No. 07/2024-25), 2.4 KL/ATM for JIAL (Order No. 03/2024-25), and 2 KL per Domestic ATM and 12 KL per International ATM for NMIAL (Order No. 07/2026-27). The Authority further notes that the actual fuel throughput-to-ATM in FCP was 2.81 in FY 2025 and 2.56 in FY 2026 showing a declining trend. Considering the aforesaid benchmarks and noting that the assumption adopted by MgIAL is broadly in line with the ratios accepted for comparable airports, the Authority proposes to accept the fuel throughput-to-ATM ratio of 2.46 KL/ATM for determination of fuel throughput during the Second Control Period.

8.2.116 The Authority notes that MgIAL has entered into an agreement for the O&M of the Fuel Farm Facility for the period from 15th December 2025 to 14th December 2026. The contract comprises a fixed fee component and a variable fee component linked to the volume of fuel processed through the facility. As per the agreement, a minimum throughput of 29,900 KL is guaranteed against a fixed fee of ₹5.33 crore, with an additional charge of ₹371 per KL applicable for volumes processed beyond the guaranteed threshold.

8.2.117 Hence, the Authority considers the cost as per the contract for FY 2027 and proposes to consider annual growth rate as per the mean of the forecasted Inflation based on WPI: All commodities as per Table 233, thus considering the inflation at 3.70% from FY 2028 till FY 2031.

8.2.118 The Authority notes that, as of August 2025, MgIAL has deployed one employee for Fuel Farm. Considering the projected growth in ATMs, the Authority proposes to consider an increase in employee strength from one to two employees from FY 2028, as proposed by MgIAL.

8.2.119 The Authority further notes that MgIAL has projected an average employee cost of ₹10 lakh for FY 2027, which is broadly in line with the average employee cost observed for the Airport Operator (Refer Table 247). Accordingly, the Authority proposes to consider the same for tariff determination purposes, along with an annual escalation of 6% instead of 10% as proposed by MgIAL which is consistent with the approach adopted by the Authority for other similarly placed airports.

8.2.120 The Authority further notes that MgIAL has applied an allocation ratio of 100% for Fuel Operating Expenses as it is an aeronautical activity. Accordingly, the Authority proposes to consider an allocation ratio of 100% for Fuel Operating Expenses for the Second Control Period.

8.2.121 Based on the above analysis, the Total and Aeronautical portion of Fuel Operating Expenses proposed to be considered by the Authority for the Second Control Period is as follows:

Table 277: Fuel Operating Expenses proposed by the Authority for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY31	Total
Air Traffic Movements (A) {Refer Table	20,521	23,602	26,396	29,581	32,997	1,33,097

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Particulars (FY ending 31st March)	FY27	FY28	FY29	FY30	FY31	Total
184}						
Fuel Throughput / ATM (KL/ATM) (B)	2.46	2.46	2.46	2.46	2.46	
Fuel Throughput (KL) (C=A*B)	50,481	58,061	64,934	72,770	81,172	3,27,418
Fixed O&M Cost (D)	5.33*	5.52	5.73	5.94	6.16	28.67
Variable O&M Cost per KL (₹/KL) (E)	371*	385	399	414	429	
Increase %	-	3.70%	3.70%	3.70%	3.70%	
Total Variable cost {F=(C-29,900)*E}	0.76	1.08	1.40	1.77	2.20	7.22
Fuel O&M Expenses (G)	6.09	6.61	7.12	7.71	8.36	35.89
Insourced Employee Count (#) (H)	1	2	2	2	2	
Average Salary (I)	0.10	0.11	0.11	0.12	0.13	
Increase %	-	6.00%	6.00%	6.00%	6.00%	
Insourced Employee Salary (J=H*I)	0.10	0.21	0.22	0.24	0.25	1.03
Toal Fuel Operating Expenses (K = J+G)	6.19	6.82	7.35	7.95	8.61	36.92
Allocation Ratio (L)	100.00%	100.00%	100.00%	100.00%	100.00%	
Aeronautical Fuel Operating Expenses (M=K*L)	6.19	6.82	7.35	7.95	8.61	36.92

(*Based on existing contract, hence no escalation is applied)

Interest on Working Capital

8.2.122 MgIAL has submitted the Interest on Short Term Debt / Working Capital in the MYTP for the Second Control Period which is provided in the table below:

Table 278: Interest on Short Term Debt / Working Capital submitted by MgIAL for the Second Control Period

(₹ in Crore)						
Particulars (FY ending 31st March)	2027	2028	2029	2030	2031	Total
Interest on Short Term Debt/ Working Capital	22.76	22.76	22.76	22.76	22.76	113.79
Allocation Ratio	98.6%	98.6%	98.6%	98.6%	98.6%	
Aeronautical Interest on Working Capital	22.44	22.44	22.44	22.44	22.44	112.20

8.2.123 The Authority notes that for the projection of Interest on Working Capital, MgIAL has submitted the interest amount equal to the amount claimed in FY 2025-26. The Authority further notes that the interest estimation for the First Control Period was based on negative cash flows to fund business requirements (Refer para 3.6.154).

8.2.124 The Authority as noted earlier (Refer para 3.6.155) that the methodology adopted by the Operator for computation of Interest on Working Capital is based on the net cash flows arising from operating, investing, and financing activities of the business and the Authority has considered not to follow this approach for Interest Determination.

8.2.125 The Authority has further independently computed the working capital requirement based on the aeronautical revenues and operating costs in absence of receivables and payable details with MgIAL (Refer para 3.6.156). For the calculation, the Authority has considered a receivable period of 15 days

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and a payable period of 15 days. The interest on the resultant net working capital requirement was further calculated at 10.20% (average cost of debt proposed by the Authority for the Second Control Period Refer para 6.2.11) for the Second Control Period.

8.2.126 The Authority notes that MgIAL has applied an allocation ratio of 98.60% based on the Gross Fixed Asset Ratio (GFAR) for FY 2025. The Authority considers an allocation ratio of 100% for the Second Control Period as the calculation for Interest on working capital is solely based on Aeronautical Revenue and Costs.

8.2.127 Based on the above analysis, the Total and Aeronautical portion of Interest on Working Capital proposed to be considered by the Authority for the Second Control Period is as follows:

Table 279: Working Capital proposed by the Authority for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Aeronautical Revenue	259.34	341.07	413.82	502.54	609.26	2,126.03
Aeronautical Cost (Excluding Financing Charges)	111.92	119.87	132.72	147.31	173.36	685.18
Receivables @ 15 Days (A)	10.66	13.98	17.01	20.65	25.04	
Payables @ 15 Days (B)	4.60	4.91	5.45	6.05	7.12	
Net Working Capital (A-B)	6.06	9.07	11.55	14.60	17.91	
Opening Balance (C)	5.02*	6.06	9.07	11.55	14.60	
Addition/Repayment	1.04	3.01	2.49	3.05	3.32	
Closing Balance (D)	6.06	9.07	11.55	14.60	17.91	
Interest on Working Capital E=(C+D)/2*10.20%	0.56	0.77	1.05	1.33	1.66	5.38
Allocation Ratio (F)	100.00%	100.00%	100.00%	100.00%	100.00%	
Aeronautical Interest on Working Capital (G=E*F)	0.56	0.77	1.05	1.33	1.66	5.38

*Refer Table 151

Financing Charges

8.2.128 The Financing Charges as submitted by MgIAL in MYTP for the Second Control Period is provided in the table below:

Table 280: Financing Charges submitted by MgIAL for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Financing Charges	0.60	0.60	0.60	0.60	0.60	3.00
Allocation Ratio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Aeronautical Financing Charges	0.60	0.60	0.60	0.60	0.60	3.00

8.2.129 The Authority has examined the Financing Charges submitted by MgIAL for the Second Control Period and notes that these charges pertain to the Performance Bank Guarantee required to be maintained under the provisions of the Concession Agreement. The Authority further notes that MgIAL has furnished a Performance Bank Guarantee of ₹120 crore, which carries an annual commission fee of 0.5%,

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amounting to ₹0.60 crore per annum. Hence, the Authority proposes to accept the Financing Charges as submitted by MgIAL for the Second Control Period.

8.2.130 The Authority notes that the MgIAL has applied an 100% allocation ratio for Financing Charges. On further examination the Authority notes that PBG Charges are considered as Aeronautical based on Clause 9.1.1 of the Concession Agreement which state that *“The Concessionaire shall, for the performance of its obligations during Phase 1 hereunder provide to the Authority, no later than 120 (one hundred and twenty) days from the date of this Agreement, an irrevocable and unconditional guarantee from a Bank for a sum equivalent to Rs. 120,00,00,000 (Rupees One Hundred and Twenty Crore) in the form set forth in Schedule E (“Performance Security”). Until such time the Performance Security is provided by the Concessionaire pursuant hereto and the same comes into effect, the Bid Security shall remain in force and effect and upon such provision of the Performance Security pursuant hereto, the Authority shall release the Bid Security to the Concessionaire”*. Hence, the Authority proposes to consider an allocation ratio of 100% for Financing Charges for the Second Control Period.

8.2.131 Based on the above analysis, the Total and Aeronautical portion of Financing Charges proposed to be considered by the Authority for the Second Control Period is as follows:

Table 281: Financing Charges proposed by the Authority for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Financing Charges (A)	0.60	0.60	0.60	0.60	0.60	3.00
Allocation Ratio (B)	100.00%	100.00%	100.00%	100.00%	100.00%	
Aeronautical Financing Charges (C=A*B)	0.60	0.60	0.60	0.60	0.60	3.00

8.2.132 Based on the above, the Authority has proposed the following Aeronautical O&M Expenses for the Second Control Period:

Table 282: Aeronautical O&M Expenses proposed by Authority for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Airport Expenses						
AAI employees/Deficit Employees – {Refer Table 243}	14.27	14.54	14.49	14.70	14.89	72.89
Manpower expenses - AO Employees – {Refer Table 247}	14.23	15.82	16.77	17.78	20.31	84.91
Utility expenses {Refer Table 250}	14.18	15.84	17.42	19.15	27.23	93.82
IT expenses {Refer Table 252}	8.14	8.44	8.76	9.08	12.80	47.22
Rates & taxes {Refer Table 254}	0.92	0.95	1.00	1.02	1.43	5.32
Security Expense {Refer Table 256}	5.73	5.94	6.16	6.39	9.00	33.22
Corporate Allocation {Refer Table 258}	2.76	2.93	3.10	3.29	3.50	15.58
Administrative Expenses: Collection charges on UDF {Refer Table 260}	1.19	1.37	1.47	1.57	1.68	7.28
Administrative Expenses - Others {Refer Table 262}	4.63	4.80	5.01	5.12	5.31	24.86
Insurance {Refer Table 264}	1.16	1.26	1.87	2.61	2.64	9.55
R&M {Refer Table 266}	18.97	20.60	27.55	35.88	37.50	140.50

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Particulars (FY ending 31st March)	2027	2028	2029	2030	2031	Total
Other Operating Expenses {Refer Table 268}	11.27	11.69	12.12	12.57	17.71	65.36
Independent Engineer Fees {Refer Table 270}	1.55	1.60	1.66	1.72	1.79	8.33
Digitization Cost {Refer Table 272}	3.54	3.72	3.91	4.10	4.31	19.58
Runway recarpeting	-	-	-	-	-	-
Total Airport Expenses (1)	102.55	109.51	121.27	134.99	160.11	628.43
Cargo Operating Expenses						
Insourced salary {Refer Table 275}	0.15	0.32	0.67	0.71	0.76	2.61
O&M Cost {Refer Table 275}	1.79	1.86	1.93	2.00	2.07	9.65
Customs Cost Recovery {Refer Table 275}	1.24	1.36	1.50	1.65	1.82	7.57
Total Cargo Operating Expenses (2)	3.18	3.54	4.10	4.36	4.65	19.84
Fuel Operating Expenses						
Insourced salary {Refer Table 277}	0.10	0.21	0.22	0.24	0.25	1.03
O&M Cost {Refer Table 277}	6.09	6.61	7.12	7.71	8.36	35.89
Total Fuel Operating Expenses (3)	6.19	6.82	7.35	7.95	8.61	36.92
Interest on Working Capital Loan (4) – {Refer Table 279}	0.56	0.77	1.05	1.33	1.66	5.38
Financing Charges (5) {Refer Table 281}	0.60	0.60	0.60	0.60	0.60	3.00
Grand Total (1+2+3+4+5)	113.08	121.24	134.38	149.24	175.62	693.56

8.2.133 In view of the above, the Authority proposes to consider Aeronautical Operating Expenses of ₹693.56 crores as per Table 282 for the Second Control Period as against MgIAL's submission of ₹1,288.99 crores as per Table 239.

8.2.134 The Authority observes a substantial variation between the Operating Expenses submitted by the Airport Operator and those proposed by the Authority for the Second Control Period. The said variation is attributable to:

- i. Adoption of actuals as the base figure for projection, in comparison to the projected base considered by the Operator; and
- ii. Rationalization of specific expense heads, including Manpower Expenses, Interest on Working Capital, Repairs & Maintenance, Digitization and others;

8.3 Authority's proposal regarding Aeronautical Operation and Maintenance (O&M) Expenses for the Second Control Period

Based on the material before it and its examination, the Authority proposes the following with respect to Aeronautical Operation and Maintenance (O&M) Expenses for the Second Control Period:

- 8.3.1 To consider Aeronautical O&M Expenses for the Second Control Period as per Table 282.
- 8.3.2 To true up Aeronautical O&M Expenses for the Second Control Period based on actuals at the time of tariff determination for the Third Control Period, subject to reasonableness and efficiency.

9. NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**9.1 MgIAL's submission regarding Non-Aeronautical Revenue for the Second Control Period**

- 9.1.1 MgIAL in its submission has stated that it follows a Master Concessionaire model for managing commercial activities at the Airport
- 9.1.2 MgIAL has submitted that it outsourced all Non-aeronautical businesses (mentioned below) to the Master Concessionaire, Adani Airport Holdings Limited, vide Master Services Agreement (MSA) executed on 18th May 2021. As per the Agreement, the scope of the Master Concessionaire is to develop, operate, maintain, manage the Non-aeronautical businesses at Mangaluru International Airport in accordance with best-in-class standards and good industry practices, and at par with facilities at comparable airports as below:
- i. Duty Free Stores
 - ii. Food and beverages outlets
 - iii. Retail outlets
 - iv. Lounges
 - v. Advertising, sponsorship and promotion opportunities
 - vi. Car parks and ground transportation facilities
 - vii. Airport hotels and transit hotels
 - viii. Preferred partners association for including but not limited to pouring rights, services in air (Wi-Fi, Bluetooth, aroma etc.), music and video rights, mobile wallet, payment gateway and other as may be approved by Airport Operator
 - ix. Business centre
 - x. City side development
 - xi. Flight catering services
 - xii. Foreign exchange services
 - xiii. Freight consolidators/forwarders or agents
 - xiv. Left luggage, lost and found, excess baggage
 - xv. Messenger services
 - xvi. Porter service
 - xvii. Special assistance services
 - xviii. Vending machines
 - xix. Meet and assist services
 - xx. Provision of land and space for various stakeholders at Airport
 - xxi. Various passenger amenities, including but not limited to, banks, foreign exchange, SIM card, child-care room, kids play areas, car rental and hotel reservation counters, digital wallet tie-ups, ATMs, spas, and entertainment areas
 - xxii. Airport village comprising of various retail, food and beverage, entertainment and amenities options
 - xxiii. Any other services as may be mutually agreed or permitted pursuant to applicable law.

NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

- 9.1.3 As per the terms of the Master Services Agreement (MSA), the Service provider (Adani Airport Holdings Limited) shall pay to MgIAL an amount which is higher of the following:
- i. Minimum Guarantee amount of ₹6 crore per annum; or
 - ii. The amount arrived at by multiplying the Revenue Share Percentage (10%) with Gross Revenue in that year.
- 9.1.4 Further, it was stated in the Agreement that the Minimum Guarantee amount of ₹6 crore per annum shall remain unchanged for the first five years from the date of signing the Master Services Agreement. Thereafter, this Minimum Guarantee amount shall be increased by 50% of Consumer Price Index (CPI) every year.
- 9.1.5 Apart from the above, MgIAL has provided rental space to various government agencies like IMG, Coast Guard, etc. The annual space rentals from these government agencies amounted to approximately ₹0.53 crore. MgIAL has projected the same by escalating it at the rate of 5% Y-o-Y.
- 9.1.6 Based on the above, the Non-aeronautical revenue submitted by MgIAL for the Second Control Period is given in the table below:

Table 283: Non-Aeronautical Revenues as per MgIAL for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Master Concessionaire	6.00	6.54	7.36	8.24	9.21	37.35
Space Rentals – Government Agencies (non-covered under MSA)	0.58	0.61	0.64	0.68	0.71	3.23
Total Non-Aeronautical Revenue	6.58	7.15	8.00	8.92	9.93	40.58

9.2 Authority's examination regarding Non-Aeronautical Revenue for the Second Control Period

- 9.2.1 The Authority examined the Non-Aeronautical Revenue submitted by MgIAL for the Second Control Period and reviewed the Master Services Agreement entered into by the Airport Operator with the Master Concessionaire – Adani Airport Holdings Limited with respect to scope of services outsources to the Master Concessionaire and the revenue sharing arrangement.
- 9.2.2 The Authority at the time of Tariff Determination of First Control Period was not convinced about the revenue of Master Services Agreement with it remaining constant for initial 5 years and growing with 50% of that of CPI thereafter, while all other costs are increasing substantially across the Second Control Period.
- 9.2.3 The Authority notes that the Non-Aeronautical Revenue (NAR) projected by MgIAL during the Second Control Period was significantly lower than that projected at other PPP airports such as DIAL, MIAL, BIAL, GHIAL and CIAL, where non-aeronautical revenues either exceeded or accounted for at least 50% proportion of the respective O&M expenses. The Authority also observed that, despite growth in passenger traffic and expansion of terminal facilities, MgIAL's projected NAR remained comparatively modest.
- 9.2.4 The Authority has further undertaken a comparative assessment of Non-Aeronautical Revenue (NAR) per passenger across airports with comparable passenger throughput. The table below presents the NAR per passenger for FY 2026 at the benchmark airports considered for the analysis:

Table 284: Benchmarks of Non-Aeronautical Revenues per passenger at multiple airports in FY 2026

Particulars	Amritsar	Indore	Coimbatore	Trichy	Bhubaneswar	Average
Non-Aero Revenue Considered (in ₹ cr)	51.41	39.28	31.03	37.54	41.50	
Total Passenger – FY 2026 (in Mn.)	3.83	4.54	4.00	2.38	6.00	
NAR/Pax (in ₹)	134.23	86.55	77.58	157.43	69.16	104.99

9.2.5 The Authority notes that the NAR per passenger for FY 2025-26 is ₹ 82.55, as derived in Table 158, which is lower than the average NAR per passenger of ₹ 104.99 across the 5 airports benchmarked in the above table.

9.2.6 Considering the continued growth in passenger traffic and expanded terminal infrastructure, the Authority foresees an increase in commercial and passenger-related non-aeronautical activities across the Second Control Period. The Authority is of the view that MgIAL can achieve higher levels of non-aeronautical revenue during the Second Control Period. Further, the Authority expects that the Airport Operator may bring in efficiencies in Non-Aeronautical Operations to make it comparable with other similar airports.

9.2.7 Accordingly, the Authority proposes to project the non-aeronautical revenue for the Second Control Period by escalating the NAR per passenger of ₹104.99 (based on benchmarks of average NAR per passenger for FY 2026 across 5 airports), based on WPI escalation as per the Table 233.

9.2.8 Based on the above analysis, the detailed computation for Non-Aeronautical Revenue as proposed by the Authority for the Second Control Period is provided in the table below:

Table 285: Non-Aeronautical Revenues proposed by the Authority for the Second Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Passenger Traffic (in Mn.) (A)	2.96	3.45	3.90	4.39	4.96	19.66
NAR/Pax (based on FY 2026) (B)	109.45	113.50	117.70	122.06	126.57	
Increase %	4.25%	3.70%	3.70%	3.70%	3.70%	
Total Non-Aeronautical Revenue (C=A*B)	32.42	39.20	45.85	53.63	62.73	233.84
30% of NAR for Cross-Subsidization (D=C*30%)	9.73	11.76	13.76	16.09	18.82	70.15

9.2.9 In view of the above, the Authority proposes to consider Non-Aeronautical Revenue of ₹233.84 crore for the Second Control Period against MgIAL's submission of ₹40.58 crore.

9.3 Authority's proposal regarding Non-Aeronautical Revenue for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following regarding Non-Aeronautical Revenue for the Second Control Period:

9.3.1 To consider Non-Aeronautical Revenue for the Second Control Period as per Table 285.

9.3.2 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 285.

10. AERONAUTICAL TAXES FOR THE SECOND CONTROL PERIOD**10.1 MgIAL's submission regarding Aeronautical Taxes for the Second Control Period**

10.1.1 MgIAL has submitted that it has considered an effective tax rate of 25.17%. The computation of aeronautical income tax had been made based on regulatory books.

10.1.2 While calculating tax, MgIAL had considered the following:

- i. 30% of non-aeronautical income which was reduced while calculating the ARR and corresponding aeronautical revenues streams, are added back to reflect the comprehensive aeronautical revenues for the airport;
- ii. Aeronautical O&M expenses;
- iii. Depreciation had been considered based on regulatory books of accounts; and
- iv. Interest cost had been considered based on regulatory books of accounts (i.e. RAB * Avg. cost of debt * 48% gearing ratio).

10.1.3 Aeronautical Taxes submitted by MgIAL for the Second Control Period are shown in the table below:

Table 286: Aeronautical Taxes submitted by MgIAL for the Second Control Period*(₹ in Crore)*

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Aeronautical Revenue	909.40	1,037.98	1,122.75	1,201.27	1,284.38	5,555.79
Add: 30% NAR	1.98	2.15	2.40	2.67	2.98	12.17
Less: O&M Expenses	(178.29)	(198.32)	(226.57)	(309.58)	(376.22)	(1,288.99)
Less: Aeronautical Interest	63.18	76.50	150.26	217.75	239.53	747.21
Less: Aeronautical Depreciation	(62.55)	(75.17)	(128.27)	(180.15)	(197.34)	(643.48)
Net Profit	607.35	690.15	620.05	496.46	474.27	2,888.28
Prior Period Losses	(254.87)					(254.87)
Profit after adjustment of Prior Period Losses	352.48	690.15	620.05	496.46	474.27	
Tax Rate	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Taxes	88.72	173.71	156.07	124.96	119.37	662.83

10.2 Authority's examination regarding Aeronautical Taxes for the Second Control Period

10.2.1 The Authority observes that MgIAL 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 is done to reduce tariff pressure on passenger and incentivize MgIAL to make effective investments in non-aeronautical income generating sources.

10.2.2 The Authority also notes that for the purpose of tax calculation, MgIAL has considered interest cost by applying notional gearing ratio of 48% on average RAB. However, the Authority has considered the actual gearing of 65% for calculation of interest expenses along with an average cost of debt of 10.20% (Refer para 6.2.11). The Aero Interest as considered by the Authority is provided in the table below:

Table 287: Aeronautical Interest considered by Authority for the Second Control Period**(₹ in Crore)**

Particulars (FY ending 31 st March)	FY27	FY28	FY29	FY30	FY31	Total
Average RAB {Refer Table 228}	872.47	981.35	1,269.10	1,865.96	2,146.96	
Gearing	65.00%	65.00%	65.00%	65.00%	65.00%	
Cost of Debt	10.20%	10.20%	10.20%	10.20%	10.20%	
Aeronautical Interest	57.84	65.06	84.14	123.71	142.34	473.11

10.2.3 The Authority notes that MgIAL has included Financing Allowance and the corresponding depreciation in its submission. However, in line with the Authority's proposal regarding Financing Allowance (Refer para 5.8.8), depreciation on Financing Allowance has not been considered for the purpose of computing Aeronautical Taxes for the Second Control Period. The Authority has, however, considered the IDC and its depreciation.

10.2.4 The Authority notes that MgIAL has considered opening accumulated losses of ₹254.87 crores in FY 2026-27 while the Authority proposes to consider ₹112.40 crores (as per Table 168), and the same has been set off against the earnings pertaining to FY 2026-27, while computing the earning on which tax is calculated.

10.2.5 The Authority has directed MgIAL to submit Annual Tariff Proposal (Tariff Rate Card) within 7 days of issuance of Consultation Paper. After examination and due diligence of same, Tariff rate card & Aeronautical Revenue will be decided by the Authority. Presently for calculation purpose the Authority has considered 8% Y-o-Y increase on the present tariff w.e.f. 01.12.2026.

10.2.6 Based on the above, the Aeronautical Taxes for the Second Control Period proposed to be considered by the Authority for the Second Control Period is provided in the table below:

Table 288: Aeronautical Taxes proposed by the Authority for the Second Control Period**(₹ in Crore)**

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Aeronautical Revenue	259.34	341.07	413.82	502.54	609.26	2,126.03
Add: 30% NAR	-	-	-	-	-	-
Less: Aero O&M Expenses {Refer Table 282}	(113.08)	(121.24)	(134.38)	(149.24)	(175.62)	(693.56)
Less: Aeronautical Interest {Refer Table 287}	(57.84)	(65.06)	(84.14)	(123.71)	(142.34)	(473.11)
Less: Aeronautical Depreciation {Refer Table 226}	(54.70)	(61.19)	(69.31)	(96.08)	(116.81)	(398.09)
Net Profit	33.71	93.57	125.99	133.51	174.49	561.27
Prior Period Losses {Refer Table 168}	(112.40)	(78.69)	-	-	-	(191.09)
Profit after adjustment of Prior Period Losses	(78.69)	14.88	125.99	133.51	174.49	370.18
Tax Rate	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Taxes	-	3.75	31.71	33.60	43.92	112.98

10.2.7 In view of the above, the Authority proposes to consider Aeronautical Taxes of ₹112.98 crore for the Second Control Period against MgIAL's submission of ₹662.83 crore.

10.3 Authority's proposal regarding Aeronautical Taxes for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following regarding Aeronautical

Taxes for the Second Control Period:

- 10.3.1 To consider Aeronautical Taxes for the Second Control Period as per Table 288.
- 10.3.2 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.

11. QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD

11.1 MgIAL's Submission regarding Quality of Service for the Second Control Period

- 11.1.1 MgIAL in its MYTP has submitted the Key Performance Indicators, summarized on the basis of performance indicators, measures, measurement mechanisms and measurement frequency.
- 11.1.2 MgIAL in its MYTP has also furnished the quarterly Airport Service Quality (ASQ) ratings achieved during the First Control Period, covering the period from 2021-22 to 2024-25 and for 2025-26 through query response dated 7th August 2026.

11.2 Authority's Examination regarding Quality of Service for the Second Control Period

- 11.2.1 The Authority has examined MgIAL's submission regarding Quality of Service taking into account the provisions of AERA Act 2008 and service quality parameters achieved by the Airport Operator at the Airport.

- 11.2.2 The Authority notes that:

As per section 13(1)(d) of the AERA Act, 2008, the Authority shall "*monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf.*"

As per section 13(1)(a)(ii) of the AERA Act, 2008, the Authority is required to determine the tariff for Aeronautical services taking into consideration "the service provided, its quality and other relevant factors".

- 11.2.3 As per the Schedule H of the Concession Agreement of MgIAL:

Clause 23.7.1 states: "*The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council International (ACI) or any substitute thereof, conducted every quarter and shall ensure that the Airport achieves and maintains a rating of at least 4.5 out of 5.0 and/ or shall appear within top 20 percentile of all airports, in its category in the World in such survey within 5 years from the COD and maintain the same throughout the rest of the Concession Period.*"

Clause 23.7.2 states: "*The Concessionaire shall, within 21 days of the end of each calendar quarter, provide to the Authority a written report on the results of the user survey of ASQ for the immediately preceding quarter, together with its analysis of the results and the action, if any, that it proposes to take for improvement in User satisfaction.*"

- 11.2.4 The Authority also notes 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)

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- 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.

11.2.5 The Authority through its independent consultant reviewed the ACI ASQ performance reports of MgIAL for the past four calendar years (i.e. FY 2022 till FY 2026) which is as follows:

Table 289: ACI ASQ Score for MIA

Year	Quarter	ASQ rating (Out of 5)
2021-22	Q1	4.87
	Q2	4.87
	Q3	4.91
	Q4	4.91
	Annual Score	4.89
2022-23	Q1	4.94
	Q2	4.85
	Q3	4.81
	Q4	4.94
	Annual Score	4.89
2023-24	Q1	4.87
	Q2	4.89
	Q3	4.93
	Q4	4.96
	Annual Score	4.91
2024-25	Q1	4.95
	Q2	4.96
	Q3	4.95
	Q4	4.96
	Annual Score	4.96
2025-26	Q1	4.97
	Q2	4.97
	Q3	4.97

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Year	Quarter	ASQ rating (Out of 5)
	Q4	4.98
	Annual Score	4.97

11.2.6 MgIAL has achieved ACI ASQ rating above 4.50 since FY 2022 as shown above.

11.2.7 Based on the above, the Authority does not propose any adjustment towards tariff determination for the Second Control Period on account of quality of service maintained by the Mangaluru International Airport, as MgIAL has been able to consistently maintain ASQ rating above 4.50 which is better than the minimum benchmark stipulated as per the Concession Agreement.

11.2.8 The Authority has also issued Consultation Paper No. 03/2025-26 dated 18th August 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 MgIAL as and when the same becomes effective and applicable to major airports.

11.3 Authority’s Proposal regarding Quality of Service for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Quality of Service for the Second Control Period:

11.3.1 To not consider any adjustment in the Aggregate Revenue Requirement on account of Quality of Service for the Second Control Period.

11.3.2 MgIAL should ensure that service quality at Mangaluru International Airport, Mangaluru adheres to the performance standards outlined in the Concession Agreement and shall comply with such performance standards as may be notified pursuant to the final order referred to in paragraph 11.2.8 once the same become applicable to major airports.

12. AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

12.1 MgIAL's submission regarding Aggregate Revenue Requirement for the Second Control Period

- 12.1.1 MgIAL had submitted Aggregate Revenue Requirement (ARR) for the Second Control Period based on projected Regulatory building blocks. Thereafter, they submitted actuals for FY 2025-26 but have not correspondingly revised ARR. The summary of Aggregate Revenue Requirement submitted by MgIAL for the Second Control Period in MYTP is as follows:

Table 290: Aeronautical Revenue Requirement submitted by MgIAL for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Average RAB (A)	1,094.10	1,324.75	2,602.16	3,770.91	4,148.13	
FRoR (B)	14.73%	14.73%	14.73%	14.73%	14.73%	
Return on RAB (C = A * B)	161.16	195.14	383.30	555.46	611.02	1,906.07
Aero Depreciation (D)	62.55	75.17	128.27	180.15	197.34	643.48
Aero O&M Expense (E)	178.29	198.32	226.57	309.58	376.22	1,288.99
Aero Taxes (F)	88.72	173.71	156.07	124.96	119.37	662.83
ARR (G = C+D+E+F)	490.72	642.33	894.21	1,170.15	1,303.95	4,501.37
Less: 30% of NAR (H)	1.98	2.15	2.40	2.67	2.98	12.17
Total ARR (I=G-H)	488.75	640.19	891.81	1,167.48	1,300.98	4,489.20
True up for First Control Period (J)	966.53	-	-	-	-	966.53
Net ARR (K=I+J)	1,455.28	640.19	891.81	1,167.48	1,300.98	5,455.73
Present Value Factor @ 14.73% (L)	1.00	0.87	0.76	0.66	0.58	
PV of ARR as on 31st March 2027 (M=L*K)	1,455.27	557.99	677.50	773.06	750.87	4,214.68

12.2 Authority's examination regarding Aggregate Revenue Requirement for the Second Control Period

- 12.2.1 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 Second Control Period.
- 12.2.2 As noted in Paras 1.6.1, 1.6.2, 1.6.3, 1.7.1, 1.7.2, 1.7.3 and 1.7.4 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 First Control Period as the matter is sub-judice before the Hon'ble Supreme Court.
- 12.2.3 The Authority further notes that the AO has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Second Control Period. Whereas the existing traffic base is not sufficient for the complete recovery of ARR in the current Control Period and this would require a significant increase in tariff, which is likely to adversely impact the recovery of air traffic. Further, a significant increase in Aeronautical tariff, is also attributable to the following factors:

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

- i. Under-recovery of revenue during the First Control Period arising from the fact that tariff determination was being undertaken for the first time following the transition of the airport from a Non-Major Airport to a Major Airport, which resulted in a shortfall in revenue in comparison to the requirement assessed during the First Control Period.
- ii. New Aeronautical tariff proposed by the Authority may be implemented only by the end of the current Financial Year, thereby resulting in only lesser tariff years being available for recovery of the ARR.

12.2.4 In this regard, the Authority would like to draw reference to the guiding principles issued by the International Civil Aviation Organization (“ICAO”) on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users. The said policy document also emphasizes on balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States.

12.2.5 The policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner.

12.2.6 This may also be read in conjunction with the objectives of the National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/masses. As per para 12 (c) of the NCAP, “In case the tariff in one particular year or contractual period turns out to be excessive, the Airport Operator and the Regulator will explore ways to keep the tariff reasonable and spread the excess amount over the future.” The above has also been conveyed by AERA vide its Order No. 14/2016-17 dated 12th January 2017.

12.2.7 Further, it is pertinent to note that considerable investments in capacity have already been made, which would be sufficient for the foreseeable future. Therefore, the subsequent control periods are expected to witness lower capital expenditure requirements while catering to a larger traffic base.

12.2.8 Based on the above considerations, the Authority may carry forward some portion of the ARR to the next Control Period in the harmonious interest of all the stakeholders chain including the Airport Operator.

12.2.9 After considering the above and rationalized building blocks, the Authority proposes the following Aggregate Revenue Requirement and Yield Per Pax for the Second Control Period:

Table 291: Aggregate Revenue Requirement & YPP proposed to be considered by the Authority for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Opening RAB (A)	779.39	965.56	997.14	1,541.05	2,190.87	
Capital Additions (B)	240.88	92.77	613.22	745.89	29.01	1,721.77
Less: Depreciation (C)	(54.70)	(61.19)	(69.31)	(96.08)	(116.81)	(398.09)
Closing RAB (D)	965.56	997.14	1,541.05	2,190.87	2,103.06	
Average RAB (E) {Refer Table 228}	872.47	981.35	1,269.10	1,865.96	2,146.96	
FRoR (F) {Refer Table 232}	12.79%	12.79%	12.79%	12.79%	12.79%	
Return on RAB (G = E * F)	111.59	125.51	162.31	238.65	274.59	912.65

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Aero Depreciation (H) {Refer Table 226}	54.70	61.19	69.31	96.08	116.81	398.09
Aero O&M Expense (I) {Refer Table 282}	113.08	121.24	134.38	149.24	175.62	693.56
Aero Taxes (J) {Refer Table 288}	-	3.75	31.71	33.60	43.92	112.98
Gross ARR (K = G + H + I + J)	279.37	311.69	397.71	517.57	610.94	2,117.28
Less: 30% of NAR (L) {Refer Table 285}	(9.73)	(11.76)	(13.76)	(16.09)	(18.82)	(70.15)
ARR (M=K-L)	269.65	299.92	383.95	501.48	592.12	2,047.13
True up for First Control Period (N) {Refer Table 172}	570.11	-	-	-	-	570.11
Net ARR (O=M+N)	839.76	299.92	383.95	501.48	592.12	2,617.24
Present Value Factor @ 12.79% (P)	1.00	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31st March 2027 (Q=O*P)	839.76	265.92	301.82	349.50	365.88	2,122.87
Sum of PV of Net ARR (R)	2,122.87					
Total Passenger Traffic (Million) (S) - Table 184	19.66					
Yield per Passenger on Total Traffic (₹/PAX) (T=(R/S)*10)	1,079.67					

12.2.10 The Authority based on its examination has proposed an Aggregate Revenue Requirement of ₹2,617.24 crore (₹2,122.87 crore in PV terms) against an Aggregate Revenue Requirement of ₹5,455.73 crore (₹4,214.68 crore in PV terms) as submitted by MgIAL. The major reasons for the variance between MgIAL's submission and Authority's proposals are as below:

- Consideration of Under recovery to be trued up from the First Control Period of ₹570.11 crore against MgIAL's submission of Under recovery of ₹966.53 crore in MYTP (Refer Table 169), which was revised to ₹ 947.34 crore (Refer Table 170) for the First Control Period. Difference is mainly due to non-consideration of the impact of TDSAT judgement and rationalization of O&M Expenses.
- Rationalization of Capital Expenditure and O&M Expenses for the Second Control Period by the Authority vis-a-vis the submission made by MgIAL.
- Revision in Non-Aeronautical Revenue for the Second Control Period by rationalizing the projections upwards based on benchmarks vis a vis the projections considered by MgIAL.

12.3 Incremental ARR Approach on User Pay Principle for identified High-Capex Projects

12.3.1 It can be seen from the above table that in the financial year 2029-30, the capital addition of Terminal Building Expansion Works comprising the expansion of Passenger Terminal to 5 MPPA and related infrastructure with an aero capex of ₹414.75 crore shall take place, which alone would account for almost 24% of the overall capital additions for the Second Control Period and would significantly impact the Return on RAB and Depreciation. These capital assets are scheduled to be capitalized and put to use in February 2030, i.e. the second half of the fourth year of the Control Period, whereas their impact in the tariff determination process would get applied on passengers and airlines from the first year of the Second Control Period. This is not in consonance with the fundamental principle of airport charges that users pay 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 with 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 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 capitalization 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 materialized, while the Airport Operator may receive revenue recovery in advance of the corresponding asset being put to use. Such an outcome may not be consistent with the broader objectives of efficiency, accountability and performance-based regulation.

12.3.2 In the light of the foregoing considerations, the Authority is of the view that in cases where large and significant capex items like New Terminal Building, new Runway and associated airside infrastructure etc. are part of the 5 year capex plan and these capex having significant impact on aeronautical tariffs are expected to be commissioned during the latter part of the Control Period, particularly during the last two years of the Control Period then it is most appropriate that these capex items be put under the ‘user pay principle’ and factored in the regulatory framework from the expected date of its capitalization in the later part of the Control Period so that the burden of these big ticket capital items is not borne by the passengers & airlines and other airport users even when these capital items are yet to be capitalized and made available for users.

12.3.3 Accordingly, the Authority proposes to adopt, on a project-specific basis, an **Incremental ARR Approach** for identified high-capex projects. Under this approach, the base ARR and the corresponding aeronautical tariffs for the Control Period shall be determined excluding the impact of the specified future capital projects. Simultaneously, the Authority to ensure regulatory certainty and to encourage timely completion of planned capital projects of airport shall determine, ex ante, the incremental ARR and YPP impact of each identified project based on prudently assessed project costs, scheduling assumptions, and such incremental ARR shall be given effect through revised aeronautical tariffs as and when each identified project is capitalized and put to operational use.

12.3.4 The Authority considers 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 forecast capital expenditure. Finally, it would preserve the Airport Operator’s legitimate right to recover prudently incurred investment costs and earn a reasonable return on capital once the relevant assets are brought into service.

Accordingly, in the light of above, the Authority proposes to consider the Terminal Building Expansion works for Mangaluru International Airport for the Second Control Period with a capital

cost of ₹414.75 crore constituting about 24% of the total CAPEX for the Second Control Period under the aforesaid Incremental ARR approach on User Pay Principle.

12.4 Considerations underlying the structuring of the Approach

12.4.1 In structuring the Incremental ARR Approach, the Authority has been mindful that a complete deferment of tariff recognition until commissioning could impose disproportionate funding and cash-flow strain on the Airport Operator during construction and could concentrate the entire tariff impact at a single point in time. The Authority has, therefore, addressed the following considerations while framing the approach:

(a) Infrastructure funding, cash-flow requirements and economic and financially viable operation of the airport during the construction period:

12.4.2 For projects identified for treatment under the Incremental ARR Approach, the Authority proposes that 15% of the project cost shall be considered in the Baseline ARR in accordance with the capitalization schedule approved by the Authority, while the ARR impact attributable to the balance 85% shall be allowed only upon commissioning and putting to use of the respective assets/projects.

12.4.3 The Authority is of the considered view that this treatment appropriately balances the interests of the Airport Operator and airport users. By deferring the substantial portion of the project cost until the relevant assets are commissioned and put to use, the major part of the tariff impact remains linked to the availability of, and the commencement of user benefits from, the infrastructure created. At the same time, recognition of 15% of the project cost through the normal capitalization process addresses the funding and cash-flow requirements of the Airport Operator during the implementation phase, which is particularly relevant for large, capital-intensive projects requiring substantial external borrowings, where financing and related costs are incurred well before the assets become operational. The proposed treatment thus supports 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:

12.4.4 Complete deferment of tariff recovery until commissioning may result in a significant quantum of ARR becoming recoverable at a single point of time, leading to a substantial increase in aeronautical charges upon capitalization and operationalization of large capital-intensive projects, and consequently a tariff shock for airport users. Recognition of 15% of the project cost through the normal capitalization process, as set out at (a) above, reduces the quantum of ARR that would otherwise become recoverable upon commissioning and correspondingly moderates the potential tariff spike at that stage.

12.4.5 To further mitigate the possibility of tariff volatility, the Authority proposes to structure the tariff rate card for the Baseline ARR in a manner that keeps the applicable tariff in the expected year of commissioning of projects covered under the Incremental ARR Approach at a reasonable level through prudent tariff smoothing during the initial years of the Control Period. Consequently, the incremental tariff requirement arising upon commissioning of such projects, when combined with the moderated Baseline tariff for that year, would result in an overall tariff that does not exhibit a significant spike compared to the preceding years of the Control Period.

12.4.6 This structuring is intended to provide a smoother transition in tariff levels while preserving, to the maximum extent, the linkage between recovery of project-related costs and the commissioning and operationalization of the underlying assets.

(c) Providing tariff certainty and visibility to airport users and airlines:

12.4.7 With a view to ensuring transparency and predictability, the Authority shall specify upfront the aeronautical charges that will become operative upon commissioning and putting to use of the respective assets/projects under the Incremental ARR Approach and shall also reflect the same in the Tariff Rate Card for the Baseline ARR as set out in the Tariff Order. The upfront determination of the applicable charges, read with the implementation framework prescribed at para 12.6 below is intended to provide clarity to stakeholders regarding the tariff implications of such projects and to facilitate appropriate planning by airport users and airlines.

(d) Establishing a transparent and administratively workable implementation mechanism:

12.4.8 The absence of a defined implementation mechanism may create uncertainty regarding the timing and manner of recognition of project-related expenditure, the determination of Incremental ARR, the commencement of recovery and the treatment of the associated aeronautical charges, with consequential implications for the Airport Operator in planning and executing capital expenditure and for the assessment of such projects by lenders and other financing stakeholders.

12.4.9 Accordingly, the Authority has prescribed a detailed implementation framework at Para 12.6 below, setting out the treatment of the project during the construction phase, the extent of cost to be considered through the normal capitalization 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. Such a defined framework ensures consistency and predictability in regulatory treatment, avoids case-by-case uncertainty at the stage of commissioning, and provides the Airport Operator and its lenders greater visibility on the manner and timing of recovery, while ensuring that recovery of the substantial portion of project-related ARR remains linked to the commissioning and putting to use of the relevant assets.

12.4.10 The Authority is therefore of the view that the approach proposed in this Consultation Paper strikes an appropriate balance between regulatory certainty, the financing and cash-flow requirements of the Airport Operator, lender visibility, administrative feasibility and protection of the interests of airport users.

12.5 Proposed Methodology

12.5.1 The methodology for the incremental ARR Approach on user pays principle for identified high-capex projects shall be as follows:

(a) Identification of eligible high-value capital expenditure projects

12.5.2 The Authority, having regard to the facts and circumstances of each case and the information and justification furnished by the Airport Operator, shall identify the high-value capital expenditure projects and is expected to be capitalized, commissioned and put to use during the latter part of the Control Period eligible for treatment under the Incremental ARR Approach.

(b) Exclusion of Project-Specific ARR Components for Determination of baseline ARR

12.5.3 For each project identified under the Incremental ARR Approach, the Authority shall 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 capitalized assets; and
- iii. Any other component considered appropriate by the Authority.

12.5.4 The Authority shall calculate the ARR and corresponding Yield Per Passenger (“YPP”) attributable to each identified project based on the approved project cost, financing assumptions, capitalization

and commissioning schedule and other regulatory parameters applicable for the relevant Control Period.

(c) Allocation of project-specific ARR between Incremental ARR and Base ARR

- 12.5.5 A portion of the ARR and YPP i.e. 85% of the associated cost of the identified projects shall be excluded from the overall projected ARR for the purpose of determining the Baseline ARR and Baseline Yield applicable at the commencement of the Control Period.
- 12.5.6 The ARR and corresponding YPP attributable to the balance 85% of the approved project cost shall be treated as project-linked Incremental ARR. Recovery of such Incremental ARR shall be subject to the conditions and implementation mechanism specified by the Authority and shall not constitute an automatic entitlement to recovery.
- 12.5.7 The Baseline ARR shall therefore represent the revenue requirement associated with existing assets, together with a limited portion (i.e., 15%) of the capital projects proposed under the Incremental ARR framework. This approach ensures that airport users are not subjected to tariff increases for infrastructure that has not yet been commissioned or made available for operational use, while also mitigating the risk of a sharp increase in tariffs upon commissioning of such assets.

(d) Determination of Aeronautical Charges Based on Baseline ARR

- 12.5.8 The Authority shall determine the aeronautical tariffs applicable at the commencement of the Control Period based on the approved Baseline ARR and corresponding Baseline Yield.
- 12.5.9 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.
- 12.5.10 This approach seeks to establish a tariff structure that reflects only those assets and services that are available, or reasonably expected to be available, to users during the relevant tariff period, thereby promoting tariff stability and fairness.

(e) Intimation of Project Completion and Put-to-Use by Airport Operator

- 12.5.11 For the purpose of operationalizing the Incremental ARR framework, the Airport Operator shall be required to intimate the Authority regarding the completion and commencement of operational use of any project identified under this mechanism.
- 12.5.12 The Airport Operator shall submit the requisite undertaking together with supporting documentation and certifications as may be prescribed by the Authority (as per Annexure 4), after capitalization of Project(s) considered as part of the Incremental ARR approach.

(e) Determination of Incremental Aeronautical Charges Upon Commissioning

- 12.5.13 Upon receipt of the Airport Operator's intimation, the Authority shall 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.
- 12.5.14 Following such examination, the Authority will issue an appropriate order providing for recovery of the pre-approved incremental ARR and corresponding YPP associated with the identified project. The order will also specify the resulting revision in aeronautical tariffs and the effective date from which such revised tariffs shall become applicable.
- 12.5.15 The Authority clarifies that the purpose of this exercise shall 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 shall ordinarily be undertaken at this stage.

12.5.16 Any variation between approved and actual project costs, capitalization values, financing costs, operational expenditure, or other relevant parameters shall be examined separately during the True-Up process in accordance with the applicable regulatory framework. The True-Up exercise shall 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.

(g) Expected Regulatory Outcomes

12.5.17 The Authority is of the view that the proposed framework would:

- i. align tariff recovery more closely with the actual availability of airport infrastructure and services;
- ii. protect airport users from premature tariff increases relating to assets that are not yet operational;
- iii. strengthen incentives for timely project execution and commissioning;
- iv. reduce the likelihood of over-recovery arising from project delays, deferments, or non-execution of forecasted capital expenditure; and
- v. preserve the Airport Operator's entitlement to recover prudently incurred costs and earn a reasonable return on investment upon commencement of service delivery.

12.6 Implementation Framework for the Incremental ARR Approach

12.6.1 The Authority proposes to adopt a balanced, transparent and simplified implementation framework for the Incremental ARR Approach as follows:

Asset Commissioning Declaration

12.6.2 The Airport Operator shall submit a self-declaration, in the format prescribed under Annexure 4 of this Consultation Paper, confirming that the identified asset has been commissioned and put to use.

Trigger for Incremental Tariff

12.6.3 Upon receipt of such self-declaration, and after being satisfied that the prescribed requirements have been duly complied with in respect of the related capex projects under Incremental ARR, an Addendum to the Tariff Order shall be issued by the Authority within 21 days of submission of the said self-declaration. The additional tariff approved by the Authority in respect of the identified asset(s) shall become effective from the date specified in such Addendum.

Delay in Commissioning of the Identified Asset

12.6.4 In the event of any delay in commissioning of the identified asset(s) beyond the schedule approved by the Authority, the additional airport charges/UDF shall become effective only from the date specified in the Addendum to the Tariff Order. 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, and the Airport Operator shall not be entitled to levy or recover such charges for any period prior to the effective date specified in the Addendum.

Regulatory Verification and Adjustment of Differences

12.6.5 The Authority reserves the right to verify the date of commissioning, capitalization, cost and operationalization of the asset during the true-up exercise. Any excess or short recovery arising on account of differences between the approved and actual capitalization, commissioning dates or project costs shall be adjusted by the Authority during the true-up exercise in accordance with the applicable regulatory principles.

12.6.6 The Authority is of the view that the above implementation framework provides an appropriate balance between regulatory certainty, tariff stability, financial viability of airport operations and

protection of airport users' interests. The framework also provides a transparent and objective mechanism for operationalizing the Incremental ARR Approach, while ensuring that recovery of the related tariff remains linked to the commissioning and availability of the relevant airport infrastructure for use by passengers and airlines.

12.7 Application of the Incremental ARR Approach to Mangaluru International Airport

12.7.1 In the light of the above, for the Mangaluru International Airport, Mangaluru, the capex identified for treatment under the Incremental ARR Approach on user pay principle is the Terminal Building Expansion works.

12.7.2 MgIAL has proposed aeronautical capital expenditure of ₹616.45 crore for the aforesaid project, with capitalization proposed in March 2029. The Authority, based on its examination and assessment by the Independent Consultant, proposes aeronautical capital expenditure of ₹414.75 crore (constituting approximately 24% of the total capital additions for the Second Control Period). The Authority has considered February 2030 as the commissioning date for the project, i.e., during the second half of the fourth year of the Control Period (Refer para 5.3.161).

Table 292: Capex proposed to be considered by the Authority on incremental ARR approach
(₹ in Crore)

Particulars	Aero Capex proposed by MgIAL	Aero Capex proposed by Authority	Capitalization Date considered by Authority
Terminal Building Expansion Works	616.45	414.75	February 2030

12.7.3 The impact on ARR for the Terminal Building Expansion Works, to the extent proposed to be allowed under the Incremental ARR Approach on user pay principle, is set out below.

Table 293: Impact on ARR for Terminal Building Expansion Works being allowed on incremental ARR approach on user pay principle
(₹ in Crore)

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Opening RAB (A)	-	-	-	-	350.67	
Capital Additions (B) – (414.75*85%)	-	-	-	352.54*	-	352.54
Less: Depreciation (C)	-	-	-	(1.87)*	(11.74)*	(13.60)
Closing RAB (D)	-	-	-	350.67	338.93	
Average RAB (E)	-	-	-	175.34	344.80	
FRoR (F)	12.79%	12.79%	12.79%	12.79%	12.79%	
Return on RAB (G = E * F)	-	-	-	22.42	44.10	66.52
Aero Depreciation (H)	-	-	-	1.87	11.74	13.60
Aero O&M Expense (I)	-	-	-	-	-	-
Aero Taxes (J)	-	-	-	-	-	-
Gross ARR (K = G + H + I + J)	-	-	-	24.29	55.84	80.13
Less: 30% of NAR (L)	-	-	-	-	-	-
ARR (M=K-L)	-	-	-	24.29	55.84	80.13
True up for First Control Period (N)	-	-	-	-	-	-
Net ARR (O=M+N)	-	-	-	24.29	55.84	80.13
Present Value Factor @ 12.79% (P)	1.00	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31st March 2027 (Q=O*P)	-	-	-	16.93	34.50	51.43
Sum of PV of Net ARR (R)	51.43					

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Total Passenger Traffic (Million) (S)	19.66					
Yield per Passenger on Total Traffic (₹/PAX) (T=R/S*10)	26.16[#]					

* Capital addition and depreciation corresponding to 85% of the overall project-specific capex.

For comparison purposes, YPP has been shown on total passengers. Charges shall be determined appropriately considering the balance collection period.

12.7.4 From the above table, it can be observed that under the Incremental ARR approach, capitalization of the Terminal Building Expansion Works in FY 2029-30 is expected to result in an additional Return on RAB of ₹66.52 crores and Depreciation of ₹13.60 crores. The Authority further notes that, the incremental ARR, when distributed across the total projected passenger traffic during the Second Control Period, results in an incremental Yield per Passenger (YPP) of ₹26.16 per passenger.

12.7.5 In the light of the above, the Authority proposes to consider a Baseline Aggregate Revenue Requirement and Yield per Passenger, as set out in the table below, computed by excluding the above identified project from the Regulatory Asset Base (to the extent of 85% of the project-specific ARR) for the Second Control Period.

Table 294: Base Line ARR & YPP proposed by the Authority for the Second Control Period

(₹ in Crore)

Particulars (FY ending 31 st March)	2027	2028	2029	2030	2031	Total
Opening RAB (A)	779.39	965.56	997.14	1,541.05	1,840.19	
Capital Additions (B)	240.88	92.77	613.22	393.35	29.01	1,369.24
Less: Depreciation (C)	(54.70)	(61.19)	(69.31)	(94.21)	(105.07)	(384.49)
Closing RAB (D)	965.56	997.14	1,541.05	1,840.19	1,764.13	
Average RAB (E)	872.47	981.35	1,269.10	1,690.62	1,802.16	
FRoR (F)	12.79%	12.79%	12.79%	12.79%	12.79%	
Return on RAB (G = E * F)	111.59	125.51	162.31	216.22	230.49	846.12
Aero Depreciation (H)	54.70	61.19	69.31	94.21	105.07	384.49
Aero O&M Expense (I)	113.08	121.24	134.38	149.24	175.62	693.56
Aero Taxes (J)	-	3.75	31.71	33.60	43.92	112.98
Gross ARR (K = G + H + I + J)	279.37	311.69	397.71	493.28	555.10	2,037.16
Less: 30% of NAR (L)	(9.73)	(11.76)	(13.76)	(16.09)	(18.82)	(70.15)
ARR (M=K-L)	269.65	299.92	383.95	477.19	536.28	1,967.00
True up for First Control Period (N)	570.11	-	-	-	-	570.11
Net ARR (O=M+N)	839.76	299.92	383.95	477.19	536.28	2,537.12
Present Value Factor @ 12.79% (P)	1.00	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31st March 2027 (Q=O*P)	839.76	265.92	301.82	332.57	331.37	2,071.44
Sum of PV of Net ARR (R)	2,071.44					
Total Passenger Traffic (Million) (S)	19.66					
Yield per Passenger on Total Traffic (₹/PAX) (T=R/S*10)	1,053.51					

12.7.6 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 MgIAL is directed to submit the detailed annual Tariff proposals in line with the Baseline and Incremental Aggregate Revenue Requirement and Yield arrived at by the Authority in Table 294 within 7 days of issuance of this Consultation Paper.

12.8 Authority's proposal regarding Aggregate Revenue Requirement for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Aggregate Revenue Requirement for the Second Control Period:

- 12.8.1 To consider the Aggregate Revenue Requirement and YPP for the Second Control Period for MgIAL in accordance with Table 294.
- 12.8.2 To direct MgIAL to submit the Annual Tariff Proposal (Tariff Rate Card) in line with both Baseline and Incremental ARR within 7 days from issue of this Consultation Paper which will be put up for Stakeholders' Consultation.

13. SUMMARY OF AUTHORITY'S PROPOSALS PUT FORTH FOR STAKEHOLDERS' CONSULTATION

CHAPTER 2: TRUE UP FROM COD TILL 31st MARCH 2021

2.4.1 To retain the True up for the period from COD till 31st March 2021 as per Table 11.

CHAPTER 3: TRUE UP FOR THE FIRST CONTROL PERIOD

3.11.1 To consider Traffic for True up for the First Control Period based on Actuals as per Table 13.

3.11.2 To consider Aeronautical Capex for True up of the First Control Period as per Table 81.

3.11.3 To consider the Aeronautical Depreciation and Regulatory Asset Base (RAB) for True up for the First Control Period as per Table 93.

3.11.4 To consider the FRoR for True up for the First Control Period as per Table 100.

3.11.5 To consider Aeronautical Operation and Maintenance Expenses for True up for the First Control Period as per Table 155.

3.11.6 To consider Non-Aeronautical Revenue for True up for the First Control Period as per Table 159.

3.11.7 To consider Aeronautical Revenues for True up for the First Control Period as per Table 163.

3.11.8 To consider Aeronautical Taxes as Nil for the First Control Period as per Table 168.

3.11.9 To consider ARR under recovery of ₹570.11 crores (as on 31st March 2027) till the First Control Period for the tariff determination for the Second Control Period as per Table 172.

CHAPTER 4: TRAFFIC PROJECTIONS FOR THE SECOND CONTROL PERIOD

4.3.1 To consider Traffic projections as per Table 184 for the Second Control Period.

4.3.2 To true up the traffic volume (Passenger, ATM and cargo) based on actual traffic in the Second Control Period while determining tariff for the Third Control Period.

CHAPTER 5: CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

5.8.1 To consider the aeronautical additions for the Second Control Period in accordance with Table 222.

5.8.2 To true up the aeronautical additions based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for next control period.

5.8.3 To consider the aeronautical depreciation for the Second Control Period in accordance with Table 226.

5.8.4 To true up the depreciation based on the actual asset additions and actual date of capitalization during the tariff determination of the next Control Period.

5.8.5 To consider the Regulatory Asset Base for the Second Control Period in accordance with Table 228.

5.8.6 To True up the RAB based on actuals at the time of tariff determination for the next Control Period.

5.8.7 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, as mentioned in para 5.3.247. The same will be examined during true up of the Second Control Period, at the time of determination of tariff for the next Control Period.

5.8.8 To allow only IDC during the Second Control Period and not to allow the Financing Allowance as mentioned in para no. 5.3.241.

5.8.9 To consider the Terminal Building ratio of 92:8 as mentioned in para no. 5.3.224.

CHAPTER 6: FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

6.3.1 To consider Cost of Equity, Cost of Debt, notional debt-equity ratio and FRoR for the Second Control Period as per Table 232.

6.3.2 At the time of tariff determination of Third Control Period, to true up the Cost of Debt for the Second Control Period based on actuals (or) SBI average 1-year MCLR plus 150 bps of spread, whichever is lower.

6.3.3 At the time of tariff determination of Third Control Period, to true up credit spread based on actual credit rating or 150 bps, whichever is lower.

CHAPTER 7: INFLATION FOR THE SECOND CONTROL PERIOD

7.3.1 To consider the inflation rates for the Second Control Period as per Table 233.

CHAPTER 8: AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

8.3.1 To consider Aeronautical O&M Expenses for the Second Control Period as per Table 282.

8.3.2 To true up Aeronautical O&M Expenses for the Second Control Period based on actuals at the time of tariff determination for the Third Control Period, subject to reasonableness and efficiency.

CHAPTER 9: NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

9.3.1 To consider Non-Aeronautical Revenue for the Second Control Period as per Table 285.

9.3.2 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 285.

CHAPTER 10: AERONAUTICAL TAXES FOR THE SECOND CONTROL PERIOD

10.3.1 To consider Aeronautical Taxes for the Second Control Period as per Table 288.

10.3.2 To true-up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the next control period.

CHAPTER 11: QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD

11.3.1 To not consider any adjustment in the Aggregate Revenue Requirement on account of Quality of Service for the Second Control Period.

11.3.2 MgIAL should ensure that service quality at Mangaluru International Airport, Mangaluru adheres to the performance standards outlined in the Concession Agreement and shall comply with such performance standards as may be notified pursuant to the final order referred to in paragraph 11.2.8 once the same become applicable to major airports.

CHAPTER 12: AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

12.8.1 To consider the Aggregate Revenue Requirement and YPP for the Second Control Period for MgIAL in accordance with Table 294.

12.8.2 To direct MgIAL to submit the Annual Tariff Proposal (Tariff Rate Card) in line with both Baseline and Incremental ARR within 7 days from issue of this Consultation Paper which will be put up for Stakeholders' Consultation.

14. STAKEHOLDERS' CONSULTATION TIMELINE

- 14.1.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 13 – Summary of the Authority's proposals read with the relevant discussion in the other chapters of this Consultation Paper is hereby put forth for Stakeholders' Consultation.
- 14.1.2 For removal of doubts, it is clarified and explained that the contents of this Consultation Paper may not be construed as any Order or Direction by the Authority. The Authority shall pass an order, in the matter, only after considering the submissions of the stakeholders in response hereto and by making such decisions fully documented and explained in terms of the provisions of the Act.
- 14.1.3 The Authority invites written evidence-based feedback, comments and suggestions from stakeholders on the proposals made in this Consultation Paper, latest by 30th October 2026.

**Secretary,
Airports Economic Regulatory Authority of India,
3rd Floor, Udaan Bhawan,
Safdarjung Airport,
New Delhi – 110003**

(Chairperson)

15. ANNEXURES

15.1 Annexure 1: Relevant Clauses of the Concession Agreement

- 15.1.1 Subject to Clause 27.3. the Concessionaire agrees to pay to the Authority. during the Concession Period, a monthly concession fee calculated as follows (the "Monthly Concession"):

(Per Passenger Fee for International Passengers) * (International Passenger Throughput for that month)
+ (Per Passenger Fee for Domestic Passengers) * (Domestic Passenger Throughput for that month)

Where:

"Per Passenger Fee for Domestic Passengers" means ₹ 115 (Rupees One Hundred and Fifteen, as may be revised pursuant to Clause 27.3.

"Per Passenger Fee for International Passengers" means 2 (two) times the Per Passenger Fee for Domestic Passengers

"Domestic Passenger Throughput" for any month shall mean the total domestic Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time.

"International Passenger Throughput" for any month shall mean the total International Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time.

Provided further that, in the first and that last month of the Concession Period, the International Passenger Throughput and Domestic Passenger Throughput shall be pro- rated by the number of days in such months as reckoned with respect to the COD or Transfer Date, as relevant.

- 15.1.2 The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same.

- 15.1.3 The Concessionaire acknowledges and agrees that only the Designated GOI Agencies are authorized to undertake the following services ("Reserved Services") at the Airport:

- a. CNS/ATM Services;
- b. security services;
- c. meteorological services;
- d. mandatory health services;
- e. customs control;
- f. immigration services;
- g. quarantine services;
- h. any other services, as may be notified by GOI

Provided that, subject to the Applicable laws and the Applicable Permits. nothing in this Agreement shall restrict the Authority from requiring the Concessionaire to undertake any or all of the Reserved Services on such terms and conditions as may be mutually agreed between the Parties.

- 15.1.4 Carved-out Area - Annexure IV of Schedule A to the Concession Agreement provides details of the carved-out area for Cargo Terminal.

S. no.	ASSET	AREA OF LAND IN SQ.M. (Approx.)
1	ATC TOWER	2258 sq.m. (0.56 acres)
2	CARGO TERMINAL	
	a) Existing Domestic	2,785.059 sq.m.
	b) Existing International	1,813.52 sq.m.
	c) Proposed ICT Complex	11,000 sq.m.
	Total	15,598.58 sq.m. (3.85 acres)
3	ANY FUTURE LAND REQUIREMENT FOR CNS/ATM/STAFF QUARTERS	
	a) Land for ASR/MSSR Building at Remote Location	5625 sq.m. (1.39 acres)
	b) Densification of Residential Colony	46834.2 sq.m. (11.57 acres)
	Total	52459.2 sq.m. (12.96 acres)
4	TOTAL	70315.78 sq.m. (17.37 acres)

15.1.5 Clause 19.2. relating to Airport Operator's obligation towards Ground Handling Services is given below:

The Concessionaire shall provide or cause to be provided as per Applicable Laws and Good Industry Practice, at its own cost and expense, the infrastructure required for operation of the ground handling services required at the Airport for and in respect of the Users, like aircrafts, passengers and cargo, which shall include ramp handling, aircraft handling, aircraft cleaning, loading and unloading ("Ground Handling Services"). Such infrastructure shall include luggage conveyor belts, computer terminals, information technology backbone and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice.

15.1.6 The Clause 19.3. of the Concession Agreement mentions the Airport Operator's obligations towards providing aircraft fueling services, which has been reproduced below: *"The Concessionaire shall provide, or cause to be provided, the infrastructure required for operation of fueling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice."*

15.2 Annexure 2: Detail Breakdown of O&M Expenses for First Control Period

15.2.1 Breakdown of IT Expenses, Security Expenses, Other Administrative Expenses, Repairs & Maintenance and Other Operating Expenses along with the Aeronautical Expenditure submitted by MgIAL and considered by the Authority.

IT Expenses

Table 295: IT Expenses for FY 2022

(₹ in Crore)

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
IT Infrastructure Outsourcing Services	0.70	0.67	0.70	0.64
Software License Fees	0.45	0.43	0.45	0.41
Azure, Application Development AMC & Managed Services Renewal	0.32	0.31	0.32	0.29
Reimbursement of expense to AAI for MPLS links	0.27	0.27	0.27	0.27
IT Application Outsourcing Services	0.24	0.23	0.24	0.22
Mobile, Landline and Network Connectivity Expenses	0.11	0.11	0.11	0.10
Airport operating System services	0.08	0.08	0.08	0.08
IT Support Services	0.08	0.08	0.08	0.07
Hardware CAMC for Kiosk	0.06	0.06	0.06	0.06
Other Miscellaneous Services	0.02	0.02	0.02	0.02
Total Expenses	2.33	2.26	2.33	2.18

Table 296: IT Expenses for FY 2023

(₹ in Crore)

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
IT Infrastructure Outsourcing Services	1.29	1.24	1.29	1.19
Software License Fees	0.87	0.84	0.87	0.80
Azure, Application Development AMC & Managed Services Renewal	0.50	0.48	0.50	0.46
Airport operating System services	0.40	0.40	0.40	0.37
IT Application Outsourcing Services	0.31	0.30	0.31	0.29
Mobile, Landline and Network Connectivity Expenses	0.26	0.25	0.26	0.24
IT Support Services	0.22	0.21	0.22	0.20
Google cloud Hosting charges	0.18	0.17	0.18	0.17
Installation of Server and Services	0.16	0.15	0.16	0.15
Reimbursement of expense to AAI for MPLS links	0.15	0.15	0.15	0.15
Other Miscellaneous Services	0.02	0.02	0.02	0.02
Total Expenses	4.36	4.21	4.36	4.02

Table 297: IT Expenses for FY 2024**(₹ in Crore)**

Particulars	Total Expenses as per MgiAL	Aero Expenses as per MgiAL	Total Expenses as per Authority	Aero Expenses as per Authority
IT Infrastructure Outsourcing Services	1.10	1.06	1.10	1.01
Software License Fees	0.74	0.71	0.74	0.68
Azure, Application Development AMC & Managed Services Renewal	0.55	0.53	0.55	0.51
Mobile, Landline and Network Connectivity Expenses	0.26	0.25	0.26	0.24
Reimbursement of expense to AAI for MPLS links	0.19	0.19	0.19	0.19
IT Application Outsourcing Services	0.13	0.12	0.13	0.12
Application Support Services	0.11	0.11	0.11	0.10
Installation of Server and Services	0.08	0.08	0.08	0.07
IT Support Services	0.07	0.07	0.07	0.06
Services for MS Dynamics Sandbox	0.06	0.06	0.06	0.06
Airport operating System services	0.43	0.43	0.43	0.43
Other Miscellaneous Services	0.09	0.09	0.09	0.08
Total Expenses	3.81	3.68	3.81	3.55

Table 298: IT Expenses for FY 2025**(₹ in Crore)**

Particulars	Total Expenses as per MgiAL	Aero Expenses as per MgiAL	Total Expenses as per Authority	Aero Expenses as per Authority
IT Infrastructure Outsourcing Services	2.20	2.11	2.20	2.02
Software License Fees	1.36	1.31	1.36	1.25
Google cloud Hosting charges	1.33	1.28	1.33	1.22
IT Application Outsourcing Services	0.69	0.66	0.69	0.63
Azure, Application Development AMC & Managed Services Renewal	0.39	0.37	0.39	0.36
Installation of Server and Services	0.27	0.26	0.27	0.25
IT Support Services	0.26	0.25	0.26	0.24
Mobile, Landline and Network Connectivity Expenses	0.23	0.22	0.23	0.21
Airport operating System services	0.58	0.58	0.58	0.58
Application Support Services	0.13	0.12	0.13	0.12
Digiyatra Rental server services	0.13	0.13	0.13	0.13
Reimbursement of expense to AAI for MPLS links	0.09	0.09	0.09	0.09
Cyber Security Services	0.08	0.08	0.08	0.07
Other Miscellaneous Services	0.10	0.10	0.10	0.09
Total Expenses	7.84	7.56	7.84	7.28

Table 299: IT Expenses for FY 2026*(₹ in Crore)*

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
IT Infrastructure Outsourcing Services	1.35	1.30	1.35	1.24
Software License Fees	1.22	1.17	1.22	1.13
IT Application Outsourcing Services	0.12	0.12	0.12	0.11
Azure, Application Development AMC & Managed Services Renewal	0.43	0.41	0.43	0.39
Consultancy on Implementation for Document control	1.14	1.10	1.14	1.05
IT Support Services	1.57	1.51	1.57	1.45
Installation of Server and Services	0.18	0.18	0.18	0.17
Mobile, Landline and Network Connectivity Expenses	0.93	0.89	0.93	0.85
Airport operating System services	0.09	0.09	0.09	0.09
Application Support Services	0.08	0.08	0.08	0.08
Digiyaatra manpower expense	0.28	0.28	0.28	0.28
Cyber Security Services	0.17	0.16	0.17	0.15
Other Miscellaneous Services	0.92	0.88	0.92	0.85
Total Expenses	8.49	8.17	8.49	7.84

Security Expenses**Table 300: Security Expenses for FY 2022***(₹ in Crore)*

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
SLA based Security Services	1.22	1.20	1.22	1.12
Supply of manpower of Civilian Guard and Security Officer	0.54	0.53	0.54	0.50
AMC for X-BIS, ETD and DFMD	0.52	0.52	0.52	0.52
Services for Hiring of Vehicle and/or Drivers for security function	0.34	0.34	0.34	0.31
Manpower Cost reimbursed to AAI (relating to Security)	0.16	0.16	0.16	0.16
CAMC for Threat Containment Vessel (TCV) part of BDDS	0.16	0.16	0.16	0.16
Manpower Hiring for Screening Equipment	0.10	0.10	0.10	0.10
Service Order for Manpower Contract for Security & Pass Section	0.08	0.08	0.08	0.08
Other Miscellaneous Services	0.08	0.08	0.08	0.07
Total Expenses	3.20	3.17	3.20	3.03

Table 301: Security Expenses for FY 2023**(₹ in Crore)**

Particulars	Total Expenses as per MglAL	Aero Expenses as per MglAL	Total Expenses as per Authority	Aero Expenses as per Authority
SLA based Security Services	2.41	2.38	2.41	2.22
AMC for X-BIS, ETD and DFMD	0.92	0.92	0.92	0.92
CAMC for Threat Containment Vessel (TCV) part of BDDS	0.63	0.63	0.63	0.63
Services for Hiring of Vehicle and/or Drivers for security function	0.45	0.44	0.45	0.41
Genetec Security Centre Software License fee	0.08	0.08	0.08	0.08
Other Miscellaneous Services	0.07	0.07	0.07	0.06
Total Expenses	4.56	4.52	4.56	4.33

Table 302: Security Expenses for FY 2024**(₹ in Crore)**

Particulars	Total Expenses as per MglAL	Aero Expenses as per MglAL	Total Expenses as per Authority	Aero Expenses as per Authority
SLA based Security Services	2.21	2.18	2.21	2.03
CAMC for Threat Containment Vessel (TCV) part of BDDS	0.63	0.63	0.63	0.63
AMC for X-BIS, ETD and DFMD	0.60	0.60	0.60	0.60
Supply of manpower of Civilian Guard and Security Officer	0.54	0.53	0.54	0.50
Services for Hiring of Vehicle and/or Drivers for security function	0.52	0.51	0.52	0.48
Genetec Security Centre Software License fee	0.10	0.10	0.10	0.10
RT Sets license Renewal	0.04	0.04	0.04	0.04
Other Miscellaneous Services	0.07	0.07	0.07	0.06
Total Expenses	4.71	4.66	4.71	4.44

Table 303: Security Expenses for FY 2025**(₹ in Crore)**

Particulars	Total Expenses as per MglAL	Aero Expenses as per MglAL	Total Expenses as per Authority	Aero Expenses as per Authority
SLA based Security Services	2.25	2.22	2.25	2.07
Supply of manpower of Civilian Guard and Security Officer	0.73	0.72	0.73	0.67
CAMC for Threat Containment Vessel (TCV) part of BDDS	0.63	0.63	0.63	0.63
Services for Hiring of Vehicle and/or Drivers for security function	0.53	0.52	0.53	0.49
AMC for X-BIS, ETD and DFMD	0.37	0.37	0.37	0.37
Misc. Repairs and AMC of CCTV, RT Sets	0.17	0.17	0.17	0.17
Genetec Security Centre Software License fee	0.12	0.12	0.12	0.12
Other Miscellaneous Services	0.09	0.09	0.09	0.08

Particulars	Total Expenses as per MgiAL	Aero Expenses as per MgiAL	Total Expenses as per Authority	Aero Expenses as per Authority
Total Expenses	4.89	4.84	4.89	4.60

Table 304: Security Expenses for FY 2026*(₹ in Crore)*

Particulars	Total Expenses as per MgiAL	Aero Expenses as per MgiAL	Total Expenses as per Authority	Aero Expenses as per Authority
SLA based Security Services	3.18	3.13	3.18	2.92
Supply of manpower of Civilian Guard and Security Officer	0.42	0.41	0.42	0.39
CAMC for Threat Containment Vessel (TCV) part of BDDS	0.70	0.70	0.70	0.70
Services for Hiring of Vehicle and/or Drivers for security function	0.33	0.32	0.33	0.30
AMC for X-BIS, ETD and DFMD	0.38	0.38	0.38	0.38
Misc. Repairs and AMC of CCTV, RT Sets	0.27	0.27	0.27	0.27
Genetec Security Centre Software License fee	0.09	0.09	0.09	0.09
Other Miscellaneous Services	0.61	0.60	0.61	0.56
Total Expenses	5.97	5.91	5.97	5.61

Other Administrative Expenses**Table 305: Other Administrative Expenses for FY 2022***(₹ in Crore)*

Particulars	Total Expenses as per MgiAL	Aero Expenses as per MgiAL	Total Expenses as per Authority	Aero Expenses as per Authority
Asset Assessment work at IXE Mangaluru (detail study, physical inspection, mappings, documentation, recommendation for repairs work) with corrective plans with submission of vetted reports for Mangaluru	2.95	2.95	2.95	2.95
ACI-ASQ membership fee	0.24	0.24	0.24	0.24
OLS Survey and Flight Calibration Charges paid to AAI	0.22	0.22	0.22	0.22
Services of Digital Media Partner – Social Media and Online Reputation Management	0.19	0.19	0.19	0.19
Consultancy charges for review of contract & bids	0.18	0.18	0.18	0.18
FREQUENCY USAGE CHARGES S.M.C For Mangaluru Intl Airport	0.17	0.17	0.17	0.17
Internal Audit Services	0.17	0.17	0.17	0.17
Various Staff Travel & Conveyance Expenses	0.16	0.15	0.16	0.14
Friction Test at IXE Mangaluru	0.16	0.16	0.16	0.16
Services for brand designing and translation	0.14	0.14	0.14	0.13
Printing & Stationery Services - Various vendors	0.11	0.11	0.11	0.11

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Services Order for Appointment of Consultant for Environment Monitoring	0.11	0.11	0.11	0.11
AAI empaneled surveying agency to carry out survey of Obstacle Limitation Surfaces (OLS)	0.10	0.10	0.10	0.10
Audit and Other Consultancy Fees	0.10	0.10	0.10	0.10
Professional consultancy for feasibility report and analysis of landside amenities	0.09	0.00	0.09	0.00
Consultancy Charges for Learning & Development	0.09	0.08	0.09	0.08
Appointment of Survey Agency for Consultancy of Airport Service Quality	0.08	0.08	0.08	0.08
APAO Membership for Mangaluru International Airport	0.05	0.05	0.05	0.05
Consultancy charges for assessment of Useful Life	0.04	0.04	0.04	0.04
Consultancy Charges for financial model	0.04	0.04	0.04	0.04
Professional Fees for Talent Acquisition	0.04	0.04	0.04	0.04
Providing Water Dispenser	0.04	0.04	0.04	0.04
Legal Fees for Appearing in High Court	0.04	0.03	0.04	0.03
Consultancy charges for assessment of Cost of Equity	0.03	0.03	0.03	0.03
Other Miscellaneous Services	0.43	0.43	0.43	0.42
Total Expenses	5.97	5.84	5.97	5.81

Table 306: Other Administrative Expenses for FY 2023

(₹ in Crore)

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Digitalization Services*	5.20*	4.26*	-	-
IE Fees reimbursed to AAI*	1.45*	1.45*	-	-
Consultancy work for AI Expert Resource Deployment	0.44	0.43	0.44	0.43
Management consultancy for strategic planning	0.37	0.36	0.37	0.36
Various Staff Travel & Conveyance Expenses	0.32	0.30	0.32	0.29
Printing & Stationery Services - Various vendors	0.32	0.32	0.32	0.31
Services of Digital Media Partner – Social Media and Online Reputation Management	0.27	0.27	0.27	0.26
Internal Audit Services	0.25	0.25	0.25	0.24
ACI-ASQ membership fee	0.23	0.23	0.23	0.23
Friction Test at IXE Mangaluru	0.22	0.22	0.22	0.22
Professional Fees for Talent	0.21	0.20	0.21	0.19

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Acquisition				
Events, Celebration & Decoration Services	0.21	0.21	0.21	0.20
Exchange rate gain/loss	0.11	0.11	0.11	0.11
Appointment of Survey Agency for Consultancy of Airport Service Quality	0.11	0.11	0.11	0.11
Services Order for Appointment of Consultant for Environment Monitoring	0.10	0.10	0.10	0.10
Consultancy Services for passenger profiling survey	0.09	0.09	0.09	0.09
Services for brand designing and translation	0.09	0.09	0.09	0.08
Audit and Other Consultancy Fees	0.08	0.08	0.08	0.08
Charges for Emergency Response Management System	0.07	0.07	0.07	0.07
OLS Survey and Flight Calibration Charges paid to AAI	0.07	0.07	0.07	0.07
Consultancy services for STP treatability	0.05	0.05	0.05	0.05
Consultancy services for physical verification of assets	0.04	0.04	0.04	0.04
Consultancy for development and implementation of Safety Management System (SMS) as per DGCA and ICAO	0.04	0.04	0.04	0.04
APAO Membership for Mangaluru International Airport	0.04	0.04	0.04	0.04
Employee Training & Development Exp	0.03	0.03	0.03	0.03
Other Miscellaneous Services	1.43	1.41	1.43	1.39
Total Expenses	11.81	10.82	5.19	5.03

(*Amounts have been considered under separate heads and have been removed from Other Administrative Expense for Analysis)

Table 307: Other Administrative Expenses for FY 2024

(₹ in Crore)

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Digitalization Services*	12.86*	10.55*	-	-
Various Staff Travel & Conveyance Expenses	0.42	0.39	0.42	0.40
ACI-ASQ membership fee	0.37	0.37	0.37	0.37
Services of Digital Media Partner – Social Media and Online Reputation Management	0.25	0.25	0.25	0.24
FREQUENCY USAGE CHARGES S.M.C For Mangaluru Intl Airport	0.21	0.21	0.21	0.21
Employee Training & Development Exp	0.20	0.19	0.20	0.19
Services for O&M of Digital Displays	0.16	0.16	0.16	0.16
Audit and Other Consultancy Fees	0.13	0.13	0.13	0.13

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Printing & Stationery Services - Various vendors	0.14	0.14	0.14	0.14
Purchase of Carbon credits as a part of ACA- Level4 accreditations	0.09	0.09	0.09	0.09
Events, Celebration & Decoration Services	0.09	0.09	0.09	0.09
OLS Survey and Flight Calibration Charges paid to AAI	0.09	0.09	0.09	0.09
Services for brand designing and translation	0.09	0.09	0.09	0.08
Services Order for Appointment of Consultant for Environment Monitoring	0.07	0.07	0.07	0.07
Charges for Emergency Response Management System	0.07	0.07	0.07	0.07
Aerodrome License Fee	0.07	0.07	0.07	0.07
APAO Membership for Mangaluru International Airport	0.05	0.05	0.05	0.05
Consultancy Services for Strategic Planning	0.04	0.00	0.04	0.00
AAI empaneled surveying agency to carry out survey of Obstacle Limitation Surfaces (OLS)	0.04	0.04	0.04	0.04
Annual Medical Checkup for on roll employees	0.03	0.03	0.03	0.03
Other Miscellaneous Services	1.41	1.39	1.41	1.38
Total Expenses	16.88	14.45	4.02	3.89

(*Amounts have been considered under separate heads and have been removed from Other Administrative Expense for Analysis)

Table 308: Other Administrative Expenses for FY 2025

(₹ in Crore)

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Digitalization Services*	12.90*	10.58*	-	-
Events, Celebration & Decoration Services	0.97	0.96	0.97	0.95
Employee Training & Development Exp	0.51	0.48	0.51	0.48
Various Staff Travel & Conveyance Expenses	0.48	0.45	0.48	0.45
ACI-ASQ membership fee	0.30	0.30	0.30	0.30
Consultancy for wildlife management	0.27	0.27	0.27	0.27
Services of Digital Media Partner – Social Media and Online Reputation Management	0.25	0.25	0.25	0.24
OLS Survey and Flight Calibration Charges paid to AAI	0.22	0.22	0.22	0.22
Services for O&M of Digital Displays	0.20	0.20	0.20	0.20
Audit and Other Consultancy Fees	0.19	0.19	0.19	0.19
Printing & Stationery Services - Various vendors	0.18	0.18	0.18	0.18

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Internal Audit Services	0.17	0.17	0.17	0.17
Customer Experience Excellence CSAT NPS Survey for Mangalore Airport	0.15	0.15	0.15	0.15
Customer Experience Level 4 Accreditation	0.12	0.12	0.12	0.12
Services Order for Appointment of Consultant for Environment Monitoring	0.10	0.10	0.10	0.10
FREQUENCY USAGE CHARGES S.M.C For Mangaluru Intl Airport	0.10	0.10	0.10	0.10
Charges for Emergency Response Management System	0.07	0.07	0.07	0.07
Consultancy Charges for Learning & Development	0.07	0.07	0.07	0.07
Service provided from SITATEX for updation of data into AMS	0.07	0.07	0.07	0.07
Charges for BA Test	0.06	0.06	0.06	0.06
APAO Membership for Mangaluru International Airport	0.05	0.05	0.05	0.05
Services for brand designing and translation	0.04	0.04	0.04	0.04
Services for Airport Quality Audit	0.04	0.04	0.04	0.04
Consultancy charges for Energy Management System	0.04	0.04	0.04	0.04
Biometric card printer Consumables	0.04	0.04	0.04	0.04
AAI empaneled surveying agency to carry out survey of Obstacle Limitation Surfaces (OLS)	0.04	0.04	0.04	0.04
Services for Climate Change Vulnerability and Risk Assessment Study and Adaptation Plan	0.03	0.03	0.03	0.03
Exchange rate gain/loss	0.03	0.03	0.03	0.03
Other Miscellaneous Services	0.95	0.94	0.95	0.93
Total Expenses	18.64	16.21	5.74	5.60

(*Amounts have been considered under separate heads and have been removed from Other Administrative Expense for Analysis)

Table 309: Other Administrative Expenses for FY 2026

(₹ in Crore)

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Digitalization Services*	12.95*	10.62*	-	-
IE Engineer Fees*	1.45*	1.45*	-	-
Events, Celebration & Decoration Services	0.64	0.63	0.64	0.62
Employee Training & Development Exp	0.08	0.07	0.08	0.07
Various Staff Travel & Conveyance Expenses	0.80	0.75	0.80	0.76
ACI-ASQ membership fee	0.19	0.19	0.19	0.19
Services of Digital Media Partner –	0.55	0.54	0.55	0.54

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Social Media and Online Reputation Management				
Services for O&M of Digital Displays	0.21	0.21	0.21	0.21
Audit and Other Consultancy Fees	0.09	0.09	0.09	0.09
Printing & Stationery Services - Various vendors	0.22	0.22	0.22	0.21
Internal Audit Services	0.05	0.05	0.05	0.05
Customer Experience Level 4 Accreditation	0.33	0.33	0.33	0.33
Services Order for Appointment of Consultant for Environment Monitoring	0.10	0.10	0.10	0.10
Charges for Emergency Response Management System	0.07	0.07	0.07	0.07
Consultancy Charges for Learning & Development	0.11	0.10	0.11	0.11
Service provided from SITATEX for updation of data into AMS	0.03	0.03	0.03	0.03
Charges for BA Test	0.08	0.08	0.08	0.08
APAO Membership for Mangaluru International Airport	0.05	0.05	0.05	0.05
Exchange rate gain/loss	0.42	0.42	0.42	0.41
Other Miscellaneous Services	0.50	0.50	0.50	0.49
Total Expenses	18.93	16.50	4.53	4.42

(*Amounts have been considered under separate heads and have been removed from Other Administrative Expense for Analysis)

Repairs and Maintenance

Table 310: Repairs and Maintenance Expenses for FY 2022

(₹ in Crore)

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
SLA based Technical Services comprising of 16 Packages namely Electrical /Mechanical /Civil /HVAC /HNS /ROSys/ Water fountains /Chillers /UPS/DG's/FAS/PAS/STP Sliding doors etc., at Mangaluru International Airport, Mangaluru (IXE)	2.89	2.85	2.89	2.83
Maintenance contract for Civil Works	1.80	1.77	1.80	1.76
O&M Contract for all electrical & mechanical installations	1.56	1.54	1.56	1.44
CMC, Operations & Upkeeping of HVAC system	0.88	0.87	0.88	0.86
CMC, Operations & Upkeeping of PBBs and AVDGS/VDGS	0.87	0.87	0.87	0.87
CMC of Lift, Elevators & Escalators	0.84	0.83	0.84	0.77
Operation & Maintenance of BHS system	0.82	0.82	0.82	0.82
Stores & Spares - AAI	0.78	0.78	0.78	0.78
Supply of AGL Spares	0.19	0.19	0.19	0.19

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Misc. Repair Works - Electrical	0.13	0.13	0.13	0.12
Repair & Maintenance of DG sets	0.12	0.12	0.12	0.12
Supply of spares for Ground Light fittings (GLF)	0.10	0.10	0.10	0.10
Other Miscellaneous Services	0.41	0.40	0.41	0.40
Total Expenses	11.39	11.27	11.39	11.07

Table 311: Repairs and Maintenance Expenses for FY 2023*(₹ in Crore)*

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
SLA based Technical Services comprising of 16 Packages namely Electrical /Mechanical /Civil /HVAC /HNS /ROSys/ Water fountains /Chillers /UPS/DG's/FAS/PAS/STP Sliding doors etc., at Mangaluru International Airport, Mangaluru (IXE)	7.66	7.55	7.66	7.46
Supply of spares for fire vehicles	0.80	0.80	0.80	0.80
Events, Celebration & Decoration Services	0.73	0.72	0.73	0.71
Operation & Maintenance of BHS system	0.72	0.72	0.72	0.72
CMC, Operations & Upkeeping of PBBs and AVDGS/VDGS	0.65	0.65	0.65	0.65
CMC of Lift, Elevators & Escalators	0.43	0.42	0.43	0.40
Painting of operational Wall at Airside	0.31	0.31	0.31	0.31
Misc. Painting Works	0.24	0.24	0.24	0.22
Repair & Maintenance of Chillers and Compressors	0.23	0.23	0.23	0.22
Misc. Repair Works - Civil	0.21	0.21	0.21	0.20
Supply of road safety signage's and road safety equipment	0.20	0.20	0.20	0.19
Supply of Paints - Pavement & Buildings	0.20	0.20	0.20	0.19
Misc. Repair Works - Electrical	0.19	0.19	0.19	0.18
Services for Trolley Maintenance	0.19	0.19	0.19	0.19
Technical services for utilities for NITB expansion area	0.17	0.17	0.17	0.16
Supply of Glass beads for Runway painting	0.17	0.17	0.17	0.17
Deployment of Rubber Removal Machine and Friction Testing Machine	0.16	0.16	0.16	0.16
Repair of Cooling tower at NITB and NATS Building	0.15	0.15	0.15	0.15
Misc. Repair Works - Furniture	0.15	0.15	0.15	0.15
Supply of AGL Spares	0.15	0.15	0.15	0.15
CMC of NAAFCO make CFTs	0.14	0.14	0.14	0.14
O&M Contract for electrical &	0.13	0.13	0.13	0.12

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
mechanical installations at Terminal				
Water proofing Treatment	0.11	0.11	0.11	0.11
AMC for CCRs and ALCMS	0.11	0.11	0.11	0.11
Purchase of River sand for filling in RESA area	0.10	0.10	0.10	0.10
Other Miscellaneous Services	0.73	0.72	0.73	0.71
Total Expenses	15.03	14.87	15.03	14.67

Table 312: Repairs and Maintenance Expenses for FY 2024*(₹ in Crore)*

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
SLA based Technical Services comprising of 16 Packages namely Electrical /Mechanical /Civil /HVAC /HNS /ROSys/ Water fountains /Chillers /UPS/DG's/FAS/PAS/STP Sliding doors etc., at Mangaluru International Airport, Mangaluru (IXE)	9.44	9.31	9.44	9.21
CMC, Operations & Upkeeping of PBBs and AVDGS/VDGS	1.28	1.28	1.28	1.28
Operation & Maintenance of BHS system	0.90	0.90	0.90	0.90
Supply of spares for fire vehicles	0.56	0.56	0.56	0.56
Events, Celebration & Decoration Services	0.53	0.52	0.53	0.52
CMC of Lift, Elevators & Escalators	0.42	0.41	0.42	0.39
Deployment of Rubber Removal Machine and Friction Testing Machine	0.38	0.38	0.38	0.38
Water proofing Treatment	0.17	0.17	0.17	0.17
Supply & installations of glass at ATC and NITB	0.14	0.14	0.14	0.14
Supply of Water Tanker at NATS Building and CISF Barrack	0.13	0.13	0.13	0.13
AMC for CCRs and ALCMS	0.11	0.11	0.11	0.11
Spares for X-ray Machines	0.11	0.11	0.11	0.11
Supply of Paints - Pavement & Buildings	0.10	0.10	0.10	0.10
CMC of NAAFCO make CFTs	0.09	0.09	0.09	0.09
Misc. Repair Works - Civil	0.08	0.08	0.08	0.08
Supply of road safety signage's and road safety equipment	0.07	0.07	0.07	0.07
Repair & Maintenance of DG sets	0.07	0.07	0.07	0.07
Services for Trolley Maintenance	0.07	0.07	0.07	0.07
Misc. Painting Works	0.05	0.05	0.05	0.05
CMC, Operations & Upkeeping of HVAC system	0.05	0.05	0.05	0.05
Supply of spares for Ground Light fittings (GLF)	0.05	0.05	0.05	0.05

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Implementation of Energy Efficiency Measures at AAI- Mangaluru premises on deemed energy savings based on ESCO model	0.05	0.05	0.05	0.05
Other Miscellaneous Services	0.33	0.33	0.33	0.32
Total Expenses	15.18	15.02	15.18	14.88

Table 313: Repairs and Maintenance Expenses for FY 2025*(₹ in Crore)*

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
SLA based Technical Services comprising of 16 Packages namely Electrical /Mechanical /Civil /HVAC /HNS /ROSys/ Water fountains /Chillers /UPS/DG's/FAS/PAS/STP Sliding doors etc., at Mangaluru International Airport, Mangaluru (IXE)	9.65	9.51	9.65	9.42
CMC, Operations & Upkeeping of PBBs and AVDGS/VDGS	1.56	1.56	1.56	1.56
Operation & Maintenance of BHS system	1.19	1.19	1.19	1.19
Supply of spares for fire vehicles	0.67	0.67	0.67	0.67
CMC of Lift, Elevators & Escalators	0.50	0.49	0.50	0.46
Manpower Hiring for MT Section	0.40	0.39	0.40	0.39
Deployment of Rubber Removal Machine and Friction Testing Machine	0.28	0.28	0.28	0.28
Misc. Repair Works - Electrical	0.21	0.21	0.21	0.19
Supply of Paints - Pavement & Buildings	0.18	0.18	0.18	0.18
Misc. Repair Works	0.17	0.17	0.17	0.17
AMC for CCRs and ALCMS	0.15	0.15	0.15	0.15
Misc. Repair Works - Civil	0.15	0.15	0.15	0.15
Supply & installations of glass at ATC and NITB	0.10	0.10	0.10	0.10
CMC of NAAFCO make CFTs	0.10	0.10	0.10	0.10
Misc. Repairs - MCP damaged antennas for RF signal	0.10	0.10	0.10	0.10
Hiring of Spider Lift including operator	0.10	0.10	0.10	0.10
Supply of spares for Ground Light fittings (GLF)	0.09	0.09	0.09	0.09
Services for Trolley Maintenance	0.08	0.08	0.08	0.08
Supply of Filters and media 150 KLD	0.07	0.07	0.07	0.07
	0.06	0.06	0.06	0.06
Supply of AGL Spares	0.05	0.05	0.05	0.05
Other Miscellaneous Services	1.02	1.01	1.02	1.00
Total Expenses	16.88	16.70	16.88	16.53

Table 314: Repairs and Maintenance Expenses for FY 2026*(₹ in Crore)*

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
SLA based Technical Services comprising of 16 Packages namely Electrical /Mechanical /Civil /HVAC /HNS /ROSys/ Water fountains /Chillers /UPS/DG's/FAS/PAS/STP Sliding doors etc., at Mangaluru International Airport, Mangaluru (IXE)	9.97	9.83	9.97	9.71
CMC, Operations & Upkeeping of PBBs and AVDGS/VDGS	1.88	1.88	1.88	1.88
Operation & Maintenance of BHS system	1.25	1.25	1.25	1.25
Supply of spares for fire vehicles	0.64	0.64	0.64	0.64
CMC of Lift, Elevators & Escalators	0.53	0.52	0.53	0.49
Technical services for Friction Tester	0.09	0.09	0.09	0.09
Manpower Hiring for MT Section	0.36	0.36	0.36	0.35
Deployment of Rubber Removal Machine and Friction Testing Machine	0.38	0.38	0.38	0.38
Supply of Paints - Pavement & Buildings	0.09	0.09	0.09	0.08
AMC for CCRs and ALCMS	0.11	0.11	0.11	0.11
Supply & installations of glass at ATC and NITB	0.03	0.03	0.03	0.03
CMC of NAAFCO make CFTs	0.11	0.11	0.11	0.11
Supply of Spares	0.51	0.51	0.51	0.50
Other Miscellaneous Services	0.33	0.32	0.33	0.32
Total Expenses	16.27	16.10	16.27	15.94

Other Operating Expenses**Table 315: Other Operating Expenses for FY 2022***(₹ in Crore)*

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Service Order for Non-Technical Packages comprising of 6 Packages namely Housekeeping (Terminal, Landside, Airside & ancillary buildings), Landscape Management, Trolley Management, Birds & Wildlife Hazard Management, Monkey Control & Pest Control	3.41	3.27	3.41	3.14
Outsourced Manpower Hiring for Data Entry Operator-AOCC and for Bird Scaring	0.55	0.55	0.55	0.55
Outsourced Manpower Hiring for Terminal & Landside Security	0.49	0.47	0.49	0.45
Services for Hiring of Vehicle and/or Drivers for official use	0.27	0.26	0.27	0.25
Service order for providing off-roll	0.21	0.21	0.21	0.21

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
manpower for Airside operation				
Service Order for Housekeeping and Upkeep for Ancillary Buildings	0.20	0.19	0.20	0.18
Manpower Hiring for Porter and GRE	0.19	0.18	0.19	0.17
Manpower Hiring Charges for passenger facilitation	0.15	0.15	0.15	0.15
Manpower Hiring for Ambulance Staff	0.10	0.10	0.10	0.09
Total Expenses	5.57	5.38	5.57	5.20

Table 316: Other Operating Expenses for FY 2023*(₹ in Crore)*

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Service Order for Non-Technical Packages comprising of 6 Packages namely Housekeeping (Terminal, Landside, Airside & ancillary buildings), Landscape Management, Trolley Management, Birds & Wildlife Hazard Management, Monkey Control & Pest Control	4.90	4.70	4.90	4.51
SLA based service of Guest Relation Executive (GRE), Customer Service Executive (CSE), Baggage assistant and Airport operation control center (AOCC) operation	0.90	0.86	0.90	0.83
Outsourced Manpower Hiring for Ambulance Staff	0.44	0.42	0.44	0.40
Services for Hiring of Vehicle and/or Drivers for official use	0.24	0.23	0.24	0.22
Outsourced Manpower Hiring for Terminal Firestation	0.15	0.15	0.15	0.15
Contractual Manpower for Pantry Service and Admin Executive	0.14	0.13	0.14	0.13
Manpower Cost reimbursed to AAI (relating to DGR security services)	0.13	0.13	0.13	0.13
SLA contract for providing and fixing of Fragrance Machines	0.06	0.06	0.06	0.06
Outsourced Manpower Hiring - Procurement, Inventory & Finance	0.06	0.06	0.06	0.06
Garbage Disposal	0.03	0.03	0.03	0.03
Other Miscellaneous Services	0.64	0.61	0.64	0.59
Total Expenses	7.69	7.39	7.69	7.09

Table 317: Other Operating Expenses for FY 2024*(₹ in Crore)*

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Service Order for Non-Technical Packages comprising of 6 Packages namely Housekeeping (Terminal, Landside, Airside & ancillary	5.81	5.58	5.81	5.35

Particulars	Total Expenses as per MgiAL	Aero Expenses as per MgiAL	Total Expenses as per Authority	Aero Expenses as per Authority
buildings), Landscape Management, Trolley Management, Birds & Wildlife Hazard Management, Monkey Control & Pest Control				
SLA based service of Guest Relation Executive (GRE), Customer Service Executive (CSE), Baggage assistant and Airport operation control center (AOCC) operation	1.23	1.18	1.23	1.13
Manpower Hiring for Ambulance Staff	0.56	0.54	0.56	0.52
Services for Hiring of Vehicle and/or Drivers for official use	0.20	0.19	0.20	0.18
Manpower Hiring - Procurement, Inventory & Finance	0.16	0.15	0.16	0.15
Horticulture Expenses	0.14	0.13	0.14	0.13
Contractual Manpower for Pantry Service and Admin Executive	0.13	0.12	0.13	0.12
SLA contract for providing and fixing of Fragrance Machines	0.09	0.09	0.09	0.08
Misc. Expenses - Employee Gift Card	0.08	0.08	0.08	0.08
Garbage Disposal	0.05	0.05	0.05	0.05
ATC Tower Glass Facade cleaning	0.03	0.03	0.03	0.03
Other Miscellaneous Services	0.68	0.65	0.68	0.63
Total Expenses	9.16	8.79	9.16	8.44

Table 318: Other Operating Expenses for FY 2025

(₹ in Crore)

Particulars	Total Expenses as per MgiAL	Aero Expenses as per MgiAL	Total Expenses as per Authority	Aero Expenses as per Authority
Service Order for Non-Technical Packages comprising of 6 Packages namely Housekeeping (Terminal, Landside, Airside & ancillary buildings), Landscape Management, Trolley Management, Birds & Wildlife Hazard Management, Monkey Control & Pest Control	6.81	6.54	6.81	6.27
SLA based service of Guest Relation Executive (GRE), Customer Service Executive (CSE), Baggage assistant and Airport operation control center (AOCC) operation	1.23	1.18	1.23	1.13
Horticulture Expenses	0.60	0.58	0.60	0.55
Manpower Hiring for Ambulance Staff	0.47	0.45	0.47	0.43
Services of Grass Cutting at Airside	0.29	0.29	0.29	0.29
Manpower Hiring - Procurement, Inventory & Finance	0.27	0.26	0.27	0.25
Contractual Manpower for Pantry Service and Admin Executive	0.19	0.18	0.19	0.18
Services for Hiring of Vehicle and/or Drivers for official use	0.19	0.18	0.19	0.17

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Manpower Hiring for Terminal Firestation	0.15	0.14	0.15	0.14
Garbage Disposal	0.10	0.10	0.10	0.09
ATC Tower Glass Facade cleaning	0.06	0.06	0.06	0.06
SLA contract for providing and fixing of Fragrance Machines	0.06	0.06	0.06	0.06
Other Miscellaneous Services	0.72	0.69	0.72	0.66
Total Expenses	11.14	10.70	11.14	10.28

Table 319: Other Operating Expenses for FY 2026*(₹ in Crore)*

Particulars	Total Expenses as per MgIAL	Aero Expenses as per MgIAL	Total Expenses as per Authority	Aero Expenses as per Authority
Service Order for Non-Technical Packages comprising of 6 Packages namely Housekeeping (Terminal, Landside, Airside & ancillary buildings), Landscape Management, Trolley Management, Birds & Wildlife Hazard Management, Monkey Control & Pest Control	7.40	7.11	7.40	6.81
SLA based service of Guest Relation Executive (GRE), Customer Service Executive (CSE), Baggage assistant and Airport operation control center (AOCC) operation	1.07	1.03	1.07	0.99
Horticulture Expenses	1.36	1.30	1.36	1.25
Manpower Hiring for Ambulance Staff	0.53	0.51	0.53	0.49
Augmentation for WHM	0.05	0.05	0.05	0.05
Services of Grass Cutting at Airside	0.13	0.13	0.13	0.13
Manpower Hiring - Procurement, Inventory & Finance	0.10	0.10	0.10	0.10
Services for Hiring of Vehicle and/or Drivers for official use	0.22	0.21	0.22	0.20
SLA contract for providing and fixing of Fragrance Machines	0.05	0.05	0.05	0.05
Other Miscellaneous Services	0.83	0.80	0.83	0.77
Total Expenses	11.75	11.29	11.75	10.82

15.3 Annexure 3: Independent Consultant's analysis of Assets under Minor Capex Items for the First Control Period

S. No.	Asset Description	Total Capex (APC) as per AO	Aero Addition as per AO	Aero Addition as per Consultant	Remarks
1	Improvements to Admin block	2.39	2.30	2.22	Employee headcount ratio applied considering common employee usage
2	Improvements to Admin block	2.31	2.22	2.14	Employee headcount ratio applied considering common employee usage
3	EV Bus-	1.05	1.01	0.97	Terminal Building ratio revised to 92.00%
4	CARPARKING MANAGEMENT SYSTEM-Add Work	0.82	0.79	0.00	Classified under non-aeronautical category based on asset usage
5	CHAIRS,FURNITURE	0.60	0.58	0.55	Terminal Building ratio revised to 92.00%
6	Canopy Work_Gate_1	0.57	0.57	0.53	Aero allocation revised to 92.00% based on the common-use nature of the asset
7	Display Name Board of IXE	0.52	0.52	0.48	Aero allocation revised to 92.00% based on the common-use nature of the asset
8	GOODNESS CAFÉ AT ADMIN BUILDING	0.44	0.42	0.41	Employee headcount ratio applied considering common employee usage
9	AQUARIUM	0.38	0.37	0.00	Aero allocation revised to 0.00% based on the non-aero nature of the asset
10	Furniture and fixtures-Admin block	0.35	0.33	0.32	Employee headcount ratio applied considering common employee usage
11	AMBULANCE,MM:BOLERO PLUS,MAHINDRA-KA19AD8282	0.27	0.26	0.24	Terminal Building ratio revised to 92.00%
12	EV VEHICLE-KA 70M 9191 MG-ZS EV-KA 70M 9191	0.25	0.24	0.23	Terminal Building ratio revised to 92.00%
13	BATTERY OPERATED VEHICLE,4 SEATER-KA19MN6464	0.23	0.22	0.21	Terminal Building ratio revised to 92.00%
14	Improvements to Admin block-Add work	0.20	0.20	0.18	Employee headcount ratio applied considering common employee usage
15	Entry & Exit Gate-Add cost	0.18	0.18	0.17	Aero allocation revised to 92.00% based on the common-use nature of the asset
16	MAHINDRA XUV 400 EL-WHITE-KA19 MP 8282	0.18	0.17	0.16	Terminal Building ratio revised to 92.00%
17	MAHINDRA XUV 400 EL-BLACK-KA19 MP 8228	0.18	0.17	0.16	Terminal Building ratio revised to 92.00%
18	MAHINDRA XUV 400 EL-BLACK-KA19 MP 8264	0.18	0.17	0.16	Terminal Building ratio revised to 92.00%
19	Mahindra XUV 400-KA19MP7019	0.17	0.17	0.16	Terminal Building ratio revised to 92.00%
20	MG Windsor vehicle-KA 19 MQ 9191-KA19MQ9191	0.17	0.16	0.16	Employee headcount ratio applied considering common employee usage

S. No.	Asset Description	Total Capex (APC) as per AO	Aero Addition as per AO	Aero Addition as per Consultant	Remarks
21	GOODNESS CAFÉ AT ADMIN BUILDING	0.16	0.15	0.15	Employee headcount ratio applied considering common employee usage
22	BATTERY OPERATED VEHICLE,4 SEATER-KA19MN9191	0.15	0.15	0.14	Terminal Building ratio revised to 92.00%
23	Yakshagana Statue at IXE	0.15	0.15	0.00	Aero allocation revised to 0.00% based on the non-aero nature of the asset
24	BATTERY OPERATED VEHICLE,4 SEATER-KA19MN8282	0.15	0.14	0.14	Terminal Building ratio revised to 92.00%
25	Water Pump	0.15	0.15	0.14	Aero allocation revised to 92.00% based on the common-use nature of the asset
26	TATA NEXON-KA19MM8822	0.15	0.14	0.14	Terminal Building ratio revised to 92.00%
27	AMBULANCE,MM:BOLERO PLUS,MAHINDRA-KA19AD9191	0.15	0.14	0.13	Terminal Building ratio revised to 92.00%
28	EV Vehicle-KA19MP9006	0.14	0.14	0.13	Terminal Building ratio revised to 92.00%
29	BATTERY OPERATED VEHICLE,4 SEATER-KA19MM8282	0.14	0.14	0.13	Terminal Building ratio revised to 92.00%
30	BATTERY OPERATED VEHICLE,4 SEATER-KA19MM6464	0.14	0.14	0.13	Terminal Building ratio revised to 92.00%
31	CAR, HSN:87033299	0.14	0.14	0.13	Terminal Building ratio revised to 92.00%
32	Sludge Dewatering System	0.14	0.14	0.13	Aero allocation revised to 92.00% based on the common-use nature of the asset
33	EV Vehicle-K19MP8227	0.12	0.12	0.11	Terminal Building ratio revised to 92.00%
34	EV Vehicle-KA19MP7684	0.12	0.12	0.11	Terminal Building ratio revised to 92.00%
35	TATA ACE EV-KA19AE9514	0.12	0.12	0.11	Terminal Building ratio revised to 92.00%
36	TATA ACE EV-KA19AE9515	0.12	0.11	0.11	Terminal Building ratio revised to 92.00%
37	CHAIR,HSN:94033010	0.10	0.10	0.10	Terminal Building ratio revised to 92.00%
38	ELECT_OCEAN TATA ACE VEHICLE-KA19AF1796	0.10	0.10	0.10	Terminal Building ratio revised to 92.00%
39	TATA ACE-KA19AE7834	0.10	0.10	0.09	Terminal Building ratio revised to 92.00%
40	Chairs-Admin block	0.10	0.09	0.09	Employee headcount ratio applied considering common employee usage
41	BATTERY OPERATED VEHICLE,4 SEATER-KA19AF3291	0.10	0.09	0.09	Terminal Building ratio revised to 92.00%
42	ELECT_OCEAN TATA ACE VEHICLE-KA19AF1795	0.10	0.09	0.09	Terminal Building ratio revised to 92.00%
43	TATA ACE-EV-KA19 AE 5302	0.09	0.09	0.09	Terminal Building ratio revised

S. No.	Asset Description	Total Capex (APC) as per AO	Aero Addition as per AO	Aero Addition as per Consultant	Remarks
					to 92.00%
44	MULTI GYM-Admin	0.09	0.08	0.08	Employee headcount ratio applied considering common employee usage
45	Office Container	0.08	0.08	0.08	Employee headcount ratio applied considering common employee usage
46	STORAGE UNIT	0.08	0.07	0.07	Terminal Building ratio revised to 92.00%
47	LED STREETLIGHT AT MANGALURU INTERNATIONAL AIRPORT	0.07	0.07	0.06	Terminal Building ratio revised to 92.00%
48	Stainless Steel SRA Container with Wheels	0.05	0.05	0.05	Terminal Building ratio revised to 92.00%
49	CHAIR,EXECUTIVE_Athena-NS129 Lime	0.05	0.04	0.04	Employee headcount ratio applied considering common employee usage
50	OFFICE SOFA,2 SEATER	0.04	0.04	0.04	Employee headcount ratio applied considering common employee usage
51	BATTERY OPERATED VEHICLE,4 SEATER-KA19MN6464	0.03	0.02	0.02	Terminal Building ratio revised to 92.00%
52	WATER DISPENSER	0.02	0.02	0.02	Terminal Building ratio revised to 92.00%
53	WATER DISPENSER	0.02	0.02	0.02	Terminal Building ratio revised to 92.00%
54	WATER DISPENSER	0.02	0.02	0.02	Terminal Building ratio revised to 92.00%
55	WATER DISPENSER	0.02	0.02	0.02	Terminal Building ratio revised to 92.00%
56	WATER DISPENSER	0.02	0.02	0.02	Terminal Building ratio revised to 92.00%
57	WATER DISPENSER	0.02	0.02	0.02	Terminal Building ratio revised to 92.00%
58	WATER DISPENSER	0.02	0.02	0.02	Terminal Building ratio revised to 92.00%
59	MOTOR CYCLE,REG NO KA19H2381	0.02	0.02	0.02	Terminal Building ratio revised to 92.00%
60	PEDESTAL FAN	0.02	0.02	0.02	Terminal Building ratio revised to 92.00%
61	MAHINDRA ARJUN 7575, TRACTOR-Add. cost	0.02	0.02	0.01	Terminal Building ratio revised to 92.00%
62	WATER PURIFIER,CAP:50LTR	0.02	0.02	0.01	Terminal Building ratio revised to 92.00%
63	MOTOR CYCLE-KA19HS3738	0.02	0.01	0.01	Terminal Building ratio revised to 92.00%
64	TABLE	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
65	TATA ACE-EV-KA19AE5302 - Add cost	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
66	WORK STATIONS	0.01	0.01	0.01	Employee headcount ratio applied considering common employee usage

S. No.	Asset Description	Total Capex (APC) as per AO	Aero Addition as per AO	Aero Addition as per Consultant	Remarks
67	WORK STATIONS	0.01	0.01	0.01	Employee headcount ratio applied considering common employee usage
68	WORK STATIONS	0.01	0.01	0.01	Employee headcount ratio applied considering common employee usage
69	MOTOR CYCLE-KA19HS3737	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
70	MOTOR CYCLE,HSN:40121910-KA19HR8595	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
71	MOTOR CYCLE,HSN:40121910-KA19HR8594	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
72	STORAGE UNIT	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
73	BATTERY OPERATED VEHICLE,4 SEATER-KA19MN9191	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
74	CHAIR	0.01	0.01	0.01	Employee headcount ratio applied considering common employee usage
75	TABLE	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
76	TABLE	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
77	EV Vehicle-KA19MP9006	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
78	BATTERY OPERATED VEHICLE,4 SEATER-KA19MM8282	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
79	BATTERY OPERATED VEHICLE,4 SEATER-KA19MM6464	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
80	ODOUR CONTROL FRAGRANCE MACHINE	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
81	Renovation of Admin Office-IXE	0.01	0.01	0.01	Terminal Building ratio revised to 92.00%
82	Tabs For Meeting Room Booking	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
83	Tabs For Meeting Room Booking	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
84	Tabs For Meeting Room Booking	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
85	Tabs For Meeting Room Booking	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
86	Tabs For Meeting Room Booking	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
87	Tabs For Meeting Room Booking	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
88	Tabs For Meeting Room Booking	0.004	0.004	0.004	Employee headcount ratio

S. No.	Asset Description	Total Capex (APC) as per AO	Aero Addition as per AO	Aero Addition as per Consultant	Remarks
					applied considering common employee usage
89	Tabs For Meeting Room Booking	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
90	Tabs For Meeting Room Booking	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
91	Tabs For Meeting Room Booking	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
92	SOFA,HSN:94016100	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
93	ELECT_OCEAN TATA ACE VEHICLE-KA19AF1796	0.004	-0.004	0.004	Terminal Building ratio revised to 92.00%
94	PODIUM,TEAKWOOD F/CONFERENCE ROOM	0.004	0.004	0.004	Employee headcount ratio applied considering common employee usage
95	DUST BIN	0.004	0.003	0.003	Terminal Building ratio revised to 92.00%
96	RBA STAFF CANTEEN-Add charges	0.004	0.003	0.003	Employee headcount ratio applied considering common employee usage
97	OFFICE SOFA	0.003	0.003	0.003	Employee headcount ratio applied considering common employee usage
98	MG Windsor vehicle-KA 19 MQ 9191-KA19MQ9191	0.003	-0.003	0.003	Employee headcount ratio applied considering common employee usage
99	WATER TANK,2000 LTR	0.003	0.003	0.003	Terminal Building ratio revised to 92.00%
100	BATTERY OPERATED VEHICLE,4 SEATER-KA19MM8282	0.003	0.003	0.002	Terminal Building ratio revised to 92.00%
101	VACUUM CLEANER,INDUSTRIAL	0.002	0.002	0.002	Terminal Building ratio revised to 92.00%
102	STORAGE UNIT	0.002	0.002	0.002	Aero allocation revised to 92.00% based on the common-use nature of the asset
103	TATA ACE-EV-KA19AE5302-Add Cost	0.001	0.001	0.001	Terminal Building ratio revised to 92.00%
104	MAHINDRA XUV 400 EL-BLACK-KA19 MP 8228	0.001	0.001	0.001	Terminal Building ratio revised to 92.00%
105	MAHINDRA XUV 400 EL-BLACK-KA19 MP 8264	0.001	0.001	0.001	Terminal Building ratio revised to 92.00%
106	MAHINDRA XUV 400 EL-WHITE-KA19 MP 8282	0.001	0.001	0.001	Terminal Building ratio revised to 92.00%
107	Bracket for Access EML Lock fittings	0.001	0.001	0.001	Terminal Building ratio revised to 92.00%
108	BATTERY OPERATED VEHICLE,4 SEATER-KA19MM6464	0.001	0.001	0.001	Terminal Building ratio revised to 92.00%
109	WATER DISPENSER,HSN:84796000	0.000	0.000	0.000	Terminal Building ratio revised to 92.00%

S. No.	Asset Description	Total Capex (APC) as per AO	Aero Addition as per AO	Aero Addition as per Consultant	Remarks
110	WATER DISPENSER,HSN:84796000	0.000	0.000	0.000	Terminal Building ratio revised to 92.00%
111	CHAIR,EXE.LOW BACK REV,FLA-4003,MFR:HOF	0.000	0.000	0.000	Employee headcount ratio applied considering common employee usage
112	CHAIR,EXECUTIVE	0.000	0.000	0.000	Employee headcount ratio applied considering common employee usage
113	Crash fire tender-(Model-X2DA146/2016185349&201618	10.26	10.26	10.26	Security Item; AO-submitted allocation ratio adopted
114	Crash fire tender-(Model-X2DA146/2016185349&201618	10.12	10.12	10.12	Security Item; AO-submitted allocation ratio adopted
115	CARPARKING MANAGEMENT SYSTEM	1.60	0.00	0.00	Classified under non-aeronautical category based on asset usage
116	DOG KENNEL AT MANGALORE AIRPORT-Add work	0.32	0.32	0.32	Security Item; AO-submitted allocation ratio adopted
117	CARPARKING MANAGEMENT SYSTEM	0.56	0.00	0.00	Classified under non-aeronautical category based on asset usage
118	Construction of CISF Stores at CISF Barrack	0.18	0.18	0.18	CISF item; AO-submitted allocation ratio adopted
119	Modification of AOCC office.	0.17	0.17	0.17	Airport operations items; AO-submitted allocation ratio adopted
120	MAHINDRA XUV400 EL-ARFF	0.27	0.27	0.27	Security Item; AO-submitted allocation ratio adopted
121	DG Set	0.14	0.14	0.14	Airport operations items; AO-submitted allocation ratio adopted
122	DVOR BUILDING-MODIFICATION CIVIL WORKS	0.14	0.14	0.14	Airport operations items; AO-submitted allocation ratio adopted
123	HT POLE -Utility Connection for CISF Barrack	0.13	0.13	0.13	CISF item; AO-submitted allocation ratio adopted
124	BHS Departure weighing scale installation works	0.14	0.14	0.14	Airport operations items; AO-submitted allocation ratio adopted
125	CONSTRUCTION OF APHO OFFICE &STORE	0.11	0.11	0.11	Airport operations items; AO-submitted allocation ratio adopted
126	C/o CISF BARRACK - UPVC Window	0.09	0.09	0.09	CISF item; AO-submitted allocation ratio adopted
127	Airport Surface Friction testing Machine	0.09	0.09	0.09	Airport operations items; AO-submitted allocation ratio adopted
128	DOG KENNEL AT MANGALORE AIRPORT	0.08	0.08	0.08	Security Item; AO-submitted allocation ratio adopted
129	PARKING,MANAGEMENT SYSTEM	0.09	0.00	0.00	Classified under non-aeronautical category based on asset usage
130	Ladies Barrack - Modification work	0.06	0.06	0.06	CISF item; AO-submitted allocation ratio adopted
131	C/o CISF BARRACK - Add cost	0.05	0.05	0.05	CISF item; AO-submitted allocation ratio adopted

S. No.	Asset Description	Total Capex (APC) as per AO	Aero Addition as per AO	Aero Addition as per Consultant	Remarks
132	Construction of Warehouse	0.03	0.03	0.03	Airport operations items; AO-submitted allocation ratio adopted
133	DVOR BUILDING- Add work	0.03	0.03	0.03	Airport operations items; AO-submitted allocation ratio adopted
134	LED TORCH LIGHT	0.02	0.02	0.02	Security Item; AO-submitted allocation ratio adopted
	Total Minor Capex for FCP	40.03	37.24	35.34	

15.4 Annexure 4: Format for Self-Certification by the Airport Operator on Completion and Commissioning of a Project classified under the User Pays principle

TO WHOMSOEVER IT MAY CONCERN

This is to certify that the project titled "_____ " has been successfully completed in accordance with the approved scope, specifications, and applicable requirements.

It is further certified that necessary installation, testing, commissioning, and verification activities have been duly carried out. The project has been operationalized and has been put into regular use with effect from _____.

Based on the completion and successful commissioning/capitalisation of the project, it is confirmed that the project is functioning as intended and is available for its designated purpose.

This certificate is being issued in compliance with AERA Tariff Order No.

(Signature)

Name:

Designation: Chief Executive Officer

Place: _____

Date: _____