

फा. सं. ऐरा/20010/एमवाईटीपी/भोगापुरम /सीपी-1/2026-27  
F. No. AERA/20010/MYTP/Bhogapuram/CP-I/2026-27

परामर्श पत्र संख्या 06/2026-27  
Consultation Paper No. 06/2026-27



सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण  
Airports Economic Regulatory Authority of India

अल्लुरी सीताराम राजू अंतर्राष्ट्रीय हवाईअड्डा, भोगापुरम (वीटीजेड) के लिए प्रथम नियंत्रण अवधि  
(01 अप्रैल, 2026 से 31 मार्च 2031) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF  
DETERMINATION OF AERONAUTICAL TARIFF FOR  
ALLURI SITARAMA RAJU INTERNATIONAL AIRPORT, BHOGAPURAM (VTZ)  
FOR THE FIRST CONTROL PERIOD  
(1ST APRIL 2026 TO 31ST MARCH 2031)

जारी करने की तारीख : 01 अक्टूबर, 2026

Date of Issue: 1<sup>st</sup> October, 2026

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## Stakeholders' Comments

GMR Airports Limited (GAL) won the bid for development of the new greenfield airport at Bhogapuram Mandal, Andhra Pradesh and signed the Concession Agreement (CA) on 12<sup>th</sup> June 2020 via a special purpose vehicle namely GMR Visakhapatnam International Airport Limited (GVIAL). As per the Concession Agreement, GVIAL will develop the airport under the DBFOT (Design, Build, Finance, Operate and Transfer) model with a period of 40 years from the Appointed Date, which is extendable by another period of 20 (twenty) years, based on a bidding process where the Concessionaire shall have the right to match the highest bidder in accordance with Clause 3.1.1 (Refer Annexure 1) of the Concession Agreement.

As per Annex-II to Schedule A of the Concession Agreement, Bhogapuram International Airport (BIA) has a designated annual passenger handling capacity of 6 million passengers per annum (MPPA) on the date of its commencement of commercial operations. Accordingly, based on its designated capacity, Airports Economic Regulatory Authority of India (AERA), has categorised it as a Major Airport under the provisions of the Airports Economic Regulatory Authority of India Act, 2008, read with the AERA (Amendment) Acts of 2019 and 2021, vide Order No. 07/2025-26 dated 29<sup>th</sup> August 2025.

In adherence to the regulatory requirements GVIAL had submitted its MYTP on 9<sup>th</sup> July 2025 with COD as 30<sup>th</sup> June 2026 for aeronautical tariff determination for the period from 1<sup>st</sup> April 2027 to 31<sup>st</sup> March 2032 as First Control Period and the period from 30<sup>th</sup> June 2026 till 31<sup>st</sup> March 2027 as Pre-Control period.

Subsequent to the above, Bhogapuram International Airport was inaugurated on 1<sup>st</sup> August 2026, and commenced its domestic and international operations on 17<sup>th</sup> August 2026 ("COD"). Considering the COD and the request of the Airport Operator, the Authority proposes to consider the First Control Period as commencing from 1<sup>st</sup> April 2026 and ending on 31<sup>st</sup> March 2031, with 17<sup>th</sup> August 2026 being considered as the COD, in accordance with Section 13(2) of the AERA Act, 2008, read with the subsequent amendments of 2019 and 2021.

In this context, the Ministry of Civil Aviation, vide Notification S.O. 4173(E) dated 28<sup>th</sup> July 2026, stated that, consequent upon the commissioning of Bhogapuram International Airport from midnight on 17<sup>th</sup> August 2026, scheduled commercial operations at the Civil Enclave at Visakhapatnam Airport shall remain closed for a period of 30 years.

For this Consultation Paper, the Authority has considered the audited figures submitted by GVIAL for the period upto 31<sup>st</sup> March 2026.

The Authority, through its independent consultant, after considering all information currently available, analyzing various scenarios and considering the views of the Airport Operator has done the necessary adjustments in all regulatory building blocks. However, these adjustments would be finalized only after consideration of the comments from the stakeholders.

The Authority has issued this Consultation Paper, after considering various assumptions stipulated in the Multi-Year Tariff Proposal (MYTP) submitted by GVIAL in respect of Bhogapuram International Airport. Accordingly, the Authority's proposals on the various aspects of the Tariff determination process have been explained in detail in this Consultation Paper. 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 are sacrosanct. Stakeholders are, therefore, requested to submit their comments and inputs 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, the written comments on Consultation Paper No. 06/2026-27 dated 1<sup>st</sup> October 2026 are invited from the Stakeholders, preferably in electronic form, at the following address:

Director (P&S, Tariff)

Airports Economic Regulatory Authority of India (AERA)

3<sup>rd</sup> Floor, Udaan Bhawan,

Safdarjung Airport, New Delhi – 110003, India

Email: [director-ps@aera.gov.in](mailto:director-ps@aera.gov.in), [rajan.gupta1@aera.gov.in](mailto:rajan.gupta1@aera.gov.in) copy to [secretary@aera.gov.in](mailto:secretary@aera.gov.in)

|                                              |            |
|----------------------------------------------|------------|
| Stakeholder Consultation Meeting (Hybrid)    | 16.10.2026 |
| Last Date for submission of comments         | 31.10.2026 |
| Last Date for submission of counter comments | 10.11.2026 |

Comments and Counter Comments will be posted on AERA website : [www.aera.gov.in](http://www.aera.gov.in)

For any clarification/information, Director (P&S, Tariff) may be contacted at Telephone Number: +91-11-24695048

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### List of Abbreviations

| Abbreviation   | Expansion                                               |
|----------------|---------------------------------------------------------|
| AAI            | Airports Authority of India                             |
| ACI            | Airports Council International                          |
| AERA/Authority | Airports Economic Regulatory Authority of India         |
| AGL            | Airfield Ground Lighting System                         |
| AMC            | Annual Maintenance Contract                             |
| ANS            | Air Navigation Services                                 |
| AO             | Airport Operator                                        |
| AOCC           | Airport Operations Control Centre                       |
| APADCL         | Andhra Pradesh Airports Development Corporation Limited |
| APR            | Annual Percentage Rate                                  |
| ARFF           | Aircraft Rescue and Fire Fighting                       |
| ARR            | Aggregate Revenue Requirement                           |
| ASQ            | Airport Service Quality                                 |
| ATC            | Air Traffic Control                                     |
| ATM            | Air Traffic Movement                                    |
| ATRS           | Automatic Tray Retrieval System                         |
| AUCC           | Airport User Consultative Committee                     |
| BCAS           | Bureau of Civil Aviation Security                       |
| BG             | Bank Guarantee                                          |
| BHS            | Baggage Handling System                                 |
| BIA            | Bhogapuram International Airport                        |
| BIAL           | Bangalore International Airport Limited                 |
| BME            | Bridge Mounted Equipment                                |
| CA             | Concession Agreement                                    |
| CAGR           | Compound Annual Growth Rate                             |
| CAM            | Common Area Maintenance                                 |
| CAPA           | CAPA India Private Limited                              |
| CAPEX          | Capital expenditure                                     |
| CAPM           | Capital Asset Pricing Model                             |
| CAR            | Civil Aviation Requirements                             |
| CCR            | Constant Current Regulator                              |
| CDO            | Chief Development Officer                               |
| CEO            | Chief Executive Officer                                 |
| CGF            | Cargo, Ground Handling and Fuel Farm                    |
| CIAL           | Cochin International Airport Limited                    |
| CISF           | Central Industrial Security Force                       |
| CNS            | Communications, Navigation and Surveillance Systems     |
| COD            | Commercial Operation Date                               |
| COO            | Chief Operating Officer                                 |
| COVID/COVID 19 | Coronavirus-19                                          |
| CPWD           | Central Public Works Department                         |
| CSR            | Corporate Social Responsibility                         |
| CUSS           | Common Use Self Service                                 |
| CUTE           | Common Use Terminal Equipment                           |
| CWIP           | Capital Work in Progress                                |
| DBFOT          | Design, Build, Finance, Operate and Transfer            |
| DG             | Diesel Generator                                        |
| DGCA           | Directorate General of Civil Aviation                   |
| DIAL           | Delhi International Airport Limited                     |
| DSR            | Delhi Schedule of Rates                                 |

| Abbreviation | Expansion                                    |
|--------------|----------------------------------------------|
| DSRA         | Debt Service Reserve Account                 |
| EHCR         | Employee Head Count Ratio                    |
| EHS          | Environment, Health and Safety               |
| EOI          | Expression of Interest                       |
| EPC          | Engineering, Procurement and Construction    |
| ERP          | Enterprise Resource Planning                 |
| F&B          | Food and Beverages                           |
| FAR          | Fixed Asset Register                         |
| FHS          | Fuel Hydrant System                          |
| FIDS         | Flight Information Display System            |
| FMS          | Facility Management Services                 |
| GADL         | GMR Airport Developers Limited               |
| GAL          | GMR Airports Limited                         |
| GBR          | Gross Block Ratio                            |
| GHIAL        | GMR Hyderabad International Airport Limited  |
| GoAP         | Government of Andhra Pradesh                 |
| GST          | Goods and Services Tax                       |
| HPCL         | Hindustan Petroleum Corporation Limited      |
| HSE          | Health, Safety and Environment               |
| HVAC         | Heating, Ventilation, and Air Conditioning   |
| IATA         | International Air Transport Association      |
| ICAO         | International Civil Aviation Organization    |
| ICT          | Information and Communication Technology     |
| IE           | Independent Engineer                         |
| IFK          | In-flight kitchen                            |
| IIFCL        | India Infrastructure Finance Company Limited |
| IIM          | Indian Institute of Management               |
| IIM-B        | Indian Institute of Management, Bangalore    |
| INR          | Indian Rupee                                 |
| ISP          | Independent Service Provider                 |
| IPP          | Income Per Passenger                         |
| IT           | Information Technology                       |
| ITC          | Input Tax Credit                             |
| LIA          | Lender's Insurance Advisor                   |
| LIE          | Lender's Independent Engineer                |
| LLP          | Limited Liability Partnership                |
| LoA          | Letter of Award                              |
| MCLR         | Marginal Cost of Funds based Lending Rate    |
| MEP          | Mechanical, Electrical and Plumbing          |
| MIAL         | Mumbai International Airport Limited         |
| MoCA         | Ministry of Civil Aviation                   |
| MoU          | Memorandum of Understanding                  |
| MRO          | Maintenance, Repair and Overhaul             |
| MYTP         | Multi Year Tariff Proposal                   |
| NAR          | Non-aeronautical Revenue                     |
| NCAP         | National Civil Aviation Policy-2016          |
| NMIAL        | Navi Mumbai International Airport Limited    |
| O&M expenses | Operational and Maintenance expenses         |
| OPEX         | Operating Expenditure                        |
| ORAT         | Operational Readiness and Airport Transfer   |
| PAX          | Passengers                                   |
| PBT          | Profit Before Tax                            |

| Abbreviation                | Expansion                                       |
|-----------------------------|-------------------------------------------------|
| PCA                         | Pre-Conditioned Air                             |
| PIF                         | Project Investment File                         |
| PMC                         | Project Management Consultancy                  |
| PPP                         | Public Private Partnership                      |
| PTB                         | Passenger Terminal Building                     |
| R&M                         | Repair and Maintenance                          |
| RAB                         | Regulatory Asset Base                           |
| RBI                         | Reserve Bank of India                           |
| RCC                         | Reinforced Cement Concrete                      |
| Re                          | Cost of Equity Capital                          |
| RESA                        | Runway End Safety Area                          |
| RET                         | Rapid Exit Taxiway                              |
| Rf                          | Risk Free Rate                                  |
| RFP                         | Request for Proposal                            |
| RFQ                         | Request for Qualifications                      |
| RoC                         | Registrar of Companies                          |
| SBI                         | State Bank of India                             |
| SPP                         | Spend Per Passenger                             |
| SPV                         | Special Purpose Vehicle                         |
| STP                         | Sewage Treatment Plant                          |
| FRoR                        | Fair Rate of Return                             |
| GDP                         | Gross Domestic Product                          |
| GH                          | Ground Handling                                 |
| GOI                         | Government of India                             |
| GPU                         | Ground Power Unit                               |
| GVIAL                       | GMR Visakhapatnam International Airport Limited |
| TBLR                        | Terminal Building Ratio                         |
| TNLC                        | Terminal Navigation Landing Charges             |
| TOPS                        | Terminal Operations                             |
| UDF                         | User Development Fees                           |
| VHF                         | Very High Frequency                             |
| VIP                         | Very Important Person                           |
| VTZ                         | IATA code for Bhogapuram International Airport  |
| WPI                         | Wholesale Price Index                           |
| YPP                         | Yield per Passenger                             |
| <b>Units of measurement</b> |                                                 |
| Cr                          | Crore                                           |
| FY                          | Financial Year                                  |
| KL                          | Kilolitre                                       |
| KLD                         | Kilolitres per Day                              |
| KVaH                        | Kilovolt-ampere hour                            |
| MLD                         | Million Litres per Day                          |
| Mn                          | Million                                         |
| MPPA                        | Million Passenger Per Annum                     |
| MT                          | Metric Tonne                                    |
| Nos                         | Number                                          |
| Rs.                         | Rupees                                          |
| Sq.m                        | Square meter                                    |
| YoY                         | Year on Year                                    |

## 1. BACKGROUND

### 1.1 Introduction

- 1.1.1 Bhogapuram International Airport (“BIA” or the “Airport”) (IATA Code: VTZ) is a greenfield airport being developed at Bhogapuram Mandal in the Vizianagaram District of Andhra Pradesh.
- 1.1.2 The Government of Andhra Pradesh (GoAP) planned a new airport dedicated to commercial operations for the region under the Public Private Partnership (PPP) mode and decided to undertake development of the greenfield airport on a Design, Build, Finance, Operate and Transfer (DBFOT) concession basis.
- 1.1.3 In this context, the Ministry of Civil Aviation, vide Notification S.O. 4173(E) dated 28<sup>th</sup> July 2026, stated that, consequent upon the commissioning of Bhogapuram International Airport (BIA) from midnight on 17<sup>th</sup> August 2026, scheduled commercial operations at the Civil Enclave at Visakhapatnam Airport shall remain closed for a period of 30 years.
- 1.1.4 Bhogapuram International Airport has been categorized as a Major Airport in accordance with the provisions of the AERA Act, 2008 (read with the AERA (Amendment) Act, 2019 and 2021), being designed to operate with a designated capacity of 6 MPPA in Phase I of its development. The Authority, vide order No. 07/2025-26 dated 29<sup>th</sup> August 2025, also declared Bhogapuram Airport as a Major Airport. Accordingly, the Aeronautical Tariff for the Airport is to be determined by AERA in terms of Section 13(1)(a) of the AERA Act, 2008.

### 1.2 Concession Agreement for development of Bhogapuram International Airport

- 1.2.1 GMR Airports Limited (GAL) won the bid for development of the new greenfield airport at Bhogapuram Mandal, Andhra Pradesh, and signed the Concession Agreement (“CA”) with Andhra Pradesh Airports Development Corporation Limited (APADCL) on 12<sup>th</sup> June 2020 via a Special Purpose Vehicle (SPV) named “GMR Visakhapatnam International Airport Limited (GVIAL)”. GVIAL is a 100% owned subsidiary of GAL.
- 1.2.2 As per the terms of the agreement, GVIAL will develop the airport under the DBFOT model for an initial period of 40 years from the Appointed Date. This term is further extendable by another period of 20 years, based on a bidding process wherein the Concessionaire shall have the right to match the highest bidder, subject to certain conditions as specified in Clause 3.1.1 of the CA (Refer Annexure 1). The Concessioneing Authority under the CA is the Andhra Pradesh Airports Development Corporation Limited (APADCL).
- 1.2.3 The Financial Close of the Project was achieved on 7<sup>th</sup> December 2023 and the Appointed Date of the Project was 14<sup>th</sup> December 2023. The Scheduled Completion Date (SCOD) of Phase I is the 1,095<sup>th</sup> day from the Appointed Date i.e., 13<sup>th</sup> December 2026; however, GVIAL had, in its MYTP, represented that it has made significant progress in construction and targets to advance the actual Commercial Operations Date (COD) by approximately 6 months to 30<sup>th</sup> June 2026. COD has been achieved on 17<sup>th</sup> August 2026.
- 1.2.4 In adherence to the regulatory requirements, GVIAL submitted its Multi-Year Tariff Proposal (MYTP) on 9<sup>th</sup> July 2025 for aeronautical tariff determination, with the planned commencement date (COD) of 30<sup>th</sup> June 2026. GVIAL in its MYTP proposed to consider the period from 30<sup>th</sup> June 2026 to 31<sup>st</sup> March 2027 as the pre-control period and the five-year period from 1<sup>st</sup> April 2027 to 31<sup>st</sup> March 2032 as the First Control Period.
- 1.2.5 Subsequent to the above, Bhogapuram International Airport was inaugurated on 1<sup>st</sup> August 2026 with operations commencing on 17<sup>th</sup> August 2026. GVIAL has, vide its letter No. GVIAL/26-27/AERA/270 dated

3<sup>rd</sup> September 2026, requested the Authority to consider the First Control Period as from COD to 31<sup>st</sup> March 2031 instead of from 1<sup>st</sup> April 2027 to 31<sup>st</sup> March 2032, in line with the approach adopted by the Authority for other greenfield airports developed under the PPP framework. Considering these developments, the Authority proposes to consider the 1<sup>st</sup> Control Period as beginning from 1<sup>st</sup> April 2026 and ending on 31<sup>st</sup> March 2031 with COD as 17<sup>th</sup> August 2026.

- 1.2.6 The Concession Agreement envisages development of Bhogapuram International Airport as an integrated domestic and international airport, primarily catering to origin-and-destination traffic, with modular and scalable facilities for both passengers and cargo in a phased manner based on a traffic-trigger principle. Accordingly, the Concession Agreement has stipulated the capacity for the different phases of development. The following table indicates the capacity as per the CA (Refer Clause 12.2.1 read with Annex II of Schedule A of the Concession Agreement).

**Table 1: Phase-wise Airport Development proposed in Annex II of Concession Agreement**

| Phasing           | Traffic Design Capacity  | Trigger for Phasing |
|-------------------|--------------------------|---------------------|
| Phase 1           | 6 MPPA                   | FY27                |
| Phase 2           | 12 MPPA                  | 80% of Phase I      |
| Phase 3           | 18 MPPA                  | 80% of Phase II     |
| Subsequent Phases | As per assessed capacity | 80% of Phase III    |

- 1.2.7 The key clauses of the Concession Agreement relevant to the development of the Airport are summarized below. A detailed summary of the clauses of the CA is listed in Annexure 1.

**Table 2: Key Highlights of the Concession Agreement**

| Topic                                        | Clause No.                                          | Description                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Concession requirement – Aeronautical Assets | 3.1 / 3.2 of Schedule B                             | Construction and procurement of Aeronautical Assets including Runways, taxiways, apron, aircraft parking bays and associated facilities. ICAO Aerodrome Reference Code 4E (compliant for occasional operation of Code 4F aircraft). One runway of 3,800 m length and 45 m width (orientation 10-28) with rapid exit taxiway; one parallel taxiway of 3,000 m length and 25 m width, with provision for a 2nd parallel taxiway, in the first phase. |
| Terminal Building                            | 3.1(ii) of Schedule B & Annex II of Schedule A      | Passenger Terminal Building capacity of 6 million passengers per annum in Phase I. IATA Level of Service “C” (optimum) compliant; area not less than 20 sq. m per peak-hour passenger. 80% of international and 70% of domestic B737/A320 (or larger) aircraft to be served by boarding bridges. Designs to comply, as far as possible, with GRIHA and ECBC norms.                                                                                 |
| City Side Development                        | Annex IV/VI of Schedule A; Clause 5.2 of Schedule B | Total land for City Side Development of 154.8 acres; City Side for Residential Development of 139.16 acres (Land Parcel C2) on a 99-year lease.                                                                                                                                                                                                                                                                                                    |
| Hybrid-Till framework                        | Clause 9.9.1 of CA (read with NCAP 2016)            | 30% (thirty per cent) Hybrid-Till framework approved for determination and regulation of Aeronautical Charges; 30% of non-aeronautical revenues to be considered to cross-subsidise the aeronautical tariff (City Side revenues excluded).                                                                                                                                                                                                         |

| Topic                      | Clause No.                                               | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exclusion from hybrid-till | Clause 28.3.2 of CA; Clause 9.9.2 of Annex to Schedule U | Revenues of the Concessionaire from City Side Development and City Side for Residential Development shall be excluded from the hybrid-till framework for the determination and regulation of Aeronautical Charges.                                                                                                                                                                                                                                                                                      |
| Reserved Area              | Clause 4 of Schedule B                                   | Concessionaire to earmark and allocate sufficient space for performance of Reserved Services by the Authority / Designated GOI Agencies.                                                                                                                                                                                                                                                                                                                                                                |
| Defence Area               | Clauses 6.1–6.4 of Schedule B                            | Concessionaire to earmark 10 acres for the use of the Defence Forces, with separate independent entry/exit and adequate surface connectivity.                                                                                                                                                                                                                                                                                                                                                           |
| Cargo Facility             | Clauses 7.1–7.2 of Schedule B                            | Concessionaire to earmark 10 acres within the Site for development of a Cargo Facility, to be developed in a phased manner.                                                                                                                                                                                                                                                                                                                                                                             |
| MRO Facility               | Clauses 8.1–8.3 of Schedule B                            | Concessionaire to earmark a minimum of 25 acres within the Site for development of an MRO Facility, as per applicable Standards and Specifications and CAR 145 of DGCA.                                                                                                                                                                                                                                                                                                                                 |
| Concession Fee             | Article 27.1.1                                           | A sum of Rs. 1/- (Rupees One only) per annum, to be considered as part of operating expense for the purpose of determination of Aeronautical Charges.                                                                                                                                                                                                                                                                                                                                                   |
| Per-Passenger Fee          | Clause 27.2                                              | Per-Passenger Fee of Rs. 303 per domestic passenger (and double thereof per international passenger), payable on a monthly basis commencing from the 10th anniversary of the Phase I COD.<br>Provided however, the Per-Passenger Fee paid/ payable by the Concessionaire to the Authority, under and pursuant to the terms of the Concession 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. |
| Licence Fee                | Article 1 – definition                                   | Annual Licence Fee of Rs. 20,000 per acre, payable from the Appointed Date and escalating annually at 6% per annum.                                                                                                                                                                                                                                                                                                                                                                                     |
| Golden Share               | Clause 5.4.1                                             | APADCL holds one non-transferable Golden Share in the Concessionaire (GVIAL).                                                                                                                                                                                                                                                                                                                                                                                                                           |

1.2.8 The Technical and Terminal Building details of Bhogapuram International Airport submitted by GVIAL are as detailed below:

**Table 3: Technical and Terminal Building details submitted by GVIAL**

| Particulars             | Details                                                      |
|-------------------------|--------------------------------------------------------------|
| <b>Total Land Area</b>  | 2,203.26 acres                                               |
| <b>Airside</b>          |                                                              |
| <b>Runway (10/28)</b>   | 3,800 m × 45 m + 7.5 m shoulder each side, Flexible Pavement |
| <b>Parallel Taxiway</b> | 3,000 m × 25 m + 7.5 m shoulder each side, Flexible Pavement |
| <b>Apron</b>            | 6,98,265 sqm (Rigid Pavement) + Isolation Bay of 6,416 sqm   |

| Particulars                              | Details                                                                                                                                                                                                                             |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Total Aircraft Stands</b>             | 16 + 2 stands (2 are Authority stands)                                                                                                                                                                                              |
| <b>Total contact stands</b>              | 7 Nos. (Code C)                                                                                                                                                                                                                     |
| <b>Remote stands</b>                     | 9 Nos.                                                                                                                                                                                                                              |
| <b>AVDGS</b>                             | Advanced Visual Docking Guidance System (AVDGS) provided for each contact aircraft parking stand; provisions for future AVDGS at non-contact stands considered (power, IT connectivity, foundation) as per operational requirement. |
| <b>Fuel hydrant</b>                      | On all stands excluding Authority's stands                                                                                                                                                                                          |
| <b>Fire stations</b>                     | 1 CFR Main + 1 CFR Satellite (CAT-9 runway operations)                                                                                                                                                                              |
| <b>Landside</b>                          |                                                                                                                                                                                                                                     |
| <b>Departure loop road</b>               | 4 Lane; Carriage width: 14 m                                                                                                                                                                                                        |
| <b>Arrival loop road</b>                 | 4 Lane; Carriage width: 14 m                                                                                                                                                                                                        |
| <b>Car Parking</b>                       | 4 acres                                                                                                                                                                                                                             |
| <b>ATC &amp; ATC Technical Block</b>     | Height 55 m; Technical Building G+2 (Area 4,981 sq. m)                                                                                                                                                                              |
| <b>Cargo</b>                             | 25,000 Tons / year for Phase I                                                                                                                                                                                                      |
| <b>Passenger Terminal Building (PTB)</b> |                                                                                                                                                                                                                                     |
| <b>Capacity</b>                          | 6 MPPA                                                                                                                                                                                                                              |
| <b>Total Built-up area</b>               | 77,342 sq. m.                                                                                                                                                                                                                       |
| <b>Entry Gates (Check-in Hall)</b>       | 3 Nos.                                                                                                                                                                                                                              |
| <b>Check-in Island</b>                   | 2 Nos.                                                                                                                                                                                                                              |
| <b>Check-in counters</b>                 | Total 40 nos. (22 + 18 nos. for Self Baggage Drop)                                                                                                                                                                                  |
| <b>ATRS</b>                              | 7 nos. for domestic, 3 nos. for international (~400 bags/hr.)                                                                                                                                                                       |
| <b>Baggage Screening capacity</b>        | 2 Lines (1,443–2,400 bags/hr.)                                                                                                                                                                                                      |
| <b>Bussing Gates – Domestic</b>          | 3 Nos.                                                                                                                                                                                                                              |
| <b>Bussing Gates – International</b>     | 1 No.                                                                                                                                                                                                                               |
| <b>Bussing Gate – VIP</b>                | -                                                                                                                                                                                                                                   |
| <b>Emigration counters</b>               | 7 (Departure)                                                                                                                                                                                                                       |
| <b>Immigration counters</b>              | 12 (Arrival)                                                                                                                                                                                                                        |
| <b>Baggage reclaim belt</b>              | 3 (Domestic) + 1 (International)                                                                                                                                                                                                    |

### 1.3 Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft (CGF) Services

- 1.3.1 The Authority notes that Clause 1.1 of the Concession Agreement between GVIAL and APADCL defines Aeronautical Charges as “*the charges approved by AERA, which charges can be levied, collected and appropriated by the Concessionaire for the provision of Aeronautical Services*”. Further, Aeronautical Services is defined under the Concession Agreement under Article I as having “the meaning as set forth in the AERA Act in relation to the services to be provided at the Airport”. Further, the MOU executed between

GVIAL and GOI dated 10<sup>th</sup> February 2023, has re-iterated that “Aeronautical Services – has the meaning set forth in AERA Act, 2008.” In this regard, Section 2(a) of the AERA Act, 2008, defines "Aeronautical Service" as follows:

*"(a) 'aeronautical service' means any service provided—*  
*(i) for navigation, surveillance and supportive communication thereto for air traffic management;*  
*(ii) for the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at an airport;*  
*(iii) for ground safety services at an airport;*  
*(iv) for ground handling services relating to aircraft, passengers and cargo at an airport;*  
*(v) for the cargo facility at an airport;*  
*(vi) for supplying fuel to the aircraft at an airport; and*  
*(vii) for a stake-holder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority;"*

- 1.3.2 Accordingly, Cargo, Ground Handling and Fuel (CGF) activities are expressly covered within the scope of aeronautical services under the AERA Act, 2008.
- 1.3.3 Further, Section 13(1)(a) of the AERA Act, 2008 entrusts the Authority with the function of determining tariffs for aeronautical services at major airports. In view of the statutory classification of Cargo, Ground Handling and Fuel (CGF) activities as aeronautical services, read with the provisions of the Concession Agreement referred to above, the Authority proposes to consider the revenue arising from CGF activities as aeronautical revenue for the purpose of tariff determination.

### **Cargo Operations**

- 1.3.4 The Concession agreement mentions the following with respect to Cargo Facility:

*“7.1 The Concessionaire shall earmark 10 acres of land within the Site for the development of a Cargo Facility in the Airport.*

*7.2 The Cargo Facilities including apron, cargo terminal for international and domestic cargo and other allied facilities shall be developed in a Phase wise manner as per the applicable Standards and Specifications.”*

#### *“18.4 Cargo Facilities*

*18.4.1 Subject to the Applicable Laws and the Applicable Permits, the Concessionaire shall or cause to, develop, operate and maintain, the Cargo Facilities which shall include the buildings, structures and equipment required for handling of incoming and outgoing cargo, including short-term warehousing thereof in accordance with the provisions of this Agreement, Applicable Laws, relevant ICAO Documents and Annexes and Good Industry Practice.”*

- 1.3.5 In order to give effect to the aforesaid provisions of the Concession Agreement, GVIAL has awarded the cargo license, through a competitive bidding process, to GMR Airports Limited for the design, build, finance, operate, maintain and transfer of the Air Cargo Terminal Facilities and services at Bhogapuram Airport, for an initial period of 20 years. The arrangement has resulted in a revenue share of 10.8% of gross revenue payable to GVIAL (with the revenue-share slab rising to 12.6% and 15.3% at higher annual throughput volumes).

### **Ground Handling Services**

- 1.3.6 The Concession Agreement mentions the following with respect to Ground Handling Services:

*“18.2 Ground Handling Services*

*The Concessionaire shall provide or cause to be provided, the infrastructure required for operation of the ground handling services, in accordance with the provisions relating to ground handling as set out in the GH Regulations, as may be required at the Airport for and in respect of the Users like aircrafts, passengers and cargo, which shall include ramp handling, traffic 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.”*

- 1.3.7 In order to give effect to the aforesaid provisions of the Concession Agreement, GVIAL had initially awarded the ground handling concession to Celebi Airport Services India Private Limited (Celebi). Subsequently, upon cancellation of Celebi's security clearance by the DGCA, GVIAL issued a termination letter to Celebi and awarded the ground handling contract to RAMP 360. Under the arrangement with RAMP 360, the revenue share payable to GVIAL is 5% for scheduled domestic passenger flights and 15.84% for users other than scheduled domestic passenger flights.

### **Fuel Facility Operations**

- 1.3.8 The Concession Agreement mentions the following with respect to Aircraft Fuelling Services:

*“18.3 Aircraft Fuelling Services*

*The Concessionaire shall provide, or cause to be provided, the infrastructure required for operation of fuelling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner ("Aircraft Fuelling Services"). Such infrastructure shall include tank farms, common hydrant fuelling systems and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice.”*

- 1.3.9 In order to give effect to the aforesaid provisions of the Concession Agreement, GVIAL has awarded the Aircraft Fuelling Services agreement, through competitive bidding, to Hindustan Petroleum Corporation Limited (HPCL) for the design, build, finance, operate, maintain and transfer of the fuel farm facilities on open access basis and into-plane services at Bhogapuram Airport. In accordance with the terms of the contract, the licensee has agreed to share 46.3% of gross revenue earned on account of Fuel Infrastructure Charges (FIC) and 5% on account of Into-Plane Charges.

## 2. METHODOLOGY OF TARIFF DETERMINATION OF BHOGAPURAM INTERNATIONAL AIRPORT

### 2.1 Tariff setting principles

2.1.1 AERA was established by the Government of India vide notification No. GSR 317(E) dated 12<sup>th</sup> May 2009. The functions 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 aeronautical services;
- vi. Any Concession offered by the Central Government in any agreement 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;
- 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.

2.1.2 The terms "Aeronautical Services" and "Major Airports" are defined in Sections 2(a) and 2(i) of the Act, respectively.

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

- i. *for navigation, surveillance and supportive communication thereto for air traffic management;*
- ii. *for the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at any Airport;*
- iii. *for ground safety services at an Airport;*
- iv. *for ground handling services relating to aircraft, passengers and cargo at an Airport;*
- v. *for the cargo facility at an Airport;*
- vi. *for supplying fuel to the aircraft at an Airport; and*
- vii. *for a stake-holder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority*

- 2.1.4 Airports Authority of India (AAI) being the sole provider of Air Navigation Systems (ANS) services across the country, shall be responsible for providing ANS at Bhogapuram International Airport (BIA). The tariff for ANS is presently regulated by the Ministry of Civil Aviation (MoCA) at the national level to ensure uniformity across airports. All assets, expenses, and revenues pertaining to ANS are accordingly considered separately by the Ministry while determining the tariff for ANS services. In the present case, as per the arrangement between GVIAL and AAI, GVIAL shall reimburse AAI for any shortfall between the revenue recovered by AAI at MoCA determined rates and the actual operating expenditure incurred by AAI, as well as for recovery of capital expenditure undertaken by AAI for providing ANS at BIA. Consequently, such reimbursement payable by GVIAL to AAI has been included in the tariff determination by the Authority as part of the aeronautical cost base of the Airport Operator (refer 7.2.211 to 7.2.224 for detailed analysis).
- 2.1.5 The Methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 read with AERA (Amendment) Act 2019 and 2021, the AERA (Terms and Conditions for determination of Tariff for Airport Operators) Guidelines, 2011 and further Guidelines issued by AERA from time to time.
- 2.1.6 The Authority has adopted the Hybrid-Till mechanism for tariff determination for the First Control Period wherein, 30% of the non-aeronautical revenues is to be used for cross-subsidizing the aeronautical charges.
- 2.1.7 The ARR for a given Control Period, under Hybrid Till, is calculated as:

$$ARR = \sum_{t=1}^5 ARR_t$$

$$ARR = (FRoR \times RAB_t) + D_t + O_t + T_t - s \times NAR_t$$

Where,

$t$  is the tariff year in the Control Period, ranging from 1 to 5

$ARR_t$  is the Aggregate Revenue Requirement for tariff year 't'

$FRoR$  is the Fair Rate of Return for the Control Period

$RAB_t$  is the Aeronautical Regulatory Asset Base for tariff year 't'

$D_t$  is the Depreciation corresponding to the Regulatory Asset Base for tariff year 't'

$O_t$  is the Aeronautical Operation and Maintenance expenditure for the tariff year 't'

$T_t$  is the Aeronautical taxation expense for the tariff year 't'

$s$  is the cross-subsidy factor for revenue from services other than Aeronautical services under the Hybrid Till methodology followed by the Authority,  $s = 30\%$ .

$NAR_t$  is the Non-Aeronautical Revenue in tariff year 't'.

- 2.1.8 Based on ARR, Yield per passenger (Y) is calculated as per the formula given below:

$$\text{Yield per passenger (Y)} = \frac{\sum_{t=1}^5 PV(ARR_t)}{\sum_{t=1}^5 VE_t}$$

Where,

$PV(ARR_t)$  is the Present Value of ARR. All cash flows are assumed to occur at the end of the year. The Authority has considered discounting cash flows, one year from the start of the Control Period.

$VE_t$  is the passenger traffic in year 't'.

## 2.2 Authority's Orders applied in Tariff Proposals in this Consultation Paper

2.2.1 The Authority's Orders applied in the tariff proposals in this Consultation Paper (CP) are:

- i. Order No. 13 dated 12<sup>th</sup> January 2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28<sup>th</sup> February 2011 (Terms and conditions for determination of tariff for Airport Operators) Guidelines, 2011.
- ii. Order No. 07/2016-17 dated 13<sup>th</sup> June 2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- iii. Order No. 14/2016-17 dated 23<sup>rd</sup> January 2017 in the matter of aligning certain aspects of AERA'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.
- iv. Order No. 20/2016-17 dated 31<sup>st</sup> 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.
- v. Order No. 35/2017-18 dated 12<sup>th</sup> January 2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09<sup>th</sup> April 2018 in the matter of determination of useful life of Airport assets.
- vi. Order No. 42/2018-19 dated 5<sup>th</sup> 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.

## 2.3 Control Period

- 2.3.1 GVIAL submitted its Multi-Year Tariff Proposal (MYTP) for determination of aeronautical tariff for Bhogapuram International Airport on 9<sup>th</sup> July 2025, based on an expected Commercial Operation Date (COD) of 30<sup>th</sup> June 2026. In its submission, GVIAL proposed that the period from 30<sup>th</sup> June 2026 to 31<sup>st</sup> March 2027 be treated as the Pre-Control Period and the period from 1<sup>st</sup> April 2027 to 31<sup>st</sup> March 2032 be considered as the First Control Period.
- 2.3.2 Subsequently, the Airport was inaugurated on 1<sup>st</sup> August 2026, and commercial operations have commenced since 17<sup>th</sup> August 2026.
- 2.3.3 In this regard, GVIAL has, suo motu, sought a revision of its First Control Period vide its letter No. GVIAL/26-27/AERA/270 dated 3<sup>rd</sup> September 2026 and requested the Authority to consider the First Control Period for Bhogapuram International Airport from COD to 31<sup>st</sup> March 2031, instead of from 1<sup>st</sup> April 2027 to 31<sup>st</sup> March 2032 as originally proposed in its MYTP dated 9<sup>th</sup> July 2025. In support of its request, GVIAL submitted that, it has been observed that the Authority, in its tariff orders relating to other greenfield airports developed under the PPP framework, including Navi Mumbai International Airport and Noida International Airport (Jewar), has adopted a Control Period of five years including the first partial year commencing from COD of the respective airport. GVIAL further submitted that adoption of Control Period ending 31<sup>st</sup> March 2031 would ensure regulatory consistency with the approach recently followed by the Authority for other greenfield airports. GVIAL has also requested that the ARR, traffic forecasts, operating expenditure, capital expenditure, depreciation, return on Regulatory Asset Base and other relevant building blocks pertaining to FY 2031-32 may be excluded from the First Control Period, and that the Multi-Year Tariff Order may accordingly be issued.

- 2.3.4 The Authority has considered the request made by GVIAL and notes that retaining the Control Period as originally proposed in the MYTP would result in the tariff determination extending beyond the five-year framework envisaged under Direction No. 5/2011. The Authority further notes that the treatment proposed by GVIAL is consistent with that adopted for other greenfield airports developed under the PPP framework, including Navi Mumbai International Airport and Noida International Airport (Jewar). Accordingly, the Authority accepts GVIAL's request vide its letter dated 3<sup>rd</sup> September 2026 and proposes to consider the period from 1<sup>st</sup> April 2026 to 31<sup>st</sup> March 2031 as the First Control Period with COD on 17<sup>th</sup> August 2026.
- 2.3.5 Accordingly, in the respective building blocks, wherever applicable, the Authority has redrawn the tables submitted by GVIAL for comparison purposes by proportionately adjusting the FY 2026-27 values for the period from COD of 17<sup>th</sup> August 2026 to 31<sup>st</sup> March 2027 (227 days), as against the period from COD of 30<sup>th</sup> June 2026 to 31<sup>st</sup> March 2027 (275 days) considered by GVIAL and considering the First Control Period up to FY 2030-31.

## **2.4 Past Tariff Determination History**

- 2.4.1 The Authority, vide Order No. 07/2025-26 dated 29<sup>th</sup> August 2025, declared Bhogapuram International Airport as a "Major Airport" under Section 2(i) of the Airports Economic Regulatory Authority of India Act, 2008.
- 2.4.2 The Authority, vide Order No. 10/2026-27 dated 27<sup>th</sup> July 2026, allowed GVIAL to levy and collect tariff for Aeronautical Services on an ad-hoc basis with effect from COD until determination of the regular aeronautical tariff for the First Control Period.
- 2.4.3 Order No. 13/2026-27 dated 31<sup>st</sup> July 2026 was issued granting approval to M/s Hindustan Petroleum Corporation Limited (HPCL) to levy and collect on an Ad-hoc basis, tariff for Fuel Farm and Into Plane at the airport w.e.f. COD till 31<sup>st</sup> March 2027 or till the determination of regular tariff for the ISP in respect of the First Control Period, whichever is earlier.
- 2.4.4 As requested by the ISP, the Authority vide the Order No. 12/2026-27 dated 31<sup>st</sup> July 2026 has allowed M/s Ramp 360 Ground Handling Services Private Limited to levy and collect, on an Ad-hoc basis, tariff for Ground Handling Services at the airport w.e.f. COD till 31<sup>st</sup> March 2027 or till the determination of the regular tariff for the ISP for its First Control Period, whichever is earlier.
- 2.4.5 Vide the Order No. 11/2026-27 dated 31<sup>st</sup> July 2026, the Authority had allowed M/s GMR Airports Limited (GAL) to levy and collect the Tariff for Domestic, International and Express Cargo Handling Services at Bhogapuram Airport on an ad-hoc basis w.e.f. COD up to 31<sup>st</sup> March 2027 or till the determination of regular tariff for the ISP for the First Control Period, whichever is earlier.

## **2.5 MYTP Submissions by GVIAL**

- 2.5.1 As per the proviso to Clause 3.1 of the Airport Guidelines, the Airport Operator is required to submit to the Authority, for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Period within the timelines specified by the Authority.
- 2.5.2 GVIAL submitted the Multi-Year Tariff Proposal (MYTP) for the First Control Period on 09<sup>th</sup> July 2025, along with the supporting financial model and relevant schedules. The MYTP was based on the expected Commercial Operation Date (COD) of 30<sup>th</sup> June 2026 and proposed the period from 30<sup>th</sup> June 2026 to 31<sup>st</sup>

March 2027 as the Pre-Control Period and the period from 1<sup>st</sup> April 2027 to 31<sup>st</sup> March 2032 as the First Control Period.

- 2.5.3 The Authority has engaged M/s PKF Sridhar & Santhanam LLP (PKF S&S) as the Independent Consultant to analyze the MYTP submitted by GVIAL for the First Control Period.
- 2.5.4 The Authority, through its Independent Consultant, has examined the MYTP submitted by GVIAL by reviewing the information and supporting documents submitted by GVIAL, including audited financial statements, concession agreements, contracts awarded, traffic forecasts, capital expenditure plans, operation and maintenance expenditure estimates, non-aeronautical revenue projections and other tariff building blocks.
- 2.5.5 The Independent Consultant sought various clarifications on the information submitted by GVIAL in order to assess the reasonableness of the proposed capital expenditure, operation and maintenance expenditure, non-aeronautical revenue, Fair Rate of Return (FRoR), depreciation, Regulatory Asset Base (RAB) and other components of tariff determination. GVIAL provided additional information and supporting documents in response to such clarifications as sought from time to time. The Authority has considered the same as part of its examination of the MYTP for the First Control Period.
- 2.5.6 The Authority observed that assessment of the proposed capital expenditure, phasing of development and associated infrastructure requirements involves technical evaluation. Accordingly, the Authority, through its Independent Consultant, undertook a detailed review of the Master Plan, Development Plan, Capital expenditure programme, contracts awarded and other supporting information submitted by GVIAL for evaluation of the tariff building blocks.
- 2.5.7 The Authority understands that it is the sole responsibility of the Airport Operator to maintain proper books of accounts and Fixed Asset Register (FAR) diligently and present accurate information in its submissions. The Authority relies on the information available in the audited financial reports for its analysis. The Authority expects that the Airport Operator will ensure the accuracy of the information captured in its books of accounts and FAR and that there is no duplication of expenses.

#### **Related Party Transactions**

- 2.5.8 The Authority, through its Independent Consultant, reviewed the details of the Related Party Transactions submitted by GVIAL and the supporting documents furnished by GVIAL.
- 2.5.9 The Concession Agreement entered by GVIAL details the process to be followed for award of contracts to related parties as given below:

*“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 6 (six) months from the COD, frame a procurement policy specifying the principles and procedures that it shall follow in awarding contracts 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 to be 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 privilege where the consideration (including deposits in any form in respect thereof) exceeds Rs. 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 the interests of the Users."

### Related Party Transactions

2.5.10 The details of Related Party Transactions, as submitted GVIAL are set out below:

**Table 4: Related Party Transactions Submitted by GVIAL**

| Name of Party                                                     | Relationship         | Nature of Transaction                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GMR Airports Limited                                              | Holding Company      | <ul style="list-style-type: none"> <li>• Airport Operator Agreement</li> <li>• Cargo Concession Agreement</li> <li>• Master Concessionaire – Non-Aeronautical Revenue</li> <li>• SAP Licence Fee Reimbursement</li> <li>• Shared Services Cost Allocation</li> <li>• Sponsor Support Arrangements</li> </ul> |
| GMR Airport Developers Limited                                    | Fellow Subsidiary    | <ul style="list-style-type: none"> <li>• Project Management Consultancy (PMC) Agreement</li> <li>• Bridge Mounted Equipment (BME) Concession Agreement</li> </ul>                                                                                                                                            |
| Geokno India Private Limited                                      | Fellow Subsidiary    | <ul style="list-style-type: none"> <li>• Aerial LiDAR Survey Services</li> </ul>                                                                                                                                                                                                                             |
| B. Ramadevi                                                       | Relative of Director | <ul style="list-style-type: none"> <li>• Registered Office Rental Arrangement</li> </ul>                                                                                                                                                                                                                     |
| GMR Energy Limited / GMR Power & Urban Infra Limited / Group SPVs | Group Company        | <ul style="list-style-type: none"> <li>• Solar Power Arrangement under BOOT Model</li> </ul>                                                                                                                                                                                                                 |

Details of the major transactions entered into with related parties are discussed in the paragraphs below.

#### Airport Operator Agreement

- 2.5.11 GVIAL submitted that, pursuant to the requirements of Clause 4.1.3(l) of the Concession Agreement, it was required to appoint an Airport Operator possessing the requisite experience and expertise in airport operations. Accordingly, GVIAL entered into an Airport Operator Agreement with GMR Airports Limited (GAL), its Holding Company. GVIAL submitted that GAL provides support in relation to airport operations, airport management, commercial planning, operational readiness, airline coordination, safety and quality management systems and other operational functions required for operation and maintenance of Bhogapuram International Airport.
- 2.5.12 GVIAL further submitted that the arrangement enables it to leverage the operational experience and expertise available within the GMR Group in development and management of airport infrastructure. As per the agreement, GVIAL is required to pay an Airport Operator Fee equivalent to 3% of Gross Revenue (excluding taxes) or Rs. 24 crore per annum, whichever is lower, commencing from the Commercial Operation Date (COD). GVIAL further submitted that GAL has agreed to provide support during the construction phase prior to COD on a "free of cost" basis.

Cargo Concession Agreement

- 2.5.13 GVIAL submitted that the Cargo business at Bhogapuram International Airport is proposed to be developed and operated through a concession model. Pursuant to a competitive bidding process, the Cargo Concession was awarded to GMR Airports Limited (GAL). Under the Cargo Concession Agreement, GAL has been granted the right to design, build, finance, operate, maintain and transfer the Air Cargo Terminal facilities and associated cargo services at the Airport. GVIAL submitted that the license has been awarded for an initial period of 20 years, with extension provisions in accordance with the terms of the agreement. The concessionaire is required to pay GVIAL a revenue share linked to annual cargo throughput, comprising 10.8% of gross revenue for throughput up to 25,000 MT, 12.6% for throughput between 25,000 MT and 50,000 MT and 15.3% for throughput exceeding 50,000 MT.

Project Management Consultancy (PMC) Agreement

- 2.5.14 GVIAL submitted that it entered into a Project Management Consultancy (PMC) Agreement with GMR Airport Developers Limited (GADL), a fellow subsidiary, for project management and implementation support services relating to the development of Bhogapuram International Airport. GVIAL submitted that the scope of the PMC services includes project planning, design coordination, engineering review, construction supervision, contractor coordination, quality management, scheduling and monitoring of project implementation activities. The PMC arrangement has been entered into to utilize the technical expertise and implementation experience available within the Group in development of airport infrastructure. GVIAL further submitted that the PMC contract was awarded for a period of 43 months from the date of execution of the agreement, with an overall contract value of approximately Rs. 80.59 crore, inclusive of applicable taxes.

Bridge Mounted Equipment (BME) Concession Agreement

- 2.5.15 GVIAL submitted that the concession for Bridge Mounted Equipment (BME) facilities and services at Bhogapuram International Airport was awarded to GMR Airport Developers Limited (GADL) through a competitive bidding process. Under the concession arrangement, GADL has been granted the right to finance, procure, install, operate, maintain and transfer BME facilities and services at the Airport. GVIAL submitted that the scope includes operation of Fixed Electrical Ground Power (FEGP), Pre-Conditioned Air (PCA) systems and other bridge mounted equipment required for aircraft handling operations at contact stands. The concessionaire has agreed to pay GVIAL a share of gross revenue generated from the BME business at the rate of 10% during the first seven years of operation and 12% thereafter, as per the terms of the concession agreement. The term of the concession agreement is 20 years from the appointed date.

Master Concessionaire – Non-aeronautical revenue

- 2.5.16 GVIAL submitted that the Master concession for Non-Aeronautical services covering major passenger-driven commercial activities at the Airport, including Food & Beverage (F&B), Retail, Lounges, Duty Free, Car Parking and Advertisement, was awarded to GMR Airports Limited (GAL) through a competitive bidding process. GVIAL submitted that the concession structure was adopted with the objective of achieving economies of scale, operational efficiencies and integrated management of multiple commercial businesses under a single concessionaire. The concessionaire was selected through a competitive bidding process, wherein the successful bidder was determined based on the revenue share offered to the Airport Operator. Pursuant to the bid process, GAL emerged as the successful bidder and was awarded the right to develop, operate, maintain and manage the above commercial businesses. Under

the agreement, GAL has agreed to share 22.50% of gross revenue during the first five years of operation, 23.40% during years six to ten and 24.30% thereafter until expiry of the concession period. GVIAL further submitted that the concessionaire has furnished a refundable security deposit of Rs. 20 crore.

#### SAP Licence Fee and Shared Services Cost Allocation

- 2.5.17 GVIAL submitted that certain enterprise-wide services and common support functions are being availed from GMR Airports Limited (GAL). These services include SAP licence support, information technology systems, shared service centre functions and other centralized support services made available across entities within the GMR Group. GVIAL submitted that the associated costs are allocated and recovered in accordance with the applicable agreements and the Group's cost allocation methodology. Such arrangements are intended to facilitate standardized systems, operational efficiencies and common support infrastructure across group entities.
- 2.5.18 The above transactions have been reviewed by the Authority through its independent consultant, wherever applicable, while evaluating the respective tariff building blocks.
- 2.5.19 The Authority expects the Board of Directors of GVIAL/ APADCL to exercise their rights and/or obligations under the Companies Act 2013, to ensure that the contracts with the Related Party are at arm's length basis and in case of any new Related Party transaction in future, the related party has experience of providing similar service in other places to ensure protection of interest of all stakeholders.
- 2.5.20 The timeline of various submissions made by GVIAL, including its request dated 3<sup>rd</sup> September 2026 for revision of the First Control Period, is as given below:

**Table 5: Timelines of various submissions made by GVIAL**

| Events                                                                                                                                                                              | Dates                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Receipt of initial MYTP by AERA with planned COD of 30 <sup>th</sup> June 2026                                                                                                      | 9 <sup>th</sup> July 2025                                                          |
| Declaration of Bhogapuram airport as a major airport                                                                                                                                | 29 <sup>th</sup> August 2025                                                       |
| Initial requirement list sent to GVIAL                                                                                                                                              | 18 <sup>th</sup> October 2025                                                      |
| Response received from GVIAL on Capex, O&M, NAR, Traffic                                                                                                                            | 7 <sup>th</sup> November 2025                                                      |
| Site Visit of the independent consultant                                                                                                                                            | 25 <sup>th</sup> to 27 <sup>th</sup> November 2025                                 |
| Multiple submissions by GVIAL on Capex, O&M, NAR, Traffic.                                                                                                                          | 28 <sup>th</sup> November 2025 to 11 <sup>th</sup> June 2026                       |
| Issue of Adhoc Order for Bhogapuram Airport                                                                                                                                         | 27 <sup>th</sup> July 2026                                                         |
| Information requirement list sent to GVIAL on Opex, and COD                                                                                                                         | 27 <sup>th</sup> July 2026                                                         |
| Response from GVIAL revised traffic study                                                                                                                                           | 11 <sup>th</sup> August 2026                                                       |
| Response to remaining queries including Pre-operative expenses actually incurred until July 31 <sup>st</sup> with estimates until 17 <sup>th</sup> August 2026, other O&M and Capex | 12 <sup>th</sup> , 13 <sup>th</sup> August 2026 and 1 <sup>st</sup> September 2026 |
| Request from GVIAL for revision (shortening) of the First Control Period vide letter No. GVIAL/26-27/AERA/270                                                                       | 3 <sup>rd</sup> September 2026                                                     |
| Actual pre-operative expenses until COD submitted by GVIAL                                                                                                                          | 19 <sup>th</sup> September 2026                                                    |

## **2.6 Construct of this Consultation Paper**

- 2.6.1 This Consultation Paper has been structured in the order set out below, with the chapter-wise details summarized as follows:
- Background of the Airport is explained in Chapter 1.
  - Methodology of Tariff determination has been detailed in this chapter i.e. Chapter 2.

- Chapter 3 presents the submissions of GVIAL regarding Traffic Projections for the First Control Period and the Authority's examination and proposals on the same.
- Chapter 4 includes the submissions of GVIAL regarding Capital Expenditure (CAPEX), Depreciation and RAB for the First Control Period along with the Authority's detailed examination, adjustments, rationalization and proposals on the Aeronautical capital expenditure, useful lives and RAB for the First Control Period.
- Chapter 5 – 10 includes the submissions of GVIAL regarding various building blocks pertaining to the First Control Period namely Fair Rate of Return, Inflation, Operating Expenses, Non-aeronautical Revenue, Taxation, Quality of Service along with Authority's examination and proposals on each matter.
- Chapter 11 presents the Aggregate Revenue Requirement as determined by the Authority based on the proposals for the First Control Period.
- Chapter 12 summarizes Authority's proposals put forward for consultation.
- In Chapter 13 the Authority invites views of all the stakeholders regarding proposals put forward for tariff determination for the First Control Period.
- Chapter 14 contains the following Annexure.
  - Annexure I- Clauses of Concession Agreement (CA)

### 3. TRAFFIC FOR THE FIRST CONTROL PERIOD

#### 3.1 GVIAL's submissions relating to Traffic for the First Control Period

3.1.1 GVIAL, in its MYTP submitted that it has appointed M/s CAPA India Private Limited (CAPA) to study the traffic potential at Bhogapuram International Airport (BIA). M/s CAPA has undertaken traffic study dated May 2025 (referred to as "original study" for the purpose of this Consultation Paper), taking into consideration historical trends, COVID impact and prevailing economic scenario to forecast traffic for BIA for the period FY 2026 to FY 2035.

3.1.2 The methodology used by CAPA as stated in the Traffic Study summary is given below:

##### Passenger traffic

M/s CAPA has adopted a multi-faceted approach for forecasting passenger traffic at BIA, integrating demand-side econometric analysis with supply-side capacity modelling.

##### **1. Demand-side passenger forecasts**

- a) CAPA has developed econometric forecasts for passenger traffic using regression analysis at three levels, namely national (India), state (Andhra Pradesh), and catchment area (district level). The forecasts are primarily driven by GDP as the independent variable, which demonstrated the strongest statistical correlation with air passenger traffic.
- b) For the domestic segment, CAPA has applied a combination of linear and exponential regression techniques, with appropriate weightages assigned to each model. The forecasts incorporate (i) Bhogapuram's expected share of national traffic, (ii) growth in state GDP, and (iii) economic activity within the airport's catchment area, including districts beyond Andhra Pradesh.
- c) For international passengers, due to variability and low historical base, CAPA has supplemented the national share approach with a peer benchmarking analysis, considering traffic growth patterns at comparable non-metro airports in India. Equal weightage has been assigned to both approaches to derive the final demand-side forecast.
- d) The demand-side forecast also assumes an increase in BIA's share of national traffic over the forecast period, reflecting the transition from a constrained civil enclave airport to an unconstrained greenfield airport with enhanced capacity and commercial orientation.

##### **2. Supply-side passenger forecasts**

- a) Recognizing that the Indian aviation market is largely supply-driven, CAPA has developed a detailed supply-side model to estimate traffic based on airline capacity. This includes analysis of fleet induction plans, aircraft retirements, utilization levels, load factors and network strategies of airlines.
- b) The model estimates traffic carried by Indian and foreign airlines based on expected aircraft deployment across domestic and international routes, along with assumptions on seat capacity, rotations, and load factors. Bilateral air service agreements and potential liberalization have been considered for international traffic growth.

##### **3. Blended forecast approach**

The final passenger traffic forecast for BIA has been derived by combining the outcomes of demand-side and supply-side models.

**Aircraft Traffic Movements (ATMs)**

- CAPA has derived ATM forecasts from the projected passenger traffic using assumptions relating to seats per aircraft movement, aircraft mix and seat load factors.
- The modelling considers different aircraft categories including narrowbody, turboprop and widebody aircraft, and incorporates expected changes in fleet composition and operating configurations over the forecast period.
- Seat capacity and traffic carried are aligned with supply-side estimates, and ATMs are computed by dividing projected traffic by seats per ATM adjusted for load factors.

**Cargo Traffic**

- Domestic cargo forecasts have been developed using an airport share of national cargo traffic approach, with equal weightage to linear and exponential regression. The projections assume moderate growth aligned with GDP trends, adjusted for competition from surface transport.
- International cargo forecasts have been developed using a bottom-up approach, due to absence of historical data. CAPA has estimated cargo volumes based on expected belly cargo capacity per international aircraft movement.
- Cargo per ATM has been assumed to increase progressively over the forecast period, reflecting improving network maturity and load factors, with international cargo growth driven by export-oriented industries in the catchment area.
- The traffic forecast for BIA, as submitted by GVIAL in its MYTP for the First Control Period (until FY 2032), based on the CAPA study, along with the corresponding year-on-year growth rates, is presented below:

**Table 6: Traffic for the First Control Period submitted by GVIAL in the MYTP for Bhogapuram International Airport**

| Year                       | Passenger (in Mn) |             |              | ATM (in Nos)    |               |                 | Cargo (in MT) |              |               |
|----------------------------|-------------------|-------------|--------------|-----------------|---------------|-----------------|---------------|--------------|---------------|
|                            | Dom.              | Int'l       | Total        | Dom.            | Int'l         | Total           | Dom.          | Int'l        | Total         |
| <b>Traffic</b>             |                   |             |              |                 |               |                 |               |              |               |
| <b>2026-27<sup>#</sup></b> | 2.53              | 0.16        | 2.69         | 17,651          | 1,095         | 18,746          | 3,877         | 212          | 4,089         |
| <b>2027-28</b>             | 3.89              | 0.24        | 4.14         | 27,217          | 1,629         | 28,846          | 5,642         | 315          | 5,957         |
| <b>2028-29</b>             | 4.45              | 0.27        | 4.72         | 30,978          | 1,807         | 32,785          | 6,147         | 349          | 6,496         |
| <b>2029-30</b>             | 4.92              | 0.35        | 5.27         | 33,789          | 2,363         | 36,152          | 6,687         | 457          | 7,144         |
| <b>2030-31</b>             | 5.46              | 0.46        | 5.92         | 37,191          | 3,023         | 40,214          | 7,264         | 756          | 8,020         |
| <b>2031-32</b>             | 6.11              | 0.54        | 6.65         | 41,210          | 3,465         | 44,675          | 7,879         | 1,040        | 8,919         |
| <b>Total</b>               | <b>27.36</b>      | <b>2.03</b> | <b>29.39</b> | <b>1,88,036</b> | <b>13,382</b> | <b>2,01,418</b> | <b>37,496</b> | <b>3,129</b> | <b>40,625</b> |
| <b>Growth %</b>            |                   |             |              |                 |               |                 |               |              |               |
| <b>2027-28*</b>            | 15%               | 15%         | 15%          | 16%             | 12%           | 15%             | 9%            | 11%          | 9%            |
| <b>2028-29</b>             | 14%               | 12%         | 14%          | 14%             | 11%           | 14%             | 9%            | 11%          | 9%            |
| <b>2029-30</b>             | 10%               | 30%         | 12%          | 9%              | 31%           | 10%             | 9%            | 31%          | 10%           |
| <b>2030-31</b>             | 11%               | 31%         | 12%          | 10%             | 28%           | 11%             | 9%            | 65%          | 12%           |
| <b>2031-32</b>             | 12%               | 17%         | 12%          | 11%             | 15%           | 11%             | 8%            | 38%          | 11%           |

<sup>#</sup>Passenger traffic has been considered for 9 months, prorated based on the COD of 30<sup>th</sup> June 2026 from the full-year CAPA projection of 3.58 million passengers (3.37 million domestic and 0.21 million international)

\*Growth rates are computed based on annualized traffic of FY 2026-27

### Revised traffic submission by GVIAL

- 3.1.3 GVIAL, vide its e-mail dated 11<sup>th</sup> August 2026, has submitted a revised traffic study report prepared by CAPA titled “Bhogapuram Airport Traffic Report – Supplementary Update”. This study report dated 01<sup>st</sup> August 2026 (hereinafter referred to as the “revised CAPA study”), supersedes the traffic estimates of the original study of May 2025 which formed the basis of the MYTP submission.
- 3.1.4 The revised CAPA study, being the most recent assessment of traffic filed by GVIAL, is treated by the Authority as the latest traffic submission of GVIAL for the purposes of this Consultation Paper, and the examination of the Authority hereinafter proceeds on that basis.
- 3.1.5 In its communication dated 11<sup>th</sup> August 2026, GVIAL has submitted that the actual traffic performance at Visakhapatnam Airport for FY 2025-26 has remained below the levels envisaged under the traffic forecast submitted as part of the MYTP filing. As against the FY 2025-26 forecast of 3.26 million passengers, the actual traffic achieved was 2.97 million passengers, representing a shortfall of approximately 9%. GVIAL has further submitted that, while a growth of approximately 10% had been projected for FY 2026-27, the actual traffic performance in Q1 of FY 2026-27, when compared with Q1 of FY 2025-26, has recorded a decline.
- 3.1.6 GVIAL has attributed the shortfall to the reduction in airline frequencies at Visakhapatnam Airport during the period April 2026 to July 2026, which is stated to be continuing, as compared to the Summer Schedule announced in March 2026. As per GVIAL, this reduction arises primarily from a challenging operating environment, further aggravated by elevated ATF prices linked to the ongoing geopolitical situation in the Middle East, and has been compounded by airline network optimization initiatives tilting towards higher-yield routes and by the continued delay in aircraft deliveries resulting in slower-than-anticipated capacity induction across the industry.
- 3.1.7 GVIAL has submitted that the sustained underperformance relative to the original forecast suggests a change in the underlying traffic drivers and market conditions, and that it has accordingly commissioned M/s CAPA to undertake an independent reassessment and reality check of the traffic projections in order to validate the growth assumptions, incorporate current airline network and capacity trends and develop a more realistic traffic outlook for the First Control Period.

### Passenger traffic

- 3.1.8 The passenger traffic projections as per the original study and as per the revised CAPA study, for the period corresponding to the First Control Period (5 years as indicated in para 2.3.4), are presented below:

**Table 7: Passenger traffic for the First Control Period for Bhogapuram International Airport – original study vs. revised CAPA study**

| Year              | Original study (A) |             |              | Revised study (B) |             |              | Variance (B-A) |               |               |
|-------------------|--------------------|-------------|--------------|-------------------|-------------|--------------|----------------|---------------|---------------|
| Passenger (in Mn) | Dom.               | Int'l       | Total        | Dom.              | Int'l       | Total        | Dom.           | Int'l         | Total         |
| Traffic           |                    |             |              |                   |             |              |                |               |               |
| 2026-27*          | 3.37               | 0.21        | 3.58         | 2.54              | 0.10        | 2.64         | (0.83)         | (0.11)        | (0.95)        |
| 2027-28           | 3.89               | 0.24        | 4.13         | 2.80              | 0.15        | 2.95         | (1.09)         | (0.09)        | (1.18)        |
| 2028-29           | 4.45               | 0.27        | 4.72         | 3.34              | 0.17        | 3.50         | (1.11)         | (0.11)        | (1.22)        |
| 2029-30           | 4.92               | 0.35        | 5.27         | 4.12              | 0.23        | 4.36         | (0.79)         | (0.12)        | (0.91)        |
| 2030-31           | 5.46               | 0.46        | 5.92         | 4.88              | 0.29        | 5.18         | (0.58)         | (0.17)        | (0.75)        |
| <b>Total</b>      | <b>22.09</b>       | <b>1.54</b> | <b>23.63</b> | <b>17.69</b>      | <b>0.95</b> | <b>18.63</b> | <b>(4.41)</b>  | <b>(0.59)</b> | <b>(5.00)</b> |

| Year              | Original study (A) |       |       | Revised study (B) |       |        | Variance (B-A) |       |       |
|-------------------|--------------------|-------|-------|-------------------|-------|--------|----------------|-------|-------|
| Passenger (in Mn) | Dom.               | Int'l | Total | Dom.              | Int'l | Total  | Dom.           | Int'l | Total |
| Growth (%)        |                    |       |       |                   |       |        |                |       |       |
| 2026-27^          | 7.2%               | 76.5% | 9.7%  | -11.6%            | -3.9% | -11.3% | -              | -     | -     |
| 2027-28           | 15.5%              | 15.2% | 15.4% | 10.4%             | 53.5% | 12.0%  | -              | -     | -     |
| 2028-29           | 14.4%              | 12.4% | 14.2% | 19.2%             | 9.9%  | 18.7%  | -              | -     | -     |
| 2029-30           | 10.4%              | 30.1% | 11.6% | 23.6%             | 40.7% | 24.4%  | -              | -     | -     |
| 2030-31           | 11.1%              | 30.5% | 12.5% | 18.4%             | 25.5% | 18.8%  | -              | -     | -     |

\*Traffic for FY 2026-27 is for the full period of twelve months, comprising operations at Visakhapatnam Airport (civil enclave) and at Bhogapuram Airport together.

^Growth for FY 2026-27 under the original study is computed over the FY 2025-26 traffic forecast, and under the revised study, is computed over the actual traffic of FY 2025-26.

### Air Traffic Movements (ATM)

- 3.1.9 The ATM projections as per the original study and as per the revised CAPA study, for the period corresponding to the First Control Period (5 years as indicated in para 2.3.4), are presented below:

**Table 8: ATM for the First Control Period for Bhogapuram International Airport – original study and revised CAPA study**

| Year          | Original study (A) |               |                 | Revised study (B) |              |                 | Variance (B-A)  |                |                 |
|---------------|--------------------|---------------|-----------------|-------------------|--------------|-----------------|-----------------|----------------|-----------------|
| ATM (in Nos.) | Dom.               | Int'l         | Total           | Dom.              | Int'l        | Total           | Dom.            | Int'l          | Total           |
| Traffic       |                    |               |                 |                   |              |                 |                 |                |                 |
| 2026-27*      | 23,535             | 1,460         | 24,995          | 18,237            | 674          | 18,911          | (5,298)         | (786)          | (6,084)         |
| 2027-28       | 27,217             | 1,629         | 28,846          | 19,695            | 1,014        | 20,709          | (7,522)         | (615)          | (8,137)         |
| 2028-29       | 30,978             | 1,807         | 32,785          | 22,976            | 1,098        | 24,074          | (8,002)         | (709)          | (8,711)         |
| 2029-30       | 33,789             | 2,363         | 36,152          | 28,031            | 1,554        | 29,585          | (5,758)         | (809)          | (6,567)         |
| 2030-31       | 37,191             | 3,023         | 40,214          | 32,811            | 1,921        | 34,732          | (4,380)         | (1,102)        | (5,482)         |
| <b>Total</b>  | <b>1,52,710</b>    | <b>10,282</b> | <b>1,62,992</b> | <b>1,21,750</b>   | <b>6,261</b> | <b>1,28,011</b> | <b>(30,960)</b> | <b>(4,021)</b> | <b>(34,981)</b> |
| Growth (%)    |                    |               |                 |                   |              |                 |                 |                |                 |
| 2026-27^      | 3.4%               | 80.5%         | 6.0%            | -13.0%            | -12.5%       | -13.0%          | -               | -              | -               |
| 2027-28       | 15.6%              | 11.6%         | 15.4%           | 8.0%              | 50.4%        | 9.5%            | -               | -              | -               |
| 2028-29       | 13.8%              | 10.9%         | 13.7%           | 16.7%             | 8.3%         | 16.2%           | -               | -              | -               |
| 2029-30       | 9.1%               | 30.8%         | 10.3%           | 22.0%             | 41.5%        | 22.9%           | -               | -              | -               |
| 2030-31       | 10.1%              | 27.9%         | 11.2%           | 17.1%             | 23.6%        | 17.4%           | -               | -              | -               |

\*Traffic for FY 2026-27 is for the full period of twelve months, comprising operations at Visakhapatnam Airport (civil enclave) and at Bhogapuram Airport together

^Growth for FY 2026-27 under the original study is computed over the FY 2025-26 traffic forecast, and under the revised study, is computed over the actual traffic of FY 2025-26.

### Cargo traffic

- 3.1.10 The Cargo throughput projections as per the original study and as per the revised CAPA study, for the period corresponding to the First Control Period (5 years as indicated in para 2.3.4), are presented below:

**Table 9: Cargo throughput for the First Control Period for Bhogapuram International Airport – Original study and revised CAPA study**

| Year              | Original study (A) |       |        | Revised study (B) |       |        | Variance (B-A) |       |         |
|-------------------|--------------------|-------|--------|-------------------|-------|--------|----------------|-------|---------|
| Cargo (in MT)     | Dom.               | Int'l | Total  | Dom.              | Int'l | Total  | Dom.           | Int'l | Total   |
| <b>Traffic</b>    |                    |       |        |                   |       |        |                |       |         |
| 2026-27*          | 5,169              | 282   | 5,451  | 4,292             | 110   | 4,402  | (877)          | (172) | (1,049) |
| 2027-28           | 5,642              | 315   | 5,957  | 4,816             | 196   | 5,012  | (826)          | (119) | (945)   |
| 2028-29           | 6,147              | 349   | 6,497  | 5,247             | 212   | 5,459  | (900)          | (137) | (1,038) |
| 2029-30           | 6,687              | 457   | 7,144  | 5,708             | 300   | 6,008  | (979)          | (157) | (1,136) |
| 2030-31           | 7,264              | 756   | 8,020  | 6,200             | 480   | 6,680  | (1,064)        | (276) | (1,340) |
| Total             | 30,909             | 2,159 | 33,069 | 26,263            | 1,298 | 27,561 | (4,646)        | (861) | (5,508) |
| <b>Growth (%)</b> |                    |       |        |                   |       |        |                |       |         |
| 2026-27^          | 9.4%               | NA    | 15.3%  | -5.0%             | NA    | -2.6%  | -              | -     | -       |
| 2027-28           | 9.2%               | 11.7% | 9.3%   | 12.2%             | 78.2% | 13.9%  | -              | -     | -       |
| 2028-29           | 9.0%               | 10.8% | 9.1%   | 8.9%              | 8.2%  | 8.9%   | -              | -     | -       |
| 2029-30           | 8.8%               | 30.9% | 10.0%  | 8.8%              | 41.5% | 10.1%  | -              | -     | -       |
| 2030-31           | 8.6%               | 65.4% | 12.3%  | 8.6%              | 60.0% | 11.2%  | -              | -     | -       |

\*Traffic for FY 2026-27 is for the full period of twelve months, comprising operations at Visakhapatnam Airport (civil enclave) and at Bhogapuram Airport together

^Growth for FY 2026-27 under the original study is computed over the FY 2025-26 traffic forecast, and under the revised study, is computed over the actual traffic of FY 2025-26.

### 3.2 Authority's examination regarding Traffic for the First Control Period

3.2.1 The Authority has examined the traffic submitted by GVIAL in the MYTP, the revised CAPA study, and the actual traffic performance at Visakhapatnam Airport for FY 2025-26 and for the initial months of FY 2026-27. The examination of the Authority in this regard is set out in the following paragraphs.

#### Basis of the revised CAPA study

3.2.2 The Authority notes that the revised study does not represent a fresh forecasting exercise, but a re-calibration of the original study of May 2025 for the changes in the operating environment observed during the intervening period while the underlying forecasting framework has been retained. The key elements forming the basis of the revised study, as examined by the Authority, are set out below:

- a. Actual traffic performance: The revised study takes FY 2025-26 actual traffic at Visakhapatnam Airport of 2.97 million passengers (domestic 2.871 Mn and international 0.103 Mn) as the base, against the original forecast of 3.26 million passengers (domestic 3.145 Mn and international 0.119 Mn), representing a shortfall of approximately 9%. During FY 2025-26, domestic passenger traffic grew by 1.3% as against the forecast growth of 11.0%, and international passenger traffic declined by 15.3% as against a forecast decline of 2.2%.
- b. Reasons for the shortfall: The revised study attributes the shortfall to a series of overlapping disruptions rather than to a single event, namely
  - the Pahalgam incident of April 2025, Operation Sindoor, the consequent closure of Pakistan airspace to Indian carriers;

- the Air India AI 171 incident of June 2025 and the consequent capacity reduction of 10-15%;
  - the operational disruption at IndiGo in December 2025 due to Pilot issues;
  - the escalation of the West Asia conflict from February 2026 with the resultant airspace closures and resultant increase in jet fuel prices;
  - the revised Flight Duty Time Limitation (FDTL) regulations notified in July 2025 and November 2025;
  - continued aircraft delivery delays;
  - the depreciation of the Rupee by approximately 12%; and,
  - specific to Visakhapatnam, the withdrawal of AirAsia services to Bangkok and Kuala Lumpur in May 2025 and the suspension of the IndiGo Abu Dhabi service in March 2026.
- c. Demand-side assumptions retained: The revised study has not made any change to the regression modelling underlying the demand-side forecast. The IMF, in its July 2026 World Economic Outlook, has marginally increased India's GDP growth projection for FY 2026-27 from 6.5% to 6.7% while retaining 6.5% for the subsequent four years, which is in line with the assumptions of the original study. The growth momentum of Andhra Pradesh, including investments at Visakhapatnam in data centres, steel, green energy and port-led logistics, has been assessed as unchanged, and consequently no change has been made to the catchment-level assumptions.
- d. Supply-side assumptions revised: As per the revised study, the single largest driver of the downward revision in traffic is the reduced national fleet outlook. The net operating fleet in India at the end of FY 2029-30 is now expected to be in the range of 1,100 aircraft as against 1,250-1,300 estimated earlier, with the net average operating fleet between FY 2026-27 and FY 2029-30 being 12% to 20% lower than earlier assumed. Daily aircraft rotations have been reduced for FY 2026-27 and, to a lesser extent, for FY 2027-28, reverting to the original assumptions from FY 2028-29 onwards. The study also emphasizes the continued weakness on short-haul sectors on account of the longer surface access time to the Bhogapuram airport until the road upgrades are completed.
- e. Share of national traffic: Since the smaller national fleet reduces the need for airlines to deploy capacity at non-metro airports, the long-term share of Visakhapatnam in national domestic traffic has been trimmed from 0.96% to 0.86% and its share of national international traffic from 0.37% to 0.33%.
- f. Terminal years: The methodology of applying the regression-based growth rates of the demand model to the FY 2029-30 base for the years FY 2030-31 to FY 2034-35 has been retained, and since the GDP assumptions are unchanged, these growth rates have not been revised.
- g. Airport transition: The revised study forecasts 12 months traffic for FY 2026-27 including combined operations at the civil enclave from 01<sup>st</sup> April 2026 to 16<sup>th</sup> August 2026 and at Bhogapuram from 17<sup>th</sup> August 2026 onwards.

3.2.3 The Authority has examined the original CAPA study of May 2025 and the revised study, along with the actual traffic performance at Visakhapatnam Airport. The Authority notes that the revised study retains the demand assumptions, including GDP growth and catchment-area assumptions, and revises only the supply-side parameters based on actual capacity constraints observed at Visakhapatnam Airport. Since the traffic projected for the base year in the original study did not materialize, the Authority considers the revised study

to provide a more appropriate basis for traffic projections for the First Control Period, for the reasons set out below:

- a. Original forecast not reasonable given the circumstances: The base year of the original study i.e FY 2025-26 has been overshadowed by global/ local disruptive events. Actual traffic of 2.97 Mn passengers in FY 2025-26 is approximately 9% below the forecast of 3.26 Mn, and actual ATMs are 7.8% below forecast. The Authority notes that the entire forecast trajectory of the original study is built upon the FY 2025-26 base, and that the said base has not materialized. The Authority is therefore of the view that the traffic projections of the original study would require to be revisited for the purpose of determination of tariff for the First Control Period.
- b. Trend of decline is continuing: The Authority notes from the actual traffic data that traffic in April, May and June of FY 2026-27 has declined on a year-on-year basis in respect of both domestic and international traffic by 5.16% and 40.40% respectively. It is also noted that weekly outbound frequencies at Visakhapatnam Airport have reduced from 214 under Winter Schedule 2025 to 194 under Summer Schedule 2026 and further to approximately 165 with effect from 01<sup>st</sup> June 2026.
- c. Supply changes: The Authority also notes that the revision in traffic is driven by supply-side constraints and not by any dilution of demand. The demand-side regression model, the GDP assumptions and the catchment-area assumptions of the original study stand retained without change in the revised study, and the downward revision is attributable to the reduced national fleet availability, the reduced rotations per aircraft and the consequent trimming of Visakhapatnam's share of national traffic. The revision is therefore a re-calibration of capacity and does not disturb the long-term demand fundamentals of the catchment area.

#### **Traffic for FY 2026-27, being the first year of the First Control Period**

- 3.2.4 The Authority notes that the traffic handled at Visakhapatnam Airport hitherto has been constrained not by any absence of demand, but, to an extent, by the limitations inherent in operating from a civil enclave. With the commencement of operations at Bhogapuram Airport on 17<sup>th</sup> August 2026, these constraints stand removed. The new airport offering unconstrained apron, terminal and runway capacity, is available for round-the-clock operations, and is equipped to handle larger aircraft and international services. The Authority is of the view that the removal of the constraints will enable an increase in frequencies and in seat capacity deployed at the airport within the first year of operations, and that the traffic for FY 2026-27 is accordingly likely to be higher than the traffic projected in the revised CAPA study.
- 3.2.5 The Authority had examined the traffic for FY 2026-27 in connection with the determination of ad-hoc tariff for BIA. GVIAL, vide its representation dated 15<sup>th</sup> June 2026, had sought a review of the ad-hoc tariff determined vide Order No. 09/2026-27 dated 12<sup>th</sup> June 2026, on the ground that airlines had substantially reduced capacity under the Summer Schedule 2026 as compared with the Winter Schedule 2025 and had further reduced frequencies with effect from 01<sup>st</sup> June 2026, and had accordingly revised its estimate of traffic for the period from the Commercial Operation Date to 31<sup>st</sup> March 2027 from 2.69 Mn to 1.89 Mn.
- 3.2.6 The Authority, in the Adhoc Tariff Order No. 10/2026-27 dated 27 July 2026, examined the said representation and undertook a prudence check and due diligence of the revised traffic estimates furnished by GVIAL. The Authority observed therein that Bhogapuram International Airport, being a greenfield airport, is likely to encounter peculiar challenges and uncertainties during the initial phase of its operations, particularly in respect of traffic evolution, airline response and operational stabilisation, and that traffic levels and the

economic viability of the operations of the airport are expected to stabilise over the coming months. Having independently reassessed the traffic projections, the Authority estimated the passenger traffic at approximately 2.20 Mn for the period from the Commercial Operation Date (being 30<sup>th</sup> June 2026 at the time of the adhoc order) to 31<sup>st</sup> March 2027, as against 1.89 Mn estimated by GVIAL.

- 3.2.7 The Authority is of the view that the assessment of traffic at adhoc order stage still continues to hold good for FY 2026-27 considering that it was made after a prudence check and due diligence of the same market developments which are relied upon in the revised CAPA study. Also, there have been no material developments since the issue of the adhoc order to warrant a departure from earlier made assumptions. Hence, the Authority proposes to adopt the said assessment done at adhoc stage for determining the traffic for the first year of the First Control Period
- 3.2.8 The traffic of 2.20 Mn considered in the said Ad-hoc Order was for a period of nine months, the Commercial Operation Date then anticipated being 30<sup>th</sup> June 2026, whereas the Commercial Operation Date has since been achieved on 17<sup>th</sup> August 2026. On a pro-rata basis, the traffic considered in the Ad-hoc Order corresponds to 2.93 Mn for the full twelve months of FY 2026-27, as against 2.64 Mn projected in the revised CAPA study, of which 1.83 Mn pertains to the period from 17<sup>th</sup> August 2026 to 31<sup>st</sup> March 2027. The Authority accordingly proposes to consider the passenger traffic for the full year of FY 2026-27 at 2.93 Mn.
- 3.2.9 For the purpose of computation, the Authority has apportioned the traffic determined in the said Order between domestic and international traffic based on the same traffic mix considered therein, resulting in full-year traffic of 2.82 million domestic passengers and 0.11 million international passengers

#### **Growth in traffic from FY 2027-28 to FY 2030-31**

- 3.2.10 Having determined the traffic for the first year, the Authority has examined the year-on-year growth rates projected in the revised traffic study conducted by GVIAL for the remaining years of the First Control Period. The revised study projects growth in total passenger traffic of 12.0% in FY 2027-28, 18.7% in FY 2028-29, 24.4% in FY 2029-30 and 18.8% in FY 2030-31, as set out in Table 7.
- 3.2.11 The Authority notes that the de-growth is confined to FY 2026-27 alone, and the trajectory thereafter reflects a progressive recovery which is consistent with the removal of the capacity constraints, the progressive induction of aircraft into the national fleet from FY 2027-28 onwards, the resumption and addition of international services, and the improvement in surface connectivity to Bhogapuram upon completion of the road upgrades. The Authority therefore notes that the growth rates of the revised study are reasonable and are duly supported by the underlying analysis and hence proposes to adopt the year-on-year growth rates of the revised CAPA study for FY 2027-28 to FY 2030-31 without modification, and to apply the same to the traffic of 2.93 Mn assessed for the full year of FY 2026-27.

#### **Air Traffic Movements and Cargo Throughput**

- 3.2.12 The Authority has examined the passengers per ATM implicit in the revised CAPA study, being the ratio of the passenger traffic in Table 7 to the ATMs in Table 8, and notes that the same is 139.28 in FY 2026-27, 142.17 for FY 2027-28, 145.37 for FY 2028-29, 146.98 in FY 2029-30 and 148.9 in FY 2030-31 for domestic operations. For international operations, the passenger per ATM ranges from 146.9 to 153.6. The Authority notes that the passengers per ATM actually achieved at Visakhapatnam Airport was 108.25 in FY 2021-22, 119.30 in FY 2022-23, 138.9 in FY 2023-24, 133.1 in FY 2024-25 and 136.9 in FY 2025-26.

- 3.2.13 The Authority has reviewed the historical passenger traffic and ATMs at Visakhapatnam Airport for the five-year period from FY 2021-22 to FY 2025-26 and notes that the average passengers per ATM during this period works out to approximately 127. Taking into account the historical average, the Authority proposes to adopt a ratio of ~130 passengers per ATM for the First Control Period in respect of both domestic and international operations. The Authority accordingly proposes to derive the projected ATMs by applying the said ratio to the passenger traffic assessed by the Authority for each year of the First Control Period.
- 3.2.14 In respect of cargo, the Authority notes that the entire throughput during the First Control Period is expected to comprise belly cargo carried in the holds of passenger aircraft, with no dedicated freighter operations envisaged. Accordingly, cargo throughput is expected to be primarily driven by aircraft movements and the cargo uplift per movement.
- 3.2.15 The Authority has derived the cargo per ATM implicit in the revised CAPA Study by dividing the cargo throughput submitted in Table 9 by the corresponding ATMs submitted in Table 8. The cargo per ATM so derived is presented in the table below. The Authority notes that the derived cargo per ATM ranges from 0.19 MT to 0.24 MT for domestic operations and from 0.16 MT to 0.25 MT for international operations and finds the same to be reasonable, having regard to the enhanced cargo handling facilities available at the new airport as compared with the civil enclave.
- 3.2.16 Accordingly, the Authority proposes to determine the cargo throughput for the First Control Period by applying the cargo per ATM derived from the revised CAPA Study, as set out in the table below, to the ATMs considered by the Authority.

**Table 10: Cargo per ATM derived from the revised CAPA study**

| Particulars                                     | Ref          | FY 2026-27*  | FY 2027-28   | FY 2028-29   | FY 2029-30   | FY 2030-31   | Total    |
|-------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|----------|
| <b>ATM (in Nos.)</b>                            |              |              |              |              |              |              |          |
| Domestic ATM as per CAPA Study (Table 8)        | A            | 18,237       | 19,695       | 22,976       | 28,031       | 32,811       | 1,21,750 |
| International ATM as per CAPA Study (Table 8)   | B            | 674          | 1,014        | 1,098        | 1,554        | 1,921        | 6,261    |
| <b>Cargo (in MT)</b>                            |              |              |              |              |              |              |          |
| Domestic cargo as per CAPA Study (Table 9)      | C            | 4,292        | 4,816        | 5,247        | 5,708        | 6,200        | 26,263   |
| International cargo as per CAPA Study (Table 9) | D            | 110          | 196          | 212          | 300          | 480          | 1,298    |
| <b>Domestic cargo MT per ATM</b>                | <b>E=C/A</b> | <b>0.235</b> | <b>0.244</b> | <b>0.228</b> | <b>0.203</b> | <b>0.189</b> |          |
| <b>International cargo MT per ATM</b>           | <b>F=D/B</b> | <b>0.163</b> | <b>0.193</b> | <b>0.193</b> | <b>0.193</b> | <b>0.249</b> |          |

*\*Traffic for FY 2026-27 is for the full period of twelve months.*

- 3.2.17 Considering the above and based on the methodology set out in para 3.2.8 and para 3.2.11 for passenger traffic, para 3.2.13 for ATMs and para 3.2.16 for cargo traffic, the Authority has computed the traffic for the First Control Period. The traffic for FY 2026-27 has been proportionately adjusted to reflect the actual COD of 17th August 2026. Accordingly, the passenger, ATM and cargo traffic proposed by the Authority for the First Control Period, as compared with the projections in the revised CAPA study, is presented below:

**Table 11: Traffic proposed by the Authority for the First Control Period**

| Particulars                                                                  | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <b>Passenger Traffic</b>                                                     |             |             |             |             |             |              |
| Domestic pax as per revised submission of GVIAL (in Mn) (Refer Table 7)      | 1.57        | 2.80        | 3.34        | 4.12        | 4.88        | 16.71        |
| Domestic pax as proposed by the Authority (in Mn)                            | 1.76        | 3.12        | 3.72        | 4.59        | 5.44        | 18.63        |
| % Change in domestic pax submitted by GVIAL**                                |             | 10.40%      | 19.20%      | 23.60%      | 18.40%      |              |
| % Change in domestic pax proposed by the Authority**                         |             | 10.40%      | 19.20%      | 23.60%      | 18.40%      |              |
|                                                                              |             |             |             |             |             |              |
| International pax as per revised submission of GVIAL (in Mn) (Refer Table 7) | 0.06        | 0.15        | 0.17        | 0.23        | 0.29        | 0.90         |
| International pax as proposed by the Authority (in Mn)                       | 0.07        | 0.16        | 0.18        | 0.25        | 0.32        | 0.98         |
| % Change in international pax submitted by GVIAL**                           |             | 53.50%      | 9.90%       | 40.70%      | 25.50%      |              |
| % Change in international pax proposed by the Authority**                    |             | 53.50%      | 9.90%       | 40.70%      | 25.50%      |              |
|                                                                              |             |             |             |             |             |              |
| <b>Total pax as per revised submission of GVIAL (in Mn) (Refer Table 7)</b>  | <b>1.64</b> | <b>2.95</b> | <b>3.50</b> | <b>4.36</b> | <b>5.18</b> | <b>17.63</b> |
| <b>Total pax as proposed by the Authority (in Mn)</b>                        | <b>1.83</b> | <b>3.28</b> | <b>3.90</b> | <b>4.85</b> | <b>5.76</b> | <b>19.61</b> |
| % Change in Total pax submitted by GVIAL**                                   |             | 12.00%      | 18.70%      | 24.40%      | 18.80%      |              |
| % Change in Total pax proposed by the Authority**                            |             | 12.00%      | 18.70%      | 24.40%      | 18.80%      |              |
|                                                                              |             |             |             |             |             |              |
| <b>Air Traffic Movement</b>                                                  |             |             |             |             |             |              |
| Domestic ATM as per revised submission of GVIAL (Refer Table 8)              | 11,307      | 19,695      | 22,976      | 28,031      | 32,811      | 1,14,820     |
| Domestic ATM as proposed by The Authority                                    | 13,483      | 23,915      | 28,499      | 35,219      | 41,707      | 1,42,823     |
| % Change in domestic ATM submitted by GVIAL**                                |             | 8.00%       | 16.70%      | 22.00%      | 17.10%      |              |
| % Change in domestic ATM proposed by the Authority**                         |             | 10.37%      | 19.17%      | 23.58%      | 18.42%      |              |
|                                                                              |             |             |             |             |             |              |
| International ATM as per revised submission of GVIAL (Refer Table 8)         | 418         | 1,014       | 1,098       | 1,554       | 1,921       | 6,005        |
| International ATM as proposed by the Authority                               | 504         | 1,244       | 1,366       | 1,923       | 2,414       | 7,451        |
| % Change in international ATM submitted by GVIAL**                           |             | 50.45%      | 8.28%       | 41.53%      | 23.62%      |              |
| % Change in international ATM proposed by the Authority**                    |             | 53.58%      | 9.81%       | 40.78%      | 25.53%      |              |
|                                                                              |             |             |             |             |             |              |

| Particulars                                                                    | FY 27*        | FY 28         | FY 29         | FY 30         | FY 31         | Total           |
|--------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| <b>Total ATM as per revised submission of GVIAL (Refer Table 8)</b>            | <b>11,725</b> | <b>20,709</b> | <b>24,074</b> | <b>29,585</b> | <b>34,732</b> | <b>1,20,825</b> |
| <b>Total ATM as proposed by the Authority</b>                                  | <b>13,987</b> | <b>25,159</b> | <b>29,865</b> | <b>37,142</b> | <b>44,121</b> | <b>1,50,274</b> |
| <i>% Change in Total ATM submitted by GVIAL**</i>                              |               | <i>9.51%</i>  | <i>16.25%</i> | <i>22.89%</i> | <i>17.40%</i> |                 |
| <i>% Change in Total ATM proposed by the Authority**</i>                       |               | <i>11.92%</i> | <i>18.71%</i> | <i>24.37%</i> | <i>18.79%</i> |                 |
|                                                                                |               |               |               |               |               |                 |
| <b>Cargo Volume</b>                                                            |               |               |               |               |               |                 |
| Domestic Cargo as per revised submission of GVIAL (in MT) (Refer Table 9)      | 2,661         | 4,816         | 5,247         | 5,708         | 6,200         | 24,632          |
| Domestic Cargo as proposed by the Authority (in MT)                            | 3,173         | 5,850         | 6,510         | 7,180         | 7,890         | 30,603          |
| <i>% Change in domestic Cargo submitted by GVIAL**</i>                         |               | <i>12.21%</i> | <i>8.95%</i>  | <i>8.79%</i>  | <i>8.62%</i>  |                 |
| <i>% Change in domestic Cargo proposed by the Authority**</i>                  |               | <i>14.71%</i> | <i>11.28%</i> | <i>10.29%</i> | <i>9.89%</i>  |                 |
|                                                                                |               |               |               |               |               |                 |
| International Cargo as per revised submission of GVIAL (in MT) (Refer Table 9) | 68            | 196           | 212           | 300           | 480           | 1,256           |
| International Cargo as proposed by the Authority (in MT)                       | 87            | 250           | 270           | 380           | 610           | 1,597           |
| <i>% Change in international Cargo submitted by GVIAL**</i>                    |               | <i>78.18%</i> | <i>8.16%</i>  | <i>41.51%</i> | <i>60.00%</i> |                 |
| <i>% Change in international Cargo proposed by the Authority**</i>             |               | <i>78.57%</i> | <i>8.00%</i>  | <i>40.74%</i> | <i>60.53%</i> |                 |
|                                                                                |               |               |               |               |               |                 |
| <b>Total Cargo as per revised submission of GVIAL (in MT) (Refer Table 9)</b>  | <b>2,729</b>  | <b>5,012</b>  | <b>5,459</b>  | <b>6,008</b>  | <b>6,680</b>  | <b>25,888</b>   |
| <b>Total Cargo as proposed by the Authority (in MT)</b>                        | <b>3,260</b>  | <b>6,100</b>  | <b>6,780</b>  | <b>7,560</b>  | <b>8,500</b>  | <b>32,200</b>   |
| <i>% Change in Total Cargo submitted by GVIAL**</i>                            |               | <i>13.86%</i> | <i>8.92%</i>  | <i>10.06%</i> | <i>11.19%</i> |                 |
| <i>% Change in Total Cargo proposed by the Authority**</i>                     |               | <i>16.41%</i> | <i>11.15%</i> | <i>11.50%</i> | <i>12.43%</i> |                 |

\*Traffic of FY 2026-27 as proposed by the Authority and as submitted by GVIAL is computed considering the Airport COD of 17<sup>th</sup> August 2026

\*\*Growth rates considered for both GVIAL submission and the Authority's proposal for FY 27-28 considers the annualized traffic numbers for FY 26-27.

### 3.3 Authority's proposals relating to traffic for the First Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to the traffic forecast for the First Control Period:

- 3.3.1 To consider the passenger, ATM and cargo traffic for the First Control Period for BIA as per Table 11.
- 3.3.2 To true up the traffic volume (passenger, ATM and cargo) on the basis of actual traffic in the First Control Period while determining tariff for the Second Control Period.

#### **4. CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FIRST CONTROL PERIOD**

##### **4.1 Background**

- 4.1.1 Regulatory Asset Base (RAB) is an essential element in the process of Aeronautical tariff determination. The return to be provided on RAB constitutes a considerable portion of the Aggregate Revenue Requirement (ARR). To encourage the participation of the private sector in airport development and operations, investors must be fairly compensated for the capital outlays involved. At the same time, to safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified and the return on investment is provided solely on the assets related to the core operations (i.e., Aeronautical Services) of the airport.
- 4.1.2 The Government of Andhra Pradesh (GoAP) planned to develop a new greenfield airport at Bhogapuram Mandal in Vizianagaram District of Andhra Pradesh under Public Private Partnership (PPP) mode on a Design, Build, Finance, Operate and Transfer (DBFOT) concession basis. Andhra Pradesh Airports Development Corporation Limited (APADCL) invited Request for Qualifications (RFQ) from interested parties. M/s GMR Airports Limited emerged as a successful bidder at an offered Per-Passenger Fee of Rs. 303 per domestic passenger. GMR Visakhapatnam International Airport Limited (“GVIAL” or “Company”), a 100% subsidiary of GMR Airports Limited (“GAL”), was incorporated as a Special Purpose Vehicle (SPV) to develop the greenfield airport on design, build, finance, operate and transfer (DBFOT) basis. GVIAL had signed the concession agreement (“Concession Agreement” or “CA”) with APADCL, on 12<sup>th</sup> June 2020 for a period of 40 years which is further extendable by another 20 years, based on competitive bidding.
- 4.1.3 The Authority notes that GVIAL has proposed to plan and develop Bhogapuram International Airport in a phased manner during the tenure of the concession period. As specified in Annex-II, Schedule A of the Concession Agreement and detailed in Table 1, Phase I of the airport development is required to be undertaken for a design capacity of 6 MPPA. This development includes key infrastructure such as the passenger terminal building, runway, taxiways, apron, air traffic control, cargo facilities, airside and landside access roads and other support systems. Expansion in subsequent phases will be triggered upon reaching pre-defined traffic thresholds outlined in Table 1.
- 4.1.4 To facilitate this development, GVIAL was required to prepare and submit a Master Plan, which is in accordance with Civil Aviation Requirements (CAR) as prescribed by DGCA, ICAO guidelines and conforming to Good Industry Practice, and in line with the specifications / requirements set out in the Concession Agreement.
- 4.1.5 As per Clause 5 of Annex II to Schedule A of the Concession Agreement,  
*“The Preferred Bidder has submitted the initial Master Plan to the Authority within 60 (sixty) days of the execution of this Agreement. The Concessionaire hereby undertakes that it shall submit the updated Master Plan, based upon the initial Master Plan submitted by the Preferred Bidder, to the Independent Engineer and the Authority, for its review and comments within 60 (sixty) days from the date of submission of the initial Master Plan. This Master Plan will become a part of the Concession Agreement.”*
- 4.1.6 The Authority notes that GVIAL has prepared and submitted a Master Plan for construction and development of Bhogapuram International Airport in accordance with the Concession Agreement. The Master Plan was submitted to APADCL in terms of the Concession Agreement vide letter dated 10<sup>th</sup> July 2023.

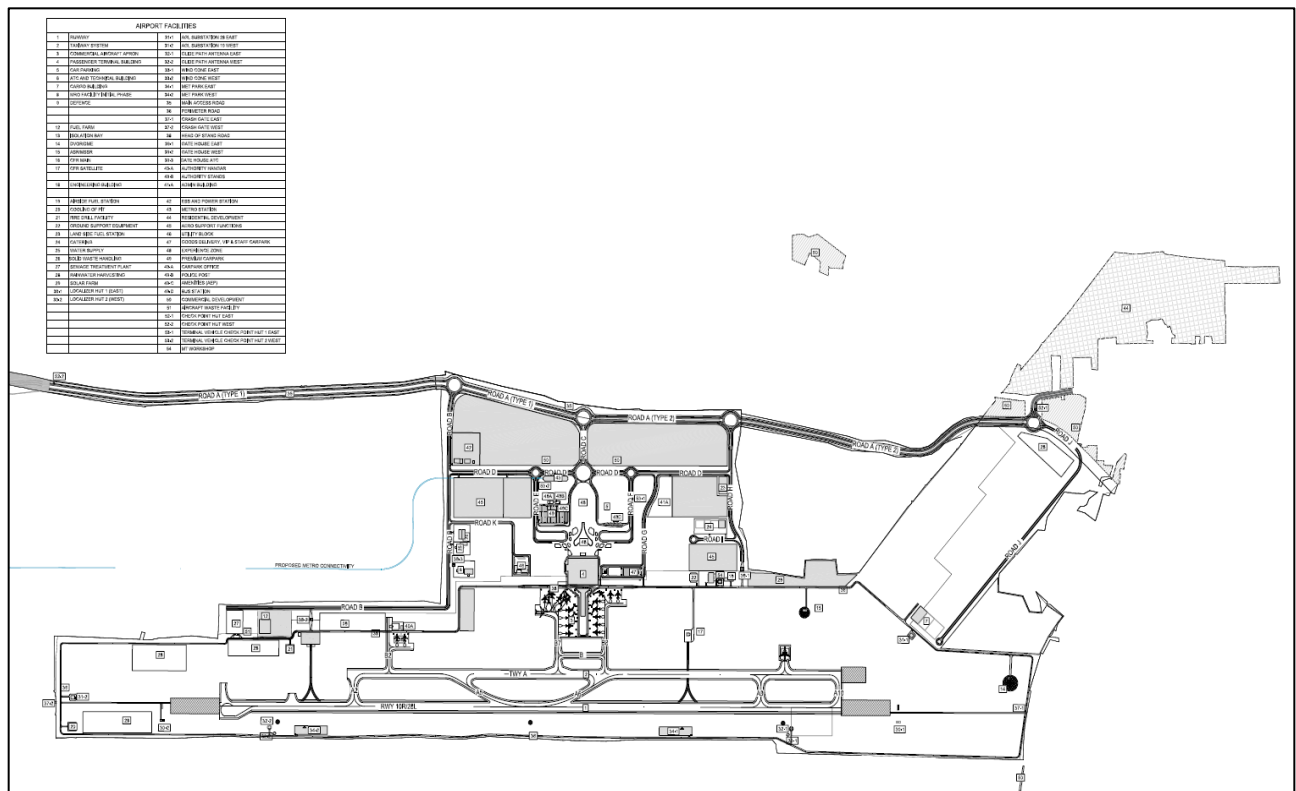
4.1.7 The Authority further notes that APADCL, vide its letter dated 7<sup>th</sup> December 2023, approved the Master Plan. Further, in compliance with the provisions of the Concession Agreement, GVIAL submitted the Phase I Development Plan vide its letter dated 20<sup>th</sup> July 2023.

4.1.8 In accordance with Clause 12.2.1 and Annex II to Schedule A of the Concession Agreement, GVIAL has prepared the Development Plan for Phase I of Bhogapuram International Airport in compliance with the approved Master Plan and the requirements set forth in the Concession Agreement. The facilities being developed under Phase I are presented below:

- Runway (orientation 10-28) of 3,800 m length along with all associated works to make it suitable for Code 4E operations.
- Terminal Building along with city side development for a capacity of 6 MPPA.
- Cargo facilities including apron, cargo terminal for International and Domestic cargo, and other allied facilities.

4.1.9 The figure below shows the planned facilities included as part of the Development Plan for Phase I:

**Figure 1 : Development Plan for Phase I**



The list of developments planned as part of Phase I is also given in Table 3

4.1.10 The Authority notes that GVIAL is mandated to develop project facilities for Bhogapuram International Airport as stipulated in Schedule C of Annexure 1 of the Concession Agreement, while complying with Clause 22.7.1 of the Concession Agreement, which requires GVIAL to participate in the Airport Service Quality (ASQ) survey undertaken by Airports Council International (ACI) and ensure that the Airport achieves and

maintains a rating of at least 4.0 out of 5.0 and/or appears within the top 20 percentile of all airports in its category.

- 4.1.11 Independent Consultant / Aviation Expert appointed by the Authority, undertook a site visit to assess the capital expenditure proposed for the First Control Period. During the site visit, the Consultant engaged with the technical team of GVIAl to understand the planned phasing of airport infrastructure, traffic estimation methodologies and the short, medium and long-term development plans for the Airport.
- 4.1.12 As part of the site visit, discussions were held with the design and planning teams to understand the scope of capital expenditure submitted by GVIAl for the First Control Period. These discussions included a review of the project plan, drawings, physical progress at site and the phasing of projects to align with projected passenger traffic and operational needs.
- 4.1.13 Further, interactions were held with the project team of GVIAl to examine the contract award process, change order process, basis of cost estimation where contracts were yet to be awarded, contingency provisions and benchmarking against industry / normative standards for similar infrastructure projects.
- 4.1.14 The Authority observed that the assessment of Airport development and its phasing is a technical matter, which requires analysis by the domain expert. The Authority, through its Independent Consultant / Aviation Expert, has carried out an analysis of the submissions made by GVIAl regarding Capital Additions and RAB, and has performed the following:
- i. Examined the proposal of GVIAl in terms of the designated capacity of the airport/scope with reference to Passenger Growth/Cargo Volumes/Air Traffic Movement and assessed cost effectiveness of the proposal.
  - ii. Examined the Building Standards, Designs and Pavement works including cost thereon submitted by GVIAl to be in line with IMG/IATA/ICAO norms.
  - iii. Analyzed the reasonableness of the proposed cost with reference to the tentative ceiling decided by the Authority vide order No. 07/2016-17 dated 13.06.2016 based on the details of the rates and quantity as per Government / Industry approved norms.
  - iv. Sought documentary evidence and verified the process of approval of Capital Expenditure projects including bidding process for award of various work orders and time schedule of completion of work submitted by GVIAl.
  - v. Sought and verified various drawings and plans, BOQs, cost estimates and break-up, detailed justification and explanation, copies of Letter of Intent (LOI), Letter of Award (LOA), Purchase Orders, Work Orders, Contracts, Change Orders etc. as applicable, provided by GVIAl.
- 4.1.15 The Authority, through its Independent Consultant / Aviation Expert, has sought and examined GVIAl's submission based on the following information / criteria:
- Nature of the expenditure
  - Necessity / requirement of the expenditure
  - Number of passengers projected for the First Control Period
  - Terminal capacity projected for the First Control Period
  - Other short-term and long-term plans of GVIAl

- Sustainability of airport operations
- Passenger consideration
- Safety and security of the airport
- Process of approval and sanction for various work orders / purchase orders

4.1.16 Based on the facts outlined above, the Authority, through its Independent Consultant / Aviation Expert, has examined the entire CAPEX plan in detail, considering the historical traffic trends in Visakhapatnam as a region and future traffic estimates for Bhogapuram Airport, such that only essential, reasonable and efficient CAPEX is considered as part of RAB for the First Control Period with a view to encourage the investors while maintaining a balanced approach between the sustainable operations of GVIAL and the interest of the airport users. Further, the Authority takes cognizance of the fact that, if any excess CAPEX is allowed in this Control Period, it would be against the regulatory framework, as tariff would have no link to the services / facilities created at the Airport and the resultant high aeronautical charges would be unfair to the ultimate users.

4.1.17 Towards the objective as mentioned above, the Authority has examined in detail the aeronautical CAPEX and RAB submitted by GVIAL and has presented its view in the following order:

- a) Aeronautical CAPEX proposed for the First Control Period
- b) Asset allocation ratio and aeronautical allocation of CAPEX
- c) Aeronautical depreciation for the First Control Period
- d) Regulatory Asset Base for the First Control Period

4.1.18 Based on the above, the Authority, through its Independent Consultant / Aviation Expert, has rationalized the capital expenditure for projects where necessary, and accordingly proposed capital additions for the First Control Period.

## 4.2 GVIAL's submission regarding Capital Expenditure (CAPEX) for the First Control Period

4.2.1 GVIAL submitted total Capital Expenditure of Rs. 5,143.23 crores in the MYTP dated 9<sup>th</sup> July 2025 for the First Control Period, the details of which are as given below:

**Table 12: Capital Expenditure submitted by GVIAL in the MYTP for the First Control Period**

*(Rs. in Crs)*

| Sr. No.  | Particulars                              | Ref                    | Amount          |
|----------|------------------------------------------|------------------------|-----------------|
| <b>A</b> | <b>EPC</b>                               |                        |                 |
| A1       | Site Development                         |                        | 625.42          |
| A2       | Runway/ Taxiway/ Apron                   |                        | 397.17          |
| A3       | ATC, Technical block and Other Buildings |                        | 200.90          |
| A4       | Terminal Building                        |                        | 813.99          |
| A5       | Airport System                           |                        | 281.28          |
| A6       | Electrical                               |                        | 469.66          |
| A7       | Furniture & Fixtures                     |                        | 30.63           |
| A8       | Roads and Pavement                       |                        | 109.01          |
| A9       | Boundary Wall                            |                        | 30.08           |
| A10      | Storm Water and Sewage                   |                        | 225.12          |
| A11      | Landscaping                              |                        | 59.97           |
| A12      | Preliminaries                            |                        | 376.32          |
|          | <b>Total EPC</b>                         | <b>I= Sum (A1:A12)</b> | <b>3,619.57</b> |
| <b>B</b> | <b>Boundary wall &amp; Approach Road</b> |                        |                 |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE  
FIRST CONTROL PERIOD**

| <b>Sr. No.</b> | <b>Particulars</b>                            | <b>Ref</b>              | <b>Amount</b>   |
|----------------|-----------------------------------------------|-------------------------|-----------------|
| B1             | Roads and Pavement                            |                         | 196.50          |
| B2             | Boundary Wall                                 |                         | 25.00           |
| B3             | Less: Government Grant                        |                         | -134.55         |
|                | <b>Total Non-EPC Cost (net of govt grant)</b> | <b>II=Sum (B1:B3)</b>   | <b>86.95</b>    |
|                | <b>Total Hard Cost</b>                        | <b>III= I+II</b>        | <b>3,706.51</b> |
| C              | Soft Costs                                    |                         | 389.60          |
| D              | Contingency                                   |                         | 100.00          |
| E              | Financing Allowance                           |                         | 722.12          |
| F              | General and Maintenance CAPEX                 |                         | 225.00          |
|                | <b>Total Project Cost</b>                     | <b>IV=(III+C+D+E+F)</b> | <b>5,143.23</b> |

- 4.2.2 As per submission, Phase I of Bhogapuram International Airport includes development of 6 MPPA passenger capacity, in accordance with the Master Plan and the requirements set forth in the Concession Agreement. The Phase I development comprises construction of core airport infrastructure including runway, passenger terminal building and associated airside and landside infrastructure required for handling domestic and international traffic.
- 4.2.3 The Passenger Terminal Building is designed in a pier configuration with a central processor and multiple connected piers, enabling segregation of domestic and international passenger flows and provision for incremental expansion. The terminal includes passenger processing systems such as check-in counters, baggage handling systems, security screening areas, immigration facilities, boarding gates and associated commercial and operational spaces.
- 4.2.4 The airside infrastructure includes development of a runway of 3,800 m length (Code 4E) along with associated taxiways, aprons and aircraft parking stands to handle narrow body and wide body aircraft operations. The airside layout has been designed to ensure efficient aircraft movement and optimal utilization of infrastructure with provision for future expansion.
- 4.2.5 The development plan also includes apron facilities and aircraft stands, comprising a mix of contact and remote stands, along with supporting systems such as visual docking guidance systems, ground handling infrastructure and airside service roads.
- 4.2.6 Further, the project scope includes development of utility infrastructure and support systems such as power supply systems including substations and DG backup, water supply systems, sewage treatment plant, storm water drainage, fuel systems and communication and navigation infrastructure required for airport operations.
- 4.2.7 The Phase I development also includes landside infrastructure and associated facilities, such as access roads, traffic circulation systems, car parking, cargo terminal, fuel farm, fire stations, boundary wall and other operational and safety infrastructure required for efficient functioning of the Airport.
- 4.2.8 As per submission, the Concession Agreement provides for expansion of the Airport based on traffic trigger levels, wherein subsequent phases are to be undertaken upon achieving specified utilization of design capacity. GVIAL has submitted that even though the infrastructure developed under Phase I is 6 MPPA, it can cater to traffic up to 8–9 MPPA by implementing technology solutions to enhance passenger processing efficiency and accordingly, no major capital expenditure towards expansion has been considered during the First Control Period.
- 4.2.9 The Authority further notes that GVIAL has proposed to undertake operational capital expenditure of Rs. 75 crore per year during FY30 to FY32, primarily towards passenger flow improvements, de-bottlenecking

measures and implementation of technology solutions to enhance passenger processing efficiency for meeting the additional passenger traffic without any major expansion.

- 4.2.10 As per submission, GVIAL has funded the Phase I development through a mix of debt and equity. The project is primarily funded through a Senior Debt Facility from a consortium of lenders, along with sub-debt facilities. The debt facilities have been structured with defined repayment schedules and interest rates linked to lender benchmarks along with spreads.
- 4.2.11 The Authority further notes that, as per Clause 12.9.2 of the Concession Agreement, APADCL has agreed to provide Government Grant of Rs. 135 crore towards certain identified infrastructure works which is adjusted against the respective assets capitalized.

### **4.3 Authority's examination regarding Capital Expenditure (CAPEX) for the First Control Period**

- 4.3.1 The Authority has undertaken a detailed review of the proposed Capital Expenditure to assess the need and sizing of the Capital Expenditure projects carried out and the reasonableness of the costs incurred. This review included an examination of the necessity, feasibility and cost-effectiveness of each of the proposed projects, with the objective of ensuring that the proposed expenditure is prudent and aligned with the long-term interests of the airport users and other stakeholders. AERA has taken into account the applicable regulatory prescriptions and guidelines in carrying out this review. AERA, through its independent consultant, had carried out a detailed site visit to review the projects undertaken by the Airport Operator, conducted meetings with the Project Execution team, reviewed the Master Plan of development, carried out a review of each of the project executed in detail, to ensure that only necessary Capital Expenditure at its optimal value is being included as part of the Regulatory Asset Base, for providing a return to the Airport Operator. AERA has, considered appropriate cost benchmarks such as Normative Rates, CPWD and DSR rates, as applicable, in reviewing/ validating the costs incurred by the Airport Operator.

#### **User Consultation**

- 4.3.2 The Authority notes that GVIAL conducted an Airport User Consultative Committee (AUCC) meeting on 21<sup>st</sup> October 2024 in accordance with the applicable tariff guidelines for consultation with stakeholders on the proposed capital expenditure for the First Control Period. GVIAL invited various airport users and stakeholders including airlines, airline associations such as IATA and FIA, industry associations, Air Cargo Associations, Fuel Farm operators and Ground Handlers etc. GVIAL also prepared a Project Information File (PIF) and circulated the same to all stakeholders prior to the AUCC meeting.
- 4.3.3 As per the minutes of the meeting, the Authority notes that GVIAL had broadly discussed the following with stakeholders:
- The project development plans for Phase I, including overall infrastructure layout, terminal design and implementation timelines;
  - Progress updates on construction activities, including key milestones across airside, terminal and landside components;
  - The capital expenditure proposed for the First Control Period, including key cost elements and phasing of investments;
  - The proposed capacity, passenger handling systems and operational readiness of the Airport.

4.3.4 An extract of the minutes of the meeting is presented below:

***“Comprehensive presentation by Mr. Sandip Ray, CFO, GVIAL***

*The CFO began by outlining GMR Group's core values and beliefs, emphasizing its journey as a diversified infrastructure conglomerate. The Group's extensive portfolio includes airports, highways, special investment regions, and power plants. Notably, GMR Group is the world's second-largest private airport developer.*

*The presentation highlighted the strategic importance of Visakhapatnam, a city with significant potential in various sectors:*

- Healthcare: Home to renowned healthcare institutions like Health City Arilova.*
- Education: Presence of premier educational institutes.*
- Industry: A thriving industrial landscape encompassing steel production, IT/ITES, petrochemicals, shipbuilding, pharmaceuticals, logistics, trade, fisheries, and food processing.*
- Tourism: Rich cultural heritage, scenic beaches, and religious sites.*

*The CFO provided a comprehensive overview of the Bhogapuram International Airport project:*

- I. Phase I Development: Designed to accommodate 6 million passengers per annum, with the capacity to scale up to over 40 million passengers.*
- II. Project Cost: Rs 4,592 crore.*
- III. Smart Airport: The airport is being developed with a focus on environmental sustainability.*
- IV. EPC Contract: Awarded to L&T for Rs 3,668 crore through international competitive bidding.*
- V. Key Features: State-of-the-art infrastructure, including runway, taxiway, ATC tower, and terminal building.*
- VI. Construction Progress: As of October 18, 2024, the project is 46.51% complete.*
- VII. Targeted Completion: The goal is to complete Phase I six months ahead of the scheduled deadline of December 13, 2026.*

*The presentation concluded with a detailed discussion of the project's financial aspects, including Phase I capex, financing plans, and estimated costs for Phase II development.”*

4.3.5 The Authority notes that stakeholders raised several issues relating to connectivity, infrastructure readiness, cargo development, passenger handling capacity, slot availability and non-aeronautical revenue opportunities. The key concerns raised included:

- Need for improved connectivity and development of surrounding infrastructure, including road access and integration with regional transport networks;
- Requirement for dedicated infrastructure for CNS/ATM systems, including underground cabling and connectivity between operational buildings;
- Need for early development of cargo facilities along with provision for future expansion to meet demand;

- Clarifications regarding passenger handling capacity (PHP), international operations, and slot availability for airlines;
  - Queries relating to city-side development, MRO facilities and non-aeronautical revenue opportunities.
- 4.3.6 GVIAL responded to the above concerns, highlighting coordination with relevant government agencies for connectivity improvements, modular design of airport infrastructure enabling scalability, and allocation of land parcel for cargo and MRO facilities.
- 4.3.7 The Authority further notes that detailed queries were raised by stakeholders, including IATA, relating to project planning approach, adequacy of information provided in the PIF, cost estimation methodology, benchmarking, terminal design flexibility, service level standards and financing structure of the project.
- 4.3.8 GVIAL clarified that project development is being undertaken in accordance with the Concession Agreement and applicable regulatory requirements, with cost estimates based on competitive bidding and industry benchmarks. GVIAL also submitted that the terminal design incorporates operational flexibility and modular expansion provisions, with planned service levels aligned to applicable standards.
- 4.3.9 The Authority notes that stakeholders also raised queries relating to cargo handling capabilities, slot availability, passenger fees and MRO development. GVIAL submitted that cargo facilities are planned for both domestic and international operations, with adequate land earmarked for future expansion, and that sufficient infrastructure has been planned to accommodate early-stage operations, including slot availability and operational readiness.
- 4.3.10 In evaluating the Capital Expenditure proposed by GVIAL for the First Control Period, the Authority has considered the discussions and key observations emerging from the AUCC meeting, along with the submissions made by GVIAL in the MYTP.

**Bidding Procedure and Scope of EPC contracts**

- 4.3.11 The Authority notes that as per GVIAL submission, it has undertaken the procurement of the Engineering, Procurement and Construction (EPC) contract and other associated contracts for development of Bhogapuram International Airport in accordance with the provisions of the Concession Agreement and the procurement policy of the Concessionaire.
- 4.3.12 The Authority, based on the information made available by GVIAL along with necessary supporting documents, notes that the procurement process for award of major contracts has been undertaken through open competitive bidding by means of e-tendering, wherein bidders with relevant experience in similar infrastructure projects were shortlisted for participation.
- 4.3.13 The Authority further notes that, as per Clause 5.6.2 of the Concession Agreement:
- “For procurement of goods, works, services, sub-lease(s), sub-license(s), or any other rights or privilege where the consideration (including deposits in any form in respect thereof) exceeds Rs. 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.”*

4.3.14 GVIAL submitted that the EPC contract for development of Bhogapuram International Airport was awarded through a competitive two-stage bidding process comprising pre-qualification, technical evaluation and financial evaluation stages.

4.3.15 The EPC contract for development of Bhogapuram International Airport was awarded after the following steps, as submitted by GVIAL:

- The Expression of Interest (EoI) and pre-qualification process resulted in four bidders being qualified for participation in the Request for Proposal (RFP) stage.
- Pursuant to the RFP process, bids were received from three bidders and were subjected to technical and financial evaluation in accordance with the bid process requirements.
- Following evaluation of the bids and subsequent value-engineering and commercial discussions with the qualified bidders, revised financial proposals were received.
- Based on the final evaluated bids, M/s Larsen & Toubro Limited emerged as the lowest evaluated bidder (L1) and the EPC contract was awarded at a contract value of Rs. 3,668 crore (inclusive of GST).

4.3.16 The Authority, through its independent consultant, has examined the scope of EPC contract and notes that the same broadly includes:

- a) Design and engineering works, including preparation of detailed designs, drawings and specifications;
- b) Procurement and construction works, including supply of materials, equipment and execution of terminal, airside, landside and associated infrastructure;
- c) Mechanical, Electrical and Plumbing (MEP) works and associated utility systems;
- d) Airport systems, including baggage handling, IT, security and related systems;
- e) Testing, commissioning and system integration for operational readiness of the Airport; and
- f) Handover and defect rectification obligations, including coordination with other project components.

4.3.17 In addition to the EPC contract, the Authority notes that the following key contracts have been separately awarded by GVIAL for development of various components of the Airport:

**Table 13: Overview of Key Project Contracts awarded as submitted by GVIAL**

| Sr No. | Contract Name     | Contractor Awarded                          | Bidding Methodology | Amount (Rs in Crs) | Scope of the Work                                                                                                                                                                   |
|--------|-------------------|---------------------------------------------|---------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | Main Access Roads | M/S KPC                                     | Open Tender         | 197.00             | Engineering, Procurement and Construction of a four lanes main access road                                                                                                          |
| 2      | PMC Contractor    | M/s GMR Airports Developers Limited (GADL). |                     | 80.59              | Comprehensive project management consultancy services covering design, procurement, execution, testing, commissioning, and handover for successful delivery of the airport project. |
| 3      | Design Contractor | Meinhardt International                     | Limited Tender      | 37.74              | Preparation of a phased airport masterplan covering terminal design, expansion planning,                                                                                            |

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| Sr No. | Contract Name            | Contractor Awarded                          | Bidding Methodology | Amount (Rs in Crs) | Scope of the Work                                                       |
|--------|--------------------------|---------------------------------------------|---------------------|--------------------|-------------------------------------------------------------------------|
|        |                          | Infrastructure Pte Ltd                      |                     |                    | landside connectivity, utilities, grading, and regulatory requirements. |
| 4      | Boundary Wall            | M/s Satkaarika                              | Limited Tender      | 23.50              | Construction of 15 Km of Boundary Wall                                  |
| 5      | CISF Accommodation       | M/s Bheemaa Infra Solutions Private Limited |                     | 21.97              | Construction of CISF Accommodation                                      |
| 6      | CISF Other Buildings     | M/s V North Constructions                   |                     | 16.53              | For Dog Kennel, QRT, Armory, utilities and external development.        |
| 7      | Skill Development Centre | M/s Ratnadhar                               |                     | 12.38              | Construction of Skill Development Centre                                |

4.3.18 The Authority, through its Independent Consultant, has examined the procurement process for award of the EPC and other major contracts.

**Bifurcation of CAPEX for the First Control Period**

4.3.19 GVIAL was requested to submit a detailed break-up of the EPC contract to facilitate appropriate bifurcation and mapping of the capital expenditure considered in its MYTP submission. In response, GVIAL submitted the cost break-up of the EPC contract at the sub-project level, along with the corresponding head-wise mapping to the MYTP submission.

4.3.20 The Authority, through its Independent Consultant, has examined the detailed break-up submitted by GVIAL and observes that the classification adopted by GVIAL does not facilitate clear identification and analysis of costs at the project-component level. Certain cost elements attributable to specific airport assets have been classified under separate functional heads, resulting in fragmentation of costs relating to the same project component. For instance, costs relating to HVAC, BHS, escalators, elevators and furniture associated with the Terminal Building have been classified under separate heads instead of being consolidated under the Terminal Building.

4.3.21 Accordingly, for the purpose of meaningful analysis and assessment of capital expenditure, the Authority has reclassified the costs based on the underlying project components in which such components are a part of, such as Airside works, Terminal Building, city-side infrastructure etc. The reclassification has been undertaken by regrouping the individual cost elements based on their association with the respective project components, without altering the overall project cost submitted by GVIAL.

4.3.22 The reclassified capital expenditure, at the project component and sub-head level, drawn up by the Authority, is presented in the table below:

**Table 14: Reclassified Sub-Heads for Capital Expenditure for the First Control Period as per GVIAL's submission**

| <i>(Rs in Crs)</i> |                      |     |        |
|--------------------|----------------------|-----|--------|
| Sr. No.            | Particulars          | Ref | Amount |
|                    | <b>EPC</b>           |     |        |
| <b>A</b>           | <b>Airside Works</b> |     |        |
| A1                 | Runway and Apron     |     | 405.39 |

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| <b>Sr. No.</b> | <b>Particulars</b>                     | <b>Ref</b>       | <b>Amount</b>   |
|----------------|----------------------------------------|------------------|-----------------|
| A2             | Airfield Ground Lighting               |                  | 75.69           |
| A3             | Operational Boundary Wall              |                  | 30.08           |
| A4             | Airside Roads                          |                  | 42.32           |
|                |                                        |                  |                 |
| <b>B</b>       | <b>City Side Works</b>                 |                  |                 |
| B1             | Passenger Terminal Building            |                  | 1,258.49        |
| B2             | City Side Roads                        |                  | 84.82           |
|                |                                        |                  |                 |
| C              | ATC and Other Buildings                |                  | 394.46          |
| D              | Site Preparation                       |                  | 625.42          |
| E              | Storm Water Management                 |                  | 148.44          |
| F              | Plumbing Sewage and Fire Protection    |                  | 76.69           |
| G              | Electrical                             |                  | 101.45          |
| H              | Preliminaries                          |                  | 376.32          |
|                | <b>Total EPC Cost</b>                  | <b>Sum=(A:H)</b> | <b>3,619.57</b> |
|                |                                        |                  |                 |
|                | <b>Non-EPC</b>                         |                  |                 |
| <b>I</b>       | <b>Boundary Wall and Approach Road</b> |                  |                 |
| I1             | Roads and Pavement                     |                  | 196.50          |
| I2             | Boundary Wall                          |                  | 25.00           |
| I3             | Less: Government Grant                 |                  | -134.55         |
|                | <b>Total Hard Cost</b>                 | <b>Sum=(A:I)</b> | <b>3,706.52</b> |
| J              | Soft Costs                             |                  | 389.60          |
| K              | Contingency                            |                  | 100.00          |
| L              | Financing Allowance                    |                  | 722.12          |
| M              | General and Maintenance CAPEX          |                  | 225.00          |
|                | <b>Total Project Cost</b>              | <b>Sum=(A:M)</b> | <b>5,143.23</b> |

- 4.3.23 The Authority notes that the preliminary costs included in the capital expenditure submitted by GVIAL (as per Table 12) form part of the Contractor's General and Overheads under the EPC contract. By their nature, these costs are common to the execution of the EPC works and are not directly attributable to any specific project component. While GVIAL has presented such costs as a separate cost component under the EPC contract, the Authority proposes to apportion the same across the EPC project components for the purpose of analysis, considering their nature and linkage to the overall EPC construction activities.
- 4.3.24 The Authority further notes that the Fuel Hydrant System (FHS), which forms part of the EPC scope, is to be handed over to the fuel farm operator during the operational phase, with the associated capital cost being recoverable from the fuel farm operator. Accordingly, the project cost has been considered net of the recoverable FHS component by GVIAL. However, the Authority observes that, in the submission by GVIAL, the GST component pertaining to the FHS capex recovery of Rs. 8.72 crores (18% of Rs. 48.44 crores) has not been excluded and has instead been included as part of the GST associated with airside components such as runway and apron. The Authority accordingly proposes to exclude the same for its further analysis.
- 4.3.25 After considering the allocation of preliminary costs and applicable GST at 18%, the project cost considered by the Authority for further analysis and the details of Soft Costs (Design Consultancy and PMC), Pre-Operative Expenses, Contingencies and Financing Allowance to the Hard Cost as given below:

**Table 15: Reclassified Capital Expenditure for the First Control Period – considered as GVIAL's submission**

(Rs in Crs)

| Particulars                            | Ref                   | Base Cost       | Preliminaries as Common Cost (S1) | Total Cost excluding GST | GST @18% (S2)   | Total Cost including GST |
|----------------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------|--------------------------|
|                                        |                       | (i)             | (ii)                              | (iii)= (i) + (ii)        | (iv)=(iii)* 18% | (v)=(iii)+(iv)           |
| <b>EPC</b>                             |                       |                 |                                   |                          |                 |                          |
| <b>Airside Works</b>                   | <b>A</b>              |                 |                                   |                          |                 |                          |
| Runway and Apron                       | A1                    | 336.16          | 39.11                             | 375.27                   | 67.55           | 442.82                   |
| Airfield Ground Lighting               | A2                    | 64.15           | 7.46                              | 71.61                    | 12.89           | 84.50                    |
| Operational Boundary Wall              | A3                    | 25.50           | 2.97                              | 28.46                    | 5.12            | 33.58                    |
| Airside Roads                          | A4                    | 35.87           | 4.17                              | 40.04                    | 7.21            | 47.25                    |
| <b>City Side Works</b>                 | <b>B</b>              |                 |                                   |                          |                 |                          |
| Passenger Terminal Building            | B1                    | 1,066.52        | 124.08                            | 1,190.60                 | 214.31          | 1,404.91                 |
| City Side Roads                        | B2                    | 71.88           | 8.36                              | 80.24                    | 14.44           | 94.69                    |
| <b>ATC and Other Buildings</b>         | <b>C</b>              | 334.29          | 38.89                             | 373.18                   | 67.17           | 440.35                   |
| Site Preparation                       | <b>D</b>              | 530.01          | 61.66                             | 591.68                   | 106.50          | 698.18                   |
| Storm Water Management                 | <b>E</b>              | 125.80          | 14.64                             | 140.43                   | 25.28           | 165.71                   |
| Plumbing Sewage and Fire Protection    | <b>F</b>              | 64.99           | 7.56                              | 72.55                    | 13.06           | 85.61                    |
| Electrical                             | <b>G</b>              | 85.97           | 10.00                             | 95.97                    | 17.28           | 113.25                   |
| Preliminaries*                         | <b>H</b>              | 318.92          | (318.92)                          |                          |                 | -                        |
| <b>Total EPC</b>                       | <b>i=Sum(A: H)</b>    | <b>3,060.04</b> | <b>-</b>                          | <b>3,060.04</b>          | <b>550.81</b>   | <b>3,610.85</b>          |
| <b>Non-EPC</b>                         |                       |                 |                                   |                          |                 |                          |
| <b>Boundary Wall and Approach Road</b> | <b>I</b>              |                 |                                   |                          |                 |                          |
| Roads and Pavement                     | I1                    | 166.52          |                                   | 166.52                   | 29.97           | 196.50                   |
| Boundary Wall                          | I2                    | 21.19           |                                   | 21.19                    | 3.81            | 25.00                    |
| Less: Government Grant                 | I3                    |                 |                                   |                          |                 | -134.55                  |
| <b>Total Non-EPC</b>                   | <b>ii= Sum(I1:I3)</b> | <b>187.71</b>   | <b>-</b>                          | <b>187.71</b>            | <b>33.79</b>    | <b>86.95</b>             |
| <b>Total Hard Cost</b>                 | <b>iii=(i+ii)</b>     |                 |                                   |                          |                 | <b>3,697.79</b>          |
| Design Consultancy and PMC             | <b>J1</b>             |                 |                                   |                          |                 | 120.00                   |
| Pre-Operative Expenses                 | <b>J2</b>             |                 |                                   |                          |                 | 269.60                   |
| <b>Total Soft Costs</b>                | <b>J=J1+J2</b>        |                 |                                   |                          |                 | <b>389.60</b>            |
| Contingency                            | <b>K</b>              |                 |                                   |                          |                 | 100.00                   |
| Financing Allowance (FA)               | <b>L</b>              |                 |                                   |                          |                 | 722.12                   |

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| <b>Particulars</b>                                                                                          | <b>Ref</b>                   | <b>Base Cost</b> | <b>Preliminaries as Common Cost (S1)</b> | <b>Total Cost excluding GST</b> | <b>GST @18% (S2)</b> | <b>Total Cost including GST</b> |
|-------------------------------------------------------------------------------------------------------------|------------------------------|------------------|------------------------------------------|---------------------------------|----------------------|---------------------------------|
| General and Maintenance CAPEX                                                                               | <b>M</b>                     |                  |                                          |                                 |                      | 225.00                          |
| <b>Total Project Cost</b>                                                                                   | <b>iv=Sum(iii +J+K+L+ M)</b> |                  |                                          |                                 |                      | <b>5,134.51</b>                 |
| <b>Project Cost as per Table 12</b>                                                                         | <b>v</b>                     |                  |                                          |                                 |                      | <b>5,143.23</b>                 |
| <b>Variation on account of removal of GST associated with Fuel Hydrant System (FHS) (Refer para 4.3.24)</b> | <b>vi = v-iv</b>             |                  |                                          |                                 |                      | <b>8.72</b>                     |

*\*Preliminaries cost has been allocated to other components of the EPC Cost based on respective value*

4.3.26 The above table has been considered as GVIAL's submission for the purpose of further analysis.

4.3.27 The Authority, through its Independent Consultant, has conducted a detailed analysis of the capital expenditure as given below:

- I. Preliminary costs forming part of the EPC contract, aggregating to Rs. 318.92 crores, which are incremental to the base cost and allocated across project components, have been reviewed separately. (Refer column S1 of the table above)
- II. The base cost for each project component, under the total EPC cost (including allocated preliminaries and GST), aggregating to Rs. 3,610.85 crores has been assessed based on awarded contracts and relevant available market benchmarks. (Refer rows A to G of the table above)
- III. Non-EPC costs, aggregating to Rs. 86.95 crores, including works such as boundary wall and approach road as well as the Government grant, have been evaluated separately based on contracts awarded, costs incurred and the provisions of the Concession Agreement relating to Government grant. (Refer rows I1 to I3 of the table above)
- IV. Other costs such as Design Consultancy and PMC Expenses, and Pre-Operative Expenses, aggregating to Rs. 389.60 crores have been individually analyzed to assess their reasonableness. (Refer rows J1, J2 and total soft costs of the table above)
- V. Contingencies of Rs. 100 crores have been reviewed in the context of current utilization considering that the project is in advanced stages. (Refer row K of the table above)
- VI. Financing Allowance of Rs. 722.12 crores has been analyzed separately. (Refer row L of the table above)
- VII. General and Maintenance CAPEX of Rs. 225 crores, to be incurred after the commencement of airport operations has been analyzed separately. (Refer row M of the table above)
- VIII. The GST applicable on capital expenditure has been evaluated separately to assess input tax credit eligibility, based on applicable tax provisions. (Refer S2 column of the table above)

4.3.28 The Authority, through its Independent Consultant, has examined the individual cost components under various project heads and classified the same into aeronautical, non-aeronautical and common assets based on the nature and usage of such assets. The common assets have been further apportioned between aeronautical and non-aeronautical components using appropriate allocation methodologies, including the Terminal Building Ratio (TBLR) and other relevant ratios, as applicable. Accordingly, only the aeronautical portion of the capital expenditure, derived after such classification and allocation, has been considered for the purpose of determination of aeronautical capital expenditure.

## I. EVALUATION OF PRELIMINARIES COST (Refer Para 4.3.27 (I))

### GVIAL's Submission

4.3.29 As per the submission by GVIAL, Preliminary Expenses (Contractor's general and overheads) form part of the EPC contract and comprise costs associated with enabling and execution of construction activities, including site establishment, mobilization, supervision, temporary works and other contractor overheads. However, GVIAL has subsequently considered these costs under soft cost components and apportioned the same across both EPC and non-EPC items.

4.3.30 The detailed break-up of preliminaries as submitted by GVIAL is presented below:

**Table 16: Breakup of Preliminaries Cost as submitted by GVIAL**

(Rs in Crs)

| Description                                                                                                       | Amount        | GST (18%)    | Amount (incl GST) |
|-------------------------------------------------------------------------------------------------------------------|---------------|--------------|-------------------|
| Contractor's Preliminary (Schematic) Design                                                                       | 28.00         | 5.04         | 33.04             |
| Detailed Design                                                                                                   | 32.00         | 5.76         | 37.76             |
| GFC Drawings                                                                                                      | 16.00         | 2.88         | 18.88             |
| Architectural Design, MEP Design etc                                                                              | 4.00          | 0.72         | 4.72              |
| Site Overhead and running Costs                                                                                   | 71.09         | 12.80        | 83.89             |
| Contractor's supervision cost                                                                                     | 83.96         | 15.11        | 99.07             |
| Establishment, operation of Contractor's Labour camp, Contractor's Equipment, yard, stores, stock yard, test labs | 42.71         | 7.69         | 50.40             |
| Submission of Various Contractual Documents                                                                       | 7.22          | 1.30         | 8.52              |
| Soil Investigation                                                                                                | 2.65          | 0.48         | 3.13              |
| Provision of Insurance, indemnity insurance, performance guarantee                                                | 14.04         | 2.53         | 16.57             |
| Setting up of Plants & Mobilization of Machineries                                                                | 17.25         | 3.11         | 20.36             |
| <b>Total Preliminaries</b>                                                                                        | <b>318.92</b> | <b>57.41</b> | <b>376.33</b>     |

### Authority's examination of Preliminaries

4.3.31 The Authority, on examination, is of the view that such costs are intrinsically linked to construction activities related to EPC works and therefore form an integral part of the EPC works. Accordingly, and as reflected in the treatment discussed in Para 4.3.23 above, the Authority has considered these costs as common costs attributable only to EPC components and has apportioned the same accordingly.

4.3.32 The Authority, through its Independent Consultant, has further reviewed the detailed break-up of preliminaries submitted by GVIAL. On such examination, it is observed that certain cost elements such as site overheads, running costs and contractor supervision have been considered for a period of 33 months (commencing from Notice to Proceed dated 7<sup>th</sup> December 2023) until 7<sup>th</sup> September 2026.

- 4.3.33 The Authority further notes that the Commercial Operation Date (COD) of Bhogapuram Airport has subsequently been revised to 17<sup>th</sup> August 2026. Since preliminaries represent costs incurred to support execution of construction activities up to commissioning of the Airport, the Authority is of the view that expenditure attributable to the period beyond COD does not merit capitalization as part of the Airport project cost.
- 4.3.34 Accordingly, the Authority has restricted the consideration of preliminaries costs to the period up to the revised COD of 17<sup>th</sup> August 2026 and excluded the expenditure attributable to the period from 18<sup>th</sup> August 2026 to 7<sup>th</sup> September 2026.
- 4.3.35 Subject to the above adjustment, the Authority finds the preliminaries costs to be reasonable and directly related to execution of the EPC works and construction of the Airport.
- 4.3.36 Based on the above examination, the preliminaries cost proposed to be considered by the Authority for determination of the Regulatory Asset Base for the First Control Period is presented below.

**Table 17: Preliminaries Expenses for the First Control Period as proposed by the Authority**

(Rs in Crs)

| Description                                                                                                       | GVIAL Submission (A) | Authority Proposal (B) | Difference (A-B) |
|-------------------------------------------------------------------------------------------------------------------|----------------------|------------------------|------------------|
| Contractor's Preliminary (Schematic) Design                                                                       | 33.04                | 33.04                  | -                |
| Detailed Design                                                                                                   | 37.76                | 37.76                  | -                |
| GFC Drawings                                                                                                      | 18.88                | 18.88                  | -                |
| Architectural Design, MEP Design, etc                                                                             | 4.72                 | 4.72                   | -                |
| Site Overhead and running Costs                                                                                   | 83.89                | 83.64                  | 0.25             |
| Contractor's supervision cost                                                                                     | 99.07                | 98.93                  | 0.14             |
| Establishment, operation of Contractor's Labour camp, Contractor's Equipment, yard, stores, stock yard, test labs | 50.40                | 50.40                  | -                |
| Submission of Various Contractual Documents                                                                       | 8.52                 | 8.52                   | -                |
| Soil Investigation                                                                                                | 3.13                 | 3.13                   | -                |
| Provision of Insurance, indemnity insurance, performance guarantee                                                | 16.57                | 16.57                  | -                |
| Setting up of Plants & Mobilization of Machineries                                                                | 20.36                | 20.36                  | -                |
| <b>Total Preliminaries</b>                                                                                        | <b>376.33</b>        | <b>375.93</b>          | <b>0.40</b>      |

- 4.3.37 Accordingly, the Authority has considered the preliminaries cost of Rs. 375.93 crores as part of hard cost as against Rs 376.33 crores submitted by GVIAL (including GST at 18%).
- 4.3.38 Based on the above rationalization of preliminaries the project cost considered by the Authority for further analysis is shown in the table below:

**Table 18: Capital Expenditure for the First Control Period considered for Analysis after Preliminaries cost rationalization**

(Rs in Crs)

| Particulars          | Ref      | Base Cost | Preliminaries as Common Cost (S1) | Total Cost excluding GST | GST @18% (S2)  | Total Cost including GST |
|----------------------|----------|-----------|-----------------------------------|--------------------------|----------------|--------------------------|
|                      |          | (i)       | (ii)                              | (iii)= (i) + (ii)        | (iv)=(iii)*18% | (v)=(iii)+(iv)           |
| <b>EPC</b>           |          |           |                                   |                          |                |                          |
| <b>Airside Works</b> | <b>A</b> |           |                                   |                          |                |                          |

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| Particulars                            | Ref                  | Base Cost       | Preliminaries<br>as Common<br>Cost (S1) | Total Cost<br>excluding<br>GST | GST @18%<br>(S2) | Total Cost<br>including GST |
|----------------------------------------|----------------------|-----------------|-----------------------------------------|--------------------------------|------------------|-----------------------------|
| Runway and Apron                       | A1                   | 336.16          | 39.07                                   | 375.23                         | 67.54            | 442.78                      |
| Airfield Ground Lighting               | A2                   | 64.15           | 7.46                                    | 71.60                          | 12.89            | 84.49                       |
| Operational Boundary Wall              | A3                   | 25.50           | 2.96                                    | 28.46                          | 5.12             | 33.58                       |
| Airside Roads                          | A4                   | 35.87           | 4.17                                    | 40.03                          | 7.21             | 47.24                       |
|                                        |                      | -               |                                         |                                |                  |                             |
| <b>City Side Works</b>                 | <b>B</b>             | -               |                                         |                                |                  |                             |
| Passenger Terminal Building            | B1                   | 1,066.52        | 123.96                                  | 1,190.47                       | 214.28           | 1,404.76                    |
| City Side Roads                        | B2                   | 71.88           | 8.35                                    | 80.24                          | 14.44            | 94.68                       |
|                                        |                      | -               |                                         |                                |                  |                             |
| ATC and Other Buildings                | C                    | 334.29          | 38.85                                   | 373.14                         | 67.17            | 440.31                      |
| Site Preparation                       | D                    | 530.01          | 61.60                                   | 591.61                         | 106.49           | 698.10                      |
| Storm Water Management                 | E                    | 125.80          | 14.62                                   | 140.42                         | 25.27            | 165.69                      |
| Plumbing Sewage and Fire Protection    | F                    | 64.99           | 7.55                                    | 72.54                          | 13.06            | 85.60                       |
| Electrical                             | G                    | 85.97           | 9.99                                    | 95.96                          | 17.27            | 113.24                      |
| Preliminaries*                         | H                    | 318.59          | -318.59                                 |                                |                  | -                           |
| <b>Total EPC</b>                       | <b>i=Sum(A:H)</b>    | <b>3,059.71</b> | <b>-</b>                                | <b>3,059.71</b>                | <b>550.75</b>    | <b>3,610.46<sup>#</sup></b> |
| <b>Non-EPC</b>                         |                      |                 |                                         |                                |                  |                             |
| <b>Boundary Wall and Approach Road</b> | <b>I</b>             |                 |                                         |                                |                  |                             |
| Roads and Pavement                     | I1                   | 166.52          |                                         | 166.52                         | 29.97            | 196.50                      |
| Boundary Wall                          | I2                   | 21.19           |                                         | 21.19                          | 3.81             | 25.00                       |
| Less: Government Grant                 | I3                   |                 |                                         |                                |                  | -134.55                     |
| <b>Total Non-EPC</b>                   | <b>ii=Sum(I1:I3)</b> | <b>187.71</b>   | <b>-</b>                                | <b>187.71</b>                  | <b>33.79</b>     | <b>86.95</b>                |
| <b>Total Hard Cost</b>                 | <b>iii=(i+ii)</b>    |                 |                                         |                                |                  | <b>3,697.40</b>             |
| Design Consultancy and PMC             | J1                   |                 |                                         |                                |                  | 120.00                      |
| Pre-Operative Expenses                 | J2                   |                 |                                         |                                |                  | 269.60                      |
| <b>Total Soft Costs</b>                | <b>J=J1+J2</b>       |                 |                                         |                                |                  | <b>389.60</b>               |
| Contingency                            | K                    |                 |                                         |                                |                  | 100.00                      |
| Financing Allowance (FA)               | L                    |                 |                                         |                                |                  | 722.12                      |
| General and Maintenance CAPEX          | M                    |                 |                                         |                                |                  | 225.00                      |

| Particulars                                                    | Ref                          | Base Cost | Preliminaries as Common Cost (S1) | Total Cost excluding GST | GST @18% (S2) | Total Cost including GST |
|----------------------------------------------------------------|------------------------------|-----------|-----------------------------------|--------------------------|---------------|--------------------------|
| <b>Total Project Cost</b>                                      | <b>iv=Sum(i ii+J+K+ L+M)</b> |           |                                   |                          |               | <b>5,134.12</b>          |
| <b>Total Project Cost as per Table 15</b>                      |                              |           |                                   |                          |               | <b>5,134.51</b>          |
| <b>Rationalisation based on preliminaries (Refer Table 17)</b> |                              |           |                                   |                          |               | <b>0.40</b>              |

# The Original value of EPC contract was Rs. 3,668 Crores. After adjustment of Fuel Hydrant system descope from the EPC contract, and the GST on the same, together with round off adjustments, the reworked amount is Rs. 3,610.46 Crores.

## II. EVALUATION OF BASE COST OF THE PROJECTS (Refer Para 4.3.27 (II))

### A- Airside Works

#### A1- Runway and Apron (Rs 442.78 crores)

##### GVIAL's Submission

- 4.3.39 GVIAL submitted that the scope of work comprises a 3,800 metre runway, a 3,000 metre parallel taxiway, Rapid Exit Taxiways, apron, taxiways connecting the apron and runway, and associated shoulders, designed in accordance with applicable ICAO standards. The runway is designed primarily for operations of Code E aircraft, with provision for occasional operations of Code F aircraft. GVIAL further submitted that the runway orientation (10–28) and length are in accordance with the provisions of the Concession Agreement. The runway has a paved width of 45 metres, with 7.5 metre paved shoulders and provision for 7.5 metre grassed shoulders on either side, resulting in an overall width of 75 metres. The total pavement area of the runway and apron is 5,47,698 sq. metres.

##### Authority's examination of Runway and Apron

- 4.3.40 The Authority notes that Clause 3.1 of Schedule B of the Concession Agreement sets out the requirements relating to the construction and procurement of Aeronautical Assets, including runways, taxiways, aprons, aircraft parking bays and associated facilities, as reproduced below:
- ICAO Aerodrome Reference Code: {4E} The provisions of ICAO/ DGCA CAR / NLA 305 shall be used for designing the airport in order to make it compliant for occasional landing / take-off of Code 4F aircraft.*
  - The proposed airport will have 1 (one) Runway with the runway length in 10- 28 direction is 3800m and the width shall be 45m with 7.5m paved shoulders plus 7.5m wide gravel shoulders on either side along with one rapid exit taxiway for each runway, which will be developed in the first phase.*
  - The proposed airport will have 1 parallel taxiway of length 3000m and width 25m along with provision to extend the length of the 1st parallel taxiway to full length of the runway and provision for 2nd parallel taxiway with length about 2607m and width 25m in the first phase.*

- 4.3.41 The Authority notes that GVIAL has proposed a total of 16 Code C passenger aircraft stands, and 2 aircraft stands for APADCL. GVIAL further proposes to have a Visual Docking Guidance System (VDGS) for the passenger apron contact stands.
- 4.3.42 The Authority notes that the Runway and associated works have been undertaken for code E type Aircraft operations based on the requirements stipulated in the Concession Agreement, as per the Master Plan prepared by GVIAL and approved by APADCL.

Benchmarking cost with the Authority's Normative Order

- 4.3.43 The Authority has issued its Order on Normative Cost vide Order No. 07/2016-17 dated 13<sup>th</sup> June 2016, which provides the normative cost for construction of pavement works comprising Runway and Apron. The Authority has compared the cost submitted by GVIAL for Runway and Apron works with the inflation-adjusted normative rate.
- 4.3.44 Upon examination of the costs submitted by GVIAL, the Authority notes that the cost of earthwork up to the sub-grade level has been considered as part of the Site Preparation Works, while the costs pertaining to the Runway and Apron include the sub-grade and pavement works. The Authority has examined the cost of sub-grade and pavement works for the total pavement area of 5,47,698 sqm, comprising the Runway, Taxiways, Apron, shoulders and other associated pavement areas, and notes that the cost is within the applicable normative benchmark. Accordingly, the Authority proposes to consider a cost of Rs. 442.78 crores towards these works for inclusion in the RAB.

**A2- Airfield Ground Lighting (Rs 84.49 crores)**

GVIAL's Submission

GVIAL submitted that the scope of the Airfield Ground Lighting (AGL) System includes runway, taxiway and apron edge lighting, runway centre line lighting, runway threshold lighting, Precision Approach Path Indicator (PAPI), and Approach Lighting Systems comprising a CAT-I system for Runway 28 approach and a Simple Approach Lighting System for Runway 10 approach. These systems are proposed to be installed and operated in conjunction with other navigational aids for instrument approaches. The scope also includes RCC ducting, procurement, installation, testing and commissioning of primary and secondary cables, fittings and associated accessories and civil works required for completion of the AGL System

Authority's examination of Airfield Ground Lighting

- 4.3.45 The Authority notes that the works form part of the EPC contract and are essential for airport operations. The Authority, through its Independent Consultant, has examined the process followed for award of the EPC contract and observes that the same is in accordance with the relevant provisions of the Concession Agreement and GVIAL's procurement framework, and that the contract was awarded through an open competitive bidding process.
- 4.3.46 The cost Airfield Ground Lighting submitted by GVIAL includes costs relating to cables, GI Pipes, AGL Ducts, CAT I Approach Light Fittings, runway light fittings, PAPI light, including cost towards excavation, laying of cables and fixing and installation of the lights. The Authority has examined the cost of each of the individual components of cost submitted by GVIAL with either market rates or DSR rates and notes that the same appears reasonable and justified considering the quantum of work involved. In view of the above, the Authority proposes to consider the cost of Rs.84.49 crores for AGL systems.

### **A3- Operational Boundary Wall (Rs 33.58 crores)**

#### GVIAl's Submission

- 4.3.47 GVIAl submitted that the scope of work includes construction of the operational boundary wall in accordance with BCAS specifications for ensuring safe and secure airside operations. The boundary wall comprises precast and prestressed panels with precast RCC posts, including an RCC retaining wall along the southern side. The total length of the boundary wall is approximately 16 km which comprises of 12 Km of Operational Boundary wall with 4.4 Km of RCC retaining wall on the southern side.

#### Authority's examination of Operational Boundary Wall

- 4.3.48 The Authority notes that the operational boundary is built in accordance with BCAS requirements i.e., 8 ft height with 1 ½ ft overhang of concentric coil with PIDS. The Authority notes the requirement of an RCC retaining wall of approximately 4,420 m along the southern side, considering the low-lying terrain and prevailing site conditions.
- 4.3.49 The Authority notes that the cost submitted by GVIAl for Operational Boundary wall consists of costs for works including excavation and back filling work, plain cement and concrete for the wall and site footings, precast columns and wall panels etc. The Authority has compared the cost of each individual item listed with the corresponding CPWD rates and notes that the same appears reasonable and justified considering the quantum of work involved. In view of the above, the Authority proposes to consider the cost of Rs. 33.58 crores for operational boundary wall work.

### **A4- Airside Roads (Rs 47.24 crores)**

#### GVIAl's Submission

- 4.3.50 GVIAl has submitted that airside roads work includes Airside perimeter road, Airside service and emergency roads, HOS, roads for NAV Aids and fire drill facility etc., with total airside roads of 99,798 sqm of bituminous surface and submitted that these are essentially required for smooth operations and security purposes.

#### Authority's examination of Airside Roads

- 4.3.51 The Authority notes the detailed cost break up given by GVIAl which consists of Head of Stand (HOS) - 7,919 sq mt, Perimeter Road – 46,427 sq mt, Service Roads – 28,172 sq mt and Footpaths- 17,280 sq mt. The Authority further noted that total cost for airside roads appears reasonable and justified based on comparison with CPWD/ MoRTH rates. Considering that these roads are required for smooth operations and security purposes, the Authority proposes to consider the cost of Rs.47.24 crores for Airside Roads work.

### **B- Cityside Works**

#### **B1- Passenger Terminal Building (Rs 1,404.76 crores)**

#### GVIAl's Submission

- 4.3.52 GVIAl submitted that the passenger Terminal Building is designed for 6 MPPA and PHP of 3168 (Domestic 2448 & International 720) based on the Master Plan approved by APADCL & Development plan for Phase I.

- 4.3.53 The Passenger Terminal Building (PTB) is of a pier configuration consisting of a central processor and multiple connected piers. Both the Central Processor and the Piers are designed for incremental growth towards the East and West.
- 4.3.54 The PTB is designed for incremental growth. Two basic modules have been used in the build-up of the Central Processor with an Eastern Module consisting of one check-in Island and the first phase of development of the BHS & BMU Area and a Western Arrivals Module consisting of two arrival reclaim carousels with supporting loading docks for arriving bags.
- 4.3.55 The initial development of the PTB consists of two arrivals and two departures modules with additional supporting modules for vertical transportation (stairs, escalators and elevators) to maintain segregated flows for departing and arriving passengers. The PTB has a floor area of 77,342 sq m for Phase 1.

Authority's examination of Passenger Terminal Building

- 4.3.56 The Authority, through its Independent Consultant / Aviation Expert, has reviewed clause 3.1 (ii) of the Concession Agreement which enumerates the specifications that the terminal building shall adhere to, the extracts of which are reproduced below:

*“Construction and procurement of the Terminal Building as follows:*

- a. The passenger terminal building capacity in the first phase (2020-21 to 2023-24) will be 6 million per year.*
- b. Level of service for Terminal Building - IATA Level of Service "C" (optimum standards) compliant. The total area of the Terminal Building in phase-I should be based on not less than 20 square meter per peak hour passenger for all the phases of terminal building development*
- c. 80% of the international and 70% of the domestic aircrafts B737/ A320 or larger aircrafts shall be served by the boarding bridges;*
- d. Provide international standard range of retail and other passenger services; and*
- e. Terminal design must be capable of incremental expansion with minimum impact on current operations.”*

Further, Clause 3.2 of the Master CA states as follows:

*“The Airport shall be constructed by the Concessionaire in conformity with the Master Plan as set forth in Schedule-A and the Specifications and Standards as set forth in Schedule-D. Further all the designs shall, as far as possible, comply to GRIHA and ECBC norms.”*

- 4.3.57 The Authority notes that the Terminal Building, having an area of 77,342 sqm, has been planned and designed in compliance with the above parameters. The Terminal Building comprises a central processing area accommodating check-in facilities, security check, Security Hold Area (SHA), Arrival Hall and other passenger processing facilities, along with east and west piers equipped with adequate Passenger Boarding Bridges (PBBs). The Authority further notes that the Terminal Building has been designed on a modular basis, enabling future expansion of the piers with minimal disruption to ongoing airport operations.

**Benchmarking cost with Authority's normative order**

- 4.3.58 The Authority, vide its Order No. 07/2016-17 dated 13<sup>th</sup> June 2016, determined the normative cost for Terminal Buildings. As per the above order, the cost of following items have been considered for analysis of the prescribed rate per sqm - cost of terminal building, air conditioning, fire-fighting system, water supply,

sanitary, substation equipment for power supply including stand by system, passenger facilities viz FIDS, Furniture, Signages and Security surveillance, airlines related services viz Check-in, CUTE, CUSS and Baggage Reconciliation System, In-line X ray screening, Standalone screening, BHS for arrival and departure, Escalators, Elevators, Travelators and PBB.

- 4.3.59 The Authority compared the awarded cost for Terminal Building by GVIAL with the inflation adjusted normative cost up to FY 2026-27. The Authority notes that the cost as submitted by GVIAL is higher than the normative cost. In this regard, the Authority, through its independent consultant, sought justification from GVIAL for the variance vis-à-vis the normative cost. GVIAL, in response, provided detailed explanations for the same which is reproduced below:

*“Bhogapuram is situated in a cyclone-prone coastal zone exposed to very high wind speeds (up to 75–80 m/s), high humidity (70–90%), saline air, corrosive atmosphere and heavy rainfall. Taking cognizance of local climatic conditions, the objective was to build a structure that can withstand design speed of 77 m/s with an importance factor  $k_4 = 1.3$ . Constructing a Passenger Terminal Building (PTB) under these conditions required significant additional structural reinforcement in the form of stronger framing, bracing, cladding and foundation for enhanced safety, which translated into higher cost compared to an equivalent building in a normal inland environment.*

*Below is factor-wise justification with cost impact estimates.*

1. *Higher Structural Loads Due to Cyclonic Winds (~ 6–8% Cost Increase) established through wind tunnel testing and Façade PMU testing*

- *Inland airports are typically designed for wind speeds of 39–47 m/s.*
- *Wind Pressure in this area is 2.1 times the inland airports*
- *PTB is designed for ~77 m/s, almost double the wind pressure as per IS 875.*

*Additional costs arise from:*

- *Larger steel sections for trusses and roof arches*
- *Increased bracing members*
- *Higher foundation anchorage*
- *Stronger purlins and connection systems*
- *Thicker roofing assemblies to resist uplift*

2. *Corrosive Marine Environment (~4–6% Cost Increase)*

- *High humidity and airborne chlorides accelerate corrosion of steel and aluminium components.*
- *Inland terminals require only basic primer + paint, whereas coastal locations need:*
- *Hot-dip galvanizing of structural steel*
- *C4 or C5 marine-grade epoxy coatings*
- *Corrosion-resistant roof fasteners, anchor bolts, façade fixings*

- *Heavier aluminium/zinc-coated roof sheets*

3. *Foundation & Plinth Level Adjustments (~ 3–5% Cost Increase). Considering soil conditions, to avoid differential settlement plinth beams are provided with intermediate stub column as the column spacings are 30mX24m in the check-in area. Bhogapuram International Airport faces heavy rainfall, flood-vulnerable coastal terrain, less SBC which necessitates higher finished-floor level for safety*

*This requires:*

- *Deeper foundations*
- *Greater reinforcement*
- *Filling/replacing material with designed CBR (Due to low SBC) and compaction to meet the design requirements for occasional landings of Code 4 F aircraft, the crust thickness of the Cement-Treated Sub-Base (CTSB) was increased by an additional 20%.*
- *Enhanced surface drainage design*

4. *Enhanced Façade & Roof Strengthening (~ 2–3% Cost Increase)*

- *High-wind zones require pressure-equalised façade systems, thicker glass, stronger mullions and transoms, improved sealing to prevent wind-driven rain ingress, highest-grade waterproofing membranes*

5. *Special Roof Systems for Cyclone Resistance (~ 2–3% Cost Increase)*

- *Cyclonic uplift forces necessitate double-lock standing seam systems with wind clamps, reinforced fixing, under-deck bracing with 7-layer insulation and vapour barriers (to handle humidity). Also, due to high intensity rainfall area the terminal was designed with enhanced roof drainage system.*

6. *MEP Modifications (~1-2% Cost Increase)*

- *Bhogapuram International Airport being in high-humidity coastal area, the PTB design requires higher-grade air-handling equipment, anti-corrosive coatings on coils and ducts, stainless steel for outdoor equipment housings, special marine-grade electrical components, higher filtration and fresh air load for ventilation.*

*Overall Estimated Cost Impact on Terminal Building*

| <i>Component</i>                                  | <i>Estimated Cost impact</i> |
|---------------------------------------------------|------------------------------|
| <i>Structural Strengthening</i>                   | <i>6–8%</i>                  |
| <i>Corrosion protection (marine grade)</i>        | <i>4–6%</i>                  |
| <i>Foundations &amp; Plinth Level adjustments</i> | <i>3–5%</i>                  |
| <i>Façade &amp; Roof Strengthening</i>            | <i>2–3%</i>                  |
| <i>Special roof system</i>                        | <i>2–3%</i>                  |
| <i>MEP modifications</i>                          | <i>1–2%</i>                  |

|       |           |
|-------|-----------|
| Total | 18% - 27% |
|-------|-----------|

*As can be observed from the table, to withstand wind speed of 77 m/s, the overall cost of terminal increases by 18% to 27% than the same terminal built in a normal inland environment. Since, during the bid process itself, the guidance was given to the bidders to design and build PTB to withstand wind speed of 77 m/s, dissection of cost on account of increase load factor is not feasible and having analyse the various aspects of construction that will have direct upside impact on cost, we are of the view that there is an implicit cost factor of ~1.25x in the delivered cost of PTB.*

*It may be kindly noted that the cost of developing the Bhogapuram airport was discovered through competitive bidding which envisaged the above technical specifications along with the others.”*

- 4.3.60 The Authority, based on the assessment undertaken through its Independent Consultant/Aviation Expert and discussions with the technical team of GVIAL, notes that Bhogapuram Airport is located in the cyclone-prone north coastal region of Andhra Pradesh and is exposed to significantly higher wind and weather-related risks as compared to any other inland location. The cyclone vulnerability of the region is also supported by historical data. In particular, Very Severe Cyclonic Storm *Hudhud* crossed the north Andhra Pradesh coast near Visakhapatnam in October 2014, with very high wind speeds recorded in the region. The Authority therefore considers that the location of the Airport warrants higher structural and safety requirements to withstand severe cyclonic conditions.
- 4.3.61 The Authority further notes that IS 875 (Part 3) 2015, the Indian Standard issued by the Bureau of Indian Standards for determining wind loads on buildings and structures, specifically recognizes the higher vulnerability of the east coast of India to severe cyclones. The Standard provides for the basic wind speed applicable to a location to be adjusted for factors such as the nature and height of the structure, terrain, local topography and the importance of the structure in a cyclone-prone region. In this context, GVIAL has submitted that the Passenger Terminal Building (“PTB”) has been designed for a wind speed of 77 m/s, considering a cyclonic importance factor ( $k_4$ ) of 1.3. The Authority notes that the higher design requirement is consistent with the need for enhanced structural safety in a cyclone-prone coastal location.
- 4.3.62 The Authority notes that designing the PTB for such conditions has a direct impact on its construction cost. The higher wind loads require stronger structural steel sections, additional bracing, stronger connections and foundations, and strengthened roofing and façade systems to withstand wind pressure and uplift. Further, the coastal environment, with high humidity, saline air, heavy rainfall and corrosive conditions, requires additional corrosion protection, marine-grade materials, enhanced waterproofing and protection of MEP equipment. The soil and rainfall conditions also require additional foundation, plinth, drainage and storm-water management works. The Authority therefore observes that the higher cost is attributable to identifiable site-specific structural, climatic and durability requirements.
- 4.3.63 GVIAL has estimated that these additional requirements could result in an overall cost increase of approximately 18% to 27% as compared to a similar terminal building constructed under normal inland conditions. Hence, based on the review of technical specifications and unique site conditions, the increase over normative cost is found to be reasonable.
- 4.3.64 The Authority further notes that the requirement to design the PTB for the prescribed wind and climatic conditions formed part of the original bidding requirements and that the EPC contract was awarded through an open competitive bidding process. Considering the cyclone vulnerability of the region and the additional

structural and durability requirements arising from the coastal conditions the Authority considers the cost submitted by GVIAL to be reasonable and accordingly proposes to consider Rs. 1,404.76 crore towards the cost of the Terminal Building works.

**B2- Cityside Roads (Rs 94.69 crores)**

GVIAL's Submission

- 4.3.65 GVIAL submitted that the cityside roads include Main access roads, Traffic loop in front of PTB including departure and arrival, Road systems to other airport facilities like ATC, MRSS, STP, WTP, etc., with bituminous roads including kerb stone, road signages, road markings. Total area of city side roads is around 1,05,939 sqm, at a cost of Rs 94.69 crores.

Authority's examination of Cityside Roads

- 4.3.66 The Authority notes that the scope of city side access roads submitted by GVIAL comprises Type A roads admeasuring 37,084 sqm and Type B roads admeasuring 68,855 sqm, aggregating to 1,05,939 sqm. The Authority has examined the cost estimates for the city side access roads by benchmarking the per sqm cost of Type A and Type B roads, along with the costs towards kerb stones, street lighting, signage and road markings. Based on the benchmarking undertaken with the applicable CPWD/MoRTH rates and prevailing market rates, the Authority notes that the costs proposed by GVIAL are reasonable.
- 4.3.67 The Authority further notes that the city side access roads form an integral part of the airport infrastructure and are required to facilitate smooth movement of passengers, vehicles and other airport users, thereby supporting efficient airport operations. Accordingly, based on the scope of works and the benchmarking undertaken, the Authority proposes to consider a cost of Rs. 94.69 crores towards city side access road works.

**C- ATC and Other Buildings (Rs 440.31 crores)**

GVIAL's Submission

- 4.3.68 GVIAL submitted that the scope of ATC and other buildings work includes the construction of the Air Traffic Control (ATC) tower, Technical Building, main & satellite Aircraft Rescue and Fire Fighting (ARFF) building, Watch Towers, ESS & Power stations, Engineering Building, Utility Building, Security cabins, MT workshop, solid waste handling, STP, WTP, Airside Gate Check houses and Emergency gates, Driver's rest room, NAV-AID Buildings & facilities etc. The Air Traffic Control (ATC) Tower is co-located with the Technical Building. Together, this structure has a combined built-up area of approximately 7,166 sqm (of which ATC Tower is 2,290 sqm and ARFF building is 4,876 sqm). In addition, all other buildings having an aggregate built-up area of approximately 21,100 sqm form part of the works.

Authority's examination of ATC and Other Buildings

- 4.3.69 The Authority, through its independent consultant, has examined the costs submitted by GVIAL towards the ATC and other buildings. For the purpose of its assessment, the Authority has separately considered the ATC Tower measuring 2,290 sqm, the ARFF Building measuring 4,876 sqm, and other buildings, including the Engineering Building, NAV-AID Buildings, Fire Station, ESS & Power Station, AGL Substation, STP, WTP and other associated buildings, aggregating to approximately 21,100 sqm. The costs of these buildings have been benchmarked with the applicable CPWD rates.

- 4.3.70 Further, the Authority has separately examined the costs towards equipment like WTP/STP equipment, hydropneumatic pumps, fire pumps and DG sets for fire pumps and has benchmarked the same with prevailing market rates. Based on the above assessment and benchmarking, the Authority notes that the overall cost submitted by GVIAL towards ATC and other buildings is reasonable.
- 4.3.71 The Authority further notes that the ATC, ARFF and other associated buildings and facilities are essential infrastructure required for the safe, secure and smooth operation of the Airport. Accordingly, considering the scope of works, operational requirements and the benchmarking undertaken, the Authority proposes to consider a cost of Rs. 440.31 crores towards ATC and other buildings.

**D- Site Preparation (Rs 698.10 crores)**

GVIAL's Submission

- 4.3.72 GVIAL submitted that the scope of this work includes site establishment, bulk earthwork in cutting and filling, site grading etc., this involves site preparation of more than 1,786.50 acres and 1,34,00,000 cum of earth cutting and filling within proposed site for construction of Airport. The cost for this work is Rs. 698.10 crores.

Authority's examination of Site Preparation

- 4.3.73 The Authority notes the need and requirement of site preparation works considering the existing greenfield site conditions comprising vegetation, scattered water bodies and varying natural ground levels and slopes. The site preparation works are necessary for achieving the required formation levels and grading for development of the Airport infrastructure. The scope broadly includes clearing and grubbing, tree cutting/relocation, setting out, excavation, cutting of high grounds, filling of low-lying areas, levelling and grading, disposal/storage of top soil and unsuitable material and earthwork involving different types of soil/rock, as required.
- 4.3.74 The Authority further notes that the site preparation involves preparation of the grading plan for the Airport site and substantial earthwork comprising cutting and filling of approximately 1.34 crore cu.m. Such earthwork is required for development of the Runway, Taxiways, Apron, Runway side strip, RESA, storm water drains, perimeter road and other airside facilities, as well as the Passenger Terminal Building, office and utility buildings and other associated infrastructure. The scope also includes earthwork outside the Airport boundary, wherever required for Obstacle Limitation Surfaces (OLS)/CNS compliance.
- 4.3.75 The Authority notes that the site preparation works also involve associated activities such as provision of temporary access, transportation of earth/material, arrangement of borrow earth wherever required, dewatering and shoring, along with necessary measures for protection of the works and adjoining areas. The works also entail testing of the prepared ground and fill material, including compaction, CBR, SBC and grading tests, in accordance with the approved methodology and quality requirements.
- 4.3.76 GVIAL, vide its submission dated 23rd December 2025, also provided a map identifying the areas developed for the Airport. Based on the said map, the Authority notes that cutting and filling works have been undertaken over an area of 1,786.56 acres out of the total Airport land area of 2,203.26 acres. This comprises 1,201 acres of airside area, 358.06 acres of landside area, 106.8 acres of commercial area and 119.7 acres pertaining to the main approach road. The Authority further notes that cutting and filling works have not been undertaken over the balance area of 417.70 acres, comprising areas reserved for the cargo zone and residential development.

- 4.3.77 On enquiry as to whether the cutting and filling/site development works have been undertaken only for Phase 1 or also for the areas envisaged under Phase 2, the Authority notes that the development proposed under Phase 2 is largely limited to extension of the pier portion of the Terminal Building and expansion of the apron through provision of additional aircraft parking stands. Accordingly, a substantial portion of the overall airport area is required to be levelled and developed as part of Phase 1 itself. Further, since the areas proposed for Phase 2 are contiguous to the Terminal Building and apron being developed under Phase 1, it would not be appropriate to leave such adjoining areas undeveloped and undertake cutting and filling works subsequently in the vicinity of an operational airport. Accordingly, the Authority considers it reasonable that the site preparation and levelling works for these areas are undertaken along with the Phase 1 works.
- 4.3.78 The Authority, through its Independent Consultant / Aviation Expert, has reviewed the scope and cost proposed by GVIAL. Considering the existing site conditions, the extent of land involved, substantial quantities of excavation and filling, grading and levelling requirements and other associated site preparation activities, the cost submitted by GVIAL appears reasonable and comparable with the applicable CPWD DSR / market rates, as scrutinized by the Independent Consultant / Aviation Expert.
- 4.3.79 In view of the above, the Authority proposes to consider the cost of Rs. 698.10 crores towards site preparation works.

**E- Storm Water Management (Rs 165.69 crores)**

GVIAL's Submission

- 4.3.80 GVIAL submitted that as the site for Airport construction is located in the heavy rainfall area, proper and bigger storm water drains are planned to avoid flooding of Airport site and disruption of operations. The scope of work includes the network of RCC Box culverts of approx. 1,700 meters, RCC drains of approx. 33,000 meters on airside as well as city side for proper collection of rainwater and speedy disposal to Rainwater harvesting wells. The cost of work is Rs. 165.69 crores.

Authority's examination of Storm Water management

- 4.3.81 The Authority notes that an adequate storm water drainage system is essential for the smooth operation of the Airport and for ensuring the timely and safe disposal of rainwater, particularly from the airside operational areas.
- 4.3.82 The Authority, through its Independent Consultant/Aviation Expert, has reviewed the scope of works and the proposed drainage network. During the site visit, it was observed that the airside drainage system comprises RCC drains running parallel to the Runway on both sides, RCC box culverts beneath the Taxiways, grated drains along the Apron area and drains along the perimeter road, which are designed to facilitate quick and safe drainage of surface runoff. On the city side, the drainage system includes drains along the approach roads leading to the Terminal Building and other buildings, together with culvert crossings beneath the roads.
- 4.3.83 Considering the overall drainage network of approximately 33,000 metres, including the RCC drains, box culverts, RCC Hume pipes and the associated volume of RCC works, the Authority notes that the cost submitted by GVIAL is reasonable and comparable with the applicable CPWD DSR and prevailing market rates.
- 4.3.84 In view of the above, the Authority proposes to consider the cost of Rs.165.69 crores for the storm water management work.

**F- Plumbing Sewage and Fire Protection (Rs 85.60 crores)**

GVIAl's Submission

- 4.3.85 GVIAl submitted that the scope of work includes the external network /grid of water supply lines, Sewage lines and pipeline for firefighting work at Airport site. The cost for this work is Rs.85.60 crores.

Authority's examination of Plumbing Sewage and Fire Protection

- 4.3.86 The Authority notes that the external plumbing works are essential for ensuring adequate and uninterrupted water supply to the Terminal Building and other airport buildings, effective collection and disposal of sewage and wastewater and availability of the firefighting network for the safe and smooth operation of the Airport.
- 4.3.87 The Authority, through its Independent Consultant/Aviation Expert, has reviewed the scope of works and the proposed external plumbing network, comprising approximately 26,000 metres of water supply lines, 10,870 metres of sewage lines and 23,000 metres of pipelines for the firefighting network. Considering the extent of the Airport area covered, the overall length and volume of pipeline works involved, and the benchmarking undertaken with the applicable CPWD DSR and prevailing market rates, the Authority notes that the cost submitted by GVIAl is reasonable.
- 4.3.88 In view of the above, the Authority proposes to consider the cost of Rs.85.60 crores for Plumbing, Sewage and Fire Protection.

**G- Electrical (Rs 113.24 crores)**

GVIAl's Submission

- 4.3.89 GVIAl submitted that the scope of work includes laying of HT/LT cables, compact substation, Street light poles, lightings, Distribution boards, UPS system etc., for reliable and uninterrupted power supply and proper lighting of access roads. The cost for this work is Rs. 113.24 crores.

Authority's examination of Electrical

- 4.3.90 The Authority notes that the external electrical works are essential for ensuring reliable and uninterrupted power supply to the Terminal Building and other airport buildings, as well as adequate lighting of the access roads and other external areas, thereby supporting the safe and smooth operation of the Airport.
- 4.3.91 The Authority, through its Independent Consultant/Aviation Expert, has reviewed the scope of works and the proposed external electrical system. The scope includes approximately 63,000 metres of HT cables, 1,01,400 metres of LT cables, 60 distribution boards, 1,700 streetlight poles, earthing systems, lightning protection systems and other associated electrical infrastructure. Considering the extent of the Airport area covered, the quantities and specifications of the electrical infrastructure involved, and the benchmarking undertaken with the applicable CPWD DSR and prevailing market rates, the Authority notes that the cost submitted by GVIAl is reasonable.
- 4.3.92 In view of the above, the Authority proposes to consider the cost of Rs.113.24 crores for electrical work.

**III. EVALUATION OF NON-EPC COST (Refer Para 4.3.27 (III))**GVIAL's Submission

- 4.3.93 The Authority notes that, in its MYTP submission, GVIAL has submitted works relating to the construction of the boundary wall and main access road, awarded separately outside the EPC contract through competitive bidding, at costs of Rs 25 crore and Rs 196.5 crore, respectively.

Authority's examination of Non-EPC Expenses

- 4.3.94 In response to queries raised during the review process, GVIAL provided copies of the Purchase Orders (POs) for the Non-EPC works, on the basis of which the revised break-up of costs has been derived. The Authority notes that the landscaping component, which was originally part of the Roads and Main Access Road package, has subsequently been awarded separately at a cost of Rs. 25.84 crore (including GST). Further, certain works relating to diversion and removal of utilities from airport land have also been awarded separately at a cost of Rs. 1.04 crore (including GST) which has been considered as part of the Boundary Wall cost. Based on the above, the revised break-up of Non-EPC costs is presented below.

**Table 19: Revised Non-EPC Cost based on submission by GVIAL***(Rs in Crs)*

| Particulars                            | Ref                  | Cost submitted in MYTP (A) | Cost submitted as response to queries |              |                    | Diff (A-B)   |
|----------------------------------------|----------------------|----------------------------|---------------------------------------|--------------|--------------------|--------------|
|                                        |                      |                            | Cost                                  | GST @18%     | Cost after GST (B) |              |
| <b>Non-EPC</b>                         |                      |                            |                                       |              |                    |              |
| <b>Boundary Wall and Approach Road</b> | <b>I</b>             |                            |                                       |              |                    |              |
| Roads and Pavement (Main Access Roads) | I1                   | 196.50                     | 146.88                                | 26.44        | 173.32             | 23.18        |
| Landscaping                            | I2                   | -                          | 21.90                                 | 3.94         | 25.84              | -25.84       |
| Boundary Wall                          | I3                   | 25.00                      | 21.96                                 | 3.95         | 25.92              | -0.92        |
| <b>Total Cost</b>                      | <b>i=Sum (I1:I3)</b> | <b>221.50</b>              | <b>190.74</b>                         | <b>34.33</b> | <b>225.08</b>      | <b>-3.58</b> |
| Less: Government Grant                 | I4                   | -134.55                    |                                       |              | -134.55            | -            |
| <b>Total Non-EPC</b>                   | <b>ii= i+I4</b>      | <b>86.95</b>               | <b>190.75</b>                         | <b>34.33</b> | <b>90.53</b>       | <b>-3.58</b> |

I1- Roads and Pavement (Main Access Roads) (Rs 173.32 crores)

- 4.3.95 The Authority has examined the scope of the Roads and Pavement package and notes that the same comprises development of the primary access infrastructure connecting Bhogapuram Airport with NH-16. The works include construction of a four-lane divided carriageway with paved shoulders, access roads, embankment works, vehicular underpasses, culverts, roundabouts and associated road infrastructure in accordance with the approved Master Plan.
- 4.3.96 The Authority further notes that the scope also includes raising of road levels through embankment works to ensure seamless connectivity with NH-16 and the Airport site. In addition, the package comprises central medians, kerb stones, street lighting, signages, road markings, side drains, utility crossings and other associated infrastructure required for operation of the Airport access corridor. The total area of bituminous roads under the package is approximately 96,300 square metres.
- 4.3.97 The Authority also notes that the awarded scope incorporates various site-specific and environmental requirements, including bridges, culverts and drainage structures required for preservation of natural water

courses, flood mitigation and management of storm water runoff, considering the local topography and climatic conditions in the project area.

I2- Landscaping (Rs 25.84 crores)

- 4.3.98 The Authority has examined the landscaping works and notes that the same comprises both hard landscaping and soft landscaping works along the Airport approach road corridor and adjoining landside areas. The scope includes plantation works, avenue landscaping, turfing, horticultural development, irrigation systems and associated landscaping infrastructure.
- 4.3.99 The Authority further notes that the landscaping works are intended to improve the visual appearance of the Airport approach corridor, enhance passenger experience and support the overall environmental and sustainability objectives of the Airport. The landscaping package was awarded separately from the main access road works and forms a distinct component of landside development.

I3- Boundary Wall (Rs 25.92 crores)

- 4.3.100 The Authority has examined the scope of the boundary wall works and notes that the same relates to perimeter protection of the Airport land for safeguarding the Airport premises and preventing unauthorized access and encroachments.
- 4.3.101 The Authority further notes that the scope comprises construction of perimeter protection infrastructure using RCC precast posts and precast RCC panels along the Airport boundary. The boundary wall forms an essential element of airport security infrastructure and facilitates protection of Airport assets and airport operational areas.

I4- Government Grant (Rs 134.55 crores)

- 4.3.102 The Authority notes that the Government of Andhra Pradesh (GoAP), vide G.O. Rt. No. 71 dated 31.10.2022, approved funding of Rs. 134.55 crore towards specified funded works. The funded works broadly comprise approach road development, access road lighting, boundary protection works and diversion/removal of utilities. The details of sanctioned amount is given in the figure below:

**Figure 2 : Extract of Cost Approved for Funded Works**

| S. No. | Item                                                                                                                        | Unit (Km) | Amount (Rs.)          |
|--------|-----------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------|
| 1      | Chain link fencing                                                                                                          | 14.0      | ₹ 38,718,784          |
| 2      | Approach road (four lane divided carriageway with median and paved shoulders)                                               | 3.1       | ₹ 381,689,868         |
| 3      | Access road from terminal area till Commercial development area North of Runway (four lane divided carriageway with median) | 7.5       | ₹ 742,592,018         |
| 4      | Lighting of access road and approach road                                                                                   | 10.6      | ₹ 132,500,000         |
| 5      | Diversion / removal of utilities from Airport land                                                                          |           | ₹ 50,000,000          |
|        | <b>TOTAL</b>                                                                                                                |           | <b>₹ 134,55,00670</b> |

- 4.3.103 The Authority has examined the submissions made by GVIAL regarding the variation between the Government-approved amount and the actual awarded cost of the funded works of Rs. 225.08 Crores. GVIAL submitted that the increase in cost is attributable to inflation, changes in design requirements and changes in scope, including replacement of chain-link fencing with a perimeter wall and modifications to the access road.

**Table 20: Details of Variation between the Approved vs Actual Funded Works Cost submitted by GVIAL**

(Rs in Crs)

| Details of Work                                                                     | Commitment of funds by State Government | Actual awarded/ Completion Cost | Variation in cost | Remarks by GVIAL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chain link fencing                                                                  | 3.87                                    | 24.87                           | 20.99             | The estimates of Funded Works was carried out way back in FY17 and chain link fencing was considered for securing the operational boundary area. However, due to amendment in Aircraft (Security) Rules 2023, the requirements of chain-link fencing is replaced with perimeter wall with overhang fencing.                                                                                                                                                                                                                                                                                                                                                                          |
| Approach road (four lane divided carriage way with median and paved shoulders)      | 38.17                                   | 199.17                          | 73.49             | The estimates of Funded Works were carried out way back in FY17 and hence there is an inherent component of inflation which gets factored in the awarded cost. Further there is increase in scope due to vertical profile of the approach and access road having maximum height of 8 m and minimum height of 2 m to cater to various environmental and local requirements such as construction of bridge for preservation of water body, 2 VUPs, 2 PUPs for seamless movement of local populus as there exists human habitation on both sides of the road, 6 Box culverts to water egress to avoid inundation during heavy rainfall as the airport is located in cyclone prone area. |
| Access development area North of Runway (four lane divided carriageway with median) | 74.26                                   |                                 |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Lighting of access road and approach road                                           | 13.25                                   |                                 |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Diversion/ removal of utilities from Airport land                                   | 5.00                                    | 1.04                            | -3.96             | Currently utility (water and HT Power lines) diversion works being initiated; A part of the scope of utility diversion was done local administration at the time Rehabilitation and Resettlement (R&R)                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Total Cost</b>                                                                   | <b>134.55</b>                           | <b>225.08</b>                   | <b>90.53</b>      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

4.3.104 The Authority has examined the reasons submitted by GVIAL for the variation between the Government-approved amount and the actual awarded cost of the funded works. GVIAL has attributed the increase in cost, inter alia, to inflation, revised design requirements, changes in scope and compliance with applicable regulatory requirements. In particular, GVIAL submitted that the originally envisaged chain-link fencing was replaced with a perimeter wall in accordance with the Aircraft (Security) Rules, 2023. Further, the scope of the access road package was modified to include additional drainage structures, underpasses, bridges and other site-specific requirements to maintain uniform grading and facilitate smooth movement of vehicles to and from the Airport.

4.3.105 In response to a query raised by the Authority regarding the above variation, GVIAL furnished a Government Order dated 12<sup>th</sup> July 2024 issued by GoAP approving the replacement of chain-link fencing with a perimeter wall. The Authority observes that the said approval was subject to the condition that the expenditure remain

within the amount of Rs. 134.55 crore already sanctioned under G.O. Rt. No. 71 dated 31<sup>st</sup> October 2022. Thus, while the change in scope was approved by GoAP, no corresponding enhancement in the sanctioned amount was provided.

4.3.106 The Authority further notes that GVIAL has not submitted any subsequent Government Order, approval or other documentary evidence indicating enhancement of the sanctioned funding by GoAP / APADCL or reimbursement of the expenditure incurred by GVIAL over and above the sanctioned amount. The absence of additional Government funding, however, does not by itself determine the admissibility of such expenditure as part of the project cost for tariff determination. Accordingly, the Authority has examined the necessity and reasonableness of the additional works and the associated expenditure independently.

4.3.107 Based on the examination of the scope of the additional works, the reasons for the variation submitted by GVIAL and the cost assessment undertaken through its Independent Consultant / Aviation Expert, the Authority considers the additional works to be necessary for the development and operation of the Airport. Further, the costs of such works have been found to be comparable with the applicable CPWD PAR / market rates. Accordingly, the Authority considers the expenditure incurred by GVIAL over and above the amount sanctioned by GoAP for the funded works to be justified for consideration as part of the project cost.

4.3.108 The Authority also notes that the landscaping package amounting to Rs. 25.84 crore does not form part of the works approved for funding by GoAP and, therefore, does not represent a cost overrun or additional expenditure against the sanctioned amount for the funded works. The landscaping works form part of the overall Airport development and associated landside infrastructure. The Authority has accordingly examined the landscaping package separately on its own scope, necessity and cost reasonableness and proposes to consider the cost of Rs. 25.84 crore as part of the project cost for tariff determination.

4.3.109 In view of the above, based on the examination of the scope, necessity and cost reasonableness of the Non-EPC works, the Authority proposes to consider the total revised cost of Rs. 225.08 crore, comprising Rs. 173.32 crore towards Roads and Pavement (Main Access Roads), Rs. 25.84 crore towards Landscaping and Rs. 25.92 crore towards Boundary Wall. After adjusting the Government Grant of Rs. 134.55 crore towards the funded works, the Authority proposes to consider the balance Non-EPC cost of Rs. 90.53 crore as part of the project cost for tariff determination.

#### **IV. EXAMINATION OF DESIGN CONSULTANCY, PMC, AND PRE-OPERATIVE EXPENSES (SOFT COSTS) (Refer Para 4.3.27 (IV))**

4.3.110 The break-up of soft costs submitted by GVIAL is as per table below:

**Table 21: Breakup of Soft Costs as submitted by GVIAL**

| <i>(Rs in Crs)</i>         |     |               |
|----------------------------|-----|---------------|
| Particulars                | Ref | Cost          |
| Design Consultancy and PMC | J1  | 120.00        |
| Pre-Operative Expenses     | J2  | 269.60        |
| <b>Total</b>               |     | <b>389.60</b> |

##### **J1- Design Consultancy and PMC (Rs 120 crores)**

##### **GVIAL's Submission**

4.3.111 GVIAL has submitted the break-up of Design Consultancy and PMC expenses as given in the table below:

**Table 22: Breakup of Design and PMC Cost as submitted by GVIAL***(Rs in Crs)*

| Particulars                 | Cost          |
|-----------------------------|---------------|
| Design Consultancy          | 37.74         |
| PMC                         | 80.59         |
| Onsite Support Infra to PMC | 1.67          |
| <b>Total</b>                | <b>120.00</b> |

4.3.112 GVIAL has submitted that the PMC contract has been awarded to GMR Airports Developers Limited, while the Design Consultancy contract has been awarded to Meinhardt International Infrastructure Pte Ltd.

4.3.113 Further, GVIAL has indicated that the onsite support infrastructure costs for PMC are based on provisions under the agreement with GADL and primarily relate to expenses such as utilities, vehicles, food and refreshments, and office overheads.

#### Authority's examination of Design Consultancy and PMC Expenses

##### Design Consultancy

4.3.114 The Authority notes that the design consultancy contract has been awarded through a competitive bidding process, in line with the internal procurement policy of GVIAL. The Authority notes the following process for appointment of M/s Meinhardt International Infrastructure Pte. Ltd., Singapore (referred to as Meinhardt) as the design consultant for Bhogapuram International Airport.

4.3.115 GVIAL issued the Request for Proposal (RFP) for Design Consultancy Services to pre-qualified bidders. A pre-bid meeting was held subsequently, followed by responses to bidder queries. The proposals were subsequently received by GVIAL through the GMR e-procurement portal, with commercial offers received from three bidders, namely AECOM-SOM, Meinhardt International Infrastructure Pte. Ltd., Singapore, and the Nordic-NACO-STUP consortium.

4.3.116 GVIAL thereafter undertook a techno-commercial evaluation of the bids, including technical presentations and clarifications. Following the evaluation process, final offers were obtained from the bidders. Based on the overall techno-commercial evaluation, the evaluation committee recommended Meinhardt International Infrastructure Pte. Ltd. as the preferred bidder. Accordingly, GVIAL issued the Letter of Award to Meinhardt within the stipulated 90-day bid validity period.

4.3.117 The Authority further observes that the contract was initially awarded at a value of Rs. 21.46 crores, which has subsequently increased to a contract closure value of Rs. 37.74 crores, primarily on account of additional scope of work.

4.3.118 On examination, it is noted that the additional scope includes enhanced engineering requirements from an architectural perspective for the Passenger Terminal Building (PTB) roof and ceiling and ATC complex, additional resource deployment for design and engineering iterations, structural and architectural modifications required for arrival and departure segregation, and additional MEP design iterations arising out of value engineering exercises. The above additional scope and associated requirements have resulted in an increase in the overall cost of Rs. 16.28 crore.

4.3.119 Accordingly, the design consultancy cost has been considered appropriate and reasonable and Rs. 37.74 crores is accordingly proposed to be considered towards design consultancy cost, in line with the submission by GVIAL.

Project Management Cost (PMC) Expenses

- 4.3.120 The Authority notes that the PMC contract has been awarded to GMR Airports Developers Limited (GADL), which is a related party, through a competitive bidding process. The Authority has examined the terms of the PMC Agreement, including the scope of services, contractual period and the cost submitted by GVIAL.
- 4.3.121 Further, the Authority has examined the terms of the PMC contract, including the tenure and scope of services, as per Clause 2.5 (Period of Agreement) of the PMC contract, the relevant extract of which is reproduced below:
- “The period of this Agreement shall be 43 months from the date of signing of the Agreement (‘Term’) which comprise of the estimated duration of 43 Months of Services from Home Office (off site basis including 3 months support for the evaluation of EPC tenders etc.) and 40 Months of Services from Site (On site basis). Unless terminated earlier pursuant to Clauses 2.4 or 2.10 hereof, this Agreement shall, unless extended by the Parties by mutual consent, expire upon completion of above Term. The Term of Contract may be reduced or increased based on the COD of the Airport at sole discretion of GVIAL”*
- 4.3.122 The Authority further observes that the EPC contract was awarded in November 2023 and the PMC services were envisaged up to February 2027 based on the contractual duration. However, the COD of the Airport is 17<sup>th</sup> August 2026. Considering the COD and the requirement of PMC support for a period of four months after COD, as envisaged under the Agreement, the Authority considers PMC services up to December 2026 to be reasonable. Accordingly, the PMC cost pertaining to January 2027 and February 2027 has not been considered.
- 4.3.123 The Authority, through its Independent Consultant, has also examined the reasonableness of the PMC cost with reference to the scope of services, contractual period, deployment requirements and the applicable rates under the Agreement. Considering the nature and extent of PMC services required during the project implementation period and the requirement of services up to December 2026, the Authority finds the cost, after adjustment for the period beyond December 2026, to be reasonable.
- 4.3.124 Accordingly, the Authority, through its Independent Consultant, has rationalized the PMC cost by retaining the post-COD support period and proportionately reducing the duration of PMC services during the construction phase to account for the excess period beyond the expected COD. Based on the above, the PMC cost has been revised to Rs. 75.56 crores as against Rs. 80.59 crores submitted by GVIAL.

Onsite Support Infra to PMC

- 4.3.125 The Authority, through its Independent Consultant, has examined the onsite support infrastructure cost for PMC amounting to Rs. 1.67 crores, as submitted by GVIAL.
- 4.3.126 It was noted that as per Clause 5.1(f), (g), (h) and (i) of the PMC agreement, GVIAL is required to provide necessary infrastructure and facilities to the PMC, including software and hardware for design and project management, fully furnished office space along with utilities such as power, HVAC and IT infrastructure, as well as maintenance, housekeeping and transport within the project site.
- 4.3.127 The Authority observes that the onsite support infrastructure cost has been estimated primarily towards utilities (Rs. 0.50 crores), vehicles and food & refreshments (Rs. 1.00 crore), and office overheads (Rs. 0.17 crores), in line with the contractual provisions.

4.3.128 Considering that these costs arise directly from contractual obligations of GVIAL under the PMC agreement and are necessary for effective execution and supervision of the project, the Authority is of the view that the cost allocation is reasonable.

4.3.129 Accordingly, the Authority has considered and allowed the onsite support infrastructure cost of Rs. 1.67 crores as submitted by GVIAL.

4.3.130 Based on the above analysis, the Design Consultancy and PMC costs are as presented in the table below.

**Table 23: Design Consultancy and PMC Cost considered by the Authority**

(Rs in Crs)

| Particulars                 | Cost by GVIAL | Cost considered by Authority | Variance    | Remarks                                                                                 |
|-----------------------------|---------------|------------------------------|-------------|-----------------------------------------------------------------------------------------|
| PMC Contract                | 80.59         | 75.56                        | 5.03        | Revised based on contract duration alignment with COD; excess post-COD period excluded. |
| Onsite Support Infra to PMC | 1.67          | 1.67                         | -           | Cost found reasonable as per contractual obligations.                                   |
| Design – Meinhardt          | 37.74         | 37.74                        | -           | Cost found reasonable.                                                                  |
| <b>Total</b>                | <b>120.00</b> | <b>114.97</b>                | <b>5.03</b> |                                                                                         |

## **J2- Pre-Operative Expenses (Rs 269.60 crores)**

### GVIAL's Submission

4.3.131 GVIAL has submitted that pre-operative expenses form part of soft costs, aggregating to Rs. 269.60 crores, which includes expenses incurred during the construction phase, payments mandated under the Concession Agreement, as well as fees payable to APADCL and the Independent Engineer appointed by APADCL.

4.3.132 Further, the Authority notes that, in response to queries raised during the review process, GVIAL has provided a detailed year-wise break-up of pre-operative expenses up to October 2025, along with the balance estimated expenditure for the remaining period up to 30<sup>th</sup> June 2026, as presented in the table below.

**Table 24: Summary of Pre-Operative Expenses as submitted by GVIAL as part of its MYTP submission**

(Rs in Crs)

| Sr No | Particulars                  | FY21        | FY 22       | FY 23       | FY 24        | FY 25        | Apr 25 to Oct 25 | Cumulative Till Oct 25 | Balance Estimated (Nov 25 to June 26) | Total With GST |
|-------|------------------------------|-------------|-------------|-------------|--------------|--------------|------------------|------------------------|---------------------------------------|----------------|
|       | <b>Pre-Operative Expense</b> | <b>6.76</b> | <b>8.10</b> | <b>8.01</b> | <b>26.82</b> | <b>29.04</b> | <b>31.53</b>     | <b>110.25</b>          | <b>159.35</b>                         | <b>269.60</b>  |

### Authority's examination of Pre-Operative Expenses

4.3.133 The Authority notes that GVIAL, in its MYTP submission, had considered an expected Commercial Operation Date (COD) of 30th June 2026 and had accordingly submitted the projected pre-operative expenses proposed to be incurred up to the said date. Subsequently, the COD was achieved on 17th August 2026. In view of the actual COD, GVIAL, vide email dated 13th August 2026, furnished updated details of pre-operative expenses comprising actual expenditure incurred up to 31st July 2026 and forecast expenditure proposed to be incurred up to the actual COD. The Authority has verified the pre-operative expenses incurred up to 31st March 2026 with the audited financial statements of GVIAL for all the periods presented.

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE  
FIRST CONTROL PERIOD**

4.3.134 Subsequently, upon enquiry by the Independent Consultant, GVIAL, vide email dated 19<sup>th</sup> September 2026, furnished the details of pre-operative expenses incurred up to the COD. GVIAL has clarified that invoices in respect of certain expenses are yet to be received and accounted for. Accordingly, such amounts have been indicated in its submission as PO commitments and non-PO estimates, as applicable.

4.3.135 The revised pre-operative expenses submitted by GVIAL with actuals upto COD are presented in the table below.

**Table 25: Revised Pre-Operative Expenses as submitted by GVIAL with actuals upto COD**

(Rs in Crs)

| Sr No | Particulars                              | FY 21 to FY 26 | Apr 26 till 16 <sup>th</sup> Aug 26 | Total as on 16 <sup>th</sup> Aug 26 | PO Commitment Value | Non-PO (Estimate) | Expected Completion Total | Expected Completion Total (with GST) |
|-------|------------------------------------------|----------------|-------------------------------------|-------------------------------------|---------------------|-------------------|---------------------------|--------------------------------------|
| 1     | Advertisement Expenses                   | 0.54           | 0.02                                | 0.56                                | 0.30                |                   | 0.86                      | <b>1.02</b>                          |
| 2     | Authority Payment                        | 38.28          | 3.26                                | 41.54                               | 1.93                |                   | 43.47                     | <b>51.29</b>                         |
| 3     | Approval and Clearances                  | 2.06           | 0.24                                | 2.30                                |                     |                   | 2.30                      | <b>2.71</b>                          |
| 4     | Consultancy & Professional Charges       | 10.42          | 2.50                                | 12.92                               | 3.54                |                   | 16.46                     | <b>19.43</b>                         |
| 5     | Equipment + Office Lease rental          | 2.33           | 5.63                                | 7.96                                |                     |                   | 7.96                      | <b>9.39</b>                          |
| 6     | Ground breaking & Inauguration expenses  | 0.67           | 23.28                               | 23.95                               | 6.23                | 2.00              | 32.18                     | <b>37.97</b>                         |
| 7     | IT & Other equipment                     | 6.60           | 0.30                                | 6.90                                | 0.41                |                   | 7.31                      | <b>8.63</b>                          |
| 8     | Land Clearance Charges                   | 0.83           | -                                   | 0.83                                |                     |                   | 0.83                      | <b>0.97</b>                          |
| 9     | Office and Admin Expenses                | 4.11           | 3.99                                | 8.10                                | 0.40                |                   | 8.50                      | <b>10.02</b>                         |
| 10    | ORAT                                     | 1.00           | 15.19                               | 16.19                               | 13.27               |                   | 29.46                     | <b>34.76</b>                         |
| 11    | Rates & Taxes                            | 0.53           | -                                   | 0.53                                |                     |                   | 0.53                      | <b>0.63</b>                          |
| 12    | Rent Expenses                            | 4.59           | 2.42                                | 7.01                                |                     |                   | 7.01                      | <b>8.27</b>                          |
| 13    | Salary Expenses and Manpower charges     | 35.94          | 7.69                                | 43.63                               | 0.14                |                   | 43.77                     | <b>43.77</b>                         |
| 14    | Security Service                         | 0.76           | 2.48                                | 3.24                                | 2.50                |                   | 5.74                      | <b>6.77</b>                          |
| 15    | Skill Development Centre                 | 8.29           | 3.06                                | 11.35                               | 0.22                |                   | 11.57                     | <b>13.65</b>                         |
| 16    | Travelling Expenses and local conveyance | 7.84           | 1.50                                | 9.34                                | 0.38                |                   | 9.72                      | <b>11.47</b>                         |
| 17    | School                                   | 1.98           | 4.42                                | 6.40                                | 6.46                |                   | 12.86                     | <b>15.17</b>                         |
| 18    | Digital Wall in pax processing area      | -              | 4.05                                | 4.05                                | 2.49                |                   | 6.54                      | <b>7.72</b>                          |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE  
FIRST CONTROL PERIOD**

| Sr No        | Particulars                                                       | FY 21 to FY 26 | Apr 26 till 16 <sup>th</sup> Aug 26 | Total as on 16 <sup>th</sup> Aug 26 | PO Commitment Value | Non-PO (Estimate) | Expected Completion Total | Expected Completion Total (with GST) |
|--------------|-------------------------------------------------------------------|----------------|-------------------------------------|-------------------------------------|---------------------|-------------------|---------------------------|--------------------------------------|
| 19           | Expenses Charged off the PnL (Board Meeting, Audit Fee, RoC, CSR) | 7.93           | 0.88                                | 8.81                                | 0.03                |                   | 8.84                      | <b>10.43</b>                         |
| 20           | Other Expenses net off recovery                                   | -3.66          | 1.33                                | -2.33                               |                     |                   | -2.33                     | <b>-2.33</b>                         |
| <b>Total</b> |                                                                   | <b>131.01</b>  | <b>82.24</b>                        | <b>213.25</b>                       | <b>38.30</b>        | <b>2.00</b>       | <b>253.55</b>             | <b>291.73</b>                        |

4.3.136 The Authority, through its Independent Consultant, has examined the revised submission furnished by GVIAL, including the actual expenditure incurred up to COD, the supporting documents submitted in support thereof and the expenditure proposed under PO and non-PO estimates. The Authority has reviewed the nature and basis of the claimed expenses and assessed the reasonableness of the forecast costs proposed to be incurred up to the revised COD. The Authority's observations in respect of the various components of pre-operative expenses are discussed in the subsequent paragraphs.

1. Advertisement Expenses

4.3.137 The Authority notes that the expenditure relates to advertisement and promotional activities undertaken prior to commencement of airport operations. The actual expenditure incurred up to COD amounts to Rs. 0.56 crore (excluding GST), while GVIAL has issued POs amounting to Rs. 0.30 crore (excluding GST) in respect of further activities associated with the commencement of operations. The Authority has also traced the expenditure incurred by GVIAL to its audited financial statements for the respective years, including FY 2025-26, and has not observed any discrepancies in the amounts stated in the submission.

4.3.138 The Authority considers such expenditure necessary for a greenfield airport to create public awareness regarding the commencement of operations, facilitate passenger outreach and communicate relevant information during the transition to the new airport. Further, the overall expenditure is considered reasonable having regard to the nature and scale of the activities and the expenditure observed at other comparable greenfield airports.

4.3.139 Accordingly, the Authority proposes to consider Rs. 0.86 crore (excluding GST) towards Advertisement Expenses, equivalent to Rs. 1.02 crore including GST at 18%.

2. APADCL Payment (License Fees and Lease Rent)

4.3.140 The Authority has examined the expenditure claimed towards Licence Fee payable by GVIAL to APADCL during the pre-operative period. The Authority notes GVIAL's submission that the actual expenditure incurred up to COD amounts to Rs. 41.54 crore (excluding GST), with a further amount of Rs. 1.93 crore (excluding GST) indicated as PO commitment, aggregating to Rs. 43.47 crore (excluding GST) and Rs. 51.29 crore including GST.

4.3.141 Considering the COD of 17<sup>th</sup> August 2026, the Authority has independently recomputed the Licence Fee attributable to the pre-operative period based on the applicable contractual terms and notes that the amount so derived is broadly in line with the amount submitted by GVIAL. Accordingly, the Authority proposes to

consider Rs. 43.47 crore (excluding GST) towards Licence Fee payable to APADCL, equivalent to Rs. 51.29 crore including GST at 18%.

3. Approval and Clearances

4.3.142 The Authority notes that the costs claimed under this head relate to statutory approvals, licences and regulatory clearances required prior to the commencement of airport operations. The actual expenditure incurred up to COD amounts to Rs. 2.30 crore (excluding GST), with no further purchase order commitments. Considering that these approvals and clearances are necessary for the commencement of airport operations and that the costs are reasonable, the Authority proposes to consider an amount of Rs. 2.30 crore (excluding GST), equivalent to Rs. 2.71 crore (including GST), for regulatory purposes.

4. Consultancy & Professional Charges

4.3.143 The Authority has examined the expenditure claimed towards consultancy, professional advisory and project support services associated with airport development and commissioning activities e.g. services for quality review of the EPC contract etc. The Authority notes that actual expenditure of Rs. 12.92 crore (excl. GST) has been incurred up to the Commercial Operation Date (COD), while GVIAL has estimated a further expenditure of Rs. 3.54 crore (excl. GST) towards purchase order commitments. Accordingly, the total expenditure proposed amounts to Rs. 16.46 crore (excluding GST).

4.3.144 Considering the scale of airport development, the nature of operations and the relevance of these services to airport development and commissioning activities, the Authority proposes to consider an amount of Rs. 16.46 crore (excluding GST), equivalent to Rs. 19.43 crore (including GST), for regulatory purposes.

5. Equipment and Office Lease Rental

4.3.145 The Authority notes that the expenditure under this head relates to lease rentals for equipment and office facilities utilised during the pre-COD period including runway friction tester, runway rubber removal machines, apron sweeper machine etc. The Authority notes that actual expenditure incurred up COD amounts to Rs. 7.96 crore (excl. GST). The Authority has verified the contracts available in this regard and note that the expense is in line with the contract terms. Considering the need of such equipment for operational purposes the Authority proposes to consider expenses of Rs. 7.96 Crores (excl. GST) which amounts to Rs. 9.39 Crores (incl. GST).

6. Ground Breaking and Inauguration Expenses

4.3.146 The Authority has examined the expenditure submitted by GVIAL regarding the groundbreaking ceremony and inauguration of the airport. GVIAL has reported expenditure of Rs. 23.95 crore (excl GST) incurred up to COD, PO commitments of Rs. 6.23 crore (excl GST) and non-PO estimates of Rs. 2.00 crore (excl GST), aggregating to Rs. 32.18 crore (excl GST). The Authority notes that the expenditure claimed is significantly higher than the inauguration expenses incurred at other recently commissioned greenfield airports. Considering the need to rationalize the expenditure and permit recovery only of costs that are reasonable and commensurate with the requirements of airport commissioning, the Authority proposes to reduce Rs. 20.00 crore and consider the balance amount of Rs. 12.18 crore (excl GST), equivalent to Rs. 14.37 crore (incl GST).

4.3.147 The Authority further notes that the capitalization of these expenses in Fixed Asset Register would not have been fully completed in GVIAL's books of accounts. Accordingly, the nature, necessity and final

capitalization of the expenditure considered above will be examined at the time of true-up during tariff determination for the next Control Period, based on the capitalization certificate and other supporting documents submitted by GVIAL.

7. IT and Other Equipment

4.3.148 The Authority notes that the expenditure relates to the procurement of operational equipment required for airport operations. GVIAL has reported actual expenditure of Rs. 6.90 crore (excl. GST) incurred up to COD and PO commitments of Rs. 0.41 crore (excl. GST), aggregating to Rs. 7.31 crore (excl. GST). Considering that the expenditure pertains to the acquisition of tangible assets including trunk mobile radio communication, desktops, laptops etc., the Authority proposes to reclassify the same under hard costs.

8. Land Clearance Charges

4.3.149 The Authority notes that the expenditure claimed under this head relates to land clearance and associated site preparation activities undertaken as part of airport development. The actual expenditure incurred up to COD amounts to Rs. 0.83 crore (excl. GST), with no material expenditure estimated thereafter. Considering the necessity of these activities for the development and commencement of airport operations and the reasonableness of the expenditure incurred, the Authority proposes to consider Rs. 0.83 crore (excl. GST), equivalent to Rs. 0.97 crore (incl. GST).

9. Office and Administrative Expenses

4.3.150 The Authority has examined the expenditure incurred towards office operations and administrative support functions associated with airport development. The Authority notes that the actual expenditure incurred up to COD amounts to Rs. 8.10 crore (excl. GST), with a further amount of Rs. 0.40 crore (excl. GST) towards PO commitments, aggregating to Rs. 8.50 crore (excl. GST). Considering the necessity of these activities for the development and commencement of airport operations and the reasonableness of the expenditure incurred, the Authority proposes to consider Rs. 8.50 crore (excl. GST), equivalent to Rs. 10.02 crore (incl. GST).

10. ORAT Expenses

4.3.151 The Authority has examined the expenditure proposed by GVIAL towards Operational Readiness and Airport Transfer (ORAT) activities undertaken prior to the commencement of airport operations. The Authority notes that the actual expenditure incurred up to COD amounts to Rs. 16.19 crore (excl. GST), while the value of PO commitments amounts to Rs. 13.27 crore (excl. GST), aggregating to Rs. 29.46 crore (excl. GST).

4.3.152 The Authority notes that GVIAL has not furnished a detailed break-up of the latest expenditure reported under this head. However, the details submitted at the time of the MYTP indicate that the expenditure includes costs relating to the phased deployment of CISF personnel prior to COD, comprising 100 personnel for three months, 200 personnel for two months and 300 personnel for three months. The Authority, through its independent consultant had also identified certain expenses of duplicate nature in the break up submitted by GVIAL. Based on the above information, such duplicate expenditure is estimated at Rs. 5.50 crore (excl. GST). The remaining expenditure relates to terminal operations personnel, facilitation of operational licences, calibration and test flights, and the engagement of specialists for operational-readiness activities.

4.3.153 The Authority is of the view that the expenditure relating to CISF deployment is not admissible for capitalisation, since such costs are recoverable through the Airport Security Fee (ASF) mechanism and are not required to be borne by the Airport Operator. Accordingly, the Authority proposes to exclude the estimated

CISF expenditure and duplicate expenses of Rs. 5.50 crore and consider the balance expenditure of Rs. 23.89 crore (excl. GST), equivalent to Rs. 28.19 crore (incl. GST).

- 4.3.154 The amount considered by the Authority will be subject to true-up at the time of tariff determination for the next Control Period, based on the examination of final capitalization recorded in GVIAL's books of accounts and other supporting documents submitted by GVIAL.

11. Rates and Taxes

- 4.3.155 The Authority notes that the expenditure claimed under this head relates to statutory rates and taxes payable during the pre-operative period. The actual expenditure incurred up to COD amounts to Rs. 0.53 crore (excl. GST). Considering the nature, necessity and reasonableness of the expenditure incurred, the Authority proposes to consider Rs. 0.53 crore (excl. GST), equivalent to Rs. 0.63 crore (incl. GST), towards rates and taxes.

12. Rent Expenses

- 4.3.156 The Authority has examined the rental expenses incurred during the airport development phase. The Authority notes that the actual expenditure incurred up to COD amounts to Rs. 7.01 crore (excl. GST). Considering the necessity and reasonableness of the expenditure incurred, the Authority proposes to consider Rs. 7.01 crore (excl. GST), equivalent to Rs. 8.27 crore (incl. GST).

13. Salary & Manpower Expenses

- 4.3.157 The Authority has examined the employee costs and manpower expenses incurred towards airport commissioning and operational-readiness activities. The Authority notes that the actual expenditure incurred up to COD amounts to Rs. 43.63 crore, while GVIAL has indicated further commitments of Rs. 0.14 crore, aggregating to Rs. 43.77 crore. Considering the necessity and reasonableness of the expenditure incurred, the Authority proposes to consider GVIAL's submission of Rs. 43.77 crore in full. Since GST is not applicable to this expenditure, the amount proposed to be considered remains Rs. 43.77 crore.

14. Security Services

- 4.3.158 The Authority has examined the expenditure incurred towards the deployment of security services during the pre-operative phase. The Authority notes that the actual expenditure incurred up to COD amounts to Rs. 3.24 crore (excl. GST), together with PO commitments of Rs. 2.50 crore (excl. GST), aggregating to Rs. 5.74 crore (excl. GST). Considering that these security services were necessary for ensuring the operational readiness of the airport and noting the reasonableness of the expenditure, the Authority proposes to consider Rs. 5.74 crore (excl. GST), equivalent to Rs. 6.77 crore (incl. GST), towards security services.

15. Skill Development Centre

- 4.3.159 The Authority notes that GVIAL has claimed expenditure towards the development of a Skill Development Centre. The actual expenditure incurred up to COD amounts to Rs. 11.35 crore (excl. GST), while the value of PO commitments amounts to Rs. 0.22 crore (excl. GST), aggregating to Rs. 11.57 crore (excl. GST). The Authority observes that the development of such a facility is not mandated under the Concession Agreement or any applicable regulatory requirement. Accordingly, the Authority proposes not to consider the expenditure of Rs. 11.57 crore (excl. GST) equivalent to Rs. 13.65 crore (incl. GST) towards the Skill Development Centre for tariff determination.

16. Travelling Expenses and Local Conveyance

4.3.160 The Authority has examined the travelling, local conveyance and related expenses incurred in connection with airport development and project implementation activities. The Authority notes that the expenditure incurred up to COD amounts to Rs. 9.34 crore (excl. GST), together with PO commitments of Rs. 0.38 crore (excl. GST), aggregating to Rs. 9.72 crore (excl. GST). Considering the necessity and reasonableness of the expenditure incurred, the Authority proposes to consider GVIAL's submission of Rs. 9.72 crore (excl. GST), equivalent to Rs. 11.47 crore (incl. GST), towards travelling and related expenses.

17. School

4.3.161 The Authority notes that GVIAL has claimed expenditure towards the development of a school. The actual expenditure incurred up to COD amounts to Rs. 6.40 crore (excl. GST), while the value of PO commitments amounts to Rs. 6.46 crore (excl. GST), aggregating to Rs. 12.86 crore (excl. GST), equivalent to Rs. 15.17 crore (incl. GST). The Authority observes that the proposed expenditure is neither directly attributable to the development and operation of the airport nor demonstrated to arise from any requirement under the Concession Agreement or any applicable statutory or regulatory obligation. Accordingly, the Authority proposes not to consider the expenditure of Rs. 12.86 crore (excl. GST), equivalent to Rs. 15.17 crore (incl. GST), for tariff determination.

18. Digital Wall in Passenger Processing Area

4.3.162 The Authority notes that GVIAL has claimed expenditure towards the installation of a Digital Wall in the passenger processing area. The actual expenditure incurred up to COD amounts to Rs. 4.05 crore (excl. GST), together with PO commitments of Rs. 2.49 crore (excl. GST), aggregating to Rs. 6.54 crore (excl. GST), equivalent to Rs. 7.72 crore (incl. GST).

4.3.163 The Authority notes that, in its earlier submission dated 13<sup>th</sup> August 2026 covering costs up to 31<sup>st</sup> July 2026, GVIAL had indicated a total cost of Rs. 4.26 crore (excl. GST), including the estimated expenditure, towards the Digital Wall. The subsequent submission dated 19<sup>th</sup> September 2026 reflects an increase of Rs. 2.28 crore (excl. GST). Considering that the procurement process for the Digital Wall would have been initiated sufficiently in advance of COD, and in the absence of adequate information and supporting documents substantiating the subsequent increase, the Authority proposes to restrict the amount to Rs. 4.26 crore (excl. GST), equivalent to Rs. 5.03 crore (incl. GST), as submitted by GVIAL on 13<sup>th</sup> August 2026.

4.3.164 Further, since the expenditure relates to the acquisition of a tangible asset, the Authority proposes to reclassify the amount of Rs. 5.03 crore (incl. GST) as part of the airport project cost under hard costs and examine its admissibility under the relevant asset category.

19. Expenses accounted in Profit and Loss Account

4.3.165 The Authority notes that GVIAL has claimed expenditure towards Board meeting expenses, audit fees, RoC charges, CSR expenditure and other items accounted for through the Statement of Profit and Loss. The actual expenditure incurred up to COD amounts to Rs. 8.81 crore (excl. GST), together with PO commitments of Rs. 0.03 crore (excl. GST), aggregating to Rs. 8.84 crore (excl. GST), equivalent to Rs. 10.43 crore (incl. GST). The Authority observes that such expenditure is not eligible for capitalization as part of the airport project cost. Accordingly, the Authority proposes not to consider the expenditure of Rs. 8.84 crore (excl. GST), equivalent to Rs. 10.43 crore (incl. GST), accounted for through the Statement of Profit and Loss.

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4.3.166 Based on the examination and rationalization set out above, the Authority proposes to consider pre-operative expenses of Rs. 205.96 crores (incl. GST), as against Rs. 291.73 crores (incl. GST) submitted by GVIAL, resulting in a reduction of Rs. 85.77 crores. The reduction is attributable to the rationalization of projected expenditure, reclassification of expenditure relating to a Hard cost element under the appropriate capital cost categories and exclusion of expenditure not considered admissible as part of the airport project cost, as discussed in the preceding paragraphs.

4.3.167 Accordingly, the Pre-Operative Expenses proposed to be considered by the Authority is presented in the table below.

**Table 26: Pre-Operative Expenses as considered by the Authority**

(Rs in Crs)

| Sr. No       | Particulars (Incl GST)                                            | Cost by GVIAL | Cost considered by Authority | Variance     | Remarks                                                                            |
|--------------|-------------------------------------------------------------------|---------------|------------------------------|--------------|------------------------------------------------------------------------------------|
| 1            | Advertisement Expenses                                            | 1.02          | 1.02                         | -            |                                                                                    |
| 2            | Authority Payment                                                 | 51.29         | 51.29                        | -            |                                                                                    |
| 3            | Approval and Clearances                                           | 2.71          | 2.71                         | -            |                                                                                    |
| 4            | Consultancy & Professional Charges                                | 19.43         | 19.43                        | -            |                                                                                    |
| 5            | Equipment + Office Lease rental                                   | 9.39          | 9.39                         | -            |                                                                                    |
| 6            | Groundbreaking & Inauguration expenses                            | 37.97         | 14.37                        | 23.60        | Rationalization by Rs. 20 Crores + GST(Ref Para 4.3.146)                           |
| 7            | IT & Other equipment                                              | 8.63          | -                            | 8.63         | Reclassified to Hard Cost (Refer para 4.3.148)                                     |
| 8            | Land Clearance Charges                                            | 0.97          | 0.97                         | -            |                                                                                    |
| 9            | Office and Admin Expenses                                         | 10.02         | 10.02                        | -            |                                                                                    |
| 10           | ORAT                                                              | 34.76         | 28.19                        | 6.57         | CISF-related expenditure and duplicate expenses rationalized. (Refer para 4.3.153) |
| 11           | Rates & Taxes                                                     | 0.63          | 0.63                         | -            |                                                                                    |
| 12           | Rent Expenses                                                     | 8.27          | 8.27                         | -            |                                                                                    |
| 13           | Salary Expenses and Manpower charges                              | 43.77         | 43.77                        | -            |                                                                                    |
| 14           | Security Service                                                  | 6.77          | 6.77                         | -            |                                                                                    |
| 15           | Skill Development Centre                                          | 13.65         | -                            | 13.65        | Not proposed to be allowed (Refer 4.3.159)                                         |
| 16           | Travelling Expenses and local conveyance                          | 11.47         | 11.47                        | -            |                                                                                    |
| 17           | School                                                            | 15.17         | -                            | 15.17        | Not proposed to be allowed (Refer 4.3.161)                                         |
| 18           | Digital Wall in pax processing area                               | 7.72          | -                            | 7.72         | Reclassified to Hard Cost (Refer 4.3.164)                                          |
| 19           | Expenses Charged off the PnL (Board Meeting, Audit Fee, RoC, CSR) | 10.43         | -                            | 10.43        | Not proposed to be allowed (Refer 4.3.165)                                         |
| 20           | Other Expenses net off recovery                                   | -2.33         | -2.33                        | -            |                                                                                    |
| <b>Total</b> |                                                                   | <b>291.73</b> | <b>205.96</b>                | <b>85.77</b> |                                                                                    |

**V. EXAMINATION OF CONTINGENCIES (Refer Para 4.3.27 (V))**

4.3.168 The Authority notes that, in its MYTP submission, GVIAL has considered a lump sum contingency provision of Rs. 100 crores as part of the project cost, considering potential increase in scope associated with development of a greenfield airport.

4.3.169 The Authority requested GVIAL to provide the detailed break-up of the contingency provision, in response to which GVIAL has submitted the following component-wise allocation of contingency cost:

**Table 27: Breakup of Contingencies as submitted by GVIAL**

*(Rs in Crs)*

| Particulars        | Ref | Cost           |
|--------------------|-----|----------------|
| CISF Accommodation | K1  | 43.24          |
| Road               | K2  | 10.00          |
| Artwork            | K3  | 15.00          |
| CISF Equipment     | K4  | 33.10          |
| <b>Total</b>       |     | <b>101.34*</b> |

*\*A difference of Rs. 1.34 crore is observed between the MYTP submission and the detailed break-up.*

4.3.170 GVIAL has submitted that the contingency provision has been allocated across components such as CISF accommodation, road works, artwork and CISF equipment, based on evolving project requirements and regulatory considerations.

**K1- CISF Accommodation (Rs 43.24 crores)****GVIAL's Submission**

4.3.171 GVIAL has submitted that initially it was envisaged that CISF accommodation would be taken on rent; however, considering the airport's location being far from the city and the non-availability of suitable facilities, it has been decided to construct barrack accommodation within the airport premises, which is a mandatory requirement.

4.3.172 GVIAL has further submitted that the sanctioned strength of CISF personnel is 656 and, accordingly, accommodation along with administrative and support facilities is being developed within the airport premises. Given the nature of the works, the same has been executed through separate contracts outside the EPC scope. The scope of works includes construction of residential accommodation, administrative and support facilities, internal roads, drainage infrastructure and other associated external development works required for accommodation of CISF personnel. The total cost of the CISF accommodation infrastructure proposed by GVIAL is Rs. 43.24 crore.

**Authority's examination of CISF Accommodation Cost**

4.3.173 The Authority, through its Independent Consultant, has reviewed the contracts and award process for CISF accommodation infrastructure. The Authority notes that the scope of works includes construction of CISF residential accommodation, administrative and support facilities, including infrastructure such as Quarter Guard, Armory, Dog Kennel, internal roads, drainage works and other associated external development works required for accommodation of CISF personnel within the Airport premises.

4.3.174 The Authority notes that the total sanctioned CISF strength for the Airport is 656 personnel, of which barrack accommodation is required for 636 personnel. The accommodation requirement has been considered for 55% of the said strength, equivalent to 351 personnel. Based on an area norm of 15 sqm per person, the

corresponding area requirement works out to approximately 5,265 sqm, against which GVIAL has provided 5,270 sqm across 9 blocks. The Authority further notes that the proposed area also provides for separate accommodation for female personnel and separate rooms for sub-officers. Accordingly, the area proposed by GVIAL is considered commensurate with the accommodation requirement.

- 4.3.175 The Authority further notes that the contracts for CISF accommodation infrastructure were awarded through a competitive procurement process and are in accordance with the provisions of the Concession Agreement.
- 4.3.176 The Authority has examined the cost of CISF accommodation infrastructure and notes that the same is within the cost estimates based on CPWD/PAR norms and prevailing market rates. The Authority also observes that the cost of associated infrastructure, including Quarter Guard, Armory, Dog Kennel, exclusive substation, pump room and other security-related facilities, is comparable and reasonable when benchmarked with similar works implemented at other airports. Considering the accommodation requirement, proposed area, scope of associated infrastructure and applicable cost benchmarks, the Authority considers the cost of Rs. 43.24 crore to be reasonable.
- 4.3.177 The Authority further observes that the CISF accommodation forms part of essential airport infrastructure, directly linked to the security and operational requirements of the Airport, and is therefore in the nature of construction-related capital expenditure. Accordingly, the Authority is of the view that such costs are more appropriately classified as hard costs, rather than contingency provisions.
- 4.3.178 In view of the above, the Authority proposes to reclassify the CISF accommodation cost of Rs. 43.24 crore under hard cost components and consider the same as part of the project cost for tariff determination.

**K2- Road (Rs 10 crores)**

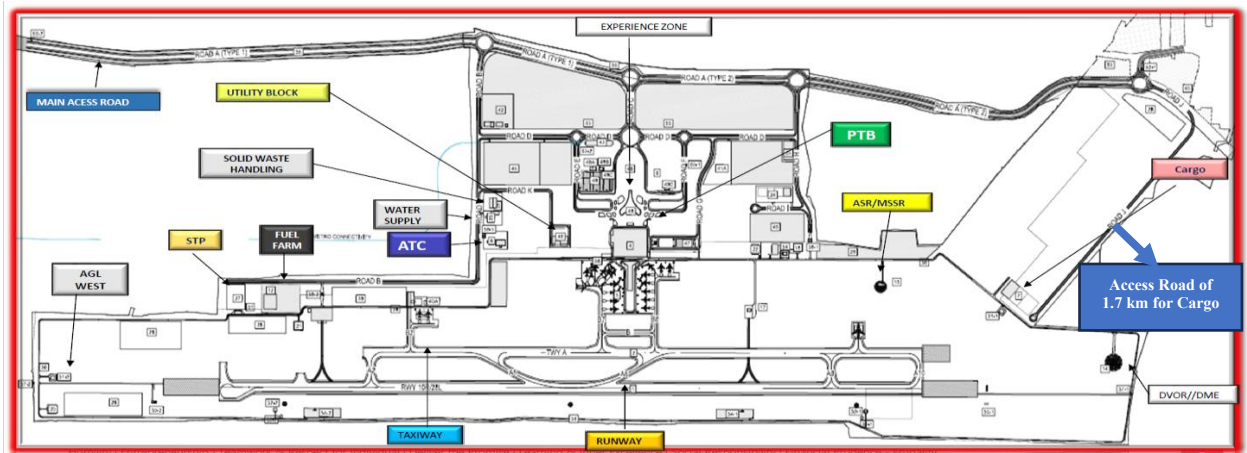
**GVIAL's Submission**

- 4.3.179 GVIAL has submitted that, as per the original project plan, external connectivity to the airport was to be provided by the Government through the Beach Road project, with the airport access road proposed to merge with the same to provide seamless connectivity.
- 4.3.180 GVIAL has further submitted that, due to significant delay in grounding of the Beach Road project, it proposes to construct the road within the airport land to ensure seamless connectivity for airport operations, including access to the Cargo Building. The road forms part of the airport land and, accordingly, the responsibility for development lies with GVIAL, and the cost estimates for the same have been developed internally.

**Authority's examination of Roads**

- 4.3.181 The Authority, through its Independent Consultant, has reviewed the requirement, scope and cost of road works undertaken by GVIAL, including the associated justification for development of access infrastructure within the airport land.
- 4.3.182 The Authority notes that the road infrastructure has been proposed in view of delays in development of external connectivity by the Government, as originally envisaged under the project plan. In the absence of such connectivity, the proposed road is intended to provide necessary access to the airport facilities, including the Cargo Building.

**Figure 3 : Access Road of 1.7 km for Cargo Building**



4.3.183 The Authority has further examined the cost of road construction and observes that for the 1.7 Km length of road the cost has been benchmarked with CPWD schedules / prevailing market rates and is within the acceptable range. The Authority also notes that the road infrastructure is located within the airport boundary and forms part of the airport land and is therefore directly attributable to the development of airport infrastructure.

4.3.184 Accordingly, the Authority is of the view that the cost of road works amounting to Rs. 10 crores is justified based on project requirements and is considered reasonable; the same is proposed to be reclassified under hard cost components.

### **K3- Artwork (Rs 15 crores)**

#### **GVIAL's Submission**

4.3.185 GVIAL has submitted that artwork within the passenger terminal building is an integral element of airport infrastructure aimed at enhancing overall passenger experience and aesthetics. Such provisions are typically incorporated as part of terminal development to improve ambience, provide cultural representation, and align with airport design standards.

4.3.186 GVIAL has further stated that the scope of artwork was not included within the EPC contract, and accordingly, a separate provision has been made under contingency to account for such costs.

#### **Authority's examination of Artwork**

4.3.187 The Authority, through its Independent Consultant, has examined the provision for artwork amounting to Rs. 15 crores, including benchmarking with relevant precedents across airports.

4.3.188 The Authority observes that artwork, while contributing to passenger experience and terminal aesthetics, does not form part of mandatory core airport infrastructure and can be implemented in a phased manner depending on project requirements. In this regard, reference is made to the other recent tariff determination, wherein only a portion of the artwork cost was allowed by the Authority.

4.3.189 Accordingly, following a similar approach, the Authority is of the view that only 30% of the proposed artwork cost is justified to be considered at this stage (Rs. 4.5 Crores being 30% of Rs. 15 Crores), with the balance to be considered based on actual incurrence subject to reasonability and efficiency. Further, the portion

considered is attributable to terminal development and is therefore proposed to be reclassified under hard cost components.

#### **K4- CISF Equipment (Rs 33.10 crores)**

##### **GVIAL's Submission**

4.3.190 GVIAL has submitted the cost of CISF equipment under contingency, as the technical standards and specifications for aviation security equipment are prescribed by regulatory agencies and are subject to revision over time. Accordingly, the cost has been included under contingency to ensure compliance with applicable requirements at the time of procurement.

4.3.191 GVIAL has further provided the detailed break-up of CISF equipment cost, in response to queries raised during the review process which totals to Rs. 33.10 Crores.

##### **Authority's examination of CISF Equipment**

4.3.192 On examination of the details submitted, the Authority notes that the costs comprise various items towards security-related equipment, furniture and associated requirements. The Authority further observes that a portion of the cost classified under CISF furniture includes expenditure amounting to Rs. 3.18 crore towards "Other Security Agency Accommodation", which does not appear to be directly attributable to CISF equipment.

4.3.193 Further, while GVIAL has provided an item-wise break-up of the expenditure incurred, the nature and specifications of certain components included therein, their classification under CISF equipment and the basis for the corresponding costs are not sufficiently clear from the details available. Accordingly, the Authority is unable to fully establish the nature and admissibility of the entire expenditure claimed under this head.

4.3.194 In view of the above, and in the absence of adequate clarity and supporting details for the entire expenditure, the Authority proposes to consider 50% of the cost submitted by GVIAL, amounting to Rs. 16.55 crore, towards CISF equipment for the purpose of the present determination.

4.3.195 The Authority proposes to true up the expenditure under this head at the time of determination of tariff for the next Control Period, based on the actual expenditure incurred by GVIAL and subject to submission of appropriate supporting documents establishing the nature, classification and admissibility of such expenditure.

#### **VI. EXAMINATION OF FINANCING ALLOWANCE (Refer Para 4.3.27 (VI))**

##### **GVIAL's Submission**

4.3.196 GVIAL has submitted that the financing allowance amounting to Rs. 722 crores has been computed in accordance with the AERA Guidelines, based on a cost of debt of 10.44% (IIFCL base rate plus applicable spread). The financing allowance, as submitted by GVIAL, has been derived based on the capital expenditure incurred during the construction period along with the corresponding financing costs, as presented in the computation table below.

**Table 28: Financing Allowance as submitted by GVIAL**

*(Rs in Crs)*

| Particulars | Ref | FY 21 | FY 22 | FY 23 | FY 24 | FY 25  | FY 26    | FY 27    |
|-------------|-----|-------|-------|-------|-------|--------|----------|----------|
| Opening     | A   | -     | 7.12  | 30.32 | 46.33 | 689.49 | 2,508.19 | 3,892.66 |

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| Particulars               | Ref                             | FY 21         | FY 22  | FY 23  | FY 24  | FY 25    | FY 26    | FY 27    |
|---------------------------|---------------------------------|---------------|--------|--------|--------|----------|----------|----------|
| Addition                  | B (less IDC)                    | 6.76          | 21.34  | 12.20  | 606.64 | 1,682.95 | 1,164.50 | 1,039.52 |
| Govt. Grant               | C                               | -             | -      | -      | -      | 22.93    | 97.67    | 13.95    |
| Capitalisation            | D                               | -             | -      | -      | -      | -        | -        | 4,918.23 |
| Closing CWIP incl FA      | E=A+B-C-D                       | 7.12          | 30.32  | 46.33  | 689.49 | 2,508.19 | 3,892.66 | 0.00     |
| Cost of debt              | F                               | 10.44%        | 10.44% | 10.44% | 10.44% | 10.44%   | 10.44%   | 10.44%   |
| Time period               | G                               | 1.00          | 1.00   | 1.00   | 1.00   | 1.00     | 1.00     | 1.00     |
| Financing Allowance - YOY | $H = (A + (B - C) / 2 * F * G)$ | 0.35          | 1.86   | 3.80   | 36.51  | 158.68   | 317.64   | 203.26   |
| <b>Total FA</b>           | <b>SUM OF H</b>                 | <b>722.12</b> |        |        |        |          |          |          |

Authority's examination of Financing Allowance

- 4.3.197 The Authority has examined the financing allowance computation submitted by GVIAL in line with the provisions of the AERA Guidelines and the principles followed in recent tariff determinations for Greenfield Airports. The Authority notes that financing allowance is to be considered on capital expenditure incurred during the construction phase up to COD, based on the applicable cost of debt and CWIP levels.
- 4.3.198 Upon examination of the computation submitted by GVIAL, the Authority notes that the IDC considered for FY 2024-25 does not reconcile with the amount reported in the audited financial statements for the year. Further, for FY 2025-26, GVIAL had considered estimated amounts of IDC and other relevant financial parameters in its MYTP submission, as the audited financial statements for the year were not available at the time of submission. For the purpose of computation of Financing Allowance, the Authority has considered the audited financial information for the respective years and the latest available financial information, as applicable.
- 4.3.199 Accordingly, for the purpose of computation of Financing Allowance, the Authority proposes to consider the audited figures of CWIP and IDC available up to FY 2025-26, in place of the estimates considered by GVIAL in its MYTP submission. Further, the Authority proposes to make the following adjustments in the computation of Financing Allowance:
- Cost of Debt: Based on the analysis detailed in Para 5.2.13 the Authority proposes to consider the benchmarked rate of debt as the cost of Debt for computing Financing Allowance.
  - Pro-rata consideration for FY 2026-27: The Authority notes that GVIAL has computed Financing Allowance for the full year for FY 2026-27. Considering that the actual COD falls during the FY 2026-27, the Authority proposes to restrict the computation of Financing Allowance to the period up to the actual COD, instead of considering the Financing Allowance for the entire financial year.
- 4.3.200 Based on the above, the financing allowance has been assessed in accordance with the applicable guidelines and principles, and the same is proposed to be considered as per the computation presented in the table below.

**Table 29: Financing Allowance as considered by the Authority**

(Rs in Crs)

| Particulars    | Ref          | FY 21 | FY 22 | FY 23 | FY 24  | FY 25    | FY 26    | FY 27    |
|----------------|--------------|-------|-------|-------|--------|----------|----------|----------|
| Opening        | A            | -     | 7.11  | 30.28 | 46.24  | 696.47   | 2,645.13 | 3,859.51 |
| Addition*      | B (less IDC) | 6.76  | 21.35 | 12.25 | 614.20 | 1,809.44 | 996.41   | 644.54   |
| Govt. Grant    | C            | -     | -     | -     | -      | 22.93    | 97.67    | 13.95    |
| Capitalisation | D            | -     | -     | -     | -      | -        | -        | 4,633.41 |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FIRST CONTROL PERIOD**

| Particulars                 | Ref                     | FY 21         | FY 22  | FY 23  | FY 24  | FY 25    | FY 26    | FY 27   |
|-----------------------------|-------------------------|---------------|--------|--------|--------|----------|----------|---------|
| Closing CWIP incl FA        | $E=A+B-C-D+H$           | 7.11          | 30.28  | 46.24  | 696.47 | 2,645.13 | 3,859.51 | 0.00    |
| Cost of debt (Refer 5.2.13) | F                       | 10.20%        | 10.20% | 10.20% | 10.20% | 10.20%   | 10.20%   | 10.20%  |
| Financing Allowance         | $H = (A+(B-C-D)/2 * F)$ | 0.34          | 1.81   | 3.71   | 36.04  | 162.15   | 315.64   | 143.31# |
| <b>Total FA</b>             | <b>SUM OF H</b>         | <b>663.02</b> |        |        |        |          |          |         |

\*As per the Audited Financial Statements except for FY 27 (Refer para 4.3.198)

#Computed considering actual days until COD

4.3.201 Financing allowance will be trued up at the time of tariff determination of the Second Control Period based on review of reasonableness and efficiency.

## **VII. EXAMINATION OF GENERAL AND MAINTENANCE CAPEX (Refer Para 4.3.27 (VII))**

### GVIAL's Submission

4.3.202 GVIAL has submitted that, in line with the provisions of the Concession Agreement, the next phase of expansion is linked to achievement of the specified traffic threshold, and the same is expected to be reached around FY31. GVIAL has further submitted that it does not anticipate any major expansion CAPEX during the First Control Period and intends to optimally utilize the existing infrastructure. In this regard, GVIAL has proposed to address operational constraints and improve passenger flow through measures such as de-bottlenecking at key touchpoints, de-peak of traffic and adoption of technology interfaces for faster processing.

4.3.203 In line with the above approach, GVIAL has considered General Operational CAPEX of Rs. 75 crores per annum during FY30 to FY32, primarily towards passenger flow improvements at various touchpoints. Pursuant to a query raised, GVIAL has provided a detailed break-up of the proposed General Operational CAPEX, including allocation across heads such as Security, Terminal Systems (TS), TOPS & COO office, ASO, AOCC, ARFF, IT and Common components (IPD, FMS & Others), as presented in the table below.

**Table 30: General and Maintenance Capex as submitted by GVIAL**

(Rs in Crs)

| Particulars                                                           | FY 30        | FY 31        | FY 32        | Total          |
|-----------------------------------------------------------------------|--------------|--------------|--------------|----------------|
| Security                                                              | 14.15        | 13.30        | 2.89         | 30.34          |
| Technical Services                                                    | 15.00        | 18.29        | 15.21        | 48.50          |
| Terminal Operations + COO office                                      | 7.60         | 7.98         | 3.03         | 18.61          |
| Airside Operations                                                    | 14.65        | 5.80         | 15.00        | 35.45          |
| Airport Operations Control Centre                                     | 3.00         | 0.50         | 5.00         | 8.50           |
| Aircraft Rescue and Fire Fighting                                     | 10.53        | 7.94         | 5.66         | 24.13          |
| Information Technology                                                | 4.60         | 5.50         | 4.00         | 14.10          |
| Integrated Project Development, Facility Management Services & Others | 5.47         | 16.00        | 25.00        | 46.47          |
| <b>Total</b>                                                          | <b>75.00</b> | <b>75.31</b> | <b>75.79</b> | <b>226.10*</b> |

\*A difference of Rs. 1.10 crore is observed between the MYTP submission and the detailed break-up.

### Authority's examination of General and Maintenance Capex

4.3.204 The Authority has examined the General Maintenance CAPEX proposed by GVIAL, including the detailed component-wise break-up furnished in response to queries raised during the review process. The Authority notes that the detailed break-up subsequently submitted by GVIAL aggregates to Rs. 226.10 crore, whereas

GVIAL, in its MYTP submission, had projected General Maintenance CAPEX of Rs. 225 crores, comprising Rs. 75 crore per annum for the last three years of the Control Period ending FY 2031-32. Accordingly, for the purpose of the present examination and comparison, the Authority proposes to retain Rs. 75 crore per annum as GVIAL's submission towards General Maintenance CAPEX.

- 4.3.205 On review, it is observed that major items under various heads include works such as road relaying, township-related infrastructure, access road development, and other enhancement-type capital expenditure, in addition to certain security and technology-related components.
- 4.3.206 The Authority notes that the airport would be in its initial years of operation during the First Control Period, and therefore, such major capital works including infrastructure augmentation, road relaying and township-related development may not be immediately required. The Authority further observes that several components included in the proposed capex are in the nature of enhancements or future expansion-oriented works, which may be undertaken in a phased manner based on actual requirement. At the same time, the Authority recognizes the need for limited capital expenditure towards security upgrades, regulatory compliance and operational improvements, including measures such as additional entry gates, security lanes, and adoption of technology solutions such as Digi Yatra.
- 4.3.207 Accordingly, following the approach adopted in comparable tariff determinations for greenfield airports the Authority is of the view that an amount of Rs. 25 crore per annum towards General and Maintenance CAPEX is appropriate. Further, as discussed in Para 2.3.4, the First Control Period has been revised and now extends only up to FY 31. The Authority notes that GVIAL had proposed General and Maintenance CAPEX for FY 30 to FY 32. However, since FY 32 falls outside the revised First Control Period, the Authority proposes to consider General and Maintenance CAPEX only for FY 30 and FY 31, amounting to Rs. 50 crore in aggregate for the First Control Period. Since the General and Maintenance Capex will be utilized by GVIAL in case of specific requirements or regulatory mandates related to safety, security or other regulatory needs, it is proposed to be considered as 100% aeronautical. Any additional capital expenditure beyond this shall be considered based on actual incurrence and demonstrated requirement in subsequent tariff reviews, subject to review of efficiency and reasonableness.

## **VIII. EXAMINATION OF GST (Refer Para 4.3.27 (VIII))**

### GVIAL's Submission

- 4.3.208 GVIAL has considered GST at a uniform rate of 18% across all capital expenditure components without differentiation between movable and immovable assets.

### Authority's examination of GST

- 4.3.209 The Authority has examined the GST treatment on capital expenditure in accordance with the provisions of the CGST Act, 2017, and the principles followed in recent tariff determinations.
- 4.3.210 The Authority notes that, as per Section 17(5) of the CGST Act, input tax credit (ITC) is not available for works contract services and goods used for construction of immovable property, except in limited cases. Accordingly, GST paid on civil structures and other immovable assets is not eligible for credit, whereas ITC is available for movable assets and service components. Therefore, the extent of admissible ITC is dependent on the nature of the underlying expenditure and asset classification.

4.3.211 In order to assess the likely availability of ITC, the Authority has reviewed the various EPC cost components forming part of the Airport project cost and examined the GST implications associated with such expenditure. Based on the above assessment and considering that the final admissible ITC would depend upon the actual composition of project costs at the time of capitalization, the Authority considers it appropriate to adopt an estimated effective ITC adjustment of 3% for the purpose of computation of capital expenditure and Regulatory Asset Base (RAB).

4.3.212 Accordingly, the Authority proposes to apply an effective GST adjustment of 15% across the capital expenditure considered for determination of the Regulatory Asset Base (RAB), in place of the uniform GST rate of 18% submitted by GVIAL.

**Capital Expenditure proposed by the Authority**

4.3.213 Based on the above analysis, the Capital Expenditure considered for the First Control Period is summarized below:

**Table 31: Total Capital Expenditure proposed by the Authority for the First Control Period**

(Rs in Crs)

| Particulars                                     | Ref      | Base Cost | Preliminaries as common cost | Total Cost excluding GST | GST @18%           | Total Cost including GST | Soft Cost and FA* | Total Cost (incl. soft cost, FA and GST) |
|-------------------------------------------------|----------|-----------|------------------------------|--------------------------|--------------------|--------------------------|-------------------|------------------------------------------|
|                                                 |          | (i)       | (ii)                         | (iii)= (i) + (ii)        | (iv)=(iii)*<br>18% | (v)=(iii)+(iv)           | (vi)              | (vii)=(v)+(vi)                           |
| <b>EPC</b>                                      |          |           |                              |                          |                    |                          |                   |                                          |
| <b>Airside Works</b>                            | <b>A</b> |           |                              |                          |                    |                          |                   |                                          |
| Runway and Apron (Refer Para 4.3.44)            | A1       | 336.16    | 39.07                        | 375.23                   | 67.54              | 442.78                   | 114.98            | 557.76                                   |
| Airfield Ground Lighting (Refer Para 4.3.46)    | A2       | 64.15     | 7.46                         | 71.60                    | 12.89              | 84.49                    | 21.94             | 106.43                                   |
| Operational Boundary Wall (Refer Para 4.3.49)   | A3       | 25.50     | 2.96                         | 28.46                    | 5.12               | 33.58                    | 8.72              | 42.30                                    |
| Airside Roads (Refer Para 4.3.51)               | A4       | 35.87     | 4.17                         | 40.04                    | 7.21               | 47.24                    | 12.27             | 59.51                                    |
|                                                 |          |           |                              |                          |                    |                          |                   |                                          |
| <b>City Side Works</b>                          | <b>B</b> |           |                              |                          |                    |                          |                   |                                          |
| Passenger Terminal Building (Refer Para 4.3.64) | B1       | 1,066.52  | 123.96                       | 1,190.47                 | 214.28             | 1,404.76                 | 364.80            | 1,769.56                                 |

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE  
FIRST CONTROL PERIOD

| Particulars                                                    | Ref                | Base Cost       | Preliminaries as common cost | Total Cost excluding GST | GST @18%        | Total Cost including GST | Soft Cost and FA* | Total Cost (incl. soft cost, FA and GST) |
|----------------------------------------------------------------|--------------------|-----------------|------------------------------|--------------------------|-----------------|--------------------------|-------------------|------------------------------------------|
|                                                                |                    | (i)             | (ii)                         | (iii)= (i) + (ii)        | (iv)=(iii)* 18% | (v)=(iii)+(iv)           | (vi)              | (vii)=(v)+(vi)                           |
| City Side Roads (Refer Para 4.3.67)                            | B2                 | 71.88           | 8.35                         | 80.24                    | 14.44           | 94.68                    | 24.59             | 119.26                                   |
| ATC and Other Buildings (Refer Para 4.3.71)                    | C                  | 334.29          | 38.85                        | 373.14                   | 67.17           | 440.31                   | 114.34            | 554.65                                   |
| Site Preparation (Refer Para 4.3.79)                           | D                  | 530.01          | 61.60                        | 591.61                   | 106.49          | 698.10                   | 181.29            | 879.40                                   |
| Storm Water Management (Refer Para 4.3.84)                     | E                  | 125.80          | 14.62                        | 140.42                   | 25.27           | 165.69                   | 43.03             | 208.72                                   |
| Plumbing Sewage and Fire Protection (Refer Para 4.3.884.3.86 ) | F                  | 64.99           | 7.55                         | 72.54                    | 13.06           | 85.60                    | 22.23             | 107.83                                   |
| Electrical (Refer Para 4.3.92)                                 | G                  | 85.97           | 9.99                         | 95.96                    | 17.27           | 113.24                   | 29.41             | 142.64                                   |
| Preliminaries* (Refer Para 4.3.37)                             | H                  | 318.59          | -318.59                      | -                        | -               | -                        | -                 | -                                        |
| <b>Total EPC</b>                                               | <b>i=Sum(A: H)</b> | <b>3,059.71</b> | <b>-</b>                     | <b>3,059.71</b>          | <b>550.75</b>   | <b>3,610.46</b>          | <b>937.60</b>     | <b>4,548.06</b>                          |
| <b>Non-EPC</b>                                                 |                    |                 |                              |                          |                 |                          |                   |                                          |
| Roads and Pavement (Refer Para 4.3.109)                        | I1                 | 146.88          |                              | 146.88                   | 26.44           | 173.32                   | 10.07             | 183.39                                   |
| Landscaping (Refer Para 4.3.109 )                              | I2                 | 21.90           |                              | 21.90                    | 3.94            | 25.84                    | 6.71              | 32.55                                    |
| Boundary Wall and associated works (Refer Para 4.3.109)        | I3                 | 21.96           |                              | 21.96                    | 3.95            | 25.92                    | 6.73              | 32.64                                    |
| Less: Govt Grant                                               |                    |                 |                              |                          |                 | -134.55                  |                   | -134.55                                  |

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE  
FIRST CONTROL PERIOD

| Particulars                                                    | Ref                         | Base Cost     | Preliminaries as common cost | Total Cost excluding GST | GST @18%        | Total Cost including GST | Soft Cost and FA* | Total Cost (incl. soft cost, FA and GST) |
|----------------------------------------------------------------|-----------------------------|---------------|------------------------------|--------------------------|-----------------|--------------------------|-------------------|------------------------------------------|
|                                                                |                             | (i)           | (ii)                         | (iii)= (i) + (ii)        | (iv)=(iii)* 18% | (v)=(iii)+(iv)           | (vi)              | (vii)=(v)+(vi)                           |
| <b>Total Non-EPC</b>                                           | <b>ii=Sum (I1: I3)</b>      | <b>190.75</b> | <b>-</b>                     | <b>190.75</b>            | <b>34.33</b>    | <b>90.53</b>             | <b>23.51</b>      | <b>114.04</b>                            |
| <b>Reclassified Hard Cost</b>                                  |                             |               |                              |                          |                 |                          |                   |                                          |
| <b>Reclassification from Contingency</b>                       |                             |               |                              |                          |                 |                          |                   |                                          |
| CISF Accommodation (Refer Para 4.3.178)                        | <b>J1</b>                   | 36.64         |                              | 36.64                    | 6.60            | 43.24                    | 11.23             | 54.47                                    |
| Road (Refer Para 4.3.184)                                      | <b>J2</b>                   | 8.47          |                              | 8.47                     | 1.53            | 10.00                    | 2.60              | 12.60                                    |
| Artwork (Refer Para 4.3.189)                                   | <b>J3</b>                   | 3.81          |                              | 3.81                     | 0.69            | 4.50                     | 1.17              | 5.67                                     |
| CISF Equipment (Refer Para 4.3.194)                            | <b>J4</b>                   | 14.02         |                              | 14.02                    | 2.52            | 16.55                    | 4.30              | 20.85                                    |
|                                                                |                             |               |                              |                          |                 |                          |                   |                                          |
| <b>Reclassification from Pre Ops</b>                           |                             |               |                              |                          |                 |                          |                   |                                          |
| Digital Wall in pax processing area (Refer Para 4.3.164)       | <b>K1</b>                   | 4.26          |                              | 4.26                     | 0.77            | 5.03                     | 1.31              | 6.33                                     |
| IT & Other equipment (Refer Para 4.3.148)                      | <b>K2</b>                   | 7.31          |                              | 7.31                     | 1.32            | 8.63                     | 2.24              | 10.87                                    |
| <b>Total Reclassified Hard Cost</b>                            | <b>iii=Sum (J1 : K2)</b>    | <b>74.53</b>  | <b>-</b>                     | <b>74.53</b>             | <b>13.41</b>    | <b>87.94</b>             | <b>22.84</b>      | <b>110.78</b>                            |
| <b>Total Project cost before General and Maintenance CAPEX</b> | <b>iv = Sum( i+ii+i ii)</b> |               |                              |                          |                 | <b>3,788.93</b>          | <b>983.95</b>     | <b>4,772.88</b>                          |
| General and Maintenance CAPEX                                  | <b>O</b>                    |               |                              |                          |                 | 50.00                    |                   | 50.00                                    |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FIRST CONTROL PERIOD**

| Particulars                                           | Ref           | Base Cost | Preliminaries as common cost | Total Cost excluding GST | GST @18%        | Total Cost including GST | Soft Cost and FA* | Total Cost (incl. soft cost, FA and GST) |
|-------------------------------------------------------|---------------|-----------|------------------------------|--------------------------|-----------------|--------------------------|-------------------|------------------------------------------|
|                                                       |               | (i)       | (ii)                         | (iii)= (i) + (ii)        | (iv)=(iii)* 18% | (v)=(iii)+(iv)           | (vi)              | (vii)=(v)+(vi)                           |
| (Refer Para 4.3.207)                                  |               |           |                              |                          |                 |                          |                   |                                          |
| <b>Total Project Cost</b>                             | <b>v=iv+O</b> |           |                              |                          |                 | <b>3,838.93</b>          | <b>983.95</b>     | <b>4,822.88</b>                          |
| <b>Less: Input Tax Credit ** (Refer Para 4.3.212)</b> |               |           |                              |                          |                 |                          |                   | <b>106.75</b>                            |
| <b>Final CAPEX proposed by the Authority</b>          |               |           |                              |                          |                 |                          |                   | <b>4,716.12</b>                          |

\*Allocated proportionately based on total cost including GST

\*\*Pertains to the difference between 18% GST as per GVIAL submission and 15% GST proposed to be considered by the Authority (Refer para 4.3.212)

4.3.214 The summary showing the reconciliation of Capital Expenditure for the First Control Period as submitted by GVIAL as part of MYTP with the Capital Expenditure proposed by the Authority after reclassifications / rationalizations is detailed below:

**Table 32: Comparison of project-wise Capital Expenditure submitted by GVIAL and proposed by the Authority**

(Rs in Crs)

| Particulars                 | Ref      | Total Cost As per GVIAL      | Total Cost as per Authority  | Variance   | Reason for Variance                                                                                           |
|-----------------------------|----------|------------------------------|------------------------------|------------|---------------------------------------------------------------------------------------------------------------|
|                             |          | <i>A</i><br>(Refer Table 15) | <i>B</i><br>(Refer Table 31) | <i>B-A</i> |                                                                                                               |
| <b>EPC</b>                  |          |                              |                              |            |                                                                                                               |
| <b>Airside Works</b>        | <b>A</b> |                              |                              |            |                                                                                                               |
| Runway and Apron            | A1       | 442.82                       | 442.78                       | -0.05      | Based on Rationalisation in Preliminaries Cost, allocated to the different EPC line items (Refer Para 4.3.37) |
| Airfield Ground Lighting    | A2       | 84.50                        | 84.49                        | -0.01      |                                                                                                               |
| Operational Boundary Wall   | A3       | 33.58                        | 33.58                        | -0.00      |                                                                                                               |
| Airside Roads               | A4       | 47.25                        | 47.24                        | -0.01      |                                                                                                               |
|                             |          |                              |                              |            |                                                                                                               |
| <b>City Side Works</b>      | <b>B</b> |                              |                              |            |                                                                                                               |
| Passenger Terminal Building | B1       | 1,404.91                     | 1,404.76                     | -0.15      |                                                                                                               |
| City Side Roads             | B2       | 94.69                        | 94.68                        | -0.01      |                                                                                                               |
|                             |          |                              |                              |            |                                                                                                               |

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE  
FIRST CONTROL PERIOD

| Particulars                              | Ref                      | Total Cost<br>As per<br>GVIAL   | Total Cost as<br>per<br>Authority | Variance     | Reason for Variance                                                |
|------------------------------------------|--------------------------|---------------------------------|-----------------------------------|--------------|--------------------------------------------------------------------|
|                                          |                          | <i>A</i><br>(Refer<br>Table 15) | <i>B</i><br>(Refer<br>Table 31)   | <i>B-A</i>   |                                                                    |
| ATC and Other Buildings                  | C                        | 440.35                          | 440.31                            | -0.05        |                                                                    |
| Site Preparation                         | D                        | 698.18                          | 698.10                            | -0.08        |                                                                    |
| Storm Water Management                   | E                        | 165.71                          | 165.69                            | -0.02        |                                                                    |
| Plumbing Sewage and Fire Protection      | F                        | 85.61                           | 85.60                             | -0.01        |                                                                    |
| Electrical                               | G                        | 113.25                          | 113.24                            | -0.01        |                                                                    |
| Preliminaries*                           | H                        | -                               | -                                 | -            |                                                                    |
| <b>Total EPC</b>                         | <b>i=Sum(A:H)</b>        | <b>3,610.85</b>                 | <b>3,610.46</b>                   | <b>-0.39</b> |                                                                    |
| <b>Non-EPC</b>                           |                          |                                 |                                   |              |                                                                    |
| Roads and Pavement                       | I1                       | 196.50                          | 173.32                            |              | Based on revised submission.<br>(Refer Para 4.3.109)               |
| Landscaping (Terrain Green)              | I2                       |                                 | 25.84                             |              |                                                                    |
| Boundary Wall and associated works       | I3                       | 25.00                           | 25.92                             |              |                                                                    |
| Less: Government Grant                   |                          | -134.55                         | -134.55                           |              |                                                                    |
| <b>Total Non-EPC</b>                     | <b>ii=Sum (I1: I3)</b>   | <b>86.95</b>                    | <b>90.53</b>                      | <b>3.58</b>  |                                                                    |
| <b>Reclassified Hard Cost</b>            |                          |                                 |                                   |              |                                                                    |
| <b>Reclassification from Contingency</b> |                          |                                 |                                   |              |                                                                    |
| CISF Accommodation                       | J1                       | -                               | 43.24                             | 43.24        | Reclassified from Contingency to Hard Cost after rationalization   |
| Road                                     | J2                       | -                               | 10.00                             | 10.00        |                                                                    |
| Artwork                                  | J3                       | -                               | 4.50                              | 4.50         |                                                                    |
| CISF Equipment                           | J4                       | -                               | 16.55                             | 16.55        |                                                                    |
| <b>Reclassification from Pre Ops</b>     |                          |                                 |                                   |              |                                                                    |
| Digital Wall in pax processing area      | K1                       | -                               | 5.03                              | 5.03         | Reclassified from Pre-Ops to Hard Cost                             |
| IT & Other equipment                     | K2                       | -                               | 8.63                              | 8.63         |                                                                    |
| <b>Total Reclassified Hard Cost</b>      | <b>iii=Sum (J1 : K2)</b> | <b>-</b>                        | <b>87.94</b>                      | <b>87.94</b> |                                                                    |
| <b>Total Hard Cost</b>                   | <b>iv=(i+ii+iii)</b>     | <b>3,697.79</b>                 | <b>3,788.93</b>                   | <b>91.14</b> |                                                                    |
| Design Consultancy and PMC               | L1                       | 120.00                          | 114.97                            | -5.03        | Estimate rationalized based on COD of 17 <sup>th</sup> August 2026 |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FIRST CONTROL PERIOD**

| Particulars                                  | Ref                      | Total Cost As per GVIAL      | Total Cost as per Authority  | Variance       | Reason for Variance                                                                                   |
|----------------------------------------------|--------------------------|------------------------------|------------------------------|----------------|-------------------------------------------------------------------------------------------------------|
|                                              |                          | <i>A</i><br>(Refer Table 15) | <i>B</i><br>(Refer Table 31) | <i>B-A</i>     |                                                                                                       |
| Pre-Operative Expenses                       | <b>L2</b>                | 269.60                       | 205.96                       | -63.64         | Rationalisation of pre-operative expenditure; certain costs reclassified to Hard cost. Refer Table 26 |
| <b>Total Soft Costs</b>                      | <b>M=L1+L2</b>           | <b>389.60</b>                | <b>320.93</b>                | <b>-68.67</b>  |                                                                                                       |
| Financing Allowance (FA)                     | <b>O</b>                 | 722.12                       | 663.02                       | -59.10         | Recomputed based on revised CAPEX and funding requirement                                             |
| <b>Total Soft Costs +Financing Allowance</b> | <b>M+O</b>               | <b>1,111.72</b>              | <b>983.95</b>                | <b>-127.77</b> |                                                                                                       |
| Contingency                                  | <b>N</b>                 | 100.00                       | -                            | -100.00        | Reclassified to Hard Cost*                                                                            |
| General and Maintenance CAPEX                | <b>P</b>                 | 225.00                       | 50.00                        | -175.00        | Restricted to Rs. 25 Crores per year for last 2 years of Control Period                               |
| <b>Total Project Cost</b>                    | <b>v=Sum(iv+M+N+O+P)</b> | <b>5,134.51</b>              | <b>4,822.88</b>              | <b>-311.63</b> |                                                                                                       |
| <b>Less: Input Tax Credit</b>                |                          | -                            | <b>-106.75</b>               | <b>-106.75</b> | <b>Eligible ITC estimated and adjusted by Authority</b>                                               |
| <b>Total Final CAPEX</b>                     |                          | <b>5,134.51</b>              | <b>4,716.12</b>              | <b>-418.39</b> |                                                                                                       |

\*Reclassification from Contingency to Hard Cost aggregate to Rs. 101.34 crore, as against Rs. 100 crores provided under Contingency in the MYTP submission. The excess of Rs. 1.34 crore is based on the detailed break-up provided by GVIAL.

4.3.215 The Authority notes that the capital expenditure presented in Table 31 and Table 32 above has been stated using the GST rate of 18% adopted by GVIAL in its submission, to facilitate a like-for-like comparison with the capital expenditure proposed by GVIAL. The impact of Input Tax Credit (ITC) has been adjusted separately at the end of the table for arriving at the final capitalized cost. In line with the Authority's approach discussed in Para 4.3.212, the Authority has redrawn the project-wise capital expenditure after considering an effective GST of 15%, as presented in the table below

**Table 33: Project wise Total Capex as proposed by the Authority for the First Control Period**

(Rs in Crs)

| Particulars          | Ref      | Base Cost | Preliminaries as Common Cost | Total Cost excluding GST | GST @15%        | Total Cost including GST | Soft Cost and FA* | Total cost (incl. soft cost, FA and GST) |
|----------------------|----------|-----------|------------------------------|--------------------------|-----------------|--------------------------|-------------------|------------------------------------------|
|                      |          | (i)       | (ii)                         | (iii)=(i) + (ii)         | (iv)=(iii)*15 % | (v)=(iii)+(iv)           | (vi)              | (vii)=v+(vi)                             |
| <b>EPC</b>           |          |           |                              |                          |                 |                          |                   |                                          |
| <b>Airside Works</b> | <b>A</b> |           |                              |                          |                 |                          |                   |                                          |
| Runway and Apron     | A1       | 336.16    | 39.07                        | 375.23                   | 56.29           | 431.52                   | 114.27            | 545.79                                   |

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE  
FIRST CONTROL PERIOD

| Particulars                              | Ref                    | Base Cost       | Preliminaries as Common Cost | Total Cost excluding GST | GST @15%            | Total Cost including GST | Soft Cost and FA* | Total cost (incl. soft cost, FA and GST) |
|------------------------------------------|------------------------|-----------------|------------------------------|--------------------------|---------------------|--------------------------|-------------------|------------------------------------------|
|                                          |                        | (i)             | (ii)                         | (iii) = (i) + (ii)       | (iv) = (iii) * 15 % | (v) = (iii) + (iv)       | (vi)              | (vii) = v + vi                           |
| Airfield Ground Lighting                 | A2                     | 64.15           | 7.46                         | 71.60                    | 10.74               | 82.34                    | 21.81             | 104.15                                   |
| Operational Boundary Wall                | A3                     | 25.50           | 2.96                         | 28.46                    | 4.27                | 32.73                    | 8.67              | 41.39                                    |
| Airside Roads                            | A4                     | 35.87           | 4.17                         | 40.04                    | 6.01                | 46.04                    | 12.19             | 58.23                                    |
|                                          |                        |                 |                              |                          |                     |                          |                   |                                          |
| <b>City Side Works</b>                   | <b>B</b>               |                 |                              |                          |                     |                          |                   |                                          |
| Passenger Terminal Building              | B1                     | 1,066.52        | 123.96                       | 1,190.47                 | 178.57              | 1,369.04                 | 362.54            | 1,731.58                                 |
| City Side Roads                          | B2                     | 71.88           | 8.35                         | 80.24                    | 12.04               | 92.27                    | 24.43             | 116.70                                   |
|                                          |                        |                 |                              |                          |                     |                          |                   |                                          |
| ATC and Other Buildings                  | C                      | 334.29          | 38.85                        | 373.14                   | 55.97               | 429.11                   | 113.63            | 542.75                                   |
| Site Preparation                         | D                      | 530.01          | 61.60                        | 591.61                   | 88.74               | 680.36                   | 180.17            | 860.52                                   |
| Storm Water Management                   | E                      | 125.80          | 14.62                        | 140.42                   | 21.06               | 161.48                   | 42.76             | 204.24                                   |
| Plumbing Sewage and Fire Protection      | F                      | 64.99           | 7.55                         | 72.54                    | 10.88               | 83.42                    | 22.09             | 105.51                                   |
| Electrical                               | G                      | 85.97           | 9.99                         | 95.96                    | 14.39               | 110.36                   | 29.22             | 139.58                                   |
| Preliminaries*                           | H                      | -               |                              |                          |                     | -                        | -                 | -                                        |
| <b>Total EPC</b>                         | <b>i=Sum(A: H)</b>     | <b>2,741.12</b> | <b>318.59</b>                | <b>3,059.71</b>          | <b>458.96</b>       | <b>3,518.67</b>          | <b>931.79</b>     | <b>4,450.46</b>                          |
| <b>Non-EPC</b>                           |                        |                 |                              |                          |                     |                          |                   |                                          |
| Roads and Pavement                       | I1                     | 146.88          |                              | 146.88                   | 22.03               | 168.92                   | 9.10              | 178.02                                   |
| Landscaping (Terrain Green)              | I2                     | 21.90           |                              | 21.90                    | 3.29                | 25.19                    | 6.67              | 31.85                                    |
| Boundary Wall and associated works       | I3                     | 21.96           |                              | 21.96                    | 3.29                | 25.26                    | 6.69              | 31.94                                    |
| Less: Govt Grant                         |                        |                 |                              |                          |                     | -134.55                  |                   | -134.55                                  |
| <b>Total Non-EPC</b>                     | <b>ii=Sum (I1: I3)</b> | <b>190.75</b>   | <b>-</b>                     | <b>190.75</b>            | <b>28.61</b>        | <b>84.81</b>             | <b>22.46</b>      | <b>107.27</b>                            |
| <b>Reclassified Hard Cost</b>            |                        |                 |                              |                          |                     |                          |                   |                                          |
| <b>Reclassification from Contingency</b> |                        |                 |                              |                          |                     |                          |                   |                                          |
| CISF Accommodation                       | J1                     | 36.64           |                              | 36.64                    | 5.50                | 42.14                    | 11.16             | 53.30                                    |
| Road                                     | J2                     | 8.47            |                              | 8.47                     | 1.27                | 9.75                     | 2.58              | 12.33                                    |
| Artwork                                  | J3                     | 3.81            |                              | 3.81                     | 0.57                | 4.39                     | 1.16              | 5.55                                     |
| CISF Equipment                           | J4                     | 14.02           |                              | 14.02                    | 2.10                | 16.13                    | 4.27              | 20.40                                    |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FIRST CONTROL PERIOD**

| Particulars                                            | Ref                      | Base Cost    | Preliminaries as Common Cost | Total Cost excluding GST | GST @15%        | Total Cost including GST | Soft Cost and FA* | Total cost (incl. soft cost, FA and GST) |
|--------------------------------------------------------|--------------------------|--------------|------------------------------|--------------------------|-----------------|--------------------------|-------------------|------------------------------------------|
|                                                        |                          | (i)          | (ii)                         | (iii)=(i) + (ii)         | (iv)=(iii)*15 % | (v)=(iii)+(iv)           | (vi)              | (vii)=v+(vi)                             |
| <b>Reclassification from Pre Ops</b>                   |                          |              |                              |                          |                 |                          |                   |                                          |
| Digital Wall in pax processing area                    | <b>K1</b>                | 4.26         |                              | 4.26                     | 0.64            | 4.90                     | 1.30              | 6.20                                     |
| IT & Other equipment                                   | <b>K2</b>                | 7.31         |                              | 7.31                     | 1.10            | 8.41                     | 2.23              | 10.63                                    |
| <b>Total Reclassified Hard Cost</b>                    | <b>iii=Sum (J1 : K2)</b> | <b>74.53</b> | <b>-</b>                     | <b>74.53</b>             | <b>11.18</b>    | <b>85.71</b>             | <b>22.70</b>      | <b>108.40</b>                            |
| <b>Total Cost before General and Maintenance Capex</b> |                          |              |                              |                          |                 |                          |                   | <b>4,666.12</b>                          |
| General and Maintenance CAPEX                          | <b>O</b>                 |              |                              |                          |                 | 50.00                    |                   | 50.00                                    |
| <b>Total Project Cost</b>                              | <b>iv=Sum(i+i+iii+O)</b> |              |                              |                          |                 | <b>3,739.18</b>          | <b>976.94</b>     | <b>4,716.12**</b>                        |

\* Allocated proportionately based on total cost including GST

\*\*Cost presented net of eligible ITC.

4.3.216 The Authority proposes to reduce (readjust) 1% of the uncapitalized project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed / capitalized as per the approved capitalization schedule. It is further proposed that if the delay in completion of the project is beyond the timeline given in the capitalization schedule, due to any reason beyond the control of GVIAL 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 is to protect the interest of the stakeholders who are paying for services provided by GVIAL and is also encouragement for GVIAL to commission / capitalize the proposed assets as per the approved CAPEX plan / schedule.

#### **4.4 Asset Allocation of CAPEX for the First Control Period**

##### GVIAL's Submission

4.4.1 GVIAL has submitted that it has followed an established asset allocation methodology for classification of airport assets. Under this approach, the total assets of the airport have been classified into Aeronautical, Non-Aeronautical and Common categories.

4.4.2 GVIAL has further submitted that:

- Assets which are solely used for providing aeronautical services have been classified as aeronautical assets, including assets such as runways, taxiways, aprons, airfield ground lighting, drainage systems, fire stations, perimeter roads, boundary wall and substations, and have been allocated fully to aeronautical category.
- Assets developed for non-aeronautical services have been classified and allocated entirely as non-aeronautical assets.
- Assets which are not directly allocable to either aeronautical or non-aeronautical categories have been classified as common assets, and such assets have been allocated between aeronautical and non-aeronautical components based on appropriate allocation ratios.

4.4.3 GVIAL has also submitted that, in the case of the Passenger Terminal Building (PTB), which primarily caters to passenger processing but also includes space for commercial and retail activities, the asset has been treated as a common asset. Accordingly, allocation has been carried out using the Terminal Building Ratio (TBLR) based on terminal area.

4.4.4 GVIAL has indicated that the aeronautical portion of the terminal has been derived using the formula: (Total Terminal Area minus Non-Aeronautical Area) ÷ Total Terminal Area, and based on this approach, the aeronautical share works out to 88.60%, considering 8,820 sqm of non-aeronautical area out of total terminal area of 77,343 sqm.

Authority's examination on Asset Capitalization/ Asset Allocation

4.4.5 The Authority, through its Independent Consultant, has examined the asset allocation methodology adopted by GVIAL, including the classification of assets as aeronautical, non-aeronautical and common, and the basis for allocation of common assets. It is noted that GVIAL has used the Terminal Building Ratio of 88.60% to allocate the common areas between aeronautical and non-aeronautical.

4.4.6 The Authority sought from the Airport Operator, the basis for arriving at TBLR. In response the Airport Operator submitted the listing of area floor wise segregated into aeronautical, non-aeronautical and common. The Authority has also reviewed the computation specifically the non-aeronautical and common within the Terminal Building and finds the classification and the resultant Terminal Building Ratio ("TBLR") computation to be reasonable.

4.4.7 The Authority notes that, for comparable airports, the TBLR was assessed having regard to sector benchmarks and IMG norms, which indicate a non-aeronautical area in the range of 8%–12%. The non-aeronautical area considered by GVIAL is broadly consistent with these benchmarks. Accordingly, the Authority proposes to consider the TBLR of 88.60% adopted by GVIAL for asset allocation.

4.4.8 The Authority has reviewed the allocation proposed by GVIAL and examined the project component-wise description to determine the portions attributable to Aero, Non-Aero and Common categories. Thereafter, the projects classified as Common have been further allocated between Aero and Non-Aero using the TBLR ratio as discussed above.

4.4.9 Specifically, the Authority while reviewing the site preparation cost notes that 106 acres out of the total area of 1,786.54 acres, representing 5.98%, pertains to City Side development which is non-aeronautical in nature. Accordingly, the Authority has considered 5.98% of the site preparation as non-aeronautical while retaining the balance amount as common cost for determining the aeronautical asset allocation.

4.4.10 After considering the above the asset allocation as proposed by the Authority is provided in the table below:

**Table 34: Aeronautical Capital Additions proposed by the Authority for the First Control Period**

(Rs in Crs)

| Project Name                | Major Components                                                                                                               | Cost Proposed to be considered | Category | Allocation % | Aero Cost |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------|--------------|-----------|
| Airfield Ground Lighting    | AGL electrical systems, cabling, transformers, CCRs and associated infrastructure                                              | 104.15                         | Aero     | 100.00%      | 104.15    |
| Airside Roads               | Roads and pavement works associated with ATC airside service road and Terminal Building                                        | 58.23                          | Aero     | 100.00%      | 58.23     |
| Artwork                     | Airport artwork, sculptures and display installations                                                                          | 5.55                           | Common   | 88.60%       | 4.91      |
| ATC and Other Buildings     | ATC Tower, Technical Block, Engineering Building, Utility Block, Gate Houses, STP, WTP and other ancillary buildings           | 542.75                         | Aero     | 100.00%      | 542.75    |
| Boundary Wall               | Boundary Wall and Associated Works                                                                                             | 31.94                          | Aero     | 100.00%      | 31.94     |
| CISF Accommodation          | Residential accommodation, Quarter Guard, Armoury, Dog Kennel, internal roads and associated infrastructure for CISF personnel | 53.30                          | Aero     | 100.00%      | 53.30     |
| CISF Equipment              | CT-Xray, DFMD, HHMD, body scanners, ATRS, UVSS and other security screening systems                                            | 20.40                          | Aero     | 100.00%      | 20.40     |
| City Side Roads             | City-side road network and pavement infrastructure                                                                             | 116.70                         | Common   | 88.60%       | 103.40    |
| Digital Wall                | Passenger processing area digital display wall                                                                                 | 6.20                           | Common   | 88.60%       | 5.49      |
| Electrical                  | External power distribution network, substations, HT/LT systems, cabling and lighting infrastructure                           | 139.58                         | Common   | 88.60%       | 123.67    |
| IT & Other equipment        | IT infrastructure, servers, networking and operational technology equipment                                                    | 10.63                          | Common   | 88.60%       | 9.42      |
| Landscaping                 | Landscaping and terrain development works                                                                                      | 31.85                          | Common   | 88.60%       | 28.22     |
| Operational Boundary Wall   | Operational boundary wall and associated security infrastructure                                                               | 41.39                          | Aero     | 100.00%      | 41.39     |
| Passenger Terminal Building | Passenger Terminal Building and associated building infrastructure                                                             | 1,731.58                       | Common   | 88.60%       | 1,534.18  |

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| Project Name                        | Major Components                                                                                   | Cost Proposed to be considered | Category | Allocation % | Aero Cost       |
|-------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------------|----------|--------------|-----------------|
| Plumbing Sewage and Fire Protection | External sewage lines, water supply lines, fire hydrant network and associated civil works         | 105.51                         | Common   | 88.60%       | 93.48           |
| Roads and Pavement                  | Internal roads, pavement works, kerbs, footpaths and associated road infrastructure                | 55.79                          | Common   | 88.60%       | 49.43           |
| Runway and Apron                    | Runway, taxiway, apron, shoulders, RESA, blast pads and associated pavement infrastructure         | 545.79                         | Aero     | 100.00%      | 545.79          |
| Site Preparation                    | Earthwork, grading, site development and land preparation works                                    | 809.08                         | Common   | 88.60%       | 716.85          |
| Site Preparation                    | Site development works allocated to non-aeronautical areas                                         | 51.44                          | Non Aero | 0.00%        | -               |
| Storm Water Management              | Storm water drains, box culverts, pipe drains, RCC drains, swales and rainwater harvesting systems | 204.24                         | Common   | 88.60%       | 180.96          |
| General and Maintenance CAPEX       | Includes Security Equipment                                                                        | 50.00                          | Aero     | 100.00%      | 50.00           |
| <b>Total</b>                        |                                                                                                    | <b>4,716.12</b>                |          |              | <b>4,297.98</b> |

4.4.11 The Aeronautical Project Additions have been segregated by Asset Category as follows:

**Table 35: Asset Category-Wise Classification as proposed by the Authority**

*(Rs in Crs)*

| Particulars               | Building | Electrical Installations | Furniture & Fixtures Other than Trolley | IT Equipment | Plant & Machinery | Roads  | Runway | Security Equipment | Site Development | Total  |
|---------------------------|----------|--------------------------|-----------------------------------------|--------------|-------------------|--------|--------|--------------------|------------------|--------|
| Airfield Ground Lighting  | -        | 77.80                    | -                                       | -            | -                 | -      | 26.35  | -                  | -                | 104.15 |
| Airside Roads             | 24.94    | -                        | -                                       | -            | -                 | 33.29  | -      | -                  | -                | 58.23  |
| Artwork                   | -        | -                        | 4.91                                    | -            | -                 | -      | -      | -                  | -                | 4.91   |
| ATC and Other Buildings   | 255.06   | 168.45                   | 11.11                                   | -            | 108.12            | -      | -      | -                  | -                | 542.75 |
| Boundary Wall             | -        | -                        | -                                       | -            | -                 | 31.94  | -      | -                  | -                | 31.94  |
| CISF Accommodation        | 53.30    | -                        | -                                       | -            | -                 | -      | -      | -                  | -                | 53.30  |
| CISF Equipment            | -        | -                        | -                                       | -            | -                 | -      | -      | 20.40              | -                | 20.40  |
| City Side Roads           | -        | -                        | -                                       | -            | -                 | 103.40 | -      | -                  | -                | 103.40 |
| Digital Wall              | -        | 5.49                     | -                                       | -            | -                 | -      | -      | -                  | -                | 5.49   |
| Electrical                | -        | 88.06                    | -                                       | -            | 35.61             | -      | -      | -                  | -                | 123.67 |
| IT & Other equipment      | -        | -                        | -                                       | 9.42         | -                 | -      | -      | -                  | -                | 9.42   |
| Landscaping               | -        | -                        | -                                       | -            | -                 | 28.22  | -      | -                  | -                | 28.22  |
| Operational Boundary Wall | -        | -                        | -                                       | -            | -                 | 41.39  | -      | -                  | -                | 41.39  |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE  
FIRST CONTROL PERIOD**

| Particulars                         | Building        | Electrical Installations | Furniture & Fixtures Other than Trolley | IT Equipment | Plant & Machinery | Roads         | Runway        | Security Equipment | Site Development | Total           |
|-------------------------------------|-----------------|--------------------------|-----------------------------------------|--------------|-------------------|---------------|---------------|--------------------|------------------|-----------------|
| Passenger Terminal Building         | 989.13          | 136.95                   | 27.50                                   | -            | 380.60            | -             | -             | -                  | -                | 1,534.18        |
| Plumbing Sewage and Fire Protection | 93.48           | -                        | -                                       | -            | -                 | -             | -             | -                  | -                | 93.48           |
| Roads and Pavement                  | -               | -                        | -                                       | -            | -                 | 49.43         | -             | -                  | -                | 49.43           |
| Runway and Apron                    | -               | 11.31                    | -                                       | -            | -                 | -             | 534.48        | -                  | -                | 545.79          |
| Site Preparation                    | -               | -                        | -                                       | -            | -                 | -             | -             | -                  | 716.85           | 716.85          |
| Storm Water Management              | 180.96          | -                        | -                                       | -            | -                 | -             | -             | -                  | -                | 180.96          |
| General Capex                       | -               | -                        | -                                       | -            | 50.00             | -             | -             | -                  | -                | 50.00           |
| <b>Total</b>                        | <b>1,596.88</b> | <b>488.06</b>            | <b>43.52</b>                            | <b>9.42</b>  | <b>574.33</b>     | <b>287.68</b> | <b>560.83</b> | <b>20.40</b>       | <b>716.85</b>    | <b>4,297.98</b> |

4.4.12 Year-wise aeronautical capital additions for the First Control Period are as presented below:

**Table 36: Year wise Aeronautical Additions as proposed by the Authority for the First Control Period**  
(Rs in Crs)

| Particulars                             | FY 27           | FY 28    | FY 29    | FY 30        | FY 31        | Total           |
|-----------------------------------------|-----------------|----------|----------|--------------|--------------|-----------------|
| Building                                | 1,596.88        | -        | -        | -            | -            | 1,596.88        |
| Electrical Installations                | 488.06          | -        | -        | -            | -            | 488.06          |
| Furniture & Fixtures Other than Trolley | 43.52           | -        | -        | -            | -            | 43.52           |
| IT Equipment                            | 9.42            | -        | -        | -            | -            | 9.42            |
| Plant & Machinery                       | 524.33          | -        | -        | 25.00        | 25.00        | 574.33          |
| Roads                                   | 287.68          | -        | -        | -            | -            | 287.68          |
| Runway                                  | 560.83          | -        | -        | -            | -            | 560.83          |
| Security Equipment                      | 20.40           | -        | -        | -            | -            | 20.40           |
| Site Development                        | 716.85          | -        | -        | -            | -            | 716.85          |
| <b>Total</b>                            | <b>4,247.98</b> | <b>-</b> | <b>-</b> | <b>25.00</b> | <b>25.00</b> | <b>4,297.98</b> |

## 4.5 Depreciation for the First Control Period

### GVIAL's Submission

- 4.5.1 GVIAL has submitted that the useful life of assets has been considered in line with AERA Order No. 35/2017-18 dated 12<sup>th</sup> January 2018 read with Addendum 01 to Order 35.
- 4.5.2 GVIAL has further submitted that, for the purpose of capitalization during the construction phase, depreciation has been computed based on major asset categories, and the effective rates of depreciation have been considered accordingly for various asset classes.
- 4.5.3 The aeronautical depreciation submitted by GVIAL for the Control Period is presented in the table below.

**Table 37: Depreciation as submitted by GVIAL for the First Control Period**

(Rs in Crs)

| Depreciation                               | FY 27         | FY 28         | FY 29         | FY 30         | FY 31         | FY 32         | Total           |
|--------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Building                                   | 34.08         | 45.39         | 45.39         | 45.39         | 45.39         | 45.39         | 261.04          |
| Site Development                           | 16.38         | 21.82         | 21.82         | 21.82         | 21.82         | 21.82         | 125.49          |
| Electrical Installations                   | 52.07         | 69.36         | 69.36         | 69.36         | 69.36         | 69.36         | 398.88          |
| Roads                                      | 31.71         | 42.24         | 42.24         | 42.24         | 42.24         | 42.24         | 242.92          |
| Runway                                     | 14.68         | 19.55         | 19.55         | 19.55         | 19.55         | 19.55         | 112.44          |
| Plant & Machinery                          | 35.06         | 46.70         | 46.70         | 46.70         | 46.70         | 46.70         | 268.56          |
| Furniture & Fixtures<br>Other than Trolley | 4.30          | 5.73          | 5.73          | 5.73          | 5.73          | 5.73          | 32.93           |
| General Capex                              | -             | -             | -             | 1.88          | 5.64          | 9.39          | 16.91           |
| <b>Total Depreciation</b>                  | <b>188.27</b> | <b>250.80</b> | <b>250.80</b> | <b>252.68</b> | <b>256.43</b> | <b>260.19</b> | <b>1,459.16</b> |

Authority's examination regarding depreciation for the First Control Period

- 4.5.4 As discussed in para's 2.3.2 to 2.3.4, the Commercial Operation Date (COD) has been revised from 30<sup>th</sup> June 2026 considered by GVIAL to 17<sup>th</sup> August 2026. Further, the First Control Period considered by GVIAL up to FY 2031-32 has been revised by the Authority to end in FY 2030-31. Accordingly, the Authority has redrawn the depreciation schedule submitted by GVIAL to align with the revised First Control Period. The revised depreciation schedule based on GVIAL's submission is presented in the table below.

**Table 38: Redrawn Depreciation based on GVIAL submission for the First Control Period**

(Rs in Crs)

| Depreciation                               | FY 27*        | FY 28         | FY 29         | FY 30         | FY 31         | Total           |
|--------------------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Building                                   | 28.13         | 45.39         | 45.39         | 45.39         | 45.39         | 209.70          |
| Site Development                           | 13.52         | 21.82         | 21.82         | 21.82         | 21.82         | 100.81          |
| Electrical Installations                   | 42.98         | 69.36         | 69.36         | 69.36         | 69.36         | 320.43          |
| Roads                                      | 26.18         | 42.24         | 42.24         | 42.24         | 42.24         | 195.14          |
| Runway                                     | 12.12         | 19.55         | 19.55         | 19.55         | 19.55         | 90.32           |
| Plant & Machinery                          | 28.94         | 46.70         | 46.70         | 46.70         | 46.70         | 215.74          |
| Furniture & Fixtures Other<br>than Trolley | 3.55          | 5.73          | 5.73          | 5.73          | 5.73          | 26.45           |
| General Capex                              | -             | -             | -             | 1.88          | 5.64          | 7.52            |
| <b>Total Depreciation</b>                  | <b>155.41</b> | <b>250.80</b> | <b>250.80</b> | <b>252.68</b> | <b>256.43</b> | <b>1,166.11</b> |

*\*As discussed in para 2.3.5, FY 27 figures have been pro-rated for 227 days based on the revised COD of 17 August 2026, as against 275 days based on the earlier COD of 30 June 2026.*

- 4.5.5 The Authority has examined the useful life of assets considered by GVIAL for the purpose of computation of depreciation during the First Control Period with reference to the provisions prescribed under AERA Order No. 35/2017-18 dated 12<sup>th</sup> January 2018.
- 4.5.6 With regard to Site Development assets, the Authority notes that GVIAL had computed the useful life considering the COD as 30<sup>th</sup> June 2026. In view of the revised COD of 17<sup>th</sup> August 2026, the Authority has recomputed the useful life in accordance with the methodology prescribed under AERA Order No. 35/2017-18 for determination of residual asset life. Accordingly, the Authority proposes to consider the useful life of Site Development assets as 37.35 years.
- 4.5.7 The Authority further notes that GVIAL has considered a useful life of 18.76 years for General Maintenance CAPEX. GVIAL submitted that, in the absence of a detailed asset-wise break-up for General Maintenance

CAPEX at the time of the MYTP submission, a weighted average useful life derived from the applicable asset categories prescribed under AERA Order No. 35/2017-18 was considered for computation of depreciation.

- 4.5.8 The Authority has examined the nature of the General and Maintenance CAPEX proposed to be considered during the First Control Period and notes that the approved expenditure primarily relates to security systems, technology solutions and other operational equipment proposed to address safety, security and regulatory requirements. Accordingly, the Authority is of the view that such expenditure is more appropriately classified under the Plant & Machinery asset category. Therefore, the useful life prescribed for Plant & Machinery under AERA Order No. 35/2017-18 has been considered for the purpose of computation of depreciation.
- 4.5.9 The Authority notes that the useful life considered by GVIAL for certain categories is not aligned with the asset lives prescribed under AERA Order No. 35/2017-18. The Authority has aligned the useful life of such assets with the corresponding categories prescribed under Order No. 35/2017-18.

**Table 39: Reclassification of projects as submitted by GVIAL and as per the Authority's proposal**

(Rs in Crs)

| Particulars                             | Final cost<br>(in Rs.<br>Crores) | As per<br>GVIAL's<br>submissio<br>n | As per<br>Order<br>35/2017-<br>18<br>classificati<br>on                    | Useful<br>life as per<br>GVIAL | Useful life as<br>per revised<br>classification<br>(Order<br>35/2017-18) | Remarks                                                                                                                                                                                                             |
|-----------------------------------------|----------------------------------|-------------------------------------|----------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AGL                                     | 26.34                            | Electrical                          | Runway                                                                     | 10                             | 30                                                                       | Reclassification pertains to AGL Duct Bank which is expected to have useful life of 30 years similar to that of Runway                                                                                              |
| Landscaping<br>- ATC other<br>buildings | 23.30                            | Roads                               | Other<br>equipment<br>including<br>pump<br>sprinkler<br>as per<br>order 35 | 10                             | 15                                                                       | Reclassified items pertain to softscape, hardscape, canopy, irrigation system and water features which are expected to have a higher useful life i.e 15 years                                                       |
| Landscaping<br>- TB                     | 59.21                            | Roads                               | Other<br>equipment<br>including<br>pump<br>sprinkler<br>as per<br>order 35 | 10                             | 15                                                                       | Reclassified items pertain to softscape, hardscape, canopy, irrigation system and water features which are expected to have a higher useful life i.e 15 years                                                       |
| BHS                                     | 108.35                           | Electrical                          | P&M                                                                        | 10                             | 15                                                                       | Reclassification pertains to departure system, arrival system, HLC/LLC and IT infrastructure pertaining to BHS and screening systems which are classified to plant and machinery due to higher expected useful life |
| Plumbing<br>Sewage and                  | 105.51                           | P&M                                 | Building                                                                   | 15                             | 30                                                                       | Reclassification pertains to items like earthwork,                                                                                                                                                                  |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FIRST CONTROL PERIOD**

| Particulars            | Final cost<br>(in Rs.<br>Crores) | As per<br>GVIAL's<br>submissio<br>n | As per<br>Order<br>35/2017-<br>18<br>classificati<br>on | Useful<br>life as per<br>GVIAL | Useful life as<br>per revised<br>classification<br>(Order<br>35/2017-18) | Remarks                                                                                                                                           |
|------------------------|----------------------------------|-------------------------------------|---------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Fire Protection        |                                  |                                     |                                                         |                                |                                                                          | external fire hydrant lines, reinforcements etc which are likely to have a higher useful life                                                     |
| Storm Water and Sewage | 204.24                           | P&M                                 | Building                                                | 15                             | 30                                                                       | Reclassification pertains to items like storm water pipe, grated drain, box culvert, pipe drain etc which are likely to have a higher useful life |

4.5.10 Based on the above the comparison of useful life submitted by GVIAL and that proposed by the Authority is presented in the table below.

**Table 40: Comparison of useful life of assets submitted by GVIAL and proposed by the Authority**

| Particulars                             | As submitted by GVIAL | As per Order 35 |
|-----------------------------------------|-----------------------|-----------------|
| Building                                | 30                    | 30/60           |
| Site Development                        | 37.50                 | 37.35*          |
| Electrical Installations                | 10                    | 10              |
| Roads                                   | 10                    | 5/10            |
| Runway                                  | 30                    | 30              |
| Plant & Machinery                       | 15                    | 15              |
| Apron                                   | 30                    | 30              |
| Office Equipment                        | 5                     | 5               |
| Computer and Data processing            | 3                     | 3               |
| Furniture & Fixtures Other than Trolley | 7                     | 7               |
| Furniture & Fixtures-Trolley            | 3                     | 3               |
| Vehicles                                | 8                     | 8               |
| Intangibles - Software's                | 3                     | 3               |
| General Capex                           | 18.76                 | 15**            |
| Security Equipment                      | -                     | 15              |
| IT Equipment                            | -                     | 6               |

\*Note: Site Development useful life has been computed based on the revised COD in accordance with the methodology prescribed under AERA Order No. 35/2017-18.

\*\*Classified as Plant and Machinery with useful life of 15 years as per Order 35/2017-18

4.5.11 Accordingly, the Authority has recomputed the aeronautical depreciation for the First Control Period incorporating the revised useful life, asset classification, capitalization schedule and revised duration of the First Control Period. The revised aeronautical depreciation proposed to be considered by the Authority is presented in the table below.

**Table 41: Total Aeronautical depreciation proposed by the Authority for the First Control Period**  
(Rs in Crs)

| Particulars | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 | Total  |
|-------------|-------|-------|-------|-------|-------|--------|
| Building*   | 32.96 | 53.23 | 53.23 | 53.23 | 53.23 | 245.88 |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FIRST CONTROL PERIOD**

| Particulars                             | FY 27         | FY 28         | FY 29         | FY 30         | FY 31         | Total         |
|-----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Site Development                        | 11.88         | 19.19         | 19.19         | 19.19         | 19.19         | <b>88.65</b>  |
| Electrical Installations                | 30.22         | 48.81         | 48.81         | 48.81         | 48.81         | <b>225.44</b> |
| Roads                                   | 17.81         | 28.77         | 28.77         | 28.77         | 28.77         | <b>132.89</b> |
| Runway                                  | 11.58         | 18.69         | 18.69         | 18.69         | 18.69         | <b>86.35</b>  |
| Plant & Machinery                       | 21.64         | 34.96         | 34.96         | 35.79         | 37.46         | <b>164.80</b> |
| Furniture & Fixtures Other than Trolley | 3.85          | 6.22          | 6.22          | 6.22          | 6.22          | <b>28.72</b>  |
| IT Equipment                            | 0.97          | 1.57          | 1.57          | 1.57          | 1.57          | <b>7.25</b>   |
| Security Equipment                      | 0.84          | 1.36          | 1.36          | 1.36          | 1.36          | <b>6.28</b>   |
| <b>Total Aeronautical Depreciation</b>  | <b>131.76</b> | <b>212.79</b> | <b>212.79</b> | <b>213.63</b> | <b>215.29</b> | <b>986.26</b> |

*\*The depreciation on Buildings proposed by the Authority is higher than that submitted by GVIAL for the corresponding period, primarily on account of the reclassification of certain assets from other asset categories to Buildings, as discussed in Table 39.*

#### 4.6 Regulatory Asset Base (RAB) for the First Control Period

##### GVIAL's Submission

- 4.6.1 GVIAL has submitted that, for the purpose of computation of the Regulatory Asset Base (RAB) for tariff determination, Government Grant and recovery towards Fuel Hydrant System CAPEX have been excluded. GVIAL has also submitted that the average RAB for tariff determination has been computed as the average of opening and closing RAB, as per the applicable regulatory approach. The RAB submitted by GVIAL for the First Control Period is presented in the table below.

**Table 42: RAB for the First Control Period as submitted by GVIAL**

*(Rs in Crs)*

| Particulars                        | FY 27           | FY 28           | FY 29           | FY 30           | FY 31           | FY 32           | Total    |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------|
| Opening RAB (A)                    | -               | 4,435.02        | 4,184.22        | 3,933.42        | 3,751.25        | 3,565.32        |          |
| Additions (B)                      | 4,623.28        | -               | -               | 70.50           | 70.50           | 70.50           | 4,834.79 |
| Deletions (C)                      | -               | -               | -               | -               | -               | -               | -        |
| Depreciation (D)                   | 188.27          | 250.80          | 250.80          | 252.68          | 256.43          | 260.19          | 1,459.16 |
| <b>Closing RAB (E= A+B-C-D)</b>    | <b>4,435.02</b> | <b>4,184.22</b> | <b>3,933.42</b> | <b>3,751.25</b> | <b>3,565.32</b> | <b>3,375.63</b> |          |
| <b>Average RAB (F= Avg (A,E) )</b> | <b>4,529.15</b> | <b>4,309.62</b> | <b>4,058.82</b> | <b>3,842.33</b> | <b>3,658.28</b> | <b>3,470.47</b> |          |

##### Authority's examination regarding Regulatory Asset Base for the First Control Period

- 4.6.2 As discussed in para's 2.3.2 to 2.3.4, the Commercial Operation Date (COD) has been revised from 30<sup>th</sup> June 2026 considered by GVIAL to 17<sup>th</sup> August 2026. Further, the First Control Period considered by GVIAL up to FY 2031-32 has been revised by the Authority to end in FY 2030-31. Accordingly, the Regulatory Asset Base (RAB) submitted by GVIAL has been redrawn to align with the revised COD and revised First Control Period ending in FY 30-31. The revised RAB based on GVIAL's submission is presented in the table below.

**Table 43: Redrawn RAB for the First Control Period based on GVIAL Submission**

*(Rs in Crs)*

| Particulars              | FY 27    | FY 28    | FY 29    | FY 30    | FY 31    | Total    |
|--------------------------|----------|----------|----------|----------|----------|----------|
| Opening RAB (A)          | -        | 4,467.88 | 4,217.08 | 3,966.28 | 3,784.11 |          |
| Additions (B) (Table 42) | 4,623.28 | -        | -        | 70.50    | 70.50    | 4,764.29 |
| Deletions (C)            | -        | -        | -        | -        | -        | -        |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FIRST CONTROL PERIOD**

| Particulars                        | FY 27           | FY 28           | FY 29           | FY 30           | FY 31           | Total    |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------|
| Depreciation (D) (Table 38)        | 155.41*         | 250.80          | 250.80          | 252.68          | 256.43          | 1,166.11 |
| <b>Closing RAB (E= A+B-C-D)</b>    | <b>4,467.88</b> | <b>4,217.08</b> | <b>3,966.28</b> | <b>3,784.11</b> | <b>3,598.18</b> |          |
| <b>Average RAB (F= Avg (A,E) )</b> | <b>4,545.58</b> | <b>4,342.48</b> | <b>4,091.68</b> | <b>3,875.20</b> | <b>3,691.14</b> |          |

*\*As discussed in para 2.3.5, FY 27 figures have been pro-rated for 227 days based on the revised COD of 17 August 2026, as against 275 days based on the earlier COD of 30 June 2026.*

- 4.6.3 The Authority has examined the calculation of Regulatory Asset Base (RAB) submitted by GVIAL in line with the revised aeronautical capital expenditure, asset allocation and aeronautical depreciation as assessed in the preceding sections.
- 4.6.4 The Authority has recomputed the Regulatory Asset Base for the First Control Period, based on the revised capital expenditure, aeronautical allocation and depreciation, in accordance with the applicable regulatory principles.
- 4.6.5 Accordingly, the Authority has recomputed the Regulatory Asset Base after incorporating the revisions to capital expenditure, aeronautical allocation and depreciation discussed in the preceding sections, as well as the revised COD and revised duration of the First Control Period. The revised RAB proposed to be considered by the Authority is presented in the table below.

**Table 44: RAB for the First Control Period as proposed by the Authority**

*(Rs in Crs)*

| Particulars                        | FY 27           | FY 28           | FY 29           | FY 30           | FY 31           | Total           |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Opening RAB (A)                    | -               | 4,116.22        | 3,903.42        | 3,690.63        | 3,502.00        |                 |
| Additions (B) (Table 36)           | 4,247.98        | -               | -               | 25.00           | 25.00           | <b>4,297.98</b> |
| Deletions (C)                      | -               | -               | -               | -               | -               | -               |
| Depreciation (D) (Table 41)        | 131.76          | 212.79          | 212.79          | 213.63          | 215.29          | <b>986.26</b>   |
| <b>Closing RAB (E= A+B-C-D)</b>    | <b>4,116.22</b> | <b>3,903.42</b> | <b>3,690.63</b> | <b>3,502.00</b> | <b>3,311.71</b> |                 |
| <b>Average RAB (F= Avg (A,E))*</b> | <b>4,182.10</b> | <b>4,009.82</b> | <b>3,797.03</b> | <b>3,596.32</b> | <b>3,406.86</b> |                 |

*\*For computation of Average RAB, additions to RAB as on 17<sup>th</sup> August 2026 are treated as forming part of the opening RAB.*

- 4.6.6 The aeronautical capital expenditure, depreciation and RAB considered in this Consultation Paper are based on estimates and information available at this stage, and the same are provisional in nature, subject to revision based on actual capitalization in the books of accounts.
- 4.6.7 It is the sole responsibility of the Airport Operator to maintain proper books of accounts and Fixed Asset Register (FAR) diligently and present accurate information in its submissions. The Authority relies on the information available in the audited financial reports & FAR for its analysis. The Authority expects that the Airport Operator would ensure the accuracy of the information captured in its books of accounts and FAR and that there is no duplication of expenses.

#### **4.7 Authority's proposals regarding Capital Expenditure (CAPEX), Depreciation, and Regulatory Asset Base (RAB) for the First Control Period**

Based on the material before it and its analysis, the Authority proposes the following with regard to CAPEX, Depreciation and RAB for the First Control Period:

- 4.7.1 To consider the aeronautical additions for the First Control Period in accordance with Table 36.

- 4.7.2 To true-up the aeronautical capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for next Control Period.
- 4.7.3 To consider Aeronautical Depreciation as per Table 41 for the First Control Period.
- 4.7.4 To true up the Depreciation of the First Control Period based on the actual asset additions and actual date of capitalization at the time of tariff determination of the next Control Period.
- 4.7.5 To consider average RAB for the First Control Period for BIA as per Table 44.
- 4.7.6 To true-up the RAB based on actuals at the time of tariff determination for the next Control Period.
- 4.7.7 To reduce (adjust) 1% of the uncanceled project cost from the ARR in case any particular capital project is not completed / capitalized as per the approved capitalization schedule, as detailed in para 4.3.216. The same will be examined at the time of determination of tariff for the next Control Period.
- 4.7.8 To examine the accounting of input tax credits in accordance with Chapter V of the Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the next Control Period (as detailed in para 4.3.211).

## 5. FAIR RATE OF RETURN FOR THE FIRST CONTROL PERIOD

### 5.1 GVIAL's submission regarding Fair Rate of Return for the First Control Period

#### Cost of Debt

GVIAL has submitted the following details of debt availed for the construction of the airport:

- 5.1.1 Debt 1 – Senior Debt Facility: GVIAL has tied up a term loan (Senior Debt Facility) with a consortium of five lenders, with India Infrastructure Finance Company Limited (IIFCL) as the lead lender for Rs.3,215 Crores. The facility has been availed for 18 years, comprising a construction period of 3 years, a moratorium of 1 year and a repayment tenor of 14 years. The senior debt rate has been benchmarked to the lead bank's base rate, with the stipulation that no lender shall charge a rate lower than that of the lead bank. As per the sanction letter, the rate was IIFCL Base Rate plus 235 bps spread – which at the time of disbursement was 10.35% (8.00% + 2.35% = 10.35%).
- 5.1.2 Debt 2 – Sub-Debt Facility: In addition to the Senior Debt Facility, GVIAL has tied up a Sub-Debt Facility with two lenders, with Tata Capital Limited as the lead Sub-Debt lender for an amount of Rs. 350 Crores. The facility was availed in FY 2024-25. As per the Sub-Debt facility agreement, GVIAL shall repay 100% of the facility in 56 structured quarterly instalments commencing from the quarter ending 31<sup>st</sup> December 2027, with the last instalment due on 30<sup>th</sup> September 2041. The applicable rate of interest is 11.30% per annum.
- 5.1.3 The current weighted average cost of debt towards Phase-1 is 10.44%, which has been retained for the entire five-year Control Period by GVIAL. GVIAL has requested the Authority to consider the cost of debt at actuals during the true-up. The weighted average cost of debt submitted by GVIAL is as below:

**Table 45: Cost of Debt as submitted by GVIAL**

| Particulars                          | Amount (Rs. Cr.) | Debt Rate     |
|--------------------------------------|------------------|---------------|
| Debt 1 – Senior Debt Facility        | 3,215            | 10.35%        |
| Debt 2 – Sub-Debt Facility           | 350              | 11.30%        |
| <b>Weighted Average Cost of Debt</b> | <b>3,565</b>     | <b>10.44%</b> |

#### Cost of Equity

- 5.1.4 GVIAL has estimated the cost of equity on the basis of the CAPM methodology, factoring in the applicable risks and challenges of a greenfield project. GVIAL has appointed M/s KPMG to carry out the study on the applicable cost of equity for Bhogapuram International Airport. Based on this study, the cost of equity for Bhogapuram International Airport has been computed as 17.40%.
- 5.1.5 The assumptions adopted by KPMG for estimating the cost of equity, as submitted by GVIAL, are as follows:
- The risk-free rate, which is the 10-year average yield for the 10-year Government of India bonds, is 6.84%.
  - The equity risk premium is 7.00%, based on a KPMG internal study on the prevailing market return in India.
  - KPMG identified 21 comparable publicly listed airport service operators globally and evaluated them on parameters such as geographic markets (developed vs. emerging), historical growth trends, ownership structure and revenue model. Subsequently based on revenue / Gross block CAGR criteria 9 comparable

companies out of the 21 chosen earlier were shortlisted for estimation of the beta for Bhogapuram International Airport.

- The debt-equity ratio is taken at 48:52, in line with the normative gearing pre-defined by AERA for PPP projects.
- The equity betas of the selected comparable companies were un-levered using their respective market debt-to-equity ratios and applicable marginal tax rates, and the resulting asset betas were re-levered using the normative gearing of 48:52 adopted by AERA, yielding an equity beta of 1.50 for Bhogapuram International Airport.

5.1.6 Based on the above parameters, GVIAL has computed the cost of equity by applying the CAPM formula as detailed below:

**Table 46: Cost of Equity as submitted by GVIAL**

| Parameter                                | Ref.     | Value         |
|------------------------------------------|----------|---------------|
| Risk-Free Rate (Rf)                      | A        | 6.84%         |
| Equity Risk Premium (Rm – Rf)            | B        | 7.00%         |
| Equity Beta ( $\beta_e$ )                | C        | 1.50          |
| <b>Cost of Equity (Ke) = A + (B × C)</b> | <b>D</b> | <b>17.40%</b> |

#### **Fair Rate of Return as submitted by GVIAL**

5.1.7 Based on the above cost of debt and cost of equity, and applying the normative gearing ratio of 48:52 (debt: equity), GVIAL has computed the Fair Rate of Return for the First Control Period as below:

**Table 47: Fair Rate of Return as submitted by GVIAL**

| Particulars                       | Cost   | Weight | FRoR          |
|-----------------------------------|--------|--------|---------------|
| Cost of Equity                    | 17.40% | 52%    | 9.05%         |
| Cost of Debt                      | 10.44% | 48%    | 5.01%         |
| <b>Fair Rate of Return (WACC)</b> |        |        | <b>14.06%</b> |

5.1.8 Accordingly, GVIAL has submitted a Fair Rate of Return of 14.06% for the First Control Period.

## **5.2 Authority's examinations regarding Fair Rate of Return for the First Control Period**

### **Cost of Debt**

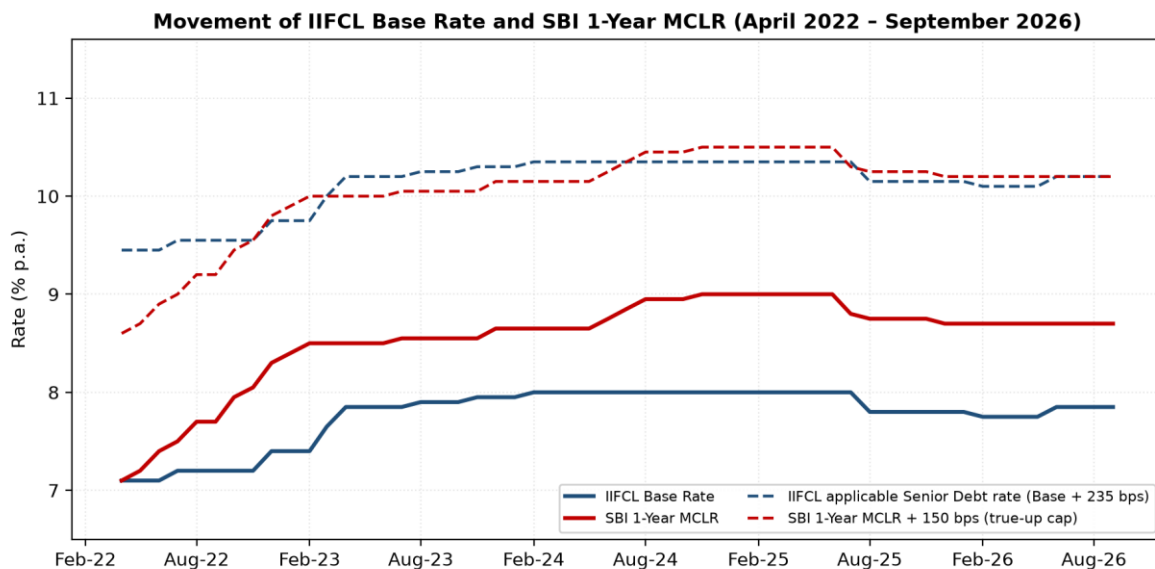
- 5.2.1 The Authority, through its Independent Consultant, has reviewed the loan sanction letters and facility agreements executed by GVIAL with the consortium of lenders in respect of both the Senior Debt Facility and the Sub-Debt Facility
- 5.2.2 The Senior Debt Facility has a total sanctioned limit of Rs. 3,215 Crore, availed from a consortium of five lenders with India Infrastructure Finance Company Limited (IIFCL) as the lead lender. The sanction letters provide that the rate of interest charged by each of the consortium lenders shall be aligned to the rate of the lead lender, with the stipulation that no lender shall charge a rate lower than that of the lead lender. Accordingly, while the individual lenders are benchmarked to their respective base rates or MCLR with

differing contractual spreads, the effective rate of interest applicable across the facility is uniform and is presently 10.20% per annum, being the IIFCL Base Rate of 7.85% plus a spread of 2.35%.

- 5.2.3 In addition, GVIAL has availed a Sub-Debt Facility of Rs. 350 Crore from two lenders, each participating in equal measure. Each lender has benchmarked its facility to its own internal long-term reference rate, being a proprietary lending rate published by the lender concerned and revised by it from time to time, together with a contracted spread. Although the underlying benchmarks and spreads differ between the two lenders, the resultant effective rate of interest is 11.30% per annum for both lenders. There has been no revision in the base rate for the Sub-Debt Facility after sanction, and the interest rate remains at 11.30% per annum (Lender's Long-Term Prime Lending Rate of 8.75% plus a credit spread of 2.55%).
- 5.2.4 The Authority has re-computed the applicable interest rate for Senior Debt based on the latest available base rate as of September 2026, while retaining the contracted spread applicable to the Senior Debt Facility. The Authority notes that the interest rate applicable to the lead lender, IIFCL, works out to 10.20% per annum, comprising a base rate of 7.85% and a contracted spread of 2.35%.
- 5.2.5 To assess the reasonableness of the above rate, the Authority has also benchmarked the cost of Senior Debt with the prevailing SBI one-year MCLR of 8.70%. Considering a spread of 1.50%, having regard to the credit rating of GVIAL, the corresponding benchmark interest rate works out to 10.20% per annum. The Authority notes that this is consistent with the interest rate derived based on the prevailing IIFCL base rate together with the applicable contracted spread.
- 5.2.6 The Authority notes that GVIAL has availed the Sub-Debt Facility from two NBFCs at an effective interest rate of 11.30% per annum, which is higher than the prevailing rate of 10.20% applicable to the Senior Debt Facility. While subordinated debt may ordinarily carry a higher rate of interest, the cost of financing considered for tariff determination is required to be examined from the perspective of efficiency and reasonableness of the financing cost proposed to be passed on to airport users.
- 5.2.7 In this regard, the Authority notes that the Senior Debt Facility constitutes the predominant portion of GVIAL's borrowings and has been raised through a consortium of institutional lenders, with IIFCL as the lead lender. The prevailing rate of 10.20% under the Senior Debt Facility therefore provides an appropriate reference for assessing the reasonable cost of borrowing for the Airport. The Authority is of the view that the additional financing cost arising solely from the structure or choice of subordinated borrowing need not automatically be passed through as part of the regulated cost of debt.
- 5.2.8 Accordingly, for the purpose of determining the Fair Rate of Return, the Authority proposes to benchmark the Sub-Debt Facility to the prevailing Senior Debt rate of 10.20%. Consequently, the Authority proposes to consider 10.20% as the cost of debt for both the Senior Debt and Sub-Debt Facilities for the First Control Period.
- 5.2.9 For the purpose of forecasting the rate of interest to be applied post COD, the Authority has reviewed the loan sanction documents. In those documents pertaining to senior debt facility, the post-COD rate of interest has not been finalized and is documented as *"to be decided at the time of COD, as mutually agreed by the consortium lenders"*.
- 5.2.10 The Authority, through its Independent Consultant, sought clarification from GVIAL on the rate of interest that would apply to BIA post-COD. GVIAL, vide its reply dated 12th August 2026, responded as follows: "... *The account shall be reviewed by the lenders by Q3 FY27. However, considering the lower ad-hoc tariff and*

*traffic being lower than expected, GVIAL does not expect any reduction in spread. On the contrary, with rising inflationary pressure, the benchmark borrowing rate is expected to go up by around 25 bps."*

- 5.2.11 The Authority has noted this submission but does not find the anticipated increase of 25 bps to be a sufficient basis for building a higher cost of debt into the projections for the First Control Period. The benchmark component of the lending rate responds to monetary policy and to prevailing inflationary and geopolitical conditions; movements in it are cyclical, and increases of this nature are usually temporary. However, in the absence of an agreed post-COD spread or other documentary evidence establishing such increase, the Authority does not consider it appropriate to build an anticipated increase in borrowing cost into the tariff determination.
- 5.2.12 At the same time, the Authority recognises that the actual cost of borrowing may vary during the Control Period on account of changes in the underlying benchmark rates and credit rating of GVIAL post -COD. Accordingly, rather than forecasting such movements at this stage, the Authority proposes to retain the cost of debt at 10.20% for the First Control Period.
- 5.2.13 In light of the above, the Authority proposes to consider the cost of debt at 10.20% for the purpose of computation of the FRoR for the First Control Period for Bhogapuram International Airport. The cost of debt shall be trued up at the time of determination of tariff for the Second Control Period.
- 5.2.14 In order to establish an appropriate ceiling for the true-up, the Authority has examined the movement of the cost of debt adopted by the Authority alongside the State Bank of India (SBI) 1-Year MCLR, being the benchmark adopted by the Authority in respect of other airports. The movement of the two reference rates, and of the corresponding lending rates (IIFCL Base Rate plus the contracted spread of 235 bps, and SBI 1-Year MCLR plus 150 bps as taken as the benchmark for other greenfield airports), is depicted below:



**Figure 4 : Movement of IIFCL Base Rate and SBI 1-Year MCLR (April 2022 – September 2026)**

- 5.2.15 It is observed from the above that the IIFCL Base Rate and the SBI 1-Year MCLR have moved broadly in tandem over the period, both tracking the underlying movement in the policy rate and in the cost of funds of the lending system, and the two applicable lending rates have converged closely since FY 2022-23. As on date, the SBI 1-Year MCLR is 8.70% per annum (effective 15<sup>th</sup> September 2026), which, with a spread of

150 bps, equates to 10.20% per annum, being the applicable Senior Debt rate of 10.20% per annum derived from the IIFCL Base Rate of 7.85% plus the contracted spread of 235 bps. Over the period examined, the two lending rates have differed by an average of less than 10 bps. This confirms that the rate proposed to be adopted by the Authority for true up of cost of debt is in line with the prevailing market benchmark and is consistent with the benchmark of 1-Year SBI MCLR plus 150 bps adopted by the Authority at other airports.

- 5.2.16 Accordingly, the Authority proposes to true up the cost of the debt at the time of tariff determination for the Second Control Period at the lower of (i) the actual rate of interest incurred by GVIAL, and (ii) the SBI 1-Year MCLR prevailing during the relevant period plus a spread of 150 bps.

### **Cost of Equity**

- 5.2.17 GVIAL engaged the services of M/s. KPMG to conduct a study on the applicable cost of equity for Bhogapuram International Airport. Based on this study, GVIAL has submitted a cost of equity of 17.40% in its MYTP submission. The Authority, through its Independent Consultant, has reviewed the KPMG study and compared it with the independent study previously commissioned by the Authority through the Indian Institute of Management – Bangalore (IIM-B) for determining the cost of equity of five airports, namely BIAL, DIAL, GHIAL, CIAL and MIAL. The comparison of the airports considered for computation of the asset beta in the two studies is set out below:

**Table 48: Comparison of comparable airports considered for the study of Cost of Equity**

| Operator                                     | Country        | AERA Study – 5 Airports (IIM-B)* | KPMG Study (Apr-25)* |
|----------------------------------------------|----------------|----------------------------------|----------------------|
| Airports of Thailand Public Co. Ltd.         | Thailand       | Y                                | Y                    |
| Grupo Aeroportuario del Centro Norte (OMA)   | Mexico         | N                                | Y                    |
| Grupo Aeroportuario del Pacifico (GAP)       | Mexico         | N                                | Y                    |
| Grupo Aeroportuario del Sureste (ASUR)       | Mexico         | N                                | Y                    |
| Hainan Meilan International Airport Co. Ltd. | China          | N                                | Y                    |
| Shanghai International Airport Co. Ltd.      | China          | N                                | Y                    |
| Shenzhen Airport Co. Ltd.                    | China          | N                                | Y                    |
| TAV Havalimanlari Holding A.S.               | Turkey         | N                                | Y                    |
| GMR Airports Limited                         | India          | N                                | Y                    |
| Auckland International Airport Limited       | New Zealand    | Y                                | N                    |
| Sydney Airport Holdings Pvt. Ltd.            | Australia      | Y                                | N                    |
| Malaysia Airports Holdings Berhad            | Malaysia       | Y                                | N                    |
| Gatwick Airport                              | United Kingdom | Y                                | N                    |
| Dublin Airport                               | Ireland        | Y                                | N                    |

\*Y = considered in the study; N = not considered in the study.

- 5.2.18 On examination of the KPMG study, the Authority observes the following issues in the selection of the comparable set and the underlying assumptions:

- a) KPMG states that it has considered a broad list of publicly listed airport service operators globally, comprising 21 airport operators of which 9 peer airports operators have been finally selected. However, four other publicly listed airport operators – namely Københavns Lufthavne A/S (Copenhagen Airports A/S), Athens International Airport S.A., Toscana Aeroporti S.p.A. and Aeroporto Guglielmo Marconi di Bologna S.p.A. – do not appear to have been considered for inclusion in the comparable set, and the reason for their non-inclusion has not been stated.
- b) KPMG's stated selection criterion was that companies with either a revenue CAGR or a gross-block CAGR greater than 10% would be classified as high-growth companies and selected in the final list of peer airports. The Authority notes that a 10% gross-block CAGR may not be an appropriate criterion for peer selection, as airport capital expenditure is typically phased, with capacity augmentation undertaken based on traffic and capacity requirements. This is also evident in the case of Bhogapuram Airport, where a substantial portion of the capital additions are proposed in the first year of the Control Period, with no additions proposed in the second and third years and additions of Rs. 25 crore each in the fourth and fifth years. Accordingly, a gross-block growth threshold may not adequately reflect the phased nature of airport development and may result in the exclusion of otherwise comparable airports.
- c) The Authority further notes that Airports of Thailand (AoT), despite having a CAGR of 9.60%, which is below the stated threshold of 10%, has been retained in the final list of peer airports. The inclusion of AoT therefore does not appear consistent with the stated selection criterion.
- d) The KPMG study does not apply a proximity-based weighting. In the Authority's study for the five airports, proximity-weighted scores were used to identify comparable airports closest to the target airport across three dimensions – revenue-till structure (single, dual, hybrid), ownership structure (government, private, PPP) and operating scale (passenger, cargo and aircraft-movement metrics) – with proximity measured using Euclidean distance and inverse proximity scores used as weights. Given that airports differ materially in their regulatory frameworks, governance structures and commercial orientation (and hence in their systematic risk), adjusting the beta through a proximity score is essential to ensure that the estimated beta reflects comparable systematic risk.
- e) KPMG has included GMR Airports Limited in the list of 9 peer airports. GMR Airports Limited is the dedicated entity responsible for the development, management and operation of airports within the GMR Group, including Indira Gandhi International Airport (Delhi) and Rajiv Gandhi International Airport (Hyderabad), and is a holding company with a significant proportion of profits arising from non-airport group companies. For GMR Airports Limited, only 28.69% of total revenue is derived from regulated aeronautical activities, while the remaining 71.31% is derived from non-regulated businesses. Accordingly, considering this company in the peer group as comparable is not appropriate.

5.2.19 The issues identified above indicate that the KPMG study relies on certain assumptions and peer selections including the inclusion of operators that are not comparable to Bhogapuram International Airport and the absence of a proximity-based adjustment are not fully aligned with the approach adopted by the Authority. Accordingly, the Authority does not propose to consider the Cost of Equity proposed in the KPMG study for the purpose of determining the Fair Rate of Return.

5.2.20 The Authority further notes that the Cost of Equity for determining the Fair Rate of Return must remain broadly consistent across PPP airports in India. Bhogapuram International Airport operates under the same

policy, regulatory and market framework as other PPP airports regulated by the Authority, and its risk profile is therefore not materially different from that of comparable Indian airports. This is because the parameters underlying the CAPM framework such as the Risk-Free Rate and the Market Risk Premium are determined in the Indian macroeconomic context and do not vary significantly among airports operating under similar policy, regulatory and market conditions. Moreover, the process of benchmarking and averaging across multiple airports ensures that individual variations in risk perception are normalized, resulting in a fair and comparable estimate of the Cost of Equity.

- 5.2.21 In light of the above, and to ensure consistency and comparability across regulated airports, the Authority proposes to consider a Cost of Equity of 15.18%, representing the average Cost of Equity for BIAL, DIAL, GHIAL, MIAL and CIAL as determined under the independent study undertaken by IIM-B. This approach maintains methodological continuity, reflects sectoral realities and ensures equitable treatment of all PPP airports during the First Control Period.

#### **Fair Rate of Return**

- 5.2.22 Based on the cost of debt of 10.20% as per para 5.2.13 and the cost of equity of 15.18%, and applying the normative gearing ratio of 52:48 (equity: debt), the Authority proposes to consider the FRoR for Bhogapuram International Airport as below:

**Table 49: Fair Rate of Return proposed by the Authority for the First Control Period**

| Particulars                       | Weight | Percentage    |
|-----------------------------------|--------|---------------|
| Cost of Equity                    | 52%    | 15.18%        |
| Cost of Debt                      | 48%    | 10.20%        |
| <b>Fair Rate of Return (WACC)</b> |        | <b>12.79%</b> |

### **5.3 Authority's proposals relating to Fair Rate of Return for the First Control Period**

Based on the materials before it and its analysis, the Authority proposes the following with respect to the Fair Rate of Return for the First Control Period:

- 5.3.1 To consider Cost of Equity, Cost of Debt, notional debt-equity ratio and FRoR for the First Control Period as per Table 49.
- 5.3.2 At the time of tariff determination of the Second Control Period, to true up the Cost of Debt for the First Control Period based on actuals (or) SBI average 1-Year MCLR plus 150 bps of spread, whichever is lower.
- 5.3.3 At the time of tariff determination of the Second Control Period, to true up credit spread based on actual credit rating or 150 bps, whichever is lower.

## 6. INFLATION FOR THE FIRST CONTROL PERIOD

### 6.1 GVIAL's submissions regarding Inflation for the First Control Period

- 6.1.1 GVIAL has considered inflation as per RBI's "Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 94<sup>th</sup> Round" released on 6<sup>th</sup> June 2025 for the First Control Period as summarized in the table below:

**Table 50: Inflation rates submitted by GVIAL for the First Control Period**

| Particulars   | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 | FY 32 |
|---------------|-------|-------|-------|-------|-------|-------|
| WPI Inflation | 4.2%  | 4.2%  | 4.2%  | 4.2%  | 4.2%  | 4.2%  |

### 6.2 Authority's examination regarding Inflation for the First Control Period

- 6.2.1 The Authority has examined the submission made by GVIAL on inflation to be considered during the First Control Period and notes that GVIAL has considered WPI inflation of 4.2% for each year of the First Control Period, based on the Reserve Bank of India's Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 94<sup>th</sup> Round released on 6<sup>th</sup> June 2025.
- 6.2.2 In order to assess the latest available position on inflation, the Authority has examined the rates forecast in the Reserve Bank of India's Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 101<sup>st</sup> Round dated 5<sup>th</sup> August 2026, being the most recent round of the survey available as on date. As per the said round, the mean forecast of inflation based on WPI: All Commodities is 8.1% for FY 2026-27 and 3.7% for FY 2027-28.
- 6.2.3 On examination of the rates forecast in the 101<sup>st</sup> Round, the Authority observes that the projected WPI inflation of 8.1% for FY 2026-27 represents a significant increase over the actual WPI inflation of 0.4% for FY 2025-26, as published by the Office of the Economic Adviser. The Authority notes that the elevated forecast 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 First Control Period and, if adopted in full, may lead to an overstatement of projected capital and operating expenditure.
- 6.2.4 Accordingly, the Authority considers it appropriate to moderate the impact of the sharp year-on-year variation in inflation by considering the average of the actual WPI inflation for FY 2025-26 (0.4%) and the projected inflation for FY 2026-27 (8.1%), resulting in an inflation rate of 4.25% for FY 2026-27. The Authority is of the view that such an approach smoothens the impact of temporary macroeconomic fluctuations while ensuring that the inflation assumption remains reflective of prevailing economic conditions and provides a reasonable basis for tariff determination. This is consistent with the approach adopted by the Authority in recent orders of other airports.
- 6.2.5 For the subsequent years of the First Control Period, the Authority notes that the projected inflation levels would remain broadly stable. Accordingly, the Authority proposes to adopt, from FY 2027-28 onwards, the mean forecast of inflation based on WPI: All Commodities for FY 2027-28 as per the 101<sup>st</sup> Round, i.e. 3.7% per annum. Further, the First Control Period has been proposed by the Authority to conclude on 31<sup>st</sup> March 2031, i.e. FY 2030-31, as set out in para 2.3.4. Accordingly, the rate of 3.7% per annum is proposed to be applied for FY 2027-28 to FY 2030-31.

- 6.2.6 The Authority is of the view that the above approach appropriately balances the need to reflect prevailing economic conditions while safeguarding airport users from the impact of temporary inflationary spikes. Accordingly, the inflation rates proposed by the Authority for the First Control Period, i.e. FY 2026-27 to FY 2030-31, are set out in the table below.

**Table 51: Inflation rates proposed by the Authority for the First Control Period**

| Particulars   | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 |
|---------------|-------|-------|-------|-------|-------|
| WPI Inflation | 4.25% | 3.70% | 3.70% | 3.70% | 3.70% |

### **6.3 Authority's proposal regarding Inflation for the First Control Period**

Based on the materials before it and its analysis, the Authority proposes the following for the First Control Period:

- 6.3.1 To consider inflation for the First Control Period for Bhogapuram International Airport as per Table 51.

## 7. OPERATION & MAINTENANCE EXPENSES FOR THE FIRST CONTROL PERIOD

### 7.1 GVIAL's submission regarding Operation and Maintenance Expenses for the First Control Period

- 7.1.1 GVIAL has submitted the forecast for Operation and Maintenance (O&M) expenses, including manpower cost, utility cost, general administration cost, CNS/ATM expenditure and repairs & maintenance costs, in line with its obligations under Article 17 of the Concession Agreement, which sets out the Operation and Maintenance requirements for the airport while also considering all expenditure incurred by the Airport Operator, including statutory operating costs and other mandated operating costs, in accordance with Clause 5.4 of the Airport Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines.
- 7.1.2 GVIAL being a greenfield Airport has considered appropriate drivers to arrive at the projected Operation and Maintenance (O&M) expenses for the First Control Period.
- 7.1.3 GVIAL has considered following key drivers as basis to project the operation and maintenance cost:
- Inflationary increase – GVIAL has considered inflationary increase towards expenses. The inflation is considered based on the results of 94<sup>th</sup> round of professional forecasters on macroeconomic indicators issued by RBI. Accordingly, GVIAL has considered WPI of 4.2% for the 1<sup>st</sup> Control Period.
  - Real increase- Amid the current economic scenario, GVIAL has considered 8% real increase. This is mainly applied to Manpower Cost and Security Expenses which mainly consists of manpower.
- 7.1.4 Based on the assumptions and drivers set out in paragraph 7.1.3 above, year-wise O&M expenses submitted by GVIAL are presented in the table below.

**Table 52: Total O&M expenses submitted by GVIAL for the First Control Period**

(Rs in Crs)

| S No | Particulars                  | FY 27* | FY 28 | FY 29 | FY 30 | FY 31 | FY 32  | Total  |
|------|------------------------------|--------|-------|-------|-------|-------|--------|--------|
| A    | Manpower Expense**           | 44.38  | 66.59 | 74.94 | 84.33 | 94.91 | 106.80 | 471.95 |
| B    | Rent                         | 6.11   | 8.16  | 9.34  | 9.35  | 9.37  | 10.72  | 53.05  |
| C    | Rates & Taxes                | 0.68   | 0.71  | 0.74  | 0.77  | 0.80  | 0.84   | 4.54   |
| D    | Lease License Fee            | 3.40   | 4.82  | 5.11  | 5.42  | 5.74  | 6.09   | 30.59  |
| E    | Corporate cost allocation    | 4.50   | 6.25  | 6.51  | 6.79  | 7.07  | 7.37   | 38.50  |
| F    | CSR                          | 0.03   | 0.18  | 1.43  | 4.02  | 7.82  | 12.06  | 25.54  |
| G    | Bank Charges                 | 5.43   | 7.55  | 7.86  | 8.19  | 8.54  | 8.90   | 46.47  |
| H    | Consultancy & Legal          | 2.24   | 3.59  | 4.27  | 4.97  | 5.82  | 6.81   | 27.70  |
| I    | Travel                       | 4.88   | 6.77  | 7.06  | 7.35  | 7.66  | 7.98   | 41.71  |
| J    | Advertisement                | 0.84   | 1.35  | 1.60  | 1.86  | 2.18  | 2.55   | 10.40  |
| K    | Auditor & Director Fee       | 0.54   | 0.56  | 0.58  | 0.61  | 0.63  | 0.66   | 3.58   |
| L    | Vehicle Hire Charges         | 9.36   | 13.00 | 13.55 | 14.12 | 14.71 | 15.33  | 80.08  |
| M    | Other Administrative Expense | 3.95   | 5.48  | 5.71  | 5.95  | 6.20  | 6.46   | 33.75  |
| N    | Utility Cost                 | 17.28  | 25.54 | 28.32 | 31.28 | 34.65 | 38.42  | 175.49 |
| O    | Repair & Maintenance         | 55.33  | 76.87 | 80.10 | 84.10 | 88.96 | 94.08  | 479.44 |
| P    | IT Operation Related         | 35.55  | 49.92 | 53.37 | 57.12 | 61.14 | 65.40  | 322.50 |
| Q    | Enterprise IT                | 2.99   | 4.16  | 4.33  | 4.51  | 4.70  | 4.90   | 25.60  |
| R    | Housekeeping Expense         | 9.87   | 13.71 | 14.29 | 14.89 | 15.51 | 16.17  | 84.44  |
| S    | Insurance                    | 3.89   | 5.60  | 5.84  | 6.08  | 6.34  | 6.61   | 34.37  |
| T    | Security Expense             | 5.72   | 8.56  | 9.61  | 10.78 | 12.09 | 13.57  | 60.33  |
| U    | Lease Rental Equipment       | 10.67  | 14.22 | 14.22 | 14.22 | 14.22 | 14.22  | 81.79  |
| V    | CNS ATM Charges              | 54.95  | 78.22 | 83.78 | 90.21 | 95.72 | 103.22 | 506.11 |

# OPERATION & MAINTENANCE EXPENSES FOR THE FIRST CONTROL PERIOD

| S No                                   | Particulars                 | FY 27*        | FY 28         | FY 29         | FY 30         | FY 31         | FY 32         | Total           |
|----------------------------------------|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| W                                      | Other Operating Expenses    | 11.30         | 15.91         | 16.78         | 17.66         | 18.62         | 19.64         | 99.90           |
| X                                      | Airport Operator Fee        | 24.00         | 24.00         | 24.00         | 24.00         | 24.00         | 24.00         | 144.00          |
| Y                                      | Interest on Working Capital | 2.44          | 5.38          | 6.37          | 7.31          | 8.30          | 9.45          | 39.25           |
| <b>Total O&amp;M Expense (Sum A:Y)</b> |                             | <b>320.34</b> | <b>447.12</b> | <b>479.72</b> | <b>515.91</b> | <b>555.74</b> | <b>602.24</b> | <b>2,921.07</b> |

\*Considering COD of 30<sup>th</sup> June 2026

\*\*Total O&M expenses submitted by GVIAL in its MYTP amount to Rs. 2,892.60 crore, excluding interest on working capital. Of this, Rs. 10.78 crore pertains to manpower expenses relating to non-airport staff. Accordingly, for the purpose of computing the total O&M expenses presented in the table above, the Authority has excluded the said amount from GVIAL's MYTP submission.

7.1.5 The growth rates assumed by the airport operator for the O&M expenses have been presented in the table below:

**Table 53: Growth Rates Assumed by GVIAL for O&M Expenses for the First Control Period**

| S No | Particulars (in Rs. Cr.)     | FY'28                                                                                   | FY'29 | FY'30 | FY'31 | FY'32 |
|------|------------------------------|-----------------------------------------------------------------------------------------|-------|-------|-------|-------|
| A    | Manpower Expenses            | 12.2%                                                                                   | 12.2% | 12.2% | 12.2% | 12.2% |
| B    | Rent                         | As per respective rental agreements                                                     |       |       |       |       |
| C    | Rates & Taxes                | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| D    | Lease License Fee            | 6%                                                                                      | 6%    | 6%    | 6%    | 6%    |
| E    | Corporate cost allocation    | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| F    | CSR                          | Based on PBT of respective years                                                        |       |       |       |       |
| G    | Bank Charges                 | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| H    | Consultancy & Legal          | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| I    | Travel                       | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| J    | Advertisement                | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| K    | Auditor & Director Fee       | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| L    | Vehicle Hire Charges         | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| M    | Other Administrative Expense | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| N    | Utility Cost                 | Electricity Cost is based on 5% y-o-y growth and Water cost is based on growth % of pax |       |       |       |       |
| O    | Repair & Maintenance         | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| P    | IT Operation Related         | As per contract terms                                                                   |       |       |       |       |
| Q    | Enterprise IT                | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| R    | Housekeeping Expense         | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| S    | Insurance                    | 8.00%                                                                                   | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| T    | Security Expense             | 12.2%                                                                                   | 12.2% | 12.2% | 12.2% | 12.2% |
| U    | Lease Rental Equipment       | As per contract                                                                         |       |       |       |       |
| V    | CNS ATM Charges              | 10%                                                                                     | 10%   | 10%   | 10%   | 10%   |
| W    | Other Operating Expenses     | 4.2%                                                                                    | 4.2%  | 4.2%  | 4.2%  | 4.2%  |
| X    | Airport Operator Fee         | As per contract terms                                                                   |       |       |       |       |
| Y    | Interest on Working Capital  | Based on actual computation                                                             |       |       |       |       |

7.1.6 GVIAL has considered the following basis to estimate the O&M expenses for the First Control Period:

## A. Manpower Expense

7.1.7 Manpower costs as projected by GVIAL comprises of a) cost of salaries, wages and bonus and b) staff welfare costs. The product of headcounts and the average of the cost per employee of all departments has yielded the cost of manpower at GVIAL Airport for FY 27. The initial manpower cost is then increased with inflation of 4.2% and real growth of 8% in order to account for inflation and to meet the salaries as per industry standard.

7.1.8 The department-wise headcount as estimated by GVIAL is presented in the table below:

**Table 54: Department wise manpower details submitted by GVIAL for the First Control Period**

| Department        | Sub-Department                                | Classification | Head count |
|-------------------|-----------------------------------------------|----------------|------------|
| Admin & HR        | Facility Management Services                  | Common         | 3          |
| Admin & HR        | HR                                            | Common         | 6          |
| Admin & HR        | Legal                                         | Common         | 2          |
| Admin & HR        | P&C                                           | Common         | 3          |
| CEO Office        | CEO Office                                    | Common         | 4          |
| CEO Office        | Connectivity                                  | Common         | 1          |
| CEO Office        | Strategy - SPG, Master Plan                   | Common         | 2          |
| Commercial        | Commercial- Non-Aero                          | Non-Aero       | 9          |
| Commercial        | Commercial-Aero                               | Aero           | 1          |
| Corporate Affairs | Corporate Communication & Corporate Relations | Common         | 13         |
| Finance           | E&I                                           | Common         | 1          |
| Finance           | F&A                                           | Common         | 8          |
| Finance           | MAG                                           | Common         | 1          |
| Operations        | Airport Operations                            | Aero           | 30         |
| Operations        | AOCC                                          | Aero           | 24         |
| Operations        | ARFF                                          | Aero           | 84         |
| Operations        | Guest Relations                               | Aero           | 13         |
| Operations        | HSE                                           | Aero           | 8          |
| Operations        | Security & Vigilance                          | Aero           | 89         |
| Operations        | Terminal Ops & Customer Facilitation          | Aero           | 29         |
| <b>Total</b>      |                                               |                | <b>331</b> |

7.1.9 GVIAL has adopted a grade-wise manpower structure, with salary bands varying across grades. The average salaries and wages cost has been estimated at approximately Rs. 17.36 lakh per employee per annum for FY27. (Manpower costs related to airport land development submitted by GVIAL has not been considered under this section).

7.1.10 GVIAL has submitted that it has categorized departments based on the nature of services provided, wherein departments exclusively providing aeronautical services have been classified as aeronautical, those providing non-aeronautical services as non-aeronautical, and departments supporting both have been classified as common. The cost pertaining to common departments has been allocated based on the proportion of aeronautical to total services.

**Table 55: Allocation of Manpower Expenses as submitted by GVIAL for the First Control Period**

| Classification         | Headcount | Aero          | Non-Aero     |
|------------------------|-----------|---------------|--------------|
| Aero                   | 278       | 278           | -            |
| Non-Aero               | 9         | -             | 9            |
| Common (96.86% Aero)   | 44        | 43            | 1            |
| Total                  | 331       | 321           | 10           |
| <b>Effective Ratio</b> |           | <b>96.86%</b> | <b>3.14%</b> |

7.1.11 GVIAL has also projected 3% of salaries and wages cost to be towards staff welfare.

### **B. Rent Expense**

7.1.12 Rental expenses submitted by GVIAL consists of office complex leased on a built-to-suit model together with rental for existing offices and guest house facilities.

7.1.13 GVIAL has undertaken the development of an office complex at Bhogapuram International Airport under a Build-to-Suit lease model. GVIAL issued a Request for Proposal dated 12<sup>th</sup> March 2024 for selection of a

developer, and following evaluation of bids, has selected M/s Malkhed Real Estate Private Limited for the development of the office complex.

- 7.1.14 GVIAL has entered into an agreement with the selected bidder, pursuant to which GVIAL shall pay a license fee / monthly rental for 70,000 sq. ft. The agreement provides for a lease tenure of 25 years, with a two-month rent-free period post COD(of the admin office project), and an initial rental of Rs 92 per sq. ft. per month (exclusive of GST), with an escalation of 15% every third year of the lease period.

#### **C. Rates and Taxes**

- 7.1.15 As per the provisions of the Andhra Pradesh Municipalities Act, 1965, GVIAL has estimated the property tax applicable to Bhogapuram Airport at Rs.0.68 crore for FY27, which has been escalated at an annual inflation rate of 4.2% for the subsequent years of the First Control Period.

#### **D. Lease License Fee**

- 7.1.16 As per Clause 10.11 of the Concession Agreement, GVIAL is required to pay a Lease License Fee to the Authority for the grant of lease and license rights for the Airport Site and City-Side Development. Accordingly, GVIAL has considered a Lease License Fee of Rs.20,000 per acre per annum, with an annual escalation of 6%. The relevant extract is as follows:

*“10.11.1 Upon execution of the Concession Agreement and in further consideration of the Authority providing leave and licence rights for the Airport Site and City Side Development for the Project to the Concessionaire and granting the rights and access set forth in this Agreement, the Concessionaire shall pay Licence Fee to the Authority from the Appointed Date.”*

- 7.1.17 For FY27, being a part-year of operations, GVIAL has considered the Lease License Fee of Rs 3.4 crore for a period of nine months (considering COD as per their MYTP as 30<sup>th</sup> June 2026) and has escalated the same at 6% for the remaining years of the First Control Period.

#### **E. Corporate Cost Allocation**

- 7.1.18 GVIAL has considered corporate cost of Rs 6 crore for FY27, which has been escalated at an annual inflation rate of 4.2% for the subsequent years of the First Control Period. GVIAL has used EHCR to allocate this corporate cost between aeronautical and non-aeronautical revenues.

#### **F. Corporate Social Responsibility (CSR)**

- 7.1.19 As per Section 135(5) of the Companies Act, 2013, a company is required to spend 2% of its average net profits of the preceding three years towards activities specified under Schedule VII of the Act, referred to as Corporate Social Responsibility (CSR) expenditure.
- 7.1.20 GVIAL has considered CSR expenditure in accordance with the above provisions and has estimated the same at 2% of the average profit before tax (PBT) of the preceding three years for the First Control Period.

#### **G. Bank Charges:**

- 7.1.21 GVIAL is required to provide the following Bank Guarantees: -
- As per the Concession agreement, Concessionaire is to furnish a Performance Security to the Authority which is a sum of Rs. 46 Crore for due and faithful performance of its obligations, under and in accordance with the Agreement, until the end of 2 (two) years from Phase I COD of the project.

- In addition, GVIAL is required to maintain Bank Guarantee against DSRA in favour of the Lenders, for an amount equivalent to the aggregate of the Repayment Instalment and Interest obligations for the ensuing period of 2 (two) quarters, for the purposes of maintenance of Debt Service Reserve Amount.
- Further as per CNS / ATM agreement as per AAI, GVIAL is required to maintain Bank Guarantee towards 6 Months Cost (Opex) and Two years' equivalent of CAPEX recovery amortized at an APR of 12% over a ten year period.

7.1.22 GVIAL has estimated the cost of the above Bank Guarantees at Rs 6.2 crore per annum for FY 27. In addition, Rs 1 crore per annum has been considered towards other bank-related charges, including loan-related charges and credit rating fees. Both these charges together amount to Rs 5.4 crore for a period of nine months. Accordingly, total bank charges have been escalated at an annual rate of 4.2% for the subsequent years of the First Control Period.

#### H. Consultancy & Legal:

7.1.23 GVIAL has submitted that Consultancy and Legal Cost has been calculated based on benchmarking of Mopa, Hyderabad, Bangalore, Mumbai & Delhi Airport at Rs 8.00 per pax for FY 26. Such cost is escalated each year with an inflationary increase of 4.2% for the period from FY 27 to FY 32. The comparable cost as submitted by GVIAL for Consultancy and Legal expenses are as follows:

**Table 56: Consultancy and Legal expenses per pax of peer airports for FY 2026 as submitted by GVIAL**  
(Rs. Per Passenger)

| Particulars                  | MoPA  | HIAL | BIAL | MIAL | DIAL | Average |
|------------------------------|-------|------|------|------|------|---------|
| Consultancy & Legal Expenses | 15.32 | 7.67 | 4.61 | 3.67 | 8.72 | 8.00    |

#### I. Travel Cost:

7.1.24 The Travel Cost has been considered based on department-wise internal estimates at Rs 6.5 Cr. (Rs. 4.9 Cr. for 9 Months) per annum for FY 27. Such cost is escalated each year with an inflationary increase of 4.2% for the period from FY 28 to FY 32.

#### J. Advertisement:

7.1.25 The Advertisement Cost has been calculated based on benchmarking of Mopa, Hyderabad, Bangalore, Mumbai & Delhi Airport at Rs 3.00 per pax for FY 26. Such cost is escalated each year with an inflationary increase of 4.2% for the period from FY 27 to FY 32.

**Table 57: Advertisement expense at other airports for FY 26 as submitted by GVIAL**

(Rs. Per Passenger)

| Particulars            | MoPA | HIAL | BIAL | MIAL | DIAL | Average |
|------------------------|------|------|------|------|------|---------|
| Advertisement Expenses | 4.80 | 1.84 | 5.04 | 0.88 | 2.45 | 3.00    |

#### K. Auditor & Director Fee:

7.1.26 The Auditor Fee has been considered at an internal estimate of Rs 54 lakhs per annum for FY 27 based on existing rates. Such rates are escalated each year with an inflationary increase of 4.2% for the period from FY 28 to FY 32.

#### L. Vehicle Hire Charges:

7.1.27 These include hire charges of vehicle required for airside movement, movement within Airport, staff bus etc. The Vehicle Hire Charges has been considered based on internal estimates at Rs 12.5 Cr. (Rs. 9.4 Cr. for 9

Months) per annum for FY 27. Such cost is escalated each year with an inflationary increase of 4.2% for the period from FY 28 to FY 32.

#### **M. Other Administrative Expenses:**

- 7.1.28 These include printing and stationery, Guest House charges, communication expenses, office maintenance, miscellaneous & general admin expenses. The Other Expenses has been considered based on internal estimates at Rs 5.3 Cr. (Rs. 3.9 Cr. for 9 Months) per annum for FY 27. Such cost is escalated each year with an inflationary increase of 4.2% for the period from FY 28 to FY 32.

#### **N. Utility Expense**

- 7.1.29 Utility costs comprise power and water expenses and have been considered on a gross basis, less recoveries from airlines and concessionaires. Electricity consumption for the first year has been estimated based on internal assessment and has thereafter been escalated at 5% annually. The procurement cost of power from the grid has been considered at Rs. 7.65 per kWh (variable cost), electricity duty at Rs. 1 per kWh, and fixed charges at the rate of Rs. 475 per kVA per month. GVIAL has also proposed installation of a 5 MW solar project on a BOOT basis, with an estimated cost of Rs. 4.74 per kWh.
- 7.1.30 With respect to water consumption, GVIAL has proposed to source water through an arrangement with the Rural Water Supply Department, Vizianagaram District. A dedicated pipeline is being developed to meet the airport's daily requirement, which has been assessed at 1.7 MLD. The water tariff has been considered at Rs. 75 per KL, escalated annually at inflation. For FY27, GVIAL has assumed that the minimum required water consumption of 1.7 MLD would be sufficient, with demand expected to increase in line with traffic growth in the subsequent years.
- 7.1.31 The electricity cost has been adjusted for recoveries from non-aeronautical concessionaires based on consumption. Accordingly, GVIAL has estimated the electricity and water costs for the airport for the First Control Period.

**Table 58: Utility Cost as submitted by GVIAL**

(Rs in Crs)

| Particulars                          | FY'27        | FY'28       | FY'29       | FY'30       | FY'31       | FY'32       |
|--------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Grid units                           | 16.8         | 23.8        | 25.3        | 26.9        | 28.6        | 30.3        |
| Solar units                          | 4.1          | 5.4         | 5.4         | 5.3         | 5.3         | 5.2         |
| <b>Total units</b>                   | <b>20.9</b>  | <b>29.2</b> | <b>30.7</b> | <b>32.2</b> | <b>33.8</b> | <b>35.5</b> |
| Per unit cost                        | 7.65         | 8.0         | 8.3         | 8.7         | 9.0         | 9.4         |
| Grid Variable cost (in Crs)          | 14.5         | 21.3        | 23.5        | 26.0        | 28.6        | 31.5        |
| Grid Fixed cost (in Crs)             | 0.3          | 0.4         | 0.4         | 0.4         | 0.4         | 0.4         |
| Solar Power cost (in Crs)            | 1.9          | 2.6         | 2.5         | 2.5         | 2.5         | 2.5         |
| <b>Total Cost (in Crs)</b>           | <b>16.7</b>  | <b>24.3</b> | <b>26.5</b> | <b>28.9</b> | <b>31.5</b> | <b>34.4</b> |
| Expected recovery (in Crs)           | 2.4          | 3.5         | 3.8         | 4.2         | 4.6         | 5.0         |
| <b>Net Electricity Cost (in Crs)</b> | <b>14.3</b>  | <b>20.8</b> | <b>22.7</b> | <b>24.7</b> | <b>26.9</b> | <b>29.4</b> |
| <b>Water cost (in Crs)</b>           | <b>3.0</b>   | <b>4.8</b>  | <b>5.7</b>  | <b>6.6</b>  | <b>7.7</b>  | <b>9.0</b>  |
| <b>Total Cost (in Crs)</b>           | <b>17.3*</b> | <b>25.5</b> | <b>28.3</b> | <b>31.3</b> | <b>34.7</b> | <b>38.4</b> |

(\*Considering COD of 30<sup>th</sup> June 2026)

#### **O. Repair & Maintenance**

- 7.1.32 GVIAL, in order to maintain best-in-class service quality levels has considered expenditure towards upkeep and maintenance of buildings, equipment and other infrastructure to ensure smooth airport operations.

- 7.1.33 Repairs and Maintenance (R&M) expenses include civil, electrical and mechanical works for maintenance of the airport infrastructure, including terminal buildings, runways, taxiways, parking bays, aprons, aerobridges, power substations, IT systems and other plant and machinery.
- 7.1.34 GVIAL, being a greenfield airport, has estimated R&M expenses at 1.5% of average gross fixed assets for FY27. Such costs have been escalated annually at an inflation rate of 4.2% for the subsequent years of the First Control Period.

**P. IT Operations Related:**

- 7.1.35 Airport IT ecosystem comprises services catering to airlines, passengers and concessionaires. These include Airport Administrative Network, AODB and AOCC systems, FIDS for passenger areas, MATV, CCTV, access control systems, CUTE systems for check-in, CUSS (self check-in kiosks), and BRS (baggage reconciliation systems). It also includes Information and Communications Technology (ICT) services such as mobile antenna systems, trunk mobile radio systems, network connectivity through data ports, WLAN and Wi-Fi networks, and data centre services at the airport.
- 7.1.36 GVIAL has, based on a competitive bidding process, outsourced its IT requirements to a specialized service provider, which will act as a one-stop solution provider for all IT services required for airport operations. Under this outsourcing arrangement, all future capital expenditure and O&M expenses towards ICT services are to be undertaken by the concessionaire. As per the terms of the agreement, GVIAL has considered payment of a monthly fixed fee to the service provider.

**Q. Enterprise IT**

- 7.1.37 Enterprise-related IT activities are proposed to be managed by GVIAL. These include expenses towards repairs and maintenance of IT equipment such as printers, broadband charges, WPC charges and various licensing fees. Based on internal estimates, GVIAL has considered enterprise IT expenses of Rs. 3.99 crore for FY27 (Rs. 3 crore for a period of nine months) and has applied an annual escalation of 4.2% for the subsequent years of the First Control Period.

**R. Housekeeping Expenses:**

- 7.1.38 Housekeeping expenses comprise costs towards maintenance of terminal standards (ASQ) and other housekeeping services across the airport. These include housekeeping services at the PTB, airside areas and buildings including ATC building and tower, fire department area, landside area, utility buildings, MRSS, STP and sewage development area, as well as landside offices, police station areas and other services such as pest control, fragrance architecture and housekeeping services at administrative buildings and guest house facilities.
- 7.1.39 The housekeeping cost has been estimated based on benchmarking with comparable airports such as Mopa, Hyderabad and Delhi Airport. Based on this benchmarking, the cost has been considered at Rs. 1,633 per sqm for FY26 and has been escalated annually at an inflation rate of 4.2% for the subsequent years of the First Control Period.

**Table 59: Benchmarking of housekeeping charges submitted by GVIAL**

| Particulars                    | MoPA   | HIAL     | DIAL     |
|--------------------------------|--------|----------|----------|
| Housekeeping charges (in Crs.) | 16.83  | 59.07    | 120.68   |
| Area (in Sqm)                  | 90,452 | 3,79,370 | 8,14,872 |
| Cost per Sqm                   | 1,861  | 1,557    | 1,481    |

| Particulars    | MoPA | HIAL  | DIAL |
|----------------|------|-------|------|
| Simple Average |      | 1,633 |      |

## S. Insurance

7.1.40 GVIAL has considered insurance coverage for airport assets through various policies to be procured upon COD, including Standard Terrorism Policy, Airport Operators Liability Policy and Industrial All Risk (IAR) Policy. The annual premium for such policies has been estimated at Rs. 3.9 crore for FY27 for a period of nine months and Rs. 5.6 crore for FY28 and has been escalated annually at inflation for the subsequent years of the First Control Period. The basis for estimating insurance cost includes the following factors:

- Enhanced perceived risk on account of multiple fatal/ near fatal accidents.
- Geo-political tensions making airlines more vulnerable to attacks.
- India-Pakistan conflict might also contribute to higher premium for terrorism cover.
- Increased frequencies of extreme natural calamities.

**Table 60: Insurance Cost as submitted by GVIAL**

(Rs in Crs)

| Sum Insured                       | UoM                | FY 27       | FY28        |
|-----------------------------------|--------------------|-------------|-------------|
| USD/INR exchange                  |                    | 94.25       | 98.02       |
| Airport operator liability (AOL)  | Mn \$              | 500         | 500         |
| Terrorism & Hijacking             | Mn \$              | 100         | 100         |
| Asset All Risk (Gross Block)      | Rs Cr              | 4727        | 4727        |
| Loss of Profit (Last Year EBITDA) | Rs Cr              | -           | 300         |
| <b>Premium</b>                    |                    |             |             |
| Airport operator liability (AOL)  | 0.05%              | 2.36        | 2.45        |
| Terrorism & Hijacking             | 0.05%              | 0.47        | 0.49        |
| Asset All Risk (Gross Block)      | 0.05%              | 2.36        | 2.36        |
| Loss of Profit (Last Year EBITDA) | 0.10%              | -           | 0.30        |
| <b>Insurance Expenses</b>         | <b>In Rs. Crs.</b> | <b>5.19</b> | <b>5.60</b> |

(\*Rs. 3.89 Cr for 9 Months)

## T. Security Expense

- 7.1.41 Security expenses comprise costs towards deployment of security personnel for managing airport operations, including traffic flow management, perimeter security, access control and surveillance across terminal and ancillary areas. GVIAL has submitted that such personnel are required in addition to CISF deployment. The airport requires round-the-clock security coverage (24x7), and accordingly, security personnel are to be deployed in multiple shifts.
- 7.1.42 Based on the above requirements, GVIAL has estimated the number of security personnel, manpower cost and associated expenses, including costs towards stores and spares, stationery and communication charges.
- 7.1.43 Security Personnel shall provide high quality security services, including but not limited to, firefighting or salvage operation during the natural calamities, riot control, disaster management, control of touts/unauthorized hawkers/dealers, incident/accident management, guarding of building and protecting of assets at all times and in the event of strike and lockout, controlling of man, material, vehicle movements, protecting and controlling services, visitor management etc., and shall also impart continuous professional training to its personnel to combat any undesirable and dangerous situation at the Airport site on a round the clock basis.

- 7.1.44 Security expenses have been estimated for FY27 and have thereafter been escalated based on an inflation rate of 4.2% and a real growth rate of 8% for the period from FY28 to FY32. The detailed computation of security expenses for FY27 is provided below.

**Table 61: Security expenses as submitted by GVIAL**

(Rs in Crs)

| Category                                                     | Estimated Manpower | Estimated cost per month (Cr.) | Estimated cost per year (Cr.) |
|--------------------------------------------------------------|--------------------|--------------------------------|-------------------------------|
| Marshal                                                      | 100                | 0.34                           | 4.07                          |
| Supervisor                                                   | 15                 | 0.06                           | 0.77                          |
| ASO                                                          | 8                  | 0.04                           | 0.48                          |
| Manager                                                      | 1                  | 0.01                           | 0.12                          |
| AGM                                                          | 1                  | 0.01                           | 0.15                          |
| Instalment+ Fuel & Maintenance for 5 Bikes                   | 5                  | 0.01                           | 0.06                          |
| Four-Wheeler Instalment + Fuel + Maintenance +Drivers Salary | 1                  | 0.01                           | 0.13                          |
| <b>Total</b>                                                 |                    | <b>0.48</b>                    | <b>5.79</b>                   |
| Consumables                                                  |                    |                                | 1.84                          |
| <b>Grand Total</b>                                           |                    |                                | <b>7.63*</b>                  |

(\*Rs. 5.72 Cr for 9 Months)

#### U. Lease Rental – Equipment

- 7.1.45 GVIAL has entered into a Lease agreement to take certain Airport equipments (Runway Friction Tester, Runway Rubber Removal Machine, Runway Sweeper - ASC 990 machine, Apron Sweeper Machine, Paint Marker Machine, Emergency Command Vehicle / Mobile Command Post, CFT with ancillary equipment, Domestic Fire Tender/ Water bouser, TCV - Threat Containment Vehicle) amounting to Rs. 75 Cr. that are required for operating and maintaining the Airport. As per the lease agreement, GVIAL is required to pay a monthly lease rental at the rate of Rs. 18.65 per Rs. 1,000 of leased equipment value (pre-GST), which amounts to Rs. 14.2 crore per annum.

#### V. AAI CNS ATM Charges

- 7.1.46 As per clause 19.2 of the Concession Agreement the Airport Operator is required to enter into an agreement for CNS / ATM services. The relevant extract are as follows: -

##### *“19.2 CNS/ATM Services*

*19.2.1 The Authority shall, upon fulfilment of the applicable terms and conditions by the Concessionaire, at the request of the Concessionaire, support the execution of an agreement between AAI and the Concessionaire, substantially in the form set forth in Schedule T ("CNS/ATM Agreement"), which shall ensure the provision of the CNS/ATM Services at the Airport, at all times during the Concession Period, in accordance with the practices established or recommended from time to time pursuant to the Chicago Convention and on the same terms as applicable to similar services at other airports in India, and in compliance with the directions of DGCA. If the format of the CNS/ATM Agreement is changed or modified by AAI in its sole discretion any time after the date of this Agreement but before its execution by the Concessionaire, then, the Concessionaire shall execute the CNS/ ATM Agreement in such changed or modified format.*

*19.2.2 The Designated GOI Agency, may at its own cost, install at the Airport, any radars, equipment or facilities necessary for the provision of enroute and terminal air navigation services and the Concessionaire*

*hereby undertakes to provide all necessary civil infrastructure and necessary support and assistance in respect thereof."*

- 7.1.47 Accordingly, GVIAL has entered into an agreement with AAI for the provision of Communication, Navigation and Surveillance systems for Air Traffic Management services for Bhogapuram International Airport. As per agreement GVIAL is to design and install its equipment (including Airside equipment) in the Facility (ATC complex) for AAI Services & AAI is to procure and install their equipment and coordinate with GVIAL to ensure compatibility between both equipments.
- 7.1.48 As per agreed terms, AAI shall provide CNS/ATM services on a quarterly cost recovery basis of the operational expenses (OPEX). Capital expenditure (CAPEX) shall be recovered either on work deposit basis or be recovered as Annual Yearly Instalment(s), at an Annual Percentage Rate (APR) of 12%, amortized over a ten-year period. AAI will recover both Route Navigation Facilities Charges (RNFC) and Terminal Navigation Landing Charges (TNLC) directly from airlines. The TNLC revenues collected by AAI during previous year shall be deducted from the annual OPEX costs. In case of any deficit the same shall be borne by GVIAL.
- 7.1.49 Capex estimated to be incurred by AAI amounting to Rs. 107 Crore. Accordingly, yearly Capex recovery with 12% interest rate for 10 years works out to Rs. 18.96 Cr per annum.
- 7.1.50 AAI estimated operational expenses includes CNS manpower deployment at Bhogapuram Airport with the proposed CNS/ATM Facilities based on the existing norms for Four Shift (H-24) Operations amounting to Rs. 39.3 Cr. and manpower cost w.r.t. ATS operations for H24 watch with ADC, TWR-A, APP(S) units amounting to Rs. 23.9 Cr. Total estimated cost provided by AAI is Rs. 63.2 Cr.
- 7.1.51 AAI estimated operational expenses for FY 27 of Rs. 63.2 Cr. is proposed to be escalated by 10% year on year basis from FY 28 to FY 32. Following is the summary of estimated operational deficit to be borne by GVIAL.

**Table 62: CNS/ATM Charges as submitted by GVIAL**

*(Rs in Crs)*

| Particulars  | FY'27        | FY'28       | FY'29       | FY'30       | FY'31       | FY'32        |
|--------------|--------------|-------------|-------------|-------------|-------------|--------------|
| TNLC Revenue | 8.8          | 10.2        | 11.6        | 12.8        | 15.7        | 17.5         |
| AAI Expenses | 63.2         | 69.5        | 76.4        | 84.1        | 92.5        | 101.7        |
| Opex Deficit | 54.3         | 59.3        | 64.8        | 71.3        | 76.8        | 84.3         |
| Lease Rental | 19.0         | 19.0        | 19.0        | 19.0        | 19.0        | 19.0         |
| <b>Total</b> | <b>73.3*</b> | <b>78.2</b> | <b>83.8</b> | <b>90.2</b> | <b>95.7</b> | <b>103.2</b> |

*(\*Rs. 54.9 Cr for 9 Months)*

**W. Other operating expenses**

- 7.1.52 Other operating expenses include costs towards EHS, trolley management, other airside O&M activities, other TOPS and UDF collection charges. GVIAL has estimated the expenses for the above-mentioned activities based on internal assessments. The summary of other operating expenses is presented below.

**Table 63: Other Operating Expenses as submitted by GVIAL***(Rs in Crs)*

| Particulars            | FY 27        | FY 28       | FY 29       | FY 30       | FY 31       | FY 32       |
|------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| EHS                    | 0.5          | 0.7         | 0.7         | 0.8         | 0.8         | 0.8         |
| Trolley Management     | 0.7          | 0.9         | 1.0         | 1.0         | 1.0         | 1.1         |
| Other Airside O&M      | 5.1          | 7.1         | 7.4         | 7.7         | 8.0         | 8.3         |
| Other TOPs             | 3.7          | 5.2         | 5.4         | 5.6         | 5.8         | 6.1         |
| UDF Collection charges | 1.3          | 2.1         | 2.4         | 2.6         | 3.0         | 3.3         |
| <b>Total</b>           | <b>11.3*</b> | <b>15.9</b> | <b>16.8</b> | <b>17.7</b> | <b>18.6</b> | <b>19.6</b> |

*(\*Considering COD of 30<sup>th</sup> June 2026)***X. Airport Operator Fee**

- 7.1.53 As per GVIAL in order to meet the Condition Precedent as mentioned in clause 4.1.3 (l) of the Concession Agreement, GVIAL was required to appoint an airport operator to provide support in airport operation as well as maintenance. The relevant extract as follows: -

*“4.1 Conditions Precedent.....*

*4.1.3 Except as may have been specifically otherwise provided in this Agreement, the Conditions Precedent required to be satisfied by the Concessionaire within a period of 180 (one hundred and eighty) days from the date of this Agreement shall be deemed to have been fulfilled, when the Concessionaire shall, subject to the satisfaction of the Authority, have:*

*(a) .....*

*(l) executed and procured execution of the airport operators' agreement, if applicable, and the same shall have become effective in accordance with the terms thereof.....”*

- 7.1.54 GVIAL has since appointed GMR Airports Limited as the airport operator and has entered into an Airport Operator Agreement.
- 7.1.55 In consideration of the services provided by the airport operator, GVIAL has considered payment of an Operator Fee equivalent to 3% (exclusive of taxes) of the gross revenue of GVIAL or Rs. 24 crore per annum, whichever is lower, payable from COD.

**Y. Interest on Working Capital**

- 7.1.56 GVIAL has projected Interest on Working Capital at the rate of 10%, based on the assumption that working capital borrowings will be availed to address timing differences between receivables and payables arising during the course of operations. The Interest on Working Capital has been allocated between Aeronautical and Non-Aeronautical activities in the ratio of Aeronautical Operating Expenses to Non-Aeronautical Operating Expenses.
- 7.1.57 GVIAL has allocated expenses into aeronautical and non-aeronautical categories based on the following methodology:
- Expenses directly attributable to aeronautical or non-aeronautical services have been classified accordingly.
  - Expenses not directly attributable to either category have been considered as common expenses.
  - Manpower cost, corporate cost allocation and travel expenses have been allocated based on manpower ratios.

- d. Property tax has been allocated based on area ratios, while security, advertisement and housekeeping expenses have been allocated based on terminal building ratios.
- e. Utility costs have been considered net of recoveries and classified as aeronautical.
- f. Other common costs have been allocated based on asset ratios.

7.1.58 Summary of the expense classification, allocation basis and percentages used to allocate expenses between Aeronautical and Non-Aeronautical is given in the table below:

**Table 64: Allocation Ratios submitted by GVIAL**

| Sr No | Particulars                                 | Expense Classification | Allocation Basis | FY 27   | FY 28   | FY 29   | FY 30   | FY 31   | FY 32   |
|-------|---------------------------------------------|------------------------|------------------|---------|---------|---------|---------|---------|---------|
| A     | Manpower                                    | Common                 | EHCR             | 96.86%  | 96.86%  | 96.86%  | 96.86%  | 96.86%  | 96.86%  |
| B     | Rent                                        | Common                 | GBR              | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  |
| C     | Rates & Taxes                               | Common                 | TBLR             | 88.60%  | 88.60%  | 88.60%  | 88.60%  | 88.60%  | 88.60%  |
| D     | Lease License Fee                           | Aeronautical           | -                | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| E     | Corporate cost allocation                   | Common                 | EHCR             | 96.86%  | 96.86%  | 96.86%  | 96.86%  | 96.86%  | 96.86%  |
| F     | CSR                                         | Refer para 7.1.20      |                  |         |         |         |         |         |         |
| G     | Bank Charges                                | Common                 | GBR              | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  |
| H     | Consultancy & Legal                         | Common                 | GBR              | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  |
| I     | Travel                                      | Common                 | EHCR             | 96.86%  | 96.86%  | 96.86%  | 96.86%  | 96.86%  | 96.86%  |
| J     | Advertisement                               | Common                 | TBLR             | 88.60%  | 88.60%  | 88.60%  | 88.60%  | 88.60%  | 88.60%  |
| K     | Auditor & Director Fee                      | Common                 | GBR              | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  |
| L     | Vehicle Hire Charges                        | Common                 | GBR              | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  |
| M     | Other Administrative Expense                | Common                 | GBR              | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  |
| N     | Utility Cost                                | Aeronautical           | -                | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| O     | Repair & Maintenance                        | Common                 | GBR              | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  |
| P     | IT Operation Related                        | Common                 | GBR              | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  |
| Q     | Enterprise IT                               | Common                 | GBR              | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  |
| R     | Housekeeping Expense                        | Common                 | TBLR             | 88.60%  | 88.60%  | 88.60%  | 88.60%  | 88.60%  | 88.60%  |
| S     | Insurance                                   | Common                 | GBR              | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  | 94.00%  |
| T     | Security Expense                            | Common                 | TBLR             | 88.60%  | 88.60%  | 88.60%  | 88.60%  | 88.60%  | 88.60%  |
| U     | Lease Rental Equipment                      | Aeronautical           | -                | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| V     | CNS ATM Charges-Opex Deficit & Lease Rental | Aeronautical           | -                | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

**OPERATION & MAINTENANCE EXPENSES FOR THE FIRST CONTROL PERIOD**

| Sr No | Particulars                 | Expense Classification | Allocation Basis                                       | FY 27     | FY 28     | FY 29     | FY 30     | FY 31     | FY 32     |
|-------|-----------------------------|------------------------|--------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| W     | Other Operating Expense     | Common/Aeronautical    | Other TOPS portion of the expenses allocated using GBR | 94%/100 % | 94%/100 % | 94%/100 % | 94%/100 % | 94%/100 % | 94%/100 % |
| X     | Airport Operator Fee        | Common                 | Aero Revenue/Total Revenue                             | 96.14%    | 96.02%    | 93.61%    | 91.50%    | 89.88%    | 88.54%    |
| Y     | Interest on Working Capital | Common                 | Aero Opex/Total Opex                                   | 95.81%    | 95.81%    | 95.70%    | 95.63%    | 95.58%    | 95.57%    |

7.1.59 Based on the above allocation methodology, the aeronautical operating expenses for Bhogapuram Airport for the First Control Period are presented below.

**Table 65: Aeronautical Operating Expenses submitted by GVIAL for the First Control Period**

*(Rs. in Crs)*

| S No                                                | Particulars (in Rs. Cr.)                     | FY 27*        | FY 28         | FY 29         | FY 30         | FY 31         | FY 32         | Total           |
|-----------------------------------------------------|----------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| A                                                   | Manpower                                     | 42.99         | 64.50         | 72.59         | 81.69         | 91.93         | 103.45        | <b>457.15</b>   |
| B                                                   | Rent                                         | 5.75          | 7.67          | 8.78          | 8.79          | 8.81          | 10.08         | <b>49.87</b>    |
| C                                                   | Rates & Taxes                                | 0.60          | 0.63          | 0.66          | 0.68          | 0.71          | 0.74          | <b>4.02</b>     |
| D                                                   | Lease License Fee                            | 3.41          | 4.82          | 5.11          | 5.42          | 5.74          | 6.09          | <b>30.59</b>    |
| E                                                   | Corporate cost allocation                    | 4.36          | 6.06          | 6.31          | 6.58          | 6.85          | 7.14          | <b>37.29</b>    |
| F                                                   | CSR                                          | -             | 0.18          | 1.43          | 4.02          | 7.82          | 12.06         | <b>25.51</b>    |
| G                                                   | Bank Charges                                 | 5.11          | 7.09          | 7.39          | 7.70          | 8.03          | 8.36          | <b>43.68</b>    |
| H                                                   | Consultancy & Legal                          | 2.10          | 3.38          | 4.02          | 4.67          | 5.47          | 6.40          | <b>26.04</b>    |
| I                                                   | Travel                                       | 4.72          | 6.56          | 6.84          | 7.12          | 7.42          | 7.73          | <b>40.40</b>    |
| J                                                   | Advertisement                                | 0.74          | 1.19          | 1.42          | 1.65          | 1.94          | 2.26          | <b>9.21</b>     |
| K                                                   | Auditor & Director Fee                       | 0.51          | 0.53          | 0.55          | 0.57          | 0.60          | 0.62          | <b>3.37</b>     |
| L                                                   | Vehicle Hire Charges                         | 8.80          | 12.22         | 12.74         | 13.27         | 13.83         | 14.41         | <b>75.27</b>    |
| M                                                   | Other Administrative Expense                 | 3.71          | 5.15          | 5.37          | 5.59          | 5.83          | 6.07          | <b>31.73</b>    |
| N                                                   | Utility Cost                                 | 17.28         | 25.54         | 28.32         | 31.28         | 34.65         | 38.42         | <b>175.49</b>   |
| O                                                   | Repair & Maintenance                         | 52.01         | 72.26         | 75.30         | 79.06         | 83.62         | 88.44         | <b>450.69</b>   |
| P                                                   | IT Operation Related                         | 33.42         | 46.93         | 50.17         | 53.69         | 57.47         | 61.48         | <b>303.16</b>   |
| Q                                                   | Enterprise IT                                | 2.81          | 3.91          | 4.07          | 4.24          | 4.42          | 4.61          | <b>24.06</b>    |
| R                                                   | Housekeeping Expense                         | 8.74          | 12.15         | 12.66         | 13.19         | 13.74         | 14.32         | <b>74.81</b>    |
| S                                                   | Insurance                                    | 3.66          | 5.27          | 5.49          | 5.72          | 5.96          | 6.21          | <b>32.31</b>    |
| T                                                   | Security Expense                             | 5.07          | 7.59          | 8.51          | 9.55          | 10.71         | 12.02         | <b>53.45</b>    |
| U                                                   | Lease Rental Equipment                       | 10.67         | 14.22         | 14.22         | 14.22         | 14.22         | 14.22         | <b>81.79</b>    |
| V                                                   | CNS ATM Charges- Opex Deficit & Lease Rental | 54.95         | 78.22         | 83.78         | 90.21         | 95.72         | 103.22        | <b>506.11</b>   |
| W                                                   | Other Operating Expenses                     | 11.08         | 15.60         | 16.46         | 17.32         | 18.27         | 19.27         | <b>97.99</b>    |
| X                                                   | Airport Operator Fee                         | 23.07         | 23.04         | 22.47         | 21.96         | 21.57         | 21.25         | <b>133.36</b>   |
| Y                                                   | Interest on Working Capital                  | 2.34          | 5.15          | 6.09          | 6.99          | 7.94          | 9.03          | <b>37.54</b>    |
| <b>Total Aeronautical O&amp;M Expense (Sum A:Y)</b> |                                              | <b>307.90</b> | <b>429.87</b> | <b>460.73</b> | <b>495.20</b> | <b>533.29</b> | <b>577.91</b> | <b>2,804.90</b> |

\*Considering COD of 30<sup>th</sup> June 2026

**7.2 Authority's examination of Operating and Maintenance (O&M) Expenses for the First Control Period:**

- 7.2.1 The Authority has examined the basis and estimation of Operation and Maintenance (O&M) expenses submitted by GVIAL for the First Control Period. The Authority notes that GVIAL has projected O&M expenses considering infrastructure requirements, manpower costs, utilities, security services, repairs and maintenance, and other operating expenses as detailed in its submission.
- 7.2.2 The Authority notes that, vide email dated 11<sup>th</sup> August 2026, GVIAL informed the Authority that the expected Commercial Operation Date (COD) of Bhogapuram International Airport had been revised from 30<sup>th</sup> June 2026 to 17<sup>th</sup> August 2026. Further, as discussed in para 2.3.4, the Authority has proposed to revise the First Control Period from that submitted by GVIAL and consider the same from 1<sup>st</sup> April 2026 to 31<sup>st</sup> March 2031 with COD as 17<sup>th</sup> August 2026.
- 7.2.3 To facilitate meaningful comparison and analysis, the Authority has redrawn the O&M expenses submitted by GVIAL to align with the actual Commercial Operation Date (COD) and the revised First Control Period ending in FY 30-31, as discussed in para 2.3.4. Accordingly, the O&M expenses pertaining to FY 2031-32 from GVIAL's MYTP submission, which falls outside the revised First Control Period, have not been considered. Further, the O&M expenses for FY 2026-27 have been adjusted to reflect the revised COD of 17<sup>th</sup> August 2026 based on GVIAL's financial model.
- 7.2.4 The Authority notes that, for Rates and Taxes and Auditor & Director Fee, GVIAL had considered the full-year amounts for FY 2026-27 in its MYTP submission and had not pro-rated these expenses based on the COD of 30<sup>th</sup> June 2026. Accordingly, for the purpose of the present analysis, the Authority has pro-rated the amounts submitted by GVIAL in its MYTP for these expense heads to reflect the revised COD of 17<sup>th</sup> August 2026. After considering the above, the revised O&M expenses based on GVIAL's submission, as considered by the Authority for further analysis for the First Control Period, are presented in the table below:

**Table 66: Revised Total O&M Expenses drawn up by the Authority based on GVIAL Submission for the First Control Period***(Rs. in Crs)*

| Sr No | Particulars                  | FY'27* | FY'28 | FY'29 | FY'30 | FY'31 | Total         |
|-------|------------------------------|--------|-------|-------|-------|-------|---------------|
| A     | Manpower Expense             | 36.63  | 66.59 | 74.94 | 84.33 | 94.91 | <b>357.40</b> |
| B     | Rent Expense                 | 5.05   | 8.16  | 9.34  | 9.35  | 9.37  | <b>41.27</b>  |
| C     | Rates & Taxes                | 0.42   | 0.71  | 0.74  | 0.77  | 0.80  | <b>3.45</b>   |
| D     | Lease License Fee            | 2.82   | 4.82  | 5.11  | 5.42  | 5.74  | <b>23.91</b>  |
| E     | Corporate cost allocation    | 3.71   | 6.25  | 6.51  | 6.79  | 7.07  | <b>30.34</b>  |
| F     | CSR                          | 0.02   | 0.18  | 1.43  | 4.02  | 7.82  | <b>13.47</b>  |
| G     | Bank Charges                 | 4.48   | 7.55  | 7.86  | 8.19  | 8.54  | <b>36.63</b>  |
| H     | Consultancy & Legal          | 1.85   | 3.59  | 4.27  | 4.97  | 5.82  | <b>20.50</b>  |
| I     | Travel                       | 4.02   | 6.77  | 7.06  | 7.35  | 7.66  | <b>32.87</b>  |
| J     | Advertisement                | 0.69   | 1.35  | 1.60  | 1.86  | 2.18  | <b>7.70</b>   |
| K     | Auditor & Director Fee       | 0.33   | 0.56  | 0.58  | 0.61  | 0.63  | <b>2.72</b>   |
| L     | Vehicle Hire Charges         | 7.73   | 13.00 | 13.55 | 14.12 | 14.71 | <b>63.11</b>  |
| M     | Other Administrative Expense | 3.26   | 5.48  | 5.71  | 5.95  | 6.20  | <b>26.60</b>  |
| N     | Utility Cost                 | 14.26  | 25.54 | 28.32 | 31.28 | 34.65 | <b>134.06</b> |
| O     | Repair & Maintenance         | 45.67  | 76.87 | 80.10 | 84.10 | 88.96 | <b>375.71</b> |
| P     | IT Operation Related         | 29.34  | 49.92 | 53.37 | 57.12 | 61.14 | <b>250.89</b> |
| Q     | Enterprise IT                | 2.47   | 4.16  | 4.33  | 4.51  | 4.70  | <b>20.18</b>  |
| R     | Housekeeping Expense         | 8.15   | 13.71 | 14.29 | 14.89 | 15.51 | <b>66.55</b>  |

**OPERATION & MAINTENANCE EXPENSES FOR THE FIRST CONTROL PERIOD**

| Sr No | Particulars                            | FY'27*        | FY'28         | FY'29         | FY'30         | FY'31         | Total           |
|-------|----------------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| S     | Insurance                              | 3.21          | 5.60          | 5.84          | 6.08          | 6.34          | 27.08           |
| T     | Security Expense                       | 4.72          | 8.56          | 9.61          | 10.78         | 12.09         | 45.76           |
| U     | Lease Rental Equipment                 | 8.81          | 14.22         | 14.22         | 14.22         | 14.22         | 65.70           |
| V     | CNS ATM Charges                        | 45.36         | 78.22         | 83.78         | 90.21         | 95.72         | 393.29          |
| W     | Other Operating Expense                | 9.33          | 15.91         | 16.78         | 17.66         | 18.62         | 78.29           |
| X     | Airport Operator Fee                   | 19.81         | 24.00         | 24.00         | 24.00         | 24.00         | 115.81          |
| Y     | Interest on Working Capital            | 2.01          | 5.38          | 6.37          | 7.31          | 8.30          | 29.37           |
|       | <b>Total O&amp;M Expense (Sum A:Y)</b> | <b>264.18</b> | <b>447.12</b> | <b>479.72</b> | <b>515.91</b> | <b>555.74</b> | <b>2,262.67</b> |

*\*As discussed in para 2.3.5, FY 27 figures have been pro-rated for 227 days based on the revised COD of 17 August 2026, as against 275 days based on the earlier COD of 30 June 2026.*

7.2.5 Applying the classifications and allocations submitted by GVIAL, the revised Aeronautical Operation and Maintenance (O&M) expenses for the First Control Period, as drawn up by the Authority based on GVIAL's submission, are presented in the table below:

**Table 67: Revised Aeronautical Operation and Maintenance (O&M) Expenses drawn up by the Authority, based on GVIAL Submission, for the First Control Period**

*(Rs. in Crs)*

| Sr No | Particulars                                         | FY'27*        | FY'28         | FY'29         | FY'30         | FY'31         | Total           |
|-------|-----------------------------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| A     | Manpower Expenses                                   | 35.48         | 64.50         | 72.59         | 81.69         | 91.93         | 346.19          |
| B     | Rent Expense                                        | 4.74          | 7.67          | 8.78          | 8.79          | 8.81          | 38.79           |
| C     | Rates & Taxes                                       | 0.38          | 0.63          | 0.66          | 0.68          | 0.71          | 3.06            |
| D     | Lease License Fee                                   | 2.82          | 4.82          | 5.11          | 5.42          | 5.74          | 23.91           |
| E     | Corporate cost allocation                           | 3.60          | 6.06          | 6.31          | 6.58          | 6.85          | 29.4            |
| F     | CSR                                                 | -             | 0.18          | 1.43          | 4.02          | 7.82          | 13.45           |
| G     | Bank Charges                                        | 4.21          | 7.09          | 7.39          | 7.70          | 8.03          | 34.42           |
| H     | Consultancy & Legal                                 | 1.74          | 3.38          | 4.02          | 4.67          | 5.47          | 19.28           |
| I     | Travel                                              | 3.90          | 6.56          | 6.84          | 7.12          | 7.42          | 31.84           |
| J     | Advertisement                                       | 0.61          | 1.19          | 1.42          | 1.65          | 1.94          | 6.81            |
| K     | Auditor & Director Fee                              | 0.31          | 0.53          | 0.55          | 0.57          | 0.60          | 2.56            |
| L     | Vehicle Hire Charges                                | 7.26          | 12.22         | 12.74         | 13.27         | 13.83         | 59.32           |
| M     | Other Administrative Expense                        | 3.06          | 5.15          | 5.37          | 5.59          | 5.83          | 25              |
| N     | Utility Cost                                        | 14.26         | 25.54         | 28.32         | 31.28         | 34.65         | 134.05          |
| O     | Repair & Maintenance                                | 42.93         | 72.26         | 75.30         | 79.06         | 83.62         | 353.17          |
| P     | IT Operation Related                                | 27.59         | 46.93         | 50.17         | 53.69         | 57.47         | 235.85          |
| Q     | Enterprise IT                                       | 2.32          | 3.91          | 4.07          | 4.24          | 4.42          | 18.96           |
| R     | Housekeeping Expense                                | 7.22          | 12.15         | 12.66         | 13.19         | 13.74         | 58.96           |
| S     | Insurance                                           | 3.02          | 5.27          | 5.49          | 5.72          | 5.96          | 25.46           |
| T     | Security Expense                                    | 4.19          | 7.59          | 8.51          | 9.55          | 10.71         | 40.55           |
| U     | Lease Rental Equipment                              | 8.81          | 14.22         | 14.22         | 14.22         | 14.22         | 65.69           |
| V     | CNS ATM Charges                                     | 45.36         | 78.22         | 83.78         | 90.21         | 95.72         | 393.29          |
| W     | Other Operating Expense                             | 9.15          | 15.60         | 16.46         | 17.32         | 18.27         | 76.8            |
| X     | Airport Operator Fee                                | 19.05         | 23.04         | 22.47         | 21.96         | 21.57         | 108.09          |
| Y     | Interest on Working Capital                         | 1.93          | 5.15          | 6.09          | 6.99          | 7.94          | 28.1            |
|       | <b>Total Aeronautical O&amp;M Expense (Sum A:Y)</b> | <b>253.93</b> | <b>429.87</b> | <b>460.73</b> | <b>495.20</b> | <b>533.29</b> | <b>2,173.00</b> |

*\*As discussed in para 2.3.5, FY 27 figures have been pro-rated for 227 days based on the revised COD of 17 August 2026, as against 275 days based on the earlier COD of 30 June 2026.*

7.2.6 The Authority proposes to consider the above tables i.e. Table 66 and Table 67 as the basis for its analysis of O&M expenses of GVIAL for the First Control Period.

7.2.7 For the purposes of this Consultation Paper, the Authority, through the Independent Consultant, has conducted a detailed analysis of O&M expenses in the following order:

- I. Computation of allocation ratios
- II. Examination of O&M expenses and their allocation into aeronautical, non-aeronautical and common categories

### **I. Allocation Ratios**

7.2.8 The Authority has analyzed and recomputed the following Allocation Ratios to ensure the proper segregation of common expenses between Aeronautical and Non-Aeronautical for the First Control Period.

#### **Terminal Building Ratio (TBLR)**

7.2.9 The Authority notes that GVIAL has considered Terminal Building Ratio of 88.60:11.40 between aeronautical and non-aeronautical activities based on the distribution of area within the terminal building.

7.2.10 The Authority has examined in detail the basis of allocation of terminal building space as submitted by GVIAL and proposes to consider the Terminal Building Ratio of 88.60:11.40 (aeronautical: non-aeronautical) for the First Control Period. (Refer para no. 4.4.6).

#### **Gross Block Ratio (GBR)**

7.2.11 The Authority notes that GVIAL has calculated Gross Block Ratio based on the classification of the capitalized Gross Block of Assets.

7.2.12 The Authority, based on the capital expenditure as proposed in Chapter 4, proposes to consider the Gross Block Ratio for the First Control Period as presented in the table below.

**Table 68: Gross Block Ratio proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                                       | FY'27           | FY'28           | FY'29           | FY'30           | FY'31           | Total           |
|---------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Aeronautical Gross Block</b>                   |                 |                 |                 |                 |                 |                 |
| Opening Gross Block (A)                           |                 | 4,247.98        | 4,247.98        | 4,247.98        | 4,272.98        |                 |
| Addition (B) (Refer Table 36)                     | 4,247.98        | -               | -               | 25.00           | 25.00           | <b>4,297.98</b> |
| Sales/Transfers/Disposals (C)                     | -               | -               | -               | -               | -               |                 |
| <b>Closing Aeronautical Gross Block (D=A+B-C)</b> | <b>4,247.98</b> | <b>4,247.98</b> | <b>4,247.98</b> | <b>4,272.98</b> | <b>4,297.98</b> |                 |
| <b>Total Gross Block</b>                          |                 |                 |                 |                 |                 |                 |
| Opening Gross Block (E)                           |                 | 4,666.12        | 4,666.12        | 4,666.12        | 4,691.12        |                 |
| Addition (F) (Refer Table 33)                     | 4,666.12        | 0               | 0               | 25.00           | 25.00           | <b>4,716.12</b> |
| Sales/Transfers/Disposals (G)                     | -               | 0               | 0               | -               | -               |                 |
| <b>Closing Total Gross Block (H=E+F-G)</b>        | <b>4,666.12</b> | <b>4,666.12</b> | <b>4,666.12</b> | <b>4,691.12</b> | <b>4,716.12</b> |                 |
| <i>Gross Block Ratio (I=D/H)</i>                  | 91.04%          | 91.04%          | 91.04%          | 91.09%          | 91.13%          |                 |

#### **Employee Head Count Ratio (EHCR)**

7.2.13 The Authority notes that GVIAL has submitted the department-wise headcount of employees amounting to 331, along with classification into aeronautical, non-aeronautical and common categories, and has derived an

Employee Head Count Ratio (EHCR) of 96.86% (aeronautical) for allocation of manpower costs for all years of the First Control Period.

- 7.2.14 The Authority has examined the basis of the headcount estimation and the methodology adopted by GVIAL for classification and allocation of employees across various departments and functions. The examination covers three aspects, namely, the reasonableness of the number of employees proposed for each department, the correctness of the classification of each department into aeronautical, non-aeronautical and common categories, and the year in which the employees are proposed to be deployed.

**Rationalization of employee head count**

- 7.2.15 The Authority has undertaken benchmarking of manpower headcount with other comparable airports, including Mopa Airport, to assess the reasonableness of the headcount proposed by GVIAL. Based on such benchmarking, the Authority observes that the headcount proposed by GVIAL for certain departments is higher as compared to the levels observed at comparable airports. Accordingly, the Authority has rationalized the employee headcount across those relevant departments, including Airport Operations, AOCC, Guest Relations and HSE, to align with the operational requirements and benchmarking with comparable airports. Based on comparable airports with a single runway and a single integrated passenger terminal data, the Authority has rationalized the headcount for Airport Operations to 23 employees, AOCC to 21 employees, Guest relations to 4 employees and HSE to 6 employees.
- 7.2.16 Based on the above rationalization, the total employee headcount has been revised from 331 to 310 for the First Control Period as set out in the table below:

**Table 69: Rationalization of employee head count proposed by the Authority for the First Control Period**

| Department        | Sub-Department               | As submitted by GVIAL (A) | As proposed by the Authority (B) | Rationalisation (C=A-B) |
|-------------------|------------------------------|---------------------------|----------------------------------|-------------------------|
| Admin & HR        | Facility Management Services | 3                         | 3                                | -                       |
| Admin & HR        | HR                           | 6                         | 6                                | -                       |
| Admin & HR        | Legal                        | 2                         | 2                                | -                       |
| Admin & HR        | P&C                          | 3                         | 3                                | -                       |
| CEO Office        | CEO Office                   | 4                         | 4                                | -                       |
| CEO Office        | Connectivity                 | 1                         | 1                                | -                       |
| CEO Office        | Strategy - SPG, Master Plan  | 2                         | 2                                | -                       |
| Commercial        | Commercial - Non Aero        | 9                         | 9                                | -                       |
| Commercial        | Commercial - Aero            | 1                         | 1                                | -                       |
| Corporate Affairs | Corporate Comm. & Relations  | 13                        | 13                               | -                       |
| Finance           | E&I                          | 1                         | 1                                | -                       |
| Finance           | F&A                          | 8                         | 8                                | -                       |
| Finance           | Management Assurance Group   | 1                         | 1                                | -                       |
| Operations        | Airport Operations           | 30                        | 23                               | 7                       |
| Operations        | AOCC                         | 24                        | 21                               | 3                       |
| Operations        | ARFF                         | 84                        | 84                               | -                       |
| Operations        | Guest Relations              | 13                        | 4                                | 9                       |
| Operations        | HSE                          | 8                         | 6                                | 2                       |
| Operations        | Security & Vigilance         | 89                        | 89                               | -                       |

| Department                | Sub-Department                              | As submitted by GVIAL (A) | As proposed by the Authority (B) | Rationalisation (C=A-B) |
|---------------------------|---------------------------------------------|---------------------------|----------------------------------|-------------------------|
| Operations                | Terminal Operations & Customer Facilitation | 29                        | 29                               | -                       |
| Total Employee Head Count |                                             | 331                       | 310                              | 21                      |

### **Employee Head Count for the First Control Period**

- 7.2.17 The Authority notes that manpower requirement at a greenfield airport is not static and increases progressively as operations stabilize and traffic volumes ramp up. The Authority further notes that the passenger traffic projections for the First Control Period have been revised downwards by GVIAL, as detailed in Table 7. Manpower deployment at an airport is driven by the volume of traffic handled and the corresponding scale of operations. The Authority is accordingly of the view that the rationalized head count of 310 employees may be achieved progressively over the Control Period, rather than being deployed in full, from the first year of operations. To this effect, the Authority has undertaken a year-wise assessment of the headcount for the First Control Period, as detailed below.
- 7.2.18 The Authority proposes to consider a staggered increase in headcount over the First Control Period, with such staggering being applied only to departments providing aeronautical or common services. The Authority has not proposed any staggering or rationalization of the head count deployed for non-aeronautical services, the manning of such services being a commercial decision of the Airport Operator. To arrive at the department-wise head count for each year of the First Control Period, the following basis has been adopted by the Authority:
- i) Departments where the head count is determined by regulatory requirement and is required to be in place in full, from the date of commencement of operations have been considered at the full head count for all years. The ARFF department falls under this category, as its head count is determined by the aerodrome category of the airport and by the requirement that the service be available at all times.
  - ii) Departments where the head count varies with the volume of traffic handled and with the number of positions required to be manned have been scaled in line with the traffic ramp-up, subject to the minimum head count required for the shift rotation in the first year. Airport Operations, AOCC, TOPS & CFL, Guest Relations and HSE fall under this category.
  - iii) The Security and Vigilance department has been scaled at a lower rate, as its deployment is driven by the operational area of the airport and a substantial part of its posts and access control points are required to be manned from the first year. This department has been considered at 71 employees in FY27, increasing to 89 employees in FY31.
  - iv) Corporate and support departments have been scaled at a lower rate than the operational departments, as their head count does not vary directly with traffic but is equally not required in full in the first year.
  - v) The Commercial (Non-Aero) department, being the only department classified as non-aeronautical, has been retained at the head count of 9 employees as submitted by GVIAL for each year of the First Control Period.
- 7.2.19 The department-wise head count recomputed by the Authority based on the above is set out in the table below.

**Table 70: Department-wise employee head count proposed by the Authority for the First Control Period**

| Sub-Department                              | Classification | FY27       | FY28       | FY29       | FY30       | FY31       |
|---------------------------------------------|----------------|------------|------------|------------|------------|------------|
| Facility Management Services                | Common         | 2          | 3          | 3          | 3          | 3          |
| HR                                          | Common         | 5          | 5          | 6          | 6          | 6          |
| Legal                                       | Common         | 2          | 2          | 2          | 2          | 2          |
| P&C                                         | Common         | 2          | 2          | 3          | 3          | 3          |
| CEO Office                                  | Common         | 3          | 3          | 4          | 4          | 4          |
| Connectivity                                | Common         | 1          | 1          | 1          | 1          | 1          |
| Strategy - SPG, Master Plan                 | Common         | 2          | 2          | 2          | 2          | 2          |
| Commercial - Non-Aero                       | Non-Aero       | 9          | 9          | 9          | 9          | 9          |
| Commercial - Aero                           | Aero           | 1          | 1          | 1          | 1          | 1          |
| Corporate Comm. & Relations                 | Common         | 10         | 11         | 12         | 13         | 13         |
| E&I                                         | Common         | 1          | 1          | 1          | 1          | 1          |
| F&A                                         | Common         | 6          | 7          | 7          | 8          | 8          |
| Management Assurance Group                  | Common         | 1          | 1          | 1          | 1          | 1          |
| Airport Operations                          | Aero           | 15         | 18         | 20         | 21         | 23         |
| AOCC                                        | Aero           | 14         | 16         | 19         | 20         | 21         |
| ARFF                                        | Aero           | 84         | 84         | 84         | 84         | 84         |
| Guest Relations                             | Aero           | 2          | 3          | 3          | 4          | 4          |
| HSE                                         | Aero           | 4          | 5          | 5          | 6          | 6          |
| Security & Vigilance                        | Common         | 71         | 76         | 82         | 84         | 89         |
| Terminal Operations & Customer Facilitation | Aero           | 15         | 20         | 25         | 27         | 29         |
| <b>Total Employee Head Count</b>            |                | <b>250</b> | <b>270</b> | <b>290</b> | <b>300</b> | <b>310</b> |

7.2.20 Accordingly, the Authority proposes to consider a total head count of 250 employees in FY27, 270 employees in FY28, 290 in FY29, 300 employees in FY30 and 310 employees eventually in FY31.

### **Computation of EHCR**

7.2.21 The Authority has examined the department-wise classification of employees into aeronautical, non-aeronautical and common categories as submitted by GVIAL. The Authority proposes to retain the classification adopted by GVIAL for all departments, except for the Security and Vigilance department, which is proposed to be reclassified from aeronautical to common, considering that the functions performed by this department support both aeronautical and non-aeronautical activities, consistent with the approach adopted by the Authority for comparable airports. Accordingly, the Authority proposes to consider the revised classification for the purpose of allocation of manpower costs. Department wise classification as proposed by the Authority and as submitted by GVIAL are given in the table below:

**Table 71: Department-wise classification as submitted by GVIAL and as proposed by the Authority**

| Sub-Department               | Classification as per GVIAL | Classification proposed by Authority |
|------------------------------|-----------------------------|--------------------------------------|
| Facility Management Services | Common                      | Common                               |
| HR                           | Common                      | Common                               |
| Legal                        | Common                      | Common                               |
| P&C                          | Common                      | Common                               |
| CEO Office                   | Common                      | Common                               |
| Connectivity                 | Common                      | Common                               |

| Sub-Department                              | Classification as per GVIAL | Classification proposed by Authority |
|---------------------------------------------|-----------------------------|--------------------------------------|
| Strategy - SPG, Master Plan                 | Common                      | Common                               |
| Commercial - Non-Aero                       | Non-Aero                    | Non-Aero                             |
| Commercial - Aero                           | Aero                        | Aero                                 |
| Corporate Comm. & Relations                 | Common                      | Common                               |
| E&I                                         | Common                      | Common                               |
| F&A                                         | Common                      | Common                               |
| Management Assurance Group                  | Common                      | Common                               |
| Airport Operations                          | Aero                        | Aero                                 |
| AOCC                                        | Aero                        | Aero                                 |
| ARFF                                        | Aero                        | Aero                                 |
| Guest Relations                             | Aero                        | Aero                                 |
| HSE                                         | Aero                        | Aero                                 |
| Security & Vigilance                        | Aero                        | Common                               |
| Terminal Operations & Customer Facilitation | Aero                        | Aero                                 |

7.2.22 Based on the break-up of employee headcount for each year of the control period as given in Table 70 and the classification changes adopted by the Authority in Table 71, the Authority has computed the EHCR for each year of the First Control Period using the following basis. Employees directly attributable to aeronautical and non-aeronautical departments have been allocated to their respective categories. Employees classified as common have been allocated between the aeronautical and non-aeronautical categories in the ratio of the employees directly classified under each category for that year. The aeronautical head count so arrived at, expressed as a percentage of the total head count for that year, is the EHCR for that year. The computation is set out in the table below.

**Table 72: Employee Head Count Ratio proposed by the Authority for the First Control Period**

| Particulars                                | Ref          | FY27          | FY28          | FY29          | FY30          | FY31          |
|--------------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Aeronautical head count                    | A            | 135           | 147           | 157           | 163           | 168           |
| Non-Aeronautical head count                | B            | 9             | 9             | 9             | 9             | 9             |
| Common head count                          | C            | 106           | 114           | 124           | 128           | 133           |
| Total employee head count (Refer Table 70) | D=A+B+C      | 250           | 270           | 290           | 300           | 310           |
| Common allocated to Aeronautical           | E=C*A/(A+B)  | 99            | 107           | 117           | 121           | 126           |
| Common allocated to Non-Aeronautical       | F=C*B/(A+B)  | 7             | 7             | 7             | 7             | 7             |
| Total Aeronautical head count              | G=A+E        | 234           | 254           | 274           | 284           | 294           |
| Total Non-Aeronautical head count          | H=B+F        | 16            | 16            | 16            | 16            | 16            |
| <b>Employee Head Count Ratio</b>           | <b>I=G/D</b> | <b>93.75%</b> | <b>94.23%</b> | <b>94.58%</b> | <b>94.77%</b> | <b>94.92%</b> |

7.2.23 The EHCR so computed rises marginally from 93.75% in FY27 to 94.92% in FY31. This reflects the composition of the head count in the initial years, which is weighted towards departments required to be in place from the commencement of operations and classified as common, principally the Security and Vigilance and corporate support departments. As the aeronautical operating departments are manned over the Control Period in line with the traffic ramp-up, the ratio settles at the level corresponding to the full rationalized head count of 310 employees.

**Summary of Allocation Ratio proposed by the Authority for the First Control Period**

- 7.2.24 The Allocation Ratio proposed by the Authority for Bhogapuram International Airport for the First Control Period are as follows:

**Table 73: Allocation Ratio proposed by the Authority for the First Control Period**

| Particulars             | FY'27  | FY'28  | FY'29  | FY'30  | FY'31  |
|-------------------------|--------|--------|--------|--------|--------|
| TBLR (refer para 7.2.9) | 88.60% | 88.60% | 88.60% | 88.60% | 88.60% |
| GBR (refer Table 68)    | 91.04% | 91.04% | 91.04% | 91.09% | 91.13% |
| EHCR (refer Table 72)   | 93.75% | 94.23% | 94.58% | 94.77% | 94.92% |

**Classification and allocation of O&M expenses**

- 7.2.25 The Authority has classified the projected Operation and Maintenance (O&M) expenses into Aeronautical, Non-Aeronautical and Common categories. The common expenses have been further allocated between Aeronautical and Non-Aeronautical activities using the allocation methodology discussed above and consistent with the Authority's approach adopted for comparable airports. Aeronautical O&M Expenses have been worked out during examination of respective expenditure heads.

**II. Examination of O&M Expenses and its allocation into Aeronautical and Non-Aeronautical Expenses**

- 7.2.26 The Authority has examined the submission made by GVIAL regarding the Operation and Maintenance (O&M) expenses for the First Control Period. In the subsequent paragraphs, the Authority presents its analysis of each expense category and the respective allocation.

**A. Manpower Expense**

- 7.2.27 The Authority notes that GVIAL has projected department-wise headcount and multiplied with average cost per employee to arrive at the salaries and wages cost for FY27. GVIAL has thereafter applied an annual escalation comprising inflation of 4.2% and real growth of 8% for the subsequent years of the First Control Period. An additional 3% of salaries and wages cost has been earmarked for staff welfare expenses.
- 7.2.28 The Authority has examined the basis of estimation of salaries and wages cost, including the assumptions relating to employee headcount, average cost per employee, staff welfare expenses and the allocation of manpower across aeronautical, non-aeronautical and common categories.
- 7.2.29 The Authority notes that GVIAL has considered an average salaries and wages cost of Rs. 17.36 lakh per employee per annum for FY27. This is in line with the levels observed at comparable airports. Accordingly, the Authority proposes to adopt the same as the basis for FY27. Further, the staff welfare cost considered by GVIAL at 3% is consistent with the levels adopted at comparable airports and is therefore proposed to be considered by the Authority.
- 7.2.30 The Authority, based on the approach adopted for other comparable airports, proposes to consider a real growth rate of 6% for projection of manpower cost for the First Control Period instead of the 12.20% growth rate submitted by GVIAL. Further the Authority proposes to apply the EHCR as computed for each year of the Control Period based on computation given in Table 72.
- 7.2.31 As detailed in para 7.2.20, the Authority proposes to consider a total headcount of 250 employees in FY27, 270 employees in FY28, 290 employees in FY29, 300 employees in FY30 and 310 employees in FY31, reflecting the gradual scaling up of operations and staffing requirements over the Control Period.

7.2.32 Accordingly, the Authority has recomputed the manpower cost for the First Control Period based on the revised employee headcount and growth assumptions. The total manpower cost proposed by the Authority for the First Control Period is presented in the table below.

**Table 74: Total Manpower Cost proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                              | Ref            | FY 27*       | FY 28        | FY 29        | FY 30        | FY 31        | Total         |
|------------------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Year Frac                                | A              | 0.62         | 1.00         | 1.00         | 1.00         | 1.00         |               |
| Expected headcount                       | B              | 250          | 270          | 290          | 300          | 310          |               |
| Average cost per head                    | C              | 0.17         | 0.18         | 0.20         | 0.21         | 0.22         |               |
| Y-o-Y Growth                             |                |              | 6%           | 6%           | 6%           | 6%           |               |
| <b>Total Salaries, Wages and Bonuses</b> | <b>D=A*B*C</b> | <b>27.00</b> | <b>49.67</b> | <b>56.56</b> | <b>62.02</b> | <b>67.93</b> | <b>263.17</b> |
| Staff Welfare Funds                      | E=D*3%         | 0.81         | 1.49         | 1.70         | 1.86         | 2.04         | 7.90          |
| <b>Total Manpower Expenses</b>           | <b>F=D+E</b>   | <b>27.81</b> | <b>51.16</b> | <b>58.25</b> | <b>63.88</b> | <b>69.97</b> | <b>271.07</b> |

\*Considering COD of 17<sup>th</sup> August 2026

### Allocation of Manpower Cost

7.2.33 On the total manpower cost determined by the Authority in Table 74, the Authority proposes to apply the Employee Head Count Ratio (EHCR) as proposed in Table 72 to work out the Aeronautical portion.

7.2.34 The aeronautical manpower cost for the First Control Period of Bhogapuram International Airport, after considering the allocation ratio, is presented below.

**Table 75: Aeronautical Manpower Cost proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                          | Ref            | FY 27*       | FY 28        | FY 29        | FY 30        | FY 31        | Total         |
|--------------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Total Manpower Expenses              | A              | 27.81        | 51.16        | 58.25        | 63.88        | 69.97        | 271.07        |
| Aero Allocation Ratio (EHCR)         | B              | 93.75%       | 94.23%       | 94.58%       | 94.77%       | 94.92%       |               |
| <b>Aeronautical Manpower Expense</b> | <b>C = A*B</b> | <b>26.07</b> | <b>48.21</b> | <b>55.09</b> | <b>60.53</b> | <b>66.41</b> | <b>256.32</b> |

\*Considering COD of 17<sup>th</sup> August 2026

### B. Rent Expense

7.2.35 The Authority notes that GVIAL has projected rent expense towards lease of office space, guest house facilities and other corporate office space. The Authority further notes that GVIAL has undertaken development of an office complex at Bhogapuram Airport under a Build-to-Suit lease model and has entered into an agreement with M/s Malkhed Real Estate Private Limited for development of the said office complex.

7.2.36 As per the terms of the agreement, GVIAL is required to pay a license fee / monthly rental for 70,000 sq. ft., with a lease tenure of 25 years, an initial rental of Rs. 92 per sq. ft. per month (exclusive of GST) and an escalation of 15% every third year, along with a two-month rent-free period post COD.

7.2.37 The Authority, through its independent consultant, has sought additional details from GVIAL regarding the break-up of rent expense, including rent towards various locations and facilities, along with the underlying agreements and escalation provisions. The break-up of rent expense is presented in the table below.

**Table 76: Breakup of Rent Expense for the First Control Period as submitted by GVIAL**

(Rs. in Crs)

| Rent                          | Escalation %        | FY 27* | FY 28 | FY 29  | FY 30  | FY 31  | Total |
|-------------------------------|---------------------|--------|-------|--------|--------|--------|-------|
| Rate (Rs per Sq ft per month) | 15% (Every 3 years) | 92.00  | 92.00 | 105.80 | 105.80 | 105.80 |       |

| Rent                       | Escalation %  | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|----------------------------|---------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Area                       |               | 70,000      | 70,000      | 70,000      | 70,000      | 70,000      |              |
| <b>Admin Office</b>        |               | <b>7.73</b> | <b>7.73</b> | <b>8.89</b> | <b>8.89</b> | <b>8.89</b> | <b>42.12</b> |
| <b>Other Rentals</b>       |               |             |             |             |             |             |              |
| Vizag City Office          | 5% every year | 0.14        | 0.15        | 0.16        | 0.17        | 0.17        | <b>0.79</b>  |
| Vizag Guest House          | 5% every year | 0.13        | 0.13        | 0.14        | 0.15        | 0.15        | <b>0.70</b>  |
| Vijayawada Office          | NA            | 0.09        | 0.09        | 0.09        | 0.09        | 0.09        | <b>0.44</b>  |
| Vizianagaram Transit House | 5% every year | 0.02        | 0.02        | 0.03        | 0.03        | 0.03        | <b>0.13</b>  |
| <b>Total</b>               |               | <b>8.11</b> | <b>8.12</b> | <b>9.30</b> | <b>9.32</b> | <b>9.34</b> | <b>44.20</b> |

*\*Pertains to rental expenses for 12 months*

- 7.2.38 The Authority notes that the proposed Administrative Office Complex has been designed for a built-up area of 70,000 sq. ft. The Authority has reviewed the projected manpower deployment during the First Control Period and observes that a significant proportion of the projected employee strength comprises operational personnel deployed at terminal, airside and other operational facilities, including Security & Vigilance, ARFF, Airport Operations, AOCC, HSE and other field-based functions. Such personnel would not ordinarily require dedicated office space within the Administrative Office Complex except for a few heads of department seating and some common meeting rooms etc.
- 7.2.39 Based on the office space of 70,000 sq. ft. submitted by GVIAL and considering the headcount of 310 employees projected for the last year of the First Control Period, the office space works out to more than 225 sq. ft. per employee. The Authority considers the resultant space per employee to be excessive and, accordingly, proposes to rationalise the office space considered for the purpose of determining the rent expense.
- 7.2.40 The Authority further notes that the office accommodation requirement is primarily attributable to corporate and support functions, including administration, finance, human resources, legal, planning, commercial and management functions. After considering the projected requirement for workstations, management offices, meeting rooms, training facilities, circulation areas, visitors, heads of departments, consultants and future growth requirements, the Authority considers an area of up to 35,000 sq. ft. to be adequate.
- 7.2.41 The Authority has also benchmarked the proposed rental rate against comparable office rental arrangements submitted by GVIAL and notes that the Vizag City Office agreement translates to an effective rental rate of approximately Rs. 50 per sq. ft. per month. While recognizing that the proposed Build-to-Suit arrangement includes furniture, fit-outs and certain ancillary facilities not covered under the Vizag City Office lease, the Authority considers it appropriate to allow a reasonable premium towards such facilities and accordingly proposes to consider a rental rate of Rs. 60 per sq. ft. per month for the purpose of tariff determination.
- 7.2.42 Further, the Authority notes that the Vizag City Office agreement provides for annual escalation of 5%, which is considered representative of prevailing market practice for office leases. Accordingly, the Authority proposes to consider annual escalation of 5% for the Administrative Office Complex in place of the escalation proposed under the agreement.
- 7.2.43 Accordingly, for the purpose of tariff determination, the Authority proposes to consider rent for the Administrative Office Complex based on an area of 35,000 sq. ft., at a rental rate of Rs. 60 per sq. ft. per month and an annual escalation of 5%.
- 7.2.44 In respect of the other rental expenses submitted by GVIAL towards the Vizag City Office, Vizag Guest House, Vijayawada Office and Vizianagaram Transit House, the Authority has examined the details and

agreements submitted by GVIAL. The Authority notes that, with the commencement of operations at Bhogapuram Airport and the availability of the Administrative Office Complex at the Airport, the requirement for continuing to maintain additional offices, guest house and transit accommodation at other locations has not been adequately established by GVIAL.

- 7.2.45 Further, GVIAL has not provided sufficient justification demonstrating the operational necessity for maintaining such additional premises during the First Control Period, particularly when rental expenditure towards the Administrative Office Complex is being separately considered by the Authority. In the absence of adequate justification regarding the necessity of these additional rented premises for airport operations, the Authority does not propose to consider the rental expenses towards the Vizag City Office, Vizag Guest House, Vijayawada Office and Vizianagaram Transit House for the purpose of tariff determination.
- 7.2.46 Accordingly, the Authority proposes to consider only the rationalised rental expense pertaining to the Administrative Office Complex for the First Control Period.
- 7.2.47 After considering the above, the resultant rent expense considered by the Authority for the First Control Period is presented in the table below.

**Table 77: Total Rent Expense considered by the Authority for the First Control Period**

*(Rs. in Crs unless specified)*

| Rent                                        | Escalation %  | FY 27        | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|---------------------------------------------|---------------|--------------|-------------|-------------|-------------|-------------|--------------|
| Rate (Rs per Sq ft per month)               | 5% every year | 60.00        | 63.00       | 66.15       | 69.46       | 72.93       |              |
| Area (in Sq ft)                             | A             | 35,000       | 35,000      | 35,000      | 35,000      | 35,000      |              |
| <b>Rent of Admin Office**</b>               | B             | <b>2.52*</b> | <b>2.65</b> | <b>2.78</b> | <b>2.92</b> | <b>3.06</b> | <b>13.92</b> |
| Year Frac                                   | C             | 0.62         | 1.00        | 1.00        | 1.00        | 1.00        |              |
| <b>Total Rent Expense pro-rated for COD</b> | <b>C=B*C</b>  | <b>1.57</b>  | <b>2.65</b> | <b>2.78</b> | <b>2.92</b> | <b>3.06</b> | <b>12.97</b> |

\*Pertains to rental expenses for 12 months

\*\*Note: Rent for the Administrative Office Complex has been considered based on a rationalised area of 35,000 sq. ft., rental rate of Rs. 60 per sq. ft. per month and annual escalation of 5% for tariff determination purposes.

### Allocation of Rent Expense

- 7.2.48 The Authority notes that GVIAL has allocated rent expense between aeronautical and nonaeronautical activities based on gross block ratio. The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable and in line with the approach adopted for other comparable airports. Accordingly, the Authority proposes to adopt the gross block ratio as the allocation basis, after taking into consideration the revised gross block ratio determined by the Authority as detailed in Table 73.
- 7.2.49 The aeronautical rent expense for the First Control Period, after considering the revised gross block ratio, is presented below.

**Table 78: Aeronautical Rent Expense as proposed by the Authority for the First Control Period**

*(Rs. in Crs)*

| Particulars                 | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|-----------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Total Rent Expense          | A            | 1.57        | 2.65        | 2.78        | 2.92        | 3.06        | 12.97        |
| Aero Allocation Ratio (GBR) | B            | 91.04%      | 91.04%      | 91.04%      | 91.09%      | 91.13%      |              |
| <b>Aero Rent Expense</b>    | <b>C=A*B</b> | <b>1.43</b> | <b>2.41</b> | <b>2.53</b> | <b>2.66</b> | <b>2.79</b> | <b>11.81</b> |

\*Considering COD of 17<sup>th</sup> August 2026

**C. Rates & Taxes**

- 7.2.50 The Authority notes that GVIAL has estimated property tax for Bhogapuram Airport in accordance with the provisions of the Andhra Pradesh Municipalities Act, 1965, amounting to Rs. 0.68 crore for FY27 and has escalated the same for the subsequent years of the First Control Period at an inflation rate of 4.2%.
- 7.2.51 The Authority, through its independent consultant, has sought, as part of further clarifications, detailed computation of property tax, including the underlying assumptions relating to built-up area, market value and applicable property tax rates for the airport.
- 7.2.52 It is observed that GVIAL has computed property tax based on the capital value method, wherein the built-up area of applicable assets has been multiplied by Rs. 6,500 per sq. m. to derive the capital value. The derived capital value has been subjected to applicable tax rates of 0.15% for runway assets and 0.30% for other assets, including terminal building, engineering building, ATC tower, technical building, ASR & MSSR buildings and other supporting infrastructure. The Authority notes that GVIAL has also computed Library Cess (LC), an additional levy on property tax, at 8% of the property tax amount. Based on the above methodology, GVIAL has prepared a detailed area-wise and asset-wise break-up of property tax.
- 7.2.53 The Authority, through its Independent Consultant has validated the area assumptions and observed them to be reasonable. The Property Tax (PT) percentage and Library Cess (LC) percentage are also noted to be reasonable as per the locality of the airport which have been verified through publicly available sources. Accordingly, property tax of Rs. 0.68 crore for FY27 is considered reasonable by the Authority.
- 7.2.54 However, it is noted that GVIAL has escalated property tax for the subsequent years at an inflation rate of 4.2%. The Authority proposes to consider escalation for property tax for the First Control Period based on the revised inflation assumptions as given in Table 51.
- 7.2.55 The total rates and taxes considered by the Authority for the First Control Period, based on the above, are presented in the table below.

**Table 79: Total Rates and Taxes as proposed by the Authority for the First Control Period***(Rs. in Crs)*

| Particulars                  | Ref    | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|------------------------------|--------|-------------|-------------|-------------|-------------|-------------|-------------|
| Year Frac                    | A      | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |             |
| Total Rates and Taxes        | B      | 0.68        | 0.71        | 0.73        | 0.76        | 0.79        | <b>3.67</b> |
| Y-o-Y Growth                 | C      |             | 3.7%        | 3.7%        | 3.7%        | 3.7%        |             |
| <b>Total Rates and Taxes</b> | D= A*B | <b>0.42</b> | <b>0.71</b> | <b>0.73</b> | <b>0.76</b> | <b>0.79</b> | <b>3.41</b> |

*\*Considering COD of 17<sup>th</sup> August 2026***Allocation of Rates and Taxes**

- 7.2.56 The Authority notes that GVIAL has allocated rates and taxes between aeronautical and non-aeronautical activities based on the terminal building ratio. The Authority deems this allocation basis to be reasonable and, therefore, proposes to adopt the same allocation basis, taking into consideration the terminal building ratio as detailed in Table 73.
- 7.2.57 In accordance with the above, the aeronautical rates and taxes for the First Control Period of Bhogapuram International Airport are presented below.

**Table 80: Aeronautical Rates and Taxes as proposed by the Authority for the First Control Period***(Rs. in Crs)*

| Particulars                  | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Rates and Taxes        | A            | 0.42        | 0.71        | 0.73        | 0.76        | 0.79        | 3.41        |
| Aero Allocation Ratio (TBLR) | B            | 88.60%      | 88.60%      | 88.60%      | 88.60%      | 88.60%      |             |
| <b>Aero Rates and Taxes</b>  | <b>C=A*B</b> | <b>0.38</b> | <b>0.63</b> | <b>0.65</b> | <b>0.67</b> | <b>0.70</b> | <b>3.02</b> |

*\*Considering COD of 17<sup>th</sup> August 2026***D. Lease License Fees**

- 7.2.58 The Authority notes that GVIAL has considered Lease License Fee in accordance with the provisions of the Concession Agreement, at the rate of Rs. 20,000 per acre per annum, with an annual escalation of 6%. The Authority further notes that GVIAL has considered Lease License Fee of Rs. 3.4 crore for FY 27 (for a period of nine months considering COD of 30<sup>th</sup> June 2026 as per MYTP submission) and has escalated the same for the subsequent years of the First Control Period.
- 7.2.59 The Authority has examined the basis of computation of Lease License Fee, including the lease terms and escalation provisions as per the Concession Agreement. It is noted that GVIAL has considered only the applicable land area pertaining to the airport site, excluding city-side development (293.9 acres out of a total land area of 2203.26 acres).
- 7.2.60 The Authority notes that the Licence Fee projected by GVIAL is contractual in nature. Article 1.1 of the Concession Agreement specifies a Licence Fee of Rs. 20,000 per acre per annum, to be increased by 6% annually during the term of the Agreement. In line with the agreement GVIAL has applied the annual escalation from the Appointed Date in December 2023, resulting in a Licence Fee of Rs. 23,820.32 per acre per annum for FY 2026–27.
- 7.2.61 Accordingly, the Authority proposes to consider the Lease License Fee for the First Control Period based on the terms and conditions of the Concession Agreement. The Lease License Fee proposed to be considered by the Authority, for the 1<sup>st</sup> Control Period is presented in the table below.

**Table 81: Total Lease License Fees as proposed by the Authority for the First Control Period***(Rs. in Crs)*

| Particulars                         | Ref            | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|-------------------------------------|----------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Year Frac                           | A              | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |              |
| Area in Acre                        | B              | 1,909.30    | 1,909.30    | 1,909.30    | 1,909.30    | 1,909.30    |              |
| Rate (Rs. / Acre)                   | C              | 23,820.32   | 25,249.54   | 26,764.51   | 28,370.38   | 30,072.61   |              |
| <i>Y-o-Y Growth</i>                 |                |             | 6%          | 6%          | 6%          | 6%          |              |
| <b>Total Lease and License Fees</b> | <b>D=A*B*C</b> | <b>2.83</b> | <b>4.82</b> | <b>5.11</b> | <b>5.42</b> | <b>5.74</b> | <b>23.92</b> |

*\*Considering COD of 17<sup>th</sup> August 2026***Allocation of Lease License Fees**

- 7.2.62 The Authority notes that GVIAL has allocated the Lease License Fee entirely to aeronautical activities.
- 7.2.63 The Authority has examined the basis of allocation adopted by GVIAL and observes that allocation of Lease License Fee should reflect the usage of airport infrastructure between aeronautical and non-aeronautical activities.
- 7.2.64 Accordingly, the Authority proposes to allocate the Lease Licence Fee between Aeronautical Services and Non-Aeronautical Services on the basis of the Terminal Building Ratio (TBLR), set out in Table 73 consistent with the approach adopted for other comparable airports.

- 7.2.65 In accordance with the above, the aeronautical Lease License Fee for the First Control Period of Bhogapuram Airport is presented in the table below.

**Table 82: Aeronautical Lease License Fees as proposed by the Authority for the First Control Period**  
(Rs. in Crs)

| Particulars                                | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|--------------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Total Lease and License Fees               | A            | 2.83        | 4.82        | 5.11        | 5.42        | 5.74        | 23.92        |
| Aero Allocation Ratio (TBLR)               | B            | 88.60%      | 88.60%      | 88.60%      | 88.60%      | 88.60%      |              |
| <b>Aeronautical Lease and License Fees</b> | <b>C=A*B</b> | <b>2.51</b> | <b>4.27</b> | <b>4.53</b> | <b>4.80</b> | <b>5.09</b> | <b>21.19</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### E. Corporate Cost Allocation

- 7.2.66 The Authority notes that GVIAL has considered corporate cost of Rs. 6 crores for FY27 and has escalated the same for the subsequent years of the First Control Period at an annual inflation rate of 4.2%.
- 7.2.67 The Authority, through its independent consultant, sought the basis of estimation of corporate cost as submitted by GVIAL. GVIAL has submitted that corporate cost primarily comprises expenses towards Shared Services Centre (SSC) and enterprise licensing costs, which are allocated across group entities.
- 7.2.68 The Authority notes that the SSC provides centralized services such as accounting, taxation and related support functions to all group entities, with costs allocated based on transaction-based and non-transaction-based drivers, including manpower deployment and associated overheads. The Authority further notes that enterprise licensing costs are allocated based on actual usage, such as number of users for services including Microsoft and SAP.
- 7.2.69 However, the Authority observes that the above explanation does not provide a clear and verifiable basis for arriving at the overall corporate cost of Rs. 6 crores for FY27, nor does it adequately demonstrate the linkage between the projected cost and the scale of operations at Bhogapuram Airport. The Authority is of the view that the estimation of corporate costs based on internal assumptions, without adequate supporting details or benchmarking with comparable airports, requires moderation.
- 7.2.70 In the absence of supporting details for corporate costs, the Authority, in line with the approach adopted for other comparable airports, proposes to consider only 50% of the corporate cost submitted by GVIAL for the First Control Period. Further, the Authority proposes to consider a year-on-year escalation of 6% for corporate costs, consistent with the approach adopted by the Authority for other airports.
- 7.2.71 Based on the above, the corporate cost proposed to be considered by the Authority for the First Control Period is presented in the table below:

**Table 83: Total Corporate Cost as proposed by the Authority for the First Control Period**  
(Rs. in Crs)

| Particulars                 | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|-----------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Year Frac                   | A            | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |              |
| Corporate Cost              | B            | 3.00        | 3.18        | 3.37        | 3.57        | 3.79        |              |
| Y-o-Y Growth                |              |             | 6.00%       | 6.00%       | 6.00%       | 6.00%       |              |
| <b>Total Corporate Cost</b> | <b>C=A*B</b> | <b>1.87</b> | <b>3.18</b> | <b>3.37</b> | <b>3.57</b> | <b>3.79</b> | <b>15.78</b> |

\*Considering COD of 17<sup>th</sup> August 2026

**Allocation of Corporate Cost**

- 7.2.72 The Authority notes that GVIAL has allocated corporate costs between aeronautical and non-aeronautical activities based on the Employee Head Count Ratio (EHCR).
- 7.2.73 The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable and in line with the approach adopted for other comparable airports. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the EHCR as detailed in Table 73.
- 7.2.74 Based on the above, the aeronautical corporate cost proposed by the Authority for the First Control Period of Bhogapuram International Airport is presented below.

**Table 84: Aeronautical Corporate Cost as proposed by the Authority for the First Control Period***(Rs. in Crs)*

| Particulars                  | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Total Corporate Cost         | A            | 1.87        | 3.18        | 3.37        | 3.57        | 3.79        | 15.78        |
| Aero Allocation Ratio (EHCR) | B            | 93.75%      | 94.23%      | 94.58%      | 94.77%      | 94.92%      |              |
| <b>Aero Corporate Cost</b>   | <b>C=A*B</b> | <b>1.75</b> | <b>3.00</b> | <b>3.19</b> | <b>3.39</b> | <b>3.59</b> | <b>14.92</b> |

\*Considering COD of 17<sup>th</sup> August 2026**F. Corporate Social Responsibility (CSR)**

- 7.2.75 The Authority notes that GVIAL has estimated Corporate Social Responsibility (CSR) expenditure based on 2% of the average Profit Before Tax (PBT) of the preceding three years, in accordance with the provisions of Section 135(5) of the Companies Act, 2013.
- 7.2.76 The Authority took cognizance of the statutory provisions of the Companies Act, 2013 towards allowance of CSR expenses and the extract of the same has been provided as follows:
- “Section 135 (1) of Companies Act, 2013 states that ‘Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one shall be an independent director.’ Further section 135(5) states that ‘The Board of every company referred in section 135(1), shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility’.”*
- 7.2.77 In this regard, the Authority is of the view that as the CSR is a mandatory Social Responsibility of Companies (covered under Section 135(1) of Companies Act). As CSR expenditure is to be incurred by Companies out of their net profits, it is to be regarded as an element of appropriation of Net Profits and not as a part of their Operating Expenditure. Therefore, CSR expenses could not be construed as passthrough expenditure for the purpose of determination of aeronautical tariff of the companies. Otherwise, it would defeat the very purpose of the social responsibility entrusted on the companies. Section 37(1) of the Income Tax Act also disallows CSR expenses, as these are not considered expenses incurred wholly and exclusively for the purpose of the business of the entity.
- 7.2.78 In view of the above, the Authority proposes not to consider CSR expenditure as part of the Operation and Maintenance (O&M) expenses for the First Control Period.

## G. Bank Charges

- 7.2.79 The Authority notes that GVIAL has estimated bank charges towards various bank guarantees and other bank-related expenses in accordance with the provisions of the Concession Agreement, financing agreements and other contractual requirements.
- 7.2.80 GVIAL has considered bank guarantee charges of approximately Rs. 6.24 crore for FY27, along with other bank-related expenses like loan-related charges and credit rating fees of Rs. 1 crore per annum, aggregating to total bank charges of Rs. 7.24 crore for FY27 as per the financial model submitted by GVIAL.
- 7.2.81 The Authority, through its independent consultant, further sought the basis of estimation of bank charges with supporting documents, including bank guarantee amounts, applicable commission rates and the basis for computation of such charges.
- 7.2.82 In response to the above query, GVIAL has subsequently submitted revised estimates of bank charges, supported by documentary evidence totaling to Rs. 8.85 Crores for FY 27. The break up consisted of BG commission amounting to Rs. 4.70 Crores, charges towards ASM Audit, Lenders' Independent Engineer (LIE) Fee, Lenders' Insurance Advisor (LIA) Fee, Security Trustee Fee, Independent Engineer (IE) Fee, monitoring fee, review charges together amounting to Rs. 4.15 Crores. GVIAL also substantiated the bank guarantee commission rates for arrangements with domestic and foreign banks, with supporting agreements.
- 7.2.83 The detailed break-up of revised bank charges, capturing bank guarantee-wise charges and other associated costs, as submitted by GVIAL, is presented in the table below:

**Table 85: Detailed Break-up of Bank Charges for the First Control Period as submitted by GVIAL**

(Rs. in Crs)

| Bank Charges                                                   | Amount | Amount | BG Com | Amount      | Requirement                                                                                                                                          |
|----------------------------------------------------------------|--------|--------|--------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| APADCL                                                         |        | 46.00  | 1.25%  | 0.58        | Emanating from Concession Agreement                                                                                                                  |
| <b>DSRA</b>                                                    |        |        |        |             |                                                                                                                                                      |
| Interest                                                       |        | 186.09 | 1.38%  | 2.56        | 2 quarter interest to be kept as DSRA BG as per Financing Agreement                                                                                  |
| Principal                                                      |        | 41.50  | 1.38%  | 0.57        | 2 quarter principal to be kept as DSRA BG as per Financing Agreement                                                                                 |
| <b>AAI BG towards</b>                                          |        |        |        |             |                                                                                                                                                      |
| Capex                                                          | 107.1  | 38.00  | 1.25%  | 0.48        | 2-year Capex Recovery Amount as per CNS ATM Agreement                                                                                                |
| Opex                                                           | 63.16  | 31.58  | 1.25%  | 0.39        | 6 months Opex as per CNS ATM Agreement                                                                                                               |
| Other Operational BGs                                          |        | 10.00  | 1.25%  | 0.13        | Estimates                                                                                                                                            |
| <b>Total BG Commission</b>                                     |        |        |        | 4.70        |                                                                                                                                                      |
| Escrow Account Management Fee                                  |        |        |        | 0.50        | Estimates                                                                                                                                            |
| Monitoring Fee + Review Charges                                |        |        |        | 0.62        | Lead Bank charges -Rs.30 lacs + Review Charges - Rs.31.5 lacs                                                                                        |
| ASM Audit + LIE Fee + LIA Fee + Security Trustee Fee + IE Fees |        |        |        | 3.03        | IE Fee 21.51 Lacs per month, LIE Fee - Rs. 6 Lacs per quarter, ASM Audit - Rs. 3.75 Lacs per quarter, LIA Fee is Rs. 3.5 Lacs, Trustee Fee 2.75 Lacs |
| <b>Total Bank Charges</b>                                      |        |        |        | <b>8.85</b> |                                                                                                                                                      |

- 7.2.84 The Authority has examined the nature of the individual charges included in the revised submission. The Authority observes that escrow account management fees, monitoring and review charges, independent engineer (IE) fees, lender's independent engineer (LIE) fees, lender's insurance advisor (LIA) fees, ASM audit fees, trustee fees and similar charges arise primarily from financing arrangements entered into for development of the Airport and relate to project monitoring, debt administration, certification, compliance and reporting requirements stipulated by lenders.
- 7.2.85 The Authority is of the view that the aforesaid expenses are in the nature of project development and financing-related costs and do not represent recurring Operation and Maintenance (O&M) expenses associated with the provision of airport services. These costs have been incurred in connection with the implementation and financing of the Airport project and, therefore, are generally a part of the project cost capitalized during the construction phase rather than being recovered through O&M expenses during the operational phase.
- 7.2.86 The Authority further observes that GVIAL has considered bank guarantee charges towards CNS/ATM obligations. Since the Authority has separately examined and revised the relevant CNS/ ATM expense estimates in the respective section of this Consultation Paper, the corresponding amounts for which bank guarantee has been sought have also been revised to maintain consistency with the Authority's approved assumptions. Based on the above, the Authority has considered bank charges at Rs. 4.49 crore for FY27, as presented in the table below:

**Table 86: Detailed Break-up of Bank Charges for the First Control Period as proposed by the Authority for FY 27**

(Rs. in Crs)

| Bank Charges              | Amount | Amount | BG Com | Amount      | Requirement                                                          |
|---------------------------|--------|--------|--------|-------------|----------------------------------------------------------------------|
| APADCL                    |        | 46.00  | 1.25%  | 0.58        | Emanating from Concession Agreement                                  |
| <b>DSRA</b>               |        |        |        |             |                                                                      |
| Interest                  |        | 186.09 | 1.38%  | 2.56        | 2 quarter interest to be kept as DSRA BG as per Financing Agreement  |
| Principal                 |        | 41.50  | 1.38%  | 0.57        | 2 quarter principal to be kept as DSRA BG as per Financing Agreement |
| <b>AAI BG towards</b>     |        |        |        |             |                                                                      |
| Capex                     | 86.50  | 30.62  | 1.25%  | 0.38        | 2-year Capex Recovery Amount as per CNS ATM Agreement                |
| Opex                      | 44.20  | 22.10  | 1.25%  | 0.28        | 6 months Opex as per CNS ATM Agreement                               |
| Other Operational BGs     |        | 10.00  | 1.25%  | 0.13        | Estimates                                                            |
| <b>Total Bank Charges</b> |        |        |        | <b>4.49</b> |                                                                      |

- 7.2.87 The bank charges proposed to be considered by the Authority for the First Control Period are presented in the table below.

**Table 87: Total Bank Charges as proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars               | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|---------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Year Frac                 | A            | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |              |
| Bank Guarantee Charges    | B            | 4.49        | 4.65        | 4.83        | 5.01        | 5.19        | 24.17        |
| Y-o-Y Growth              |              |             | 3.7%        | 3.7%        | 3.7%        | 3.7%        |              |
| <b>Total Bank Charges</b> | <b>C=A*B</b> | <b>2.79</b> | <b>4.65</b> | <b>4.83</b> | <b>5.01</b> | <b>5.19</b> | <b>22.47</b> |

\*Considering COD of 17<sup>th</sup> August 2026

**Allocation of Bank Charges**

- 7.2.88 The Authority notes that GVIAL has allocated bank charges between aeronautical and non-aeronautical activities based on the Gross Block Ratio (GBR).
- 7.2.89 The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable and in line with the approach adopted for other comparable airports. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the Gross Block Ratio as detailed in Table 73.
- 7.2.90 In accordance with the above, the aeronautical bank charges proposed by the Authority for the First Control Period of Bhogapuram Airport are presented below.

**Table 88: Aeronautical Bank Charges as proposed by the Authority for the First Control Period***(Rs. in Crs)*

| Particulars                 | Ref          | FY 27* | FY 28  | FY 29  | FY 30  | FY 31  | Total        |
|-----------------------------|--------------|--------|--------|--------|--------|--------|--------------|
| Total Bank Charges          | A            | 2.79   | 4.65   | 4.83   | 5.01   | 5.19   | 22.47        |
| Aero Allocation Ratio (GBR) | B            | 91.04% | 91.04% | 91.04% | 91.09% | 91.13% |              |
| <b>Aero Bank Charges</b>    | <b>C=A*B</b> | 2.54   | 4.24   | 4.39   | 4.56   | 4.73   | <b>20.46</b> |

\*Considering COD of 17<sup>th</sup> August 2026**H. Consultancy & Legal**

- 7.2.91 The Authority notes that GVIAL has estimated consultancy and legal expenses based on benchmarking with comparable airports, including Mopa, Hyderabad, Bangalore, Mumbai and Delhi Airports, at Rs. 8.00 per passenger for FY26 and has escalated the same at an annual inflation rate of 4.2% for the First Control Period.
- 7.2.92 The Authority has examined the basis of estimation of consultancy and legal expenses and has sought further clarifications along with supporting documents, including work orders, engagement letters and details of the nature and scope of services. GVIAL has responded that the above costs are based on benchmarking and that no consultants have been appointed as on date, and such services are proposed to be availed on a need basis during airport operations.
- 7.2.93 In the absence of any identified engagements or supporting documentation, the Authority, proposes to consider only 50% of the consultancy and legal expenses submitted by GVIAL for FY 26-27.
- 7.2.94 GVIAL has not separately projected legal costs within the consultancy and legal expenses submitted under O&M for the First Control Period. In the absence of a specific projection, the Authority has examined the detailed break-up of consultancy and legal costs furnished by GVIAL under pre-operative expenses, from which it is observed that legal expenses constitute 3% of the total consultancy and legal charges. The Authority further notes that this legal cost component was identified and excluded in determining pre-operative expenses. For consistency of treatment, the Authority proposes to adopt the same proportion of 3% as a proxy for the legal cost component embedded in the consultancy and legal expenses under O&M, and to exclude it accordingly for the First Control Period. The Authority proposes to consider escalation for Consultancy & Legal Charges for the remaining years of the First Control Period based on the inflation rates detailed in Table 51.
- 7.2.95 The consultancy expenses proposed to be considered by the Authority for the First Control Period are presented in the table below.

**Table 89: Total Consultancy Charges as proposed by the Authority for the First Control Period***(Rs. in Crs)*

| Particulars                      | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|----------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Year Frac                        | A            | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |             |
| Consultancy Charges              | B            | 1.45        | 1.50        | 1.56        | 1.61        | 1.67        |             |
| Y-o-Y Growth                     |              |             | 3.7%        | 3.7%        | 3.7%        | 3.7%        |             |
| <b>Total Consultancy Charges</b> | <b>C=A*B</b> | <b>0.90</b> | <b>1.50</b> | <b>1.56</b> | <b>1.61</b> | <b>1.67</b> | <b>7.25</b> |

*\*Considering COD of 17<sup>th</sup> August 2026***Allocation of Consultancy Charges**

- 7.2.96 The Authority notes that GVIAL has allocated consultancy and legal expenses between aeronautical and non-aeronautical activities based on the Gross Block Ratio (GBR).
- 7.2.97 The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable and in line with the approach adopted for other comparable airports. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the Gross Block Ratio as detailed in Table 73.
- 7.2.98 In accordance with the above, the aeronautical consultancy expenses proposed by the Authority for the First Control Period of Bhogapuram Airport are presented below.

**Table 90: Aeronautical Consultancy Charges proposed by the Authority for the First Control Period***(Rs. in Crs)*

| Particulars                                         | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|-----------------------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Consultancy Charges                           | A            | 0.90        | 1.50        | 1.56        | 1.61        | 1.67        | 7.25        |
| Aero Allocation Ratio(GBR)                          | B            | 91.04%      | 91.04%      | 91.04%      | 91.09%      | 91.13%      |             |
| <b>Aeronautical Consultancy &amp; Legal Charges</b> | <b>C=A*B</b> | <b>0.82</b> | <b>1.37</b> | <b>1.42</b> | <b>1.47</b> | <b>1.53</b> | <b>6.60</b> |

*\*Considering COD of 17<sup>th</sup> August 2026***I. Travel Cost**

- 7.2.99 The Authority notes that GVIAL has estimated travel cost based on department-wise internal estimates, amounting to Rs. 6.5 crore for FY27 (Rs. 4.9 crore for a period of nine months) and has escalated the same at an annual inflation rate of 4.2% for the period from FY 28 to FY 32. The department-wise travel cost as submitted by GVIAL is as follows:

**Table 91: Department Wise Travel Cost submitted by GVIAL***(Rs. in Crs)*

| Department                  | FY 27 |
|-----------------------------|-------|
| CEO Office                  | 0.50  |
| Finance                     | 0.50  |
| Operations                  | 1.50  |
| Commercial-Aero             | 0.50  |
| Commercial-Non Aero         | 0.25  |
| CPD                         | 0.25  |
| Admin & HR                  | 0.25  |
| Legal                       | 0.25  |
| Strategy - SPG, Master Plan | 0.25  |
| EHS                         | 0.25  |
| MAG                         | 0.25  |
| Corporate Affairs           | 0.25  |

| Department                 | FY 27       |
|----------------------------|-------------|
| International Travel       | 1.50        |
| <b>Total (in Rs. Crs.)</b> | <b>6.50</b> |

7.2.100 The Authority notes that there is no other basis of estimation other than the break up given in table above. Hence the Authority proposes to benchmark the travel costs with that of other comparable airports. The benchmarking of travel cost was undertaken together with inflation adjusted numbers of Manohar International Airport, Mopa, Goa. The travel cost per employee for GVIAL and Manohar International Airport, Mopa, Goa for the first year is presented in the table below.

**Table 92: Comparison of Travel Cost per employee between Bhogapuram Airport and MoPA Goa**

| Particulars                          | Bhogapuram            | MOPA Goa (as per Tariff Order)       |
|--------------------------------------|-----------------------|--------------------------------------|
| Travel costs (1st year) in Rs.       | 6,50,00,000           | 2,01,55,416 (adjusted for inflation) |
| No of Employees                      | 331 (last year of CP) | 353                                  |
| <b>Travel Cost per employee (Rs)</b> | <b>1,96,374</b>       | <b>57,098</b>                        |

7.2.101 The Authority notes that the travel cost per employee for Manohar International Airport, Mopa, Goa is Rs. 57,098, whereas for GVIAL, based on the head count submitted by GVIAL, the corresponding cost works out to Rs. 1,96,374 per employee. It is observed that the per employee travel cost for GVIAL is significantly higher than that of Manohar International Airport, Mopa, Goa.

7.2.102 Hence, the Authority proposes to consider travel cost for GVIAL based on the per employee cost observed for Manohar International Airport, Mopa, Goa for FY 27 and to apply inflation as per Table 51 for projection of travel costs for the remaining years of the control period. The travel cost per employee is then multiplied with the revised headcount proposed by the Authority in Table 70. Considering the above, the total travel cost proposed to be considered by the Authority for the First Control Period is presented in the table below.

**Table 93: Total Travel Cost proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                   | Ref                                                                 | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|-------------------------------|---------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Year Frac                     | A                                                                   | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |             |
| Employee Count                | B                                                                   | 250         |             |             |             |             |             |
| Travel Cost per employee (Rs) | C                                                                   | 57,098      |             |             |             |             |             |
| Travel Expense                | $D = (B * C) / 10^7 \text{ \& Prev } C * (1 + \text{Inflation} \%)$ | 1.43        | 1.48        | 1.54        | 1.59        | 1.65        |             |
| <b>Total Travel Expense</b>   | <b>E = A * D</b>                                                    | <b>0.89</b> | <b>1.48</b> | <b>1.54</b> | <b>1.59</b> | <b>1.65</b> | <b>7.15</b> |

\*Considering COD of 17<sup>th</sup> August 2026

7.2.103 The Authority has retained a base of 250 employees for projecting travel expenses throughout the First Control Period. As detailed in Table 70, the projected increase in headcount is largely in Airport Operations, AOCC and Security, where personnel are expected to be stationed at the airport. The headcount of management and senior personnel, who are more likely to undertake official travel, is expected to remain broadly stable. Accordingly, the Authority proposes to apply inflation to the benchmark travel cost per employee without increasing the employee base used for this expense.

#### **Allocation of Travel Cost**

7.2.104 The Authority notes that GVIAL has allocated travel cost between aeronautical and non-aeronautical activities based on the Employee Head Count Ratio (EHCR).

7.2.105 The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable and in line with the approach adopted by the Authority. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the EHCR as detailed in Table 73.

7.2.106 In accordance with the above, the aeronautical travel cost proposed by the Authority for the First Control Period of Bhogapuram Airport is presented below.

**Table 94: Aeronautical Travel Cost proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                        | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Travel Expense               | A            | 0.89        | 1.48        | 1.54        | 1.59        | 1.65        | 7.15        |
| Aero Allocation Ratio (EHR)        | B            | 93.75%      | 94.23%      | 94.58%      | 94.77%      | 94.92%      |             |
| <b>Aeronautical Travel Charges</b> | <b>C=A*B</b> | <b>0.83</b> | <b>1.39</b> | <b>1.45</b> | <b>1.51</b> | <b>1.57</b> | <b>6.75</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### J. Advertisement Cost

7.2.107 The Authority notes that GVIAL has estimated advertisement expense based on benchmarking with comparable airports, including Mopa, Hyderabad, Bangalore, Mumbai and Delhi Airports, at Rs. 3.00 per passenger for FY26 and has escalated the same at an annual inflation rate of 4.2% for the First Control Period. No further break up/ contracts for advertisement expenses was given by GVIAL.

7.2.108 The Authority notes that Bhogapuram International Airport is being developed as a replacement airport for the existing Visakhapatnam Airport. In this regard, the Ministry of Civil Aviation, vide Notification S.O. 4173(E) dated 28<sup>th</sup> July 2026, noted that, consequent upon the commissioning of Bhogapuram International Airport starting from COD of 17<sup>th</sup> August 2026, scheduled commercial operations at the Civil Enclave at Visakhapatnam Airport shall remain closed for a period of 30 years. Accordingly, the entire scheduled commercial passenger traffic currently handled at Visakhapatnam Airport is expected to transition to Bhogapuram International Airport upon commencement of operations.

7.2.109 The Authority is therefore of the view that substantial advertisement and promotional expenditure, as submitted by GVIAL, may not be warranted for the purpose of attracting passenger traffic during the First Control Period. The Authority further observes that expenditure incurred towards brand building, promotional campaigns and marketing initiatives is generally discretionary in nature and is not a core requirement for operation and maintenance of the Airport.

7.2.110 Considering the above, and taking into account the requirement for limited communication, awareness and stakeholder outreach activities during the initial operational phase, the Authority proposes to restrict advertisement expenses to Rs. 1 crore per annum for FY 27 escalated with inflation as per Table 51 for subsequent years of the First Control Period. For FY 2026-27, the Authority proposes not to apply the year factor to the advertisement expenses of Rs. 1 crore, considering that the said expenditure is expected to be incurred during the 7.5-month period commencing from COD.

**Table 95: Total Advertisement Expense proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                        | Ref | FY 27* | FY 28 | FY 29 | FY 30 | FY 31 | Total       |
|------------------------------------|-----|--------|-------|-------|-------|-------|-------------|
| <b>Total Advertisement charges</b> | B   | 1.00   | 1.04  | 1.08  | 1.12  | 1.16  | <b>5.38</b> |
| <b>Escalation</b>                  | C   |        | 3.70% | 3.70% | 3.70% | 3.70% |             |

\*Considering COD of 17<sup>th</sup> August 2026

**Allocation of Advertisement Expenses**

7.2.111 The Authority notes that GVIAL has allocated Advertisement between aeronautical and non-aeronautical activities based on the Terminal Building Ratio (TBLR). The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable and in line with the approach adopted by the Authority. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the Terminal Building Ratio as detailed in Table 73.

7.2.112 The aeronautical advertisement expense proposed to be considered by the Authority for the First Control Period is presented in the table below.

**Table 96: Aeronautical Advertisement Expense proposed by the Authority for the First Control Period**  
(Rs. in Crs)

| Particulars                        | FY 27* | FY 28  | FY 29  | FY 30  | FY 31  | Total       |
|------------------------------------|--------|--------|--------|--------|--------|-------------|
| Total Advertisement Charges        | 1.00   | 1.04   | 1.08   | 1.12   | 1.16   | <b>5.38</b> |
| Allocation Ratio (TBLR)            | 88.60% | 88.60% | 88.60% | 88.60% | 88.60% |             |
| Aeronautical Advertisement Charges | 0.89   | 0.92   | 0.95   | 0.99   | 1.02   | <b>4.77</b> |

\*Considering COD of 17<sup>th</sup> August 2026

**K. Auditor and Director Fees**

7.2.113 The Authority has examined the basis of estimation of Auditor and Director fees submitted by GVIAL. The Authority notes that GVIAL has projected Auditor and Director fees of Rs. 54 lakh for FY27 based on internal estimates and has escalated the same for the subsequent years of the First Control Period.

7.2.114 The Authority further notes that, as per the audited financial statements for FY26, the actual expenditure incurred towards Auditor and Director fees was approximately Rs. 14 lakh. In the Authority's view, the projected expenditure of Rs. 54 lakh for FY27 represents a significant increase over the historical level of expenditure and has not been adequately substantiated by GVIAL. At the same time, the Authority recognises that the commencement of airport operations during the First Control Period may entail higher compliance, governance, audit and board-related requirements as compared to the pre-operational phase.

7.2.115 Accordingly, after considering the historical expenditure levels and allowing a reasonable increase towards the operationalization of the airport, the Authority proposes to consider Auditor and Director fees of Rs. 25 lakhs for FY27. For the subsequent years of the First Control Period, the Authority proposes to escalate the same based on the revised inflation assumptions adopted by the Authority (refer Table 51).

7.2.116 The Auditor and Director fees proposed to be considered by the Authority for the First Control Period are presented in the table below.

**Table 97: Total Auditor and Director Fees as proposed by the Authority for the First Control Period**  
(Rs. in Crs)

| Particulars                  | Ref   | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|------------------------------|-------|-------------|-------------|-------------|-------------|-------------|-------------|
| Year Frac                    | A     | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |             |
| Auditor and Director Fees    | B     | 0.25        | 0.26        | 0.27        | 0.28        | 0.29        | <b>1.35</b> |
| Y-o-Y Growth                 |       |             | 3.7%        | 3.7%        | 3.7%        | 3.7%        |             |
| Total Auditor & Director Fee | C=A*B | <b>0.16</b> | <b>0.26</b> | <b>0.27</b> | <b>0.28</b> | <b>0.29</b> | <b>1.25</b> |

\*Considering COD of 17<sup>th</sup> August 2026

**Allocation of Auditor and Director Fees**

7.2.117 The Authority notes that GVIAL has allocated Auditor and Director fees between aeronautical and non-aeronautical activities based on the Gross Block Ratio (GBR). The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable and in line with the approach adopted by the Authority. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the Gross Block Ratio as detailed in Table 73.

7.2.118 In accordance with the above, the aeronautical Auditor and Director fees for the First Control Period of Bhogapuram International Airport are presented below.

**Table 98: Aeronautical Auditor and Director Fees as proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                            | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|----------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Auditor & Director Fee           | A            | 0.16        | 0.26        | 0.27        | 0.28        | 0.29        | 1.25        |
| Aero Allocation Ratio (GBR)            | B            | 91.04%      | 91.04%      | 91.04%      | 91.09%      | 91.13%      |             |
| <b>Aero Auditor &amp; Director Fee</b> | <b>C=A*B</b> | <b>0.14</b> | <b>0.24</b> | <b>0.24</b> | <b>0.25</b> | <b>0.26</b> | <b>1.14</b> |

\*Considering COD of 17<sup>th</sup> August 2026

**L. Vehicle Hire Charges**

7.2.119 The Authority notes that GVIAL has estimated vehicle hire charges towards airside movement, internal airport transportation and staff movement, based on internal estimates, amounting to Rs. 12.5 crore for FY27 (Rs. 9.4 crore for a period of nine months) and has escalated the same at an annual inflation rate of 4.2% for the subsequent years of the First Control Period.

7.2.120 The Authority, through its independent consultant, sought further clarifications from GVIAL regarding the justification for vehicle deployment, the number of vehicles proposed, and details of the contractual arrangements, if any. In response, GVIAL submitted a revised estimate of Rs 3.98 crore for FY 2026-27, along with a detailed break-up and justification for vehicle deployment across various categories of usage. Upon further examination, it was noted that the variation between the earlier and revised estimates was attributable to an error in the computation of hire charges per vehicle for movement within the airport premises. Upon rectification of the error, the total estimated vehicle hire charges were revised downward to Rs 3.98 crore.

7.2.121 The detailed break-up of vehicle hire charges submitted by GVIAL and examined by the Authority is presented in the table below.

**Table 99: Detailed break-up of Vehicle Hire Charges as submitted by GVIAL (revised submission) and as considered by the Authority after rationalization**

| Particulars (FY 27) | No of Vehicle as submitted by GVIAL | Hiring charges Rs Cr per unit | Amount as submitted by GVIAL Rs. Cr | Justification by GVIAL                                                                     | No of Vehicle as proposed by Authority | Amount to be considered by Authority Rs. Cr |
|---------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------------|
| Number of Buses     | 10                                  | 0.20                          | 2.00                                | The airport being located away from the city, bus services are required to be provided for | 6                                      | 1.20                                        |

| Particulars<br>(FY 27)                 | No of<br>Vehicle<br>as<br>submitte<br>d by<br>GVIAL | Hiring<br>charges<br>Rs Cr per<br>unit | Amount<br>as<br>submitte<br>d by<br>GVIAL<br>Rs. Cr | Justification by GVIAL                                                                                                                                                                                                                                                                                                                                                                                            | No of<br>Vehicle as<br>proposed<br>by<br>Authority | Amount<br>to be<br>considere<br>d by<br>Authority<br>Rs. Cr |
|----------------------------------------|-----------------------------------------------------|----------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------|
|                                        |                                                     |                                        |                                                     | GVIAL staffs. Currently, the staffs are staying in Vizianagaram and Visakhapatnam as the airport is accessible from the twin cities. Considering the 24/7 operations of terminal, and given the GVIAL headcount of 331, it is estimated that 6 buses (3 each from Vizianagaram and Visakhapatnam) shall operate during normal shift and 4 buses (2 each from Vizianagaram and Visakhapatnam) during night shifts. |                                                    |                                                             |
| Vehicles for movement within airport   | 10                                                  | 0.09                                   | 0.90                                                | The following department needs vehicle round the clock for quick response and efficient operations of the airport: Security (2 no's), Operations (2 no's), Commercial (1 no), Wildlife Management (1 no), Safety (1 no), Maintenance (1 no), Finance (1 no) and FMS (1 no)                                                                                                                                        | 10                                                 | 0.90                                                        |
| Vehicle for airside movement           | 4                                                   | 0.12                                   | 0.48                                                | These are the vehicles required for movement of ARFF and Airside staffs                                                                                                                                                                                                                                                                                                                                           | 4                                                  | 0.48                                                        |
| Vehicle for Senior Management Movement | 5                                                   | 0.12                                   | 0.60                                                | There are vehicles required for CEO office, CFO office, COO office, CDO office and CR office                                                                                                                                                                                                                                                                                                                      | 5                                                  | 0.60                                                        |
| <b>Total</b>                           |                                                     |                                        | <b>3.98</b>                                         |                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                    | <b>3.18</b>                                                 |

7.2.122 The Authority has examined the revised submission and notes that GVIAL has proposed deployment of 10 staff buses, covering transportation requirements for both normal and night shift operations. Considering the reduction in employee headcount proposed by the Authority (Refer Table 69), consequent to the downward revision in passenger traffic, the Authority is of the view that the requirement for staff transportation would correspondingly reduce. Accordingly, the Authority proposes to rationalize the number of staff buses from 10 to 6.

7.2.123 Further, the Authority has examined the requirement of other vehicle categories, including vehicles for airside movement, intra-airport movement and senior management movement, and has considered the same based on the justification provided by GVIAL and notes that these are operational requirements.

7.2.124 Based on the above rationalization and examination of the revised submission, the Authority proposes to consider vehicle hire charges of Rs. 3.18 crore for FY27.

7.2.125 The Authority proposes to escalate the vehicle hire charges for the subsequent years of the First Control Period based on the revised inflation assumptions adopted by the Authority (refer Table 51).

7.2.126 The vehicle hire charges proposed to be considered by the Authority for the First Control Period are presented in the table below.

**Table 100: Total Vehicle Hire Charges as proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                       | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|-----------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Year Frac                         | A            | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |              |
| Vehicle Hire Charges              | B            | 3.18        | 3.30        | 3.42        | 3.55        | 3.68        |              |
| <b>Total Vehicle Hire Charges</b> | <b>C=A*B</b> | <b>1.98</b> | <b>3.30</b> | <b>3.42</b> | <b>3.55</b> | <b>3.68</b> | <b>15.92</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### Allocation of Vehicle Hire Charges

7.2.127 The Authority notes that GVIAL has allocated vehicle hire charges between aeronautical and non-aeronautical activities based on the Gross Block Ratio (GBR).

7.2.128 The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable and in line with the approach adopted by the Authority. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the Gross Block Ratio as detailed in Table 73.

7.2.129 In accordance with the above, the aeronautical vehicle hire charges for the First Control Period of Bhogapuram Airport are presented below.

**Table 101: Aeronautical Vehicle Hire Charges as proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                              | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|------------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Total Vehicle Hire Charges               | A            | 1.98        | 3.30        | 3.42        | 3.55        | 3.68        | 15.92        |
| Aero Allocation Ratio (GBR)              | B            | 91.04%      | 91.04%      | 91.04%      | 91.09%      | 91.13%      |              |
| <b>Aeronautical Vehicle Hire Charges</b> | <b>C=A*B</b> | <b>1.80</b> | <b>3.00</b> | <b>3.11</b> | <b>3.23</b> | <b>3.35</b> | <b>14.50</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### M. Other Administrative Expenses

7.2.130 The Authority notes that GVIAL has estimated other administrative expenses, including printing and stationery, pantry expenses, postage and mailing charges, accommodation expenses, fuel expenses, housekeeping expenses, repairs and maintenance, audit and certification fees, loan administration fees, rating fees, board meeting expenses, staff welfare expenses, license renewal fees, communication expenses and other miscellaneous administrative expenses, based on internal estimates amounting to Rs. 5.3 crore for FY27 (Rs. 3.9 crore for a period of nine months) and has escalated the same at an annual inflation rate of 4.2% for the subsequent years of the First Control Period.

7.2.131 The Authority has examined the nature of the individual expenses included under this head and notes that some of the expenditure items overlap with expenses already proposed to be considered under some other head of expense in this consultation paper. For example, accommodation-related expenses have already been considered under the relevant rent and lease expense head. Similarly, repairs and maintenance expenses are

separately examined and considered under the Repairs and Maintenance expense category. Staff welfare expenses form part of the manpower cost assumptions considered by the Authority, while audit and certification fees, wherever applicable, have been separately examined under the auditors and board meeting expenses and legal and consultancy fees heads respectively.

7.2.132 In view of the above, the Authority proposes to consider Rs. 1 Crore for FY 26-27 towards Other Administrative Expenses and to escalate these charges for the subsequent years of the First Control Period based on the inflation assumptions adopted by the Authority (refer Table 51).

**Table 102: Total Other Administrative Expenses as proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                         | Ref   | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|-------------------------------------|-------|-------------|-------------|-------------|-------------|-------------|-------------|
| Year Frac                           | A     | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |             |
| Other Administrative Expenses       | B     | 1.00        | 1.04        | 1.08        | 1.12        | 1.16        | <b>5.38</b> |
| Y-o-Y Growth                        |       |             | 3.7%        | 3.7%        | 3.7%        | 3.7%        |             |
| Total Other Administrative Expenses | C=A*B | <b>0.62</b> | <b>1.04</b> | <b>1.08</b> | <b>1.12</b> | <b>1.16</b> | <b>5.01</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### Allocation of Other Administrative Expenses

7.2.133 The Authority notes that GVIAL has allocated Other Administrative Expenses between aeronautical and non-aeronautical activities based on the Gross Block Ratio (GBR). The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable and in line with the approach adopted by the Authority. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the Gross Block Ratio as detailed in Table 73.

7.2.134 In accordance with the above, the aeronautical Other Administrative Expenses for the First Control Period of Bhogapuram Airport are presented below.

**Table 103: Aeronautical Other Administrative Expenses as proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                         | Ref   | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|-------------------------------------|-------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Other Administrative Expenses | A     | 0.62        | 1.04        | 1.08        | 1.12        | 1.16        | 5.01        |
| Aero Allocation Ratio (GBR)         | B     | 91.04%      | 91.04%      | 91.04%      | 91.09%      | 91.13%      |             |
| Aero Other Administrative Expenses  | C=A*B | <b>0.57</b> | <b>0.94</b> | <b>0.98</b> | <b>1.02</b> | <b>1.05</b> | <b>4.56</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### N. Utility Expense

7.2.135 The Authority notes that GVIAL has estimated utility costs comprising electricity and water expenses, net of recoveries from airlines and concessionaires, for the First Control Period.

##### Electricity Cost

7.2.136 The Authority notes that GVIAL has estimated electricity consumption based on internal assessment of load centers and operational requirements and has escalated the same at 5% annually for the First Control Period. The cost of power procurement has been considered at Rs. 7.65 per kWh, along with electricity duty of Rs. 1 per kWh and fixed charges of Rs. 475 per kVA per month, in addition to procurement from solar sources.

- 7.2.137 The Authority has examined the basis of estimation of electricity consumption, including the load-wise computation of units and the underlying assumptions, and has obtained clarifications from GVIAL in this regard. The Authority notes that GVIAL has provided detailed estimates of electricity consumption across various load centres. However, GVIAL has considered a uniform annual increase of 5% in electricity consumption without establishing a corresponding increase in the operating hours, connected load or utilization of the respective load centres.
- 7.2.138 The Authority observes that electricity consumption at the Airport comprises both fixed/base loads required for maintaining airport operations and variable loads that may increase with the level of utilization of airport facilities. A significant part of the electricity requirement relates to systems and facilities that are required to remain operational irrespective of variations in passenger traffic. Therefore, electricity consumption may not increase proportionately with traffic, particularly during the initial years of Airport operations.
- 7.2.139 Considering the above, the Authority does not find sufficient basis for applying a uniform annual escalation of 5% to the electricity consumption from the commencement of operations. Accordingly, the Authority considers it appropriate to retain the electricity consumption at the estimated level up to FY 2030 and thereafter allow an escalation of 5%, considering the increase in traffic and the consequent higher utilization of Airport facilities.
- 7.2.140 Accordingly, the Authority proposes to consider electricity consumption at constant levels up to FY 2030 and apply an escalation of 5% thereafter for the remaining period of the First Control Period.
- 7.2.141 The Authority further notes that GVIAL has considered recovery of utility charges from concessionaires at 15%, which is lower than the levels observed at comparable airports. The Authority observes that at Manohar International Airport, Mopa, Goa, recovery of approximately 24% has been considered, and at Noida International Airport, recovery ranges from 30–40% for power and 17–26% for water.
- 7.2.142 In view of the above, the Authority proposes to estimate the recovery at 20%, representing a reasonable level aligned with comparable airports. The revised electricity cost is presented in the table below.

**Table 104: Electricity Cost proposed by the Authority for the First Control Period**

*(Rs. in Crs unless specified otherwise)*

| Particulars                        | Ref              | FY 27              | FY 28              | FY 29              | FY 30              | FY 31              | Total        |
|------------------------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------|
| Year Frac                          | A                | 0.62               | 1.00               | 1.00               | 1.00               | 1.00               |              |
| Electricity Units (In KV aH)       | B                | 2,78,22,227        | 2,78,22,227        | 2,78,22,227        | 2,78,22,227        | 2,92,13,339        |              |
| Solar Plant Generation (KW)        | C                | 54,82,729          | 54,27,902          | 53,73,623          | 53,19,887          | 52,66,688          |              |
| <b>Unit Consumption (KWH)</b>      | <b>D=(B-C)*A</b> | <b>1,39,00,132</b> | <b>2,23,94,325</b> | <b>2,24,48,604</b> | <b>2,25,02,340</b> | <b>2,39,46,651</b> |              |
| Per Unit Cost (Rs)                 | E                | 7.65               | 7.93               | 8.23               | 8.53               | 8.85               |              |
| Electricity Duty (Rs)              | F                | 1.00               | 1.00               | 1.00               | 1.00               | 1.00               |              |
| <b>Total Cost</b>                  | <b>G=D*(E+F)</b> | <b>12.02</b>       | <b>20.00</b>       | <b>20.71</b>       | <b>21.45</b>       | <b>23.58</b>       | <b>97.77</b> |
| Fixed Power charges (Rs/KVA/Month) | H                | 475.00             | 492.58             | 510.80             | 529.70             | 549.30             |              |
| Contracted Demand (KVA)            | I                | 617.00             | 617.00             | 617.00             | 617.00             | 617.00             |              |

| Particulars                      | Ref               | FY 27        | FY 28        | FY 29        | FY 30        | FY 31        | Total        |
|----------------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Total Fixed Power Charges</b> | <b>J=I*A*H*12</b> | <b>0.22</b>  | <b>0.36</b>  | <b>0.38</b>  | <b>0.39</b>  | <b>0.41</b>  | <b>1.76</b>  |
| Solar Plant Rate                 | K                 | 4.74         | 4.74         | 4.74         | 4.74         | 4.74         |              |
| <b>Solar Power</b>               | <b>L=K*C*A</b>    | <b>1.62</b>  | <b>2.57</b>  | <b>2.55</b>  | <b>2.52</b>  | <b>2.50</b>  | <b>11.75</b> |
| Recovery %                       | M                 | 20.00%       | 20.00%       | 20.00%       | 20.00%       | 20.00%       |              |
| Recovery unit                    | N=A*B*M           | 34,62,322    | 55,64,445    | 55,64,445    | 55,64,445    | 58,42,668    |              |
| <b>Total Recovery</b>            | <b>O=E*N</b>      | <b>2.65</b>  | <b>4.41</b>  | <b>4.58</b>  | <b>4.75</b>  | <b>5.17</b>  | <b>21.56</b> |
| <b>Net Electricity Cost</b>      | <b>P=G+J+L-O</b>  | <b>11.21</b> | <b>18.53</b> | <b>19.06</b> | <b>19.61</b> | <b>21.31</b> | <b>89.73</b> |

*\*Considering COD of 17<sup>th</sup> August 2026*

### Water Cost

7.2.143 The Authority notes that GVIAL has estimated water consumption based on internal assessment of operational requirements and has proposed to source water through arrangements with the Rural Water Supply Department, at a tariff of Rs. 75 per KL, with a projected consumption of 1.7 MLD for the initial year of operations.

7.2.144 The Authority has examined the basis of estimation of water consumption, including the underlying assumptions and the break-up of consumption across various facilities. The break-up of water consumption as submitted by GVIAL is presented in the table below.

**Table 105: Breakup of Water Unit Consumption submitted by GVIAL for the First Control Period**

| Purpose                           | Potable Demand (KLD) | Non-potable Demand (KLD) | Total (KLD)  |
|-----------------------------------|----------------------|--------------------------|--------------|
| Passenger Terminal Building (PTB) | 326                  | 133                      | 459          |
| Ancillary Buildings               | 237                  | 65                       | 301          |
| Cooling Tower                     | -                    | 500                      | 500          |
| City Side Development             | 260                  | 208                      | 467          |
| <b>Sub-Total</b>                  | <b>822</b>           | <b>905</b>               | <b>1,727</b> |
| Less: City Side Development       | 260                  | 208                      | 467          |
| <b>Total</b>                      | <b>562</b>           | <b>698</b>               | <b>1,260</b> |

7.2.145 The Authority observes that the water consumption submitted by GVIAL includes requirements attributable to both airport operations and city-side development, such as commercial areas and other non-aeronautical facilities. The Authority notes that, in accordance with the provisions of the Concession Agreement, costs related to city-side development are not to be considered for determination of aeronautical charges.

7.2.146 Accordingly, the Authority has excluded the water consumption pertaining to city-side development and considered only the consumption relating to the operational areas of the Airport. The Authority further notes that GVIAL has projected the water cost considering passenger growth and inflation during the First Control Period, and proposes to adopt the same for estimating the water cost.

7.2.147 The Authority further notes that GVIAL has considered the water tariff at Rs. 75 per KL, and the same is considered reasonable. However, the Authority observes that recovery from concessionaires has been considered at levels lower than those observed at comparable airports. In line with the approach adopted for electricity charges, and based on benchmarking with other airports, the Authority proposes to revise the recovery from concessionaires to 20% for water charges.

7.2.148 Accordingly, the Authority has revised the water cost by excluding city-side consumption and incorporating recovery from concessionaires at 20%. The revised water cost is presented in the table below.

**Table 106: Water Cost proposed by the Authority for the First Control Period**

(Rs. in Crs unless specified otherwise)

| Particulars           | Ref              | FY 27       | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|-----------------------|------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Water Cost            | A                | 2.15#       | 4.00        | 4.93        | 6.36        | 7.83        | 25.27        |
| PAX growth            |                  |             | 80%         | 19%         | 24%         | 19%         |              |
| Inflation Increase    |                  |             | 3.7%        | 3.7%        | 3.7%        | 3.7%        |              |
| Recovery %            | B                | 20.00%      | 20.00%      | 20.00%      | 20.00%      | 20.00%      |              |
| <b>Net Water Cost</b> | <b>C=A*(1-B)</b> | <b>1.72</b> | <b>3.20</b> | <b>3.94</b> | <b>5.09</b> | <b>6.27</b> | <b>20.22</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#Computed based on unit consumption of 1,260 at Rs. 75 per unit, prorated considering the COD of 17<sup>th</sup> August 2026.

7.2.149 The Authority further observes that, as per the Non-Aeronautical Master Concession Agreement, administrative charges at the rate of 10% are recoverable from concessionaires. However, such recovery has not been appropriately considered by GVIAL in the computation of utility costs. Accordingly, the Authority has reduced the utility cost by incorporating recovery of administrative charges (10%), in line with the contractual provisions.

7.2.150 Considering the above, the utility cost considered by the Authority for the First Control Period is presented in the table below.

**Table 107: Utility Cost proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                                                                                             | Ref          | FY 27*       | FY 28        | FY 29        | FY 30        | FY 31        | Total         |
|---------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Electricity Cost                                                                                        | A            | 11.21        | 18.53        | 19.06        | 19.61        | 21.31        | 89.73         |
| Water Cost                                                                                              | B            | 1.72         | 3.20         | 3.94         | 5.09         | 6.27         | 20.22         |
| <b>Total Utility Cost</b>                                                                               | <b>C=A+B</b> | <b>12.93</b> | <b>21.73</b> | <b>23.00</b> | <b>24.70</b> | <b>27.58</b> | <b>109.94</b> |
| Less: Administrative charges recovered from concessionaires (10% of the total recovery as per contract) | D            | 0.31         | 0.52         | 0.56         | 0.60         | 0.67         | 2.66          |
| <b>Utility Cost</b>                                                                                     | <b>E=C-D</b> | <b>12.62</b> | <b>21.21</b> | <b>22.45</b> | <b>24.10</b> | <b>26.90</b> | <b>107.28</b> |

\*Considering COD of 17<sup>th</sup> August 2026

7.2.151 The Authority notes that utility costs have been considered net of recoveries from concessionaires. Accordingly, such costs are fully attributable to aeronautical activities.

## O. Repairs and Maintenance Expense

7.2.152 The Authority notes that GVIAL has estimated Repairs and Maintenance (R&M) expenses based on 1.5% of the average gross block of assets for FY27 and has proposed to escalate the same at an annual inflation rate of 4.2% for the subsequent years of the First Control Period. As per GVIAL submission R&M expenses include maintenance of civil, electrical and mechanical assets, including terminal buildings, runways, taxiways, aprons, aerobridges, power systems, IT infrastructure and other airport facilities.

7.2.153 The Authority through its Independent Consultant has sought further details, including break-up of costs and supporting contracts/work orders. GVIAL has submitted an LOA pertaining to R&M expenses vide mail dated 12<sup>th</sup> August 2026 awarded to GMR Airports Developers Limited.

7.2.154 The Authority notes that, as on the date of this Consultation Paper, the detailed contract and other supporting documentation setting out the scope of services, cost components and other relevant terms underlying the

projected R&M expenses have not been submitted. Hence the Authority for the purpose of this consultation paper proposes to benchmark the R&M costs against those considered for NMIAL, which it considers to be an appropriate comparable greenfield airport for this purpose. At NMIAL, the Authority has proposed R&M expenses at approximately 1.1% to 1.2% of the opening gross block (excluding land/site development costs) during the initial years of operation.

7.2.155 The Authority is of the view that, for a greenfield airport, R&M requirements during the initial years are expected to be relatively lower, as assets are newly commissioned and do not require significant repairs or replacement. Accordingly, a higher percentage may lead to over-estimation of costs. Considering the above, the Authority proposes to moderate the R&M expenses to 1.1% of the opening gross block, as against 1.5% proposed by GVIAL.

7.2.156 The Authority further notes that R&M expenses have been computed based on gross block including site development costs. The Authority is of the view that site development works (such as land development, grading and associated infrastructure) do not require R&M expenditure comparable to operational airport assets. Such assets do not typically undergo wear and tear requiring periodic maintenance or replacement. Accordingly, the Authority proposes to exclude site development cost from the gross block while computing R&M expenses, in line with the approach adopted for comparable airports.

7.2.157 The Authority notes that GVIAL has proposed escalation of R&M expenses at 4.2% annually. The Authority proposes to escalate the R&M expenses for the subsequent years of the First Control Period based on the inflation assumptions adopted by the Authority (refer Table 51).

7.2.158 The Repairs and Maintenance expenses proposed to be considered by the Authority for the First Control Period are presented in the table below.

**Table 108: Repairs and Maintenance Cost proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                                                   | Ref                             | FY 27*       | FY 28        | FY 29        | FY 30        | FY 31        | Total         |
|---------------------------------------------------------------|---------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Year Frac                                                     | A                               | 0.62         | 1.00         | 1.00         | 1.00         | 1.00         |               |
| Aeronautical Opening Gross Block (excluding site development) | B                               | 3,531.13     | 3,531.13     | 3,531.13     | 3,531.13     | 3,556.13     |               |
| Repair & Maintenance (% of Aero GB)                           | C                               | 1.10%        | 1.10%        | 1.10%        | 1.10%        | 1.10%        |               |
| Inflation %                                                   | D                               |              | 3.70%        | 3.70%        | 3.70%        | 3.70%        |               |
| <b>Total R&amp;M</b>                                          | <b>E=A*B*C*<br/>(1+D)^years</b> | <b>24.17</b> | <b>40.28</b> | <b>41.77</b> | <b>43.32</b> | <b>45.08</b> | <b>194.61</b> |

\*Considering COD of 17<sup>th</sup> August 2026

7.2.159 The Authority notes that R&M expenses have been computed based on the gross block of aeronautical assets. Accordingly, such expenses are fully attributable to aeronautical activities hence no allocation ratio has been applied.

7.2.160 The Authority also proposes to true up R&M expenses during the time of tariff determination of the next control period.

## **P. IT Operation Related Expense**

7.2.161 The Authority notes that GVIAL has considered IT operations expenses towards the airport IT ecosystem, which includes systems and services catering to airlines, passengers and concessionaires, such as Airport Administrative Network, AODB and AOCC systems, FIDS, CCTV, access control systems, CUTE, CUSS,

BRS, and other ICT services, including network connectivity, Wi-Fi, mobile antenna systems and data centre services.

7.2.162 The Authority further notes that GVIAL has outsourced its IT requirements to M/s WAISL Limited, through a competitive bidding process, under a comprehensive outsourcing arrangement wherein the service provider is responsible for providing all IT infrastructure and related services.

7.2.163 The Authority has examined the terms of the agreement entered into with the service provider and notes that the IT Operations expenses considered by GVIAL are in accordance with the contractual provisions, including the payment of fixed periodic charges commencing from COD. However, GVIAL had projected these expenses based on the COD of 30th June 2026 considered in its MYTP submission, whereas the actual COD of the Airport is 17th August 2026. Accordingly, the Authority proposes to align the commencement of the monthly charges with the revised COD of 17th August 2026. Further, since the contractual charges are applicable with reference to the COD, the corresponding annual charges and applicable revisions have also been realigned to the revised COD. The resulting difference between GVIAL's submission and the Authority's computation of IT Operations expenses is therefore attributable to the revision in COD and the consequent realignment of the contractual payment schedule.

7.2.164 Accordingly, the Authority finds the IT operations expenses to be contractual in nature and proposes to consider the same for the First Control Period.

7.2.165 The IT operations expenses proposed to be considered by the Authority for the First Control Period are presented in the table below.

**Table 109: Total IT Operations Cost proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars        | Ref | FY 27* | FY 28 | FY 29 | FY 30 | FY 31 | Total         |
|--------------------|-----|--------|-------|-------|-------|-------|---------------|
| IT Operations Cost | A   | 29.63  | 49.50 | 52.94 | 56.64 | 60.63 | <b>249.33</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### **Allocation of IT Operations Expense**

7.2.166 The Authority notes that GVIAL has allocated IT operations expenses between aeronautical and non-aeronautical activities based on the Gross Block Ratio (GBR).

7.2.167 The Authority has examined the allocation basis adopted by GVIAL. However, the Authority proposes to adopt Terminal Building Ratio, in line with the Authority's approach in other airports.

7.2.168 In accordance with the above, the aeronautical IT operations expenses proposed to be considered for the First Control Period of Bhogapuram Airport are presented below.

**Table 110: Aeronautical IT Operations Cost proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                           | Ref           | FY 27*       | FY 28        | FY 29        | FY 30        | FY 31        | Total         |
|---------------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Total IT Operations Cost              | A             | 29.63        | 49.50        | 52.94        | 56.64        | 60.63        | <b>249.33</b> |
| Aero Allocation Ratio (TBLR)          | B             | 88.60%       | 88.60%       | 88.60%       | 88.60%       | 88.60%       |               |
| <b>Aeronautical IT Operation Cost</b> | <b>C= A*B</b> | <b>26.25</b> | <b>43.86</b> | <b>46.90</b> | <b>50.18</b> | <b>53.72</b> | <b>220.90</b> |

\*Considering COD of 17<sup>th</sup> August 2026

**Q. Enterprise IT**

- 7.2.169 The Authority notes that GVIAL has considered enterprise IT expenses towards activities such as repairs and maintenance of IT equipment, communication charges, licensing fees, WPC charges and other related IT services, amounting to Rs. 3.99 crore for FY27 (Rs. 3 crore for a period of nine months) and has escalated the same at an annual inflation rate of 4.2% for the subsequent years of the First Control Period.
- 7.2.170 The Authority, through its Independent Consultant has sought further details, including listing of components, contracts and basis for recurring Enterprise IT costs. In response, GVIAL has submitted that no contracts have been entered into for Enterprise IT services, and that such arrangements are currently under process. GVIAL has instead provided estimated break-up of costs based on internal projections.
- 7.2.171 On an examination of the break up submitted, the Authority notes that certain cost components, such as hardware and software AMC, IT equipment maintenance, communication charges, and consumables and administrative costs appear to overlap with other cost heads, including Repairs & Maintenance and IT Operations expenses, which have already been proposed to be considered by the Authority under separate O&M heads.
- 7.2.172 Hence the Authority proposes to consider enterprise IT expenses at 50% of the amount submitted by GVIAL in the absence of firm contracts for FY 26-27 and to escalate these charges for the subsequent years of the First Control Period based on the inflation assumptions adopted by the Authority (refer Table 51).

**Table 111: Total Enterprise IT Expenses as proposed by the Authority for the First Control Period**  
(Rs. in Crs)

| Particulars                  | Ref   | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|------------------------------|-------|-------------|-------------|-------------|-------------|-------------|--------------|
| Year Frac                    | A     | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |              |
| Enterprise IT Expenses       | B     | 1.99        | 2.07        | 2.15        | 2.22        | 2.31        | <b>10.73</b> |
| Y-o-Y Growth                 |       |             | 3.7%        | 3.7%        | 3.7%        | 3.7%        |              |
| Total Enterprise IT Expenses | C=A*B | <b>1.24</b> | <b>2.07</b> | <b>2.15</b> | <b>2.22</b> | <b>2.31</b> | <b>9.99</b>  |

\*Considering COD of 17<sup>th</sup> August 2026

**Allocation of Enterprise IT Expenses**

- 7.2.173 The Authority notes that GVIAL has allocated Enterprise IT Expenses between aeronautical and non-aeronautical activities based on the Gross Block Ratio (GBR). The Authority has examined the allocation basis adopted by GVIAL. However, the Authority proposes to adopt Terminal Building Ratio, in line with the Authority's approach in other airports.

In accordance with the above, the aeronautical Enterprise IT Expenses for the First Control Period of Bhogapuram International Airport are presented below.

**Table 112: Aeronautical Enterprise IT Expenses as proposed by the Authority for the First Control Period**  
(Rs. in Crs)

| Particulars                  | Ref   | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|------------------------------|-------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Enterprise IT Expenses | A     | 1.24        | 2.07        | 2.15        | 2.22        | 2.31        | 9.99        |
| Aero Allocation Ratio (TBLR) | B     | 88.60%      | 88.60%      | 88.60%      | 88.60%      | 88.60%      |             |
| Aero Enterprise IT Expenses  | C=A*B | <b>1.10</b> | <b>1.83</b> | <b>1.90</b> | <b>1.97</b> | <b>2.04</b> | <b>8.85</b> |

\*Considering COD of 17<sup>th</sup> August 2026

**R. Housekeeping Expenses**

- 7.2.174 The Authority notes that GVIAL has estimated housekeeping expenses towards maintenance of terminal standards and housekeeping services across the airport, including terminal buildings, airside areas, landside areas, ATC buildings, utility buildings and other support facilities.
- 7.2.175 The Authority further notes that GVIAL has, in their MYTP submission, estimated the housekeeping cost based on benchmarking with comparable airports such as Mopa, Hyderabad and Delhi Airport, at Rs. 1,633 per sqm for FY26 and has escalated the same at an annual inflation rate of 4.2% for the subsequent years of the First Control Period.
- 7.2.176 The Authority, through its independent consultant, has sought further information regarding the status of contracts and detailed break-up of costs. In response, GVIAL has submitted that housekeeping contracts for Passenger Terminal Building (PTB) and Landside & ATC Buildings have been awarded, while the contract for Airside and Utility areas is under tendering, with costs considered based on estimates.
- 7.2.177 The contract values for PTB housekeeping and Landside & ATC services are fixed for an initial period of three years, providing a reliable basis for determination of costs during this period.
- 7.2.178 The Authority has examined the cost break-up and observes that the housekeeping expenses are largely supported by executed contracts along with estimates for the remaining small components and therefore provide a reasonable basis for consideration, considering that a large portion of the housekeeping contracts are awarded.
- 7.2.179 The Authority further observes that, as per the agreement entered into with the Master Non-Aeronautical Concessionaire, Common Area Maintenance (CAM) charges at the rate of Rs. 715 per sqm are recoverable from the concessionaire. The Authority notes that the CAM charges so recoverable have not been appropriately adjusted against the O&M expenses submitted by GVIAL. Accordingly, the Authority proposes to consider the housekeeping expenses based on the contract values submitted by GVIAL, after reducing the CAM charges recoverable from the respective concessionaires.
- 7.2.180 The Authority notes that CAM charges would also be recoverable from other concessionaires, such as cargo and ground handling service providers operating outside the terminal building, as well as concessionaires occupying back-office spaces within the terminal building. The Authority understands that the CAM charges applicable to these concessionaires would differ from the rate charged to the Master Non-Aeronautical Concessionaire. However, the Authority notes that the respective concession agreements do not, at this stage, specify the actual CAM charges recoverable from these concessionaires. Accordingly, in the absence of sufficient information to estimate the CAM charges recoverable under these agreements, the Authority proposes to consider CAM charges recovery of Rs. 3 crore for FY 2026-27 on a full-year basis of 12 months, with escalation for subsequent years of the First Control Period based on the inflation rates proposed by the Authority in Table 51.
- 7.2.181 However, considering that the Airport has commenced commercial operations on 17<sup>th</sup> August 2026, the Authority expects the Airport Operator to submit concessionaire-wise details of CAM charges recoverable during the First Control Period, along with the basis of computation and relevant supporting documentation, during the consultation stage.
- 7.2.182 Considering the above, the housekeeping expenses proposed to be considered by the Authority for the First Control Period are presented in the table below.

**Table 113: Total Housekeeping Cost proposed by the Authority for the First Control Period***(Rs. in Crs)*

| Particulars                       | Ref                | FY 27*             | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|-----------------------------------|--------------------|--------------------|-------------|-------------|-------------|-------------|--------------|
| Year Frac                         | A                  | 0.62               | 1.00        | 1.00        | 1.00        | 1.00        |              |
| Housekeeping Expense              | B                  | 10.91 <sup>#</sup> | 10.63       | 10.63       | 11.02       | 11.43       | 54.61        |
| Less: CAM Charges                 | C                  | 3.00               | 3.11        | 3.23        | 3.35        | 3.47        | 16.15        |
| <b>Total Housekeeping Expense</b> | <b>D = A*(B-C)</b> | <b>4.92</b>        | <b>7.52</b> | <b>7.40</b> | <b>7.67</b> | <b>7.96</b> | <b>35.47</b> |

\*Considering COD of 17<sup>th</sup> August 2026

<sup>#</sup>The higher housekeeping expenses in FY 2026-27, (on a full year basis) as compared to FY 2027-28 and FY 2028-29, are attributable to an additional value of Rs. 27.99 lakh towards cleaning of the façade, Passenger Terminal Building (PTB) as per signed contract.

**Allocation of Housekeeping Expenses**

- 7.2.183 The Authority notes that GVIAL has allocated housekeeping expenses between aeronautical and non-aeronautical activities based on the Terminal Building Ratio (TBLR).
- 7.2.184 The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the Terminal Building Level Ratio as detailed in Table 73.
- 7.2.185 In accordance with the above, the aeronautical housekeeping expenses for the First Control Period are presented below.

**Table 114: Aeronautical Housekeeping Cost proposed by the Authority for the First Control Period***(Rs. in Crs)*

| Particulars                              | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|------------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Total Housekeeping Expense               | A            | 4.92        | 7.52        | 7.40        | 7.67        | 7.96        | 35.47        |
| Aero Allocation Ratio (TBLR)             | B            | 88.60%      | 88.60%      | 88.60%      | 88.60%      | 88.60%      |              |
| <b>Aeronautical Housekeeping Expense</b> | <b>C=A*B</b> | <b>4.36</b> | <b>6.66</b> | <b>6.56</b> | <b>6.80</b> | <b>7.05</b> | <b>31.43</b> |

\*Considering COD of 17<sup>th</sup> August 2026**S. Insurance Expense**

- 7.2.186 The Authority notes that GVIAL has considered insurance expenses towards various policies including Airport Operator Liability, Terrorism & Hijacking, Asset All Risk and Loss of Profit, based on internal estimates amounting to Rs. 3.9 crore for FY27 (for a period of nine months) and Rs. 5.6 crore for FY28 and has escalated the same for the subsequent years of the First Control Period.
- 7.2.187 The Authority, through its Independent Consultant has sought the basis of estimation of insurance cost together with insurance premium. In response, GVIAL has submitted a break up with the different types of coverage including the estimated premiums are derived based on assumed coverage levels across different policies. This works out to 0.08% to 0.13% of the aeronautical gross block for FY 27 to FY 32 as per the MYTP submission,
- 7.2.188 The Authority notes that, for comparable airports, insurance cost has been considered in the range of 0.05% to 0.09% of the aeronautical gross block, with NMIAL considering approximately 0.07%, and other airports such as Mopa and Noida considering around 0.09% and 0.05%, respectively of aeronautical gross block.

7.2.189 The Authority observes that the insurance costs proposed by GVIAL are based on assumed coverage levels and estimated premiums and are presently not supported by firm policy-wise premium quotes or contractual arrangements. Further, the proposed insurance cost, ranging from 0.08% to 0.13% of the aeronautical gross block, is higher than the range observed for comparable greenfield airports. Accordingly, in the absence of adequate supporting evidence to substantiate the higher cost proposed by GVIAL, and with a view to ensuring that only reasonable and efficient costs are passed on to airport users, the Authority proposes to consider insurance cost at 0.05% of the aeronautical gross block for the First Control Period, being within the benchmark range observed for comparable airports.

7.2.190 The insurance cost considered by the Authority for the First Control Period is presented in the table below.

**Table 115: Total and Aeronautical Insurance Cost proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                     | Ref            | FY 27        | FY 28       | FY 29       | FY 30       | FY 31       | Total       |
|---------------------------------|----------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Year Frac                       | A              | 0.62         | 1.00        | 1.00        | 1.00        | 1.00        |             |
| Aeronautical Gross Block        | B              | 4,247.98     | 4,247.98    | 4,247.98    | 4,272.98    | 4,297.98    |             |
| % of Gross Block- 0.05%         | C              | 0.05%        | 0.05%       | 0.05%       | 0.05%       | 0.05%       |             |
| <b>Insurance Expense</b>        | <b>D=B*C</b>   | 2.12         | 2.12        | 2.12        | 2.14        | 2.16        |             |
| <b>Total Insurance Expenses</b> | <b>E = D*A</b> | <b>1.32*</b> | <b>2.12</b> | <b>2.12</b> | <b>2.14</b> | <b>2.16</b> | <b>9.86</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### **Allocation of Insurance Expenses**

7.2.191 The Authority notes that GVIAL has allocated insurance cost between aeronautical and non-aeronautical activities based on the Gross Block Ratio (GBR).

7.2.192 However, the Authority notes that the insurance cost for the First Control Period has been computed as a percentage of the gross block of aeronautical assets. Accordingly, the entire insurance cost is attributable to aeronautical activities.

7.2.193 In view of the above, the Authority proposes to consider the insurance cost as per Table 115 as fully aeronautical for the First Control Period.

#### **T. Security Expense**

7.2.194 The Authority notes that GVIAL has estimated security expenses towards deployment of personnel for traffic flow management, perimeter security, access control, surveillance and other landside security functions, over and above the CISF deployment, based on internal estimates for the First Control Period.

7.2.195 The Authority further notes that GVIAL has considered security expenses based on estimated manpower count, associated manpower costs by grade of security (eg: Marshal, Supervisor etc) and other related expenses, and has escalated the same at an annual inflation rate of 4.2% along with a real growth rate of 8% for the subsequent years.

7.2.196 The Authority, through its Independent Consultant, sought further clarifications on the basis of estimation of security costs, including details of contractual arrangements, manpower deployment, shift-wise allocation and scope of services. In response, GVIAL submitted the estimated cost structure, including the manpower proposed to be deployed across various grades and the corresponding per-employee costs.

7.2.197 In response to the independent consultant's request for copies of the executed contracts, GVIAL submitted that the contracts for Private Security Agency (PSA) and landside security services are presently under finalisation, although the prices for the respective contracts have been discovered. Based on such discovered prices, GVIAL has indicated an aggregate cost of approximately Rs. 6.00 crore for the first year, as against Rs. 7.63 crore considered in its MYTP submission. The Authority notes that, while the discovered prices provide an indication of the likely cost of the services, the contractual arrangements are yet to be finalised and, therefore, the revised aggregate cost of Rs. 6.00 crore does not, by itself, provide an adequate basis for determination of the security expenses for the entire Control Period. Accordingly, the Authority has examined the underlying components of the security costs earlier submitted, including the proposed manpower deployment and the associated per-person costs, to assess their reasonableness.

7.2.198 Based on such examination, the Authority observes that the per-person manpower costs submitted by GVIAL are broadly comparable with prevailing manpower costs for personnel of similar grades and are considered reasonable. However, the Authority observes that the overall manpower deployment proposed by GVIAL appears to be on the higher side, particularly having regard to the scale of operations during the initial years of a greenfield airport and the downward revision in the traffic estimates submitted by GVIAL. The Authority is of the view that security manpower deployment should be commensurate with the phased ramp-up of traffic and airport operations and should progressively increase with operational requirements, rather than the full manpower complement being considered from the initial year itself.

7.2.199 Accordingly, while retaining the per-person manpower costs submitted by GVIAL, the Authority proposes to rationalise the manpower deployment during the initial years of the Control Period. The Authority proposes to consider 67 security personnel in FY 2026-27, as against 131 personnel proposed by GVIAL, with a progressive increase in manpower in the subsequent years in line with the anticipated growth in traffic and operational requirements. The manpower deployment is proposed to progressively reach approx. 90% of the manpower strength submitted by GVIAL by FY 2030-31.

7.2.200 The Authority further notes that GVIAL has considered consumables and other related expenses amounting to approximately 32% of the manpower cost. In the absence of adequate supporting details or contractual evidence substantiating expenses at such a level, the Authority considers the proposed expenditure to be on the higher side. Considering the nature of such expenses and the need for the same to remain proportionate to the underlying manpower deployment and operational requirements, the Authority proposes to consider consumables and other related expenses at 10% of the manpower cost for the respective years of the First Control Period.

7.2.201 The revised break-up of security expenses, including manpower deployment, consumables and total cost for each year, proposed to be considered by the Authority, is presented in the table below.

**Table 116: Total Security Cost proposed by the Authority for the First Control Period**

| Category | Estimated cost per manpower per month (lakhs) (A) | FY 27        |                                              | FY 28                  |                                              | FY 29                  |                                              | FY 30                  |                                              | FY 31                  |                                              |
|----------|---------------------------------------------------|--------------|----------------------------------------------|------------------------|----------------------------------------------|------------------------|----------------------------------------------|------------------------|----------------------------------------------|------------------------|----------------------------------------------|
|          |                                                   | Manpower (B) | Estimated cost per year (Cr.) (C=B*A/100*12) | Estimated Manpower (D) | Estimated cost per year (Cr.) (E=D*A/100*12) | Estimated Manpower (F) | Estimated cost per year (Cr.) (G=F*A/100*12) | Estimated Manpower (H) | Estimated cost per year (Cr.) (I=H*A/100*12) | Estimated Manpower (J) | Estimated cost per year (Cr.) (K=J*A/100*12) |
| Marshall | 0.34                                              | 50           | 2.04                                         | 60                     | 2.44                                         | 70                     | 2.85                                         | 80                     | 3.26                                         | 90                     | 3.66                                         |

**OPERATION & MAINTENANCE EXPENSES FOR THE FIRST CONTROL PERIOD**

| Category                                    | Estimated cost per manpower per month (lakhs) (A) | FY 27        |                                              | FY 28                  |                                              | FY 29                  |                                              | FY 30                  |                                              | FY 31                  |                                              |
|---------------------------------------------|---------------------------------------------------|--------------|----------------------------------------------|------------------------|----------------------------------------------|------------------------|----------------------------------------------|------------------------|----------------------------------------------|------------------------|----------------------------------------------|
|                                             |                                                   | Manpower (B) | Estimated cost per year (Cr.) (C=B*A/100*12) | Estimated Manpower (D) | Estimated cost per year (Cr.) (E=D*A/100*12) | Estimated Manpower (F) | Estimated cost per year (Cr.) (G=F*A/100*12) | Estimated Manpower (H) | Estimated cost per year (Cr.) (I=H*A/100*12) | Estimated Manpower (J) | Estimated cost per year (Cr.) (K=J*A/100*12) |
| Supervisor                                  | 0.43                                              | 10           | 0.51                                         | 11                     | 0.56                                         | 12                     | 0.62                                         | 13                     | 0.67                                         | 14                     | 0.72                                         |
| ASO                                         | 0.50                                              | 3            | 0.18                                         | 4                      | 0.24                                         | 5                      | 0.30                                         | 6                      | 0.36                                         | 7                      | 0.42                                         |
| Manager                                     | 1.00                                              | 1            | 0.12                                         | 1                      | 0.12                                         | 1                      | 0.12                                         | 1                      | 0.12                                         | 1                      | 0.12                                         |
| AGM                                         | 1.25                                              | 1            | 0.15                                         | 1                      | 0.15                                         | 1                      | 0.15                                         | 1                      | 0.15                                         | 1                      | 0.15                                         |
| Manpower for Security vehicle – two wheeler | 0.10                                              | 1            | 0.01                                         | 2                      | 0.02                                         | 3                      | 0.04                                         | 4                      | 0.05                                         | 5                      | 0.06                                         |
| Manpower for Security vehicle 4 wheeler     | 1.08                                              | 1            | 0.13                                         | 1                      | 0.13                                         | 1                      | 0.13                                         | 1                      | 0.13                                         | 1                      | 0.13                                         |
| <b>Total</b>                                |                                                   | <b>67</b>    | <b>3.14</b>                                  | <b>80</b>              | <b>3.67</b>                                  | <b>93</b>              | <b>4.20</b>                                  | <b>106</b>             | <b>4.73</b>                                  | <b>119</b>             | <b>5.26</b>                                  |
| Consumables                                 |                                                   |              | 0.31                                         |                        | 0.37                                         |                        | 0.42                                         |                        | 0.47                                         |                        | 0.53                                         |
| <b>Total</b>                                |                                                   |              | <b>3.45</b>                                  |                        | <b>4.04</b>                                  |                        | <b>4.62</b>                                  |                        | <b>5.20</b>                                  |                        | <b>5.79</b>                                  |

7.2.202 The security expenses proposed to be considered by the Authority for the First Control Period are presented in the table below.

**Table 117: Total Security Expense proposed by the Authority for the First Control Period**

*(Rs. in Crs)*

| Particulars                             | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|-----------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Year Frac                               | A            | 0.62        | 1.00        | 1.00        | 1.00        | 1.00        |              |
| Contract for providing Private Security | B            | 3.45        | 4.04        | 4.62        | 5.20        | 5.79        |              |
| <b>Total Security Expense</b>           | <b>C=A*B</b> | <b>2.15</b> | <b>4.04</b> | <b>4.62</b> | <b>5.20</b> | <b>5.79</b> | <b>21.80</b> |

\*Considering COD of 17<sup>th</sup> August 2026

**Allocation of Security Expenses**

7.2.203 The Authority notes that GVIAL has allocated security expenses between aeronautical and non-aeronautical activities based on the Terminal Building Ratio (TBLR).

7.2.204 The Authority has examined the allocation basis adopted by GVIAL and finds the same to be reasonable. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the Terminal Building Ratio as detailed in Table 73.

7.2.205 In accordance with the above, the aeronautical security expenses for the First Control Period of Bhogapuram Airport are presented below.

**Table 118: Aeronautical Security Expense proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                          | Ref          | FY 27*      | FY 28       | FY 29       | FY 30       | FY 31       | Total        |
|--------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Total Security Expense               | A            | 2.15        | 4.04        | 4.62        | 5.20        | 5.79        | 21.80        |
| Aero Allocation Ratio (TBLR)         | B            | 88.60%      | 88.60%      | 88.60%      | 88.60%      | 88.60%      |              |
| <b>Aeronautical Security Expense</b> | <b>C=A*B</b> | <b>1.90</b> | <b>3.58</b> | <b>4.09</b> | <b>4.61</b> | <b>5.13</b> | <b>19.31</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### U. Lease Rental Equipment

7.2.206 The Authority notes that GVIAL has entered into a lease agreement with M/s Pushpak Airport Leasing Solutions Private Limited for procurement of various airport equipment, including Runway Friction Tester, Runway Rubber Removal Machine, Runway Sweeper, Apron Sweeper Machine, Paint Marker Machine, Emergency Command Vehicle, Fire Tenders and other specialized equipment, required for operation and maintenance of the airport.

7.2.207 The Authority, through its Independent Consultant, sought the basis for the projection of such costs. In response, GVIAL submitted a detailed break-up of the costs along with the executed lease agreement. Upon examination, the Authority notes that the total value of the equipment covered under the lease arrangement is approximately Rs. 75 crore and, as per the terms of the agreement, GVIAL is required to pay lease rentals at the rate of Rs. 18.65 per thousand of the value of the leased equipment (excluding GST), translating to an annual lease rental of approximately Rs. 14.2 crore for 7 years. The Authority further notes that the lease rentals projected by GVIAL in its MYTP are broadly in line with the terms of the executed lease agreement and the underlying contractual terms including that of other airports. Accordingly, the Authority considers the lease rental costs submitted by GVIAL to be adequately supported by the contractual arrangement.

7.2.208 Accordingly, the Authority proposes to consider the lease rental for equipment as submitted by GVIAL for the First Control Period. The lease rental for equipment proposed to be considered by the Authority for the First Control Period is presented in the table below.

**Table 119: Aeronautical and Total Lease Rental Equipment Expense proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                                 | Ref          | FY 27*      | FY 28        | FY 29        | FY 30        | FY 31        | Total        |
|---------------------------------------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Year Frac                                   | A            | 0.62        | 1.00         | 1.00         | 1.00         | 1.00         |              |
| Lease Rental: Operating Equipment           | B            | 14.22       | 14.22        | 14.22        | 14.22        | 14.22        |              |
| <b>Total Lease Rental Equipment Expense</b> | <b>C=A*B</b> | <b>8.85</b> | <b>14.22</b> | <b>14.22</b> | <b>14.22</b> | <b>14.22</b> | <b>65.75</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### Allocation of Lease Rental for Equipment

7.2.209 The Authority notes that GVIAL has considered the lease rental for equipment as fully aeronautical, considering the nature of the equipment deployed for airport operations.

7.2.210 The Authority has examined the nature and usage of the leased equipment and finds the same to be directly attributable to aeronautical operations, including airside maintenance and safety functions. Accordingly, the Authority proposes to consider the lease rental for equipment as fully aeronautical for the First Control Period.

## V. CNS ATM Charges

7.2.211 The Authority notes that GVIAL has included expenses related to Communication, Navigation and Surveillance / Air Traffic Management (CNS/ATM) services as part of the Operation and Maintenance (O&M) expenses for the First Control Period, in accordance with the CNS/ATM Agreement executed with the Airports Authority of India (AAI).

7.2.212 The Authority observes that the CNS/ATM expenditure pertains to the deficit between the TNLC charges collected by AAI and the actual cost of providing CNS/ATM services, in accordance with Clause 7.4 of the CNS/ATM Agreement, the relevant extract of which is reproduced below:

*“The provision of CNS-ATM services... shall be on cost recovery basis.*

*CAPEX costs shall be recovered from GVIAL as Annual Yearly Instalments at an Annual Percentage Rate (APR) of 12%, amortized over a ten-year period.*

*The GVIAL shall deposit in advance the quarterly estimated cost (OPEX)... which include manpower, equipment maintenance, frequency spectrum costs, overhead charges etc.*

*The TNLC revenues collected by AAI during previous year shall be deducted from the annual OPEX costs. In case of any deficit the same shall be borne by the GVIAL.”*

7.2.213 The Authority notes that, as per the above arrangement, CNS/ATM services are provided by AAI on a cost-recovery basis, comprising the following components:

- **CAPEX recovery:** Capital expenditure incurred by AAI is recovered through annual instalments over a period of 10 years, considering an annual percentage rate (APR) of 12%.
- **OPEX:** Operating expenditure primarily comprises manpower and other associated costs incurred by AAI towards provision of CNS/ATM services.
- **TNLC revenue:** Revenue earned from TNLC charges is adjusted against the OPEX payable to AAI, thereby reducing the net amount recoverable from GVIAL.

7.2.214 GVIAL has submitted a detailed break-up of the above components, as set out in the table below.

**Table 120: CNS/ATM Expenditure submitted by GVIAL for the First Control Period**

(Rs. in Crs)

| Particulars                | Ref   | FY 27  | FY 28  | FY 29  | FY 30  | FY 31  | FY 32  | Total           |
|----------------------------|-------|--------|--------|--------|--------|--------|--------|-----------------|
| Year Frac                  | A     | 0.75   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |                 |
| <b>Total ATMs (nos)</b>    |       |        |        |        |        |        |        |                 |
| Domestic ATM-Code C        | B     | 23,535 | 27,217 | 30,978 | 33,789 | 37,191 | 41,210 | <b>1,93,920</b> |
| International ATM - Code C | C     | 1,460  | 1,629  | 1,807  | 2,363  | 3,023  | 3,465  | <b>13,747</b>   |
| <b>Arrival ATMs (nos)</b>  |       |        |        |        |        |        |        |                 |
| Domestic ATM - Code C      | D=B/2 | 11,768 | 13,609 | 15,489 | 16,895 | 18,596 | 20,605 | <b>96,960</b>   |
| International ATM - Code C | E=C/2 | 730    | 815    | 904    | 1,182  | 1,512  | 1,733  | <b>6,874</b>    |

**OPERATION & MAINTENANCE EXPENSES FOR THE FIRST CONTROL PERIOD**

| <b>Particulars</b>                                                                                       | <b>Ref</b>   | <b>FY 27</b> | <b>FY 28</b> | <b>FY 29</b> | <b>FY 30</b>  | <b>FY 31</b>  | <b>FY 32</b>  | <b>Total</b>  |
|----------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| <b>TNLC charges (INR)</b>                                                                                |              |              |              |              |               |               |               |               |
| Domestic - Code C                                                                                        | F            | 7,012        | 7,012        | 7,012        | 7,012         | 7,713         | 7,713         |               |
| International - Code C                                                                                   | G            | 8,178        | 8,178        | 8,178        | 8,178         | 8,996         | 8,996         |               |
| <b>TNLC Revenue (Rs in Crs)</b>                                                                          |              |              |              |              |               |               |               |               |
| Domestic - Code C                                                                                        | H=D*F        | 8.25         | 9.54         | 10.86        | 11.85         | 14.34         | 15.89         | <b>70.74</b>  |
| International - Code C                                                                                   | I=E*G        | 0.60         | 0.67         | 0.74         | 0.97          | 1.36          | 1.56          | <b>5.89</b>   |
| <b>Total TNLC Revenue</b>                                                                                | <b>J=H+I</b> | <b>8.85</b>  | <b>10.21</b> | <b>11.60</b> | <b>12.81</b>  | <b>15.70</b>  | <b>17.45</b>  | <b>76.62</b>  |
| <b>Operating Expenses (Rs in Crs)</b>                                                                    | <b>K</b>     | <b>63.16</b> | <b>69.48</b> | <b>76.42</b> | <b>84.07</b>  | <b>92.47</b>  | <b>101.72</b> | <b>487.32</b> |
| <i>Y-o-Y growth</i>                                                                                      |              |              | <i>10%</i>   | <i>10%</i>   | <i>10%</i>    | <i>10%</i>    | <i>10%</i>    |               |
| Capital Expenditure -EMI (Rs in Crs) (Table 122)                                                         | L            | <b>18.96</b> | <b>18.96</b> | <b>18.96</b> | <b>18.96</b>  | <b>18.96</b>  | <b>18.96</b>  | <b>113.76</b> |
| <b>Total</b>                                                                                             | <b>M=K+L</b> | <b>82.12</b> | <b>88.44</b> | <b>95.38</b> | <b>103.03</b> | <b>111.43</b> | <b>120.68</b> | <b>601.08</b> |
| Shortfall CNS ATM Expenditure (Rs in Crs)                                                                | N=M-J        | 73.27        | 78.22        | 83.78        | 90.21         | 95.72         | 103.23        | <b>524.45</b> |
| <b>Shortfall CNS ATM Expenditure pro rated for COD of 30<sup>th</sup> June 2026 (Rs in Crs)</b>          | <b>O=N*A</b> | <b>54.95</b> | <b>78.22</b> | <b>83.78</b> | <b>90.21</b>  | <b>95.72</b>  | <b>103.23</b> | <b>506.12</b> |
| <b>Redrawn Aeronautical ATC/CNS Expenses considering 17th Aug 2026 as COD and revised Control Period</b> |              | <b>45.36</b> | <b>78.22</b> | <b>83.78</b> | <b>90.21</b>  | <b>95.72</b>  | <b>-</b>      | <b>393.29</b> |

7.2.215 The Authority observes that both the operating expenses and CAPEX submitted by GVIAL include an overhead component of 30%, forming part of the costs proposed to be recovered by AAI. The Authority notes that such overheads are not supported by a transparent or airport-specific allocation basis. Further, CNS/ATM services are provided by AAI as a centralized function across airports, and the associated administrative and support costs are expected to form part of AAI's overall cost structure. Accordingly, and in line with the approach adopted for comparable airports, the Authority proposes to exclude the 30% overhead component from the CNS/ATM operating expenses.

7.2.216 With respect to TNLC revenue, the Authority notes that the same is primarily dependent on the number of arrival ATMs. Accordingly, in view of the revised traffic estimates proposed by the Authority for the First Control Period and the consequential revision in the projected arrival ATMs, the Authority has recomputed the TNLC revenue for the respective years of the Control Period based on such revised ATMs and the applicable TNLC charges.

7.2.217 The Authority further notes that GVIAL has submitted a detailed break-up of the manpower proposed for CNS/ATM operations, including designation-wise manpower deployment and the corresponding per-person costs. The manpower has been proposed under two categories of operations: (a) manpower required to commence ATS operations on an H24 basis with ADC, TWR-A and APP(S) units; and (b) manpower required for four-shift (H24) operations with the proposed VHF, DVR, DATIS, MSSR, automation and other associated facilities.

7.2.218 The Authority has examined both the manpower deployment and the corresponding per-person costs proposed under the above categories. It is noted that while the manpower deployment proposed by AAI for Bhogapuram International Airport is considered necessary for commencement and continuous 24 Hour operation of the specified ATS functions, the corresponding per-person costs are higher than those indicated by AAI for comparable manpower deployed at the recently operational Noida International Airport.

7.2.219 The Authority, therefore, considers it appropriate to benchmark the same against the corresponding manpower rates indicated by AAI for Noida International Airport. It is however, proposed to retain the manpower count submitted for Bhogapuram Airport while adopting the corresponding per-person manpower rates considered for Noida International Airport. The comparison of manpower expenses as submitted by GVIAL and as benchmarked by the Authority are presented in table below:

**Table 121: Manpower expenses as submitted by GVIAL and as proposed by the Authority**

| Particulars                                        | Reference    | No. of manpower | Total monthly cost – GVIAL (Rs in Crs) | Total monthly cost – Authority (Rs in Crs) |
|----------------------------------------------------|--------------|-----------------|----------------------------------------|--------------------------------------------|
|                                                    |              | I               | ii                                     | iii                                        |
| <b>Manpower cost for ATS Operation</b>             |              |                 |                                        |                                            |
| Total cost before overhead allocation              | A            | 40              | 1,52,94,141                            | 1,27,65,441                                |
| 30% overhead                                       | B=A*30%      |                 | 45,88,242                              | -                                          |
| Total monthly cost including overhead              | C=A+B        |                 | 1,98,82,383                            | 1,27,65,441                                |
| Total Annual cost including overhead for 12 months | D=C*12       |                 | 23,85,88,599                           | 15,31,85,292                               |
| <b>Manpower Cost for CNS Operations</b>            |              |                 |                                        |                                            |
| Total monthly cost excluding overhead              | E            | 77              | 2,51,72,801                            | 2,40,68,837                                |
| 30% overhead (back computation)                    | F=E*30%      |                 | 75,51,840                              | -                                          |
| Total monthly cost including overhead              | G=E+F        |                 | 3,27,24,641                            | 2,40,68,837                                |
| Total Annual cost including overhead for 12 months | H=G*12       |                 | 39,26,95,692                           | 28,88,26,044                               |
|                                                    |              |                 |                                        |                                            |
| <b>Total Annual Manpower cost for 12 months</b>    | <b>I=H+D</b> |                 | <b>63,12,84,292</b>                    | <b>44,20,11,336</b>                        |

| Particulars                                    | Reference                 | No. of manpower | Total monthly cost – GVIAL (Rs in Crs) | Total monthly cost – Authority (Rs in Crs) |
|------------------------------------------------|---------------------------|-----------------|----------------------------------------|--------------------------------------------|
|                                                |                           | I               | ii                                     | iii                                        |
| <b>Total Annual Manpower Cost – Rs. Crores</b> | <b>J=I/10<sup>7</sup></b> |                 | <b>63.12</b>                           | <b>44.20</b>                               |

7.2.220 The comparison of capex expenses submitted by GVIAL vs proposed by the Authority is as given in table below:

**Table 122: Capex Expenses as submitted by GVIAL and as proposed by the Authority**

| GVIAL Submission |                                                                       |                               |                                           |                                       |
|------------------|-----------------------------------------------------------------------|-------------------------------|-------------------------------------------|---------------------------------------|
| S. No.           | Equipment                                                             | Qty. proposed as per DPR      | Total cost (in Rs. Crore) (Inclusive GST) | Proposed by the Authority (Rs in Crs) |
| 1                | VHF Tx/Rx with Accessories (Installation to be carried out by AAI)    | 19 radio sets and accessories | 1.86                                      | 1.86                                  |
| 2                | Manpack (DT type)                                                     | 6                             | 0.08                                      | 0.08                                  |
| 3                | Manpack (VM type)                                                     | 1                             | 0.01                                      | 0.01                                  |
| 4                | DVR                                                                   | 1                             | 0.57                                      | 0.57                                  |
| 5                | VCCS                                                                  | 1                             | 4.55                                      | 4.55                                  |
| 6                | DATIS                                                                 | 1                             | 0.51                                      | 0.51                                  |
| 7                | DVOR/HP-DME                                                           | 1                             | 7.62                                      | 7.62                                  |
| 8                | ILS/LP-DME                                                            | 1                             | 10.18                                     | 10.18                                 |
| 9                | ASR/MSSR                                                              | 1                             | 19.90                                     | 19.90                                 |
| 10               | ADS-B                                                                 | 1                             | 0.54                                      | 0.54                                  |
| 11               | ATM Automation System                                                 | 1                             | 25.02                                     | 25.02                                 |
| 12               | WPC Charges                                                           |                               | 0.35                                      | 0.35                                  |
| 13               | AMSS/RWS and Ancillary equipments                                     |                               | 15.26                                     | 15.26                                 |
|                  | <b>Total cost (Inclusive GST)</b>                                     | A=Sum( Sl.No 1 to Sl.No 13)   | <b>86.50</b>                              | <b>86.50</b>                          |
|                  | <b>30% Departmental overhead charges except for Sr. No. 7 &amp; 8</b> | B=A *30%                      | <b>20.60</b>                              | -                                     |
|                  | <b>Total AAI Capex</b>                                                | C=A+B                         | <b>107.10</b>                             | <b>86.50</b>                          |
|                  | <b>Yearly Payment with 12% interest and 10 year repayment period</b>  |                               | <b>18.96</b>                              | <b>15.31</b>                          |

7.2.221 The Authority further observes that the operating expenses have been escalated by GVIAL at 10% annually. The Authority considers it appropriate that escalation in CNS/ATM operating expenses be aligned with the inflation assumptions adopted consistently for other O&M expenses during the First Control Period. Accordingly, the Authority proposes to replace the annual escalation of 10% considered by GVIAL with the inflation rates adopted by the Authority, as set out in Table 51.

7.2.222 Based on the above, the CNS/ATM expenditure proposed to be considered by the Authority for the First Control Period is presented in the table below.

**Table 123: CNS/ATM Expenditure proposed by the Authority for the First Control Period**

(Rs. in Crs)

**OPERATION & MAINTENANCE EXPENSES FOR THE FIRST CONTROL PERIOD**

| <b>Particulars</b>                                                 | <b>Ref</b>   | <b>FY 27</b>  | <b>FY 28</b> | <b>FY 29</b> | <b>FY 30</b> | <b>FY 31</b> | <b>Total</b>  |
|--------------------------------------------------------------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|
| Year Frac                                                          | A            | 0.62          | 1.00         | 1.00         | 1.00         | 1.00         |               |
|                                                                    |              |               |              |              |              |              |               |
| <b>Total ATMs (nos)</b>                                            |              |               |              |              |              |              |               |
| Domestic ATM- Code C                                               | B            | 21,669        | 23,915       | 28,499       | 35,219       | 41,707       | 1,51,009      |
| International ATM - Code C                                         | C            | 810           | 1,244        | 1,366        | 1,923        | 2,414        | 7,757         |
|                                                                    |              |               |              |              |              |              |               |
| <b>Arrival ATMs (nos)</b>                                          |              |               |              |              |              |              |               |
| Domestic ATM - Code C                                              | D=B/2        | 10,835        | 11,957       | 14,250       | 17,609       | 20,854       | 75,505        |
| International ATM - Code C                                         | E=C/2        | 405           | 622          | 683          | 961          | 1,207        | 3,878         |
|                                                                    |              |               |              |              |              |              |               |
| <b>TNLC charges (INR)</b>                                          |              |               |              |              |              |              |               |
| Domestic - Code C                                                  | F            | 7,012         | 7,012        | 7,012        | 7,012        | 7,713        |               |
| International - Code C                                             | G            | 8,178         | 8,178        | 8,178        | 8,178        | 8,996        |               |
|                                                                    |              |               |              |              |              |              |               |
| <b>TNLC Revenue (Rs in Crs)</b>                                    |              |               |              |              |              |              |               |
| Domestic - Code C                                                  | H=D*F        | 7.60          | 8.38         | 9.99         | 12.35        | 16.08        | 54.41         |
| International - Code C                                             | I=E*G        | 0.33          | 0.51         | 0.56         | 0.79         | 1.09         | 3.27          |
| <b>Total TNLC Revenue</b>                                          | <b>J=H+I</b> | <b>7.93</b>   | <b>8.89</b>  | <b>10.55</b> | <b>13.13</b> | <b>17.17</b> | <b>57.68</b>  |
|                                                                    |              |               |              |              |              |              |               |
| Operating Expenses (Table 121) (Rs in Crs)                         | K            | 44.20         | 45.84        | 47.53        | 49.29        | 51.12        | <b>237.98</b> |
| <i>Y-o-Y growth</i>                                                |              |               | 3.7%         | 3.7%         | 3.7%         | 3.7%         |               |
| Capital Expenditure - EMI (Rs in Crs) (Table 122)                  | L            | 15.31         | 15.31        | 15.31        | 15.31        | 15.31        | 76.55         |
| <b>Total</b>                                                       | <b>M=K+L</b> | <b>59.51</b>  | <b>61.15</b> | <b>62.84</b> | <b>64.60</b> | <b>66.43</b> | <b>314.53</b> |
|                                                                    |              |               |              |              |              |              |               |
| <b>Shortfall CNS ATM Expenditure (Rs in Crs)</b>                   | <b>N=M-J</b> | <b>51.58</b>  | <b>52.25</b> | <b>52.29</b> | <b>51.47</b> | <b>49.25</b> | <b>256.84</b> |
| <b>Shortfall CNS ATM Expenditure pro rated for COD (Rs in Crs)</b> | <b>O=N*A</b> | <b>32.10*</b> | <b>52.25</b> | <b>52.29</b> | <b>51.47</b> | <b>49.25</b> | <b>237.36</b> |

*\*Assuming COD to be 17<sup>th</sup> August 2026*

7.2.223 The Authority notes that the CNS/ATM expenditure as determined above is considered as 100% aeronautical, in line with Clause 3.2.4 of the MoU, which states that “*any payments made by the Concessionaire to any Government Instrumentality for providing sovereign functions shall be considered as pass through for the purpose of the determination of the Aeronautical Charges, and shall accordingly be considered as a part of the cost for the determination of the Aeronautical Charges.*”

7.2.224 Accordingly, the Authority proposes to consider the CNS/ATM expenditure as fully aeronautical for the First Control Period.

**W. Other Operating Expenses**

- 7.2.225 The Authority notes that GVIAL has estimated other operating expenses comprising EHS, trolley management, other airside O&M, other terminal operations (Other TOPS), and UDF collection charges, based on internal assessments for the First Control Period.
- 7.2.226 The Authority, through its Independent Consultant, sought further clarifications regarding the basis of estimation of these expenses, including the status of contractual arrangements, detailed cost break-up and supporting documentation. In response, GVIAL submitted that contracts have been entered into for several services, including trolley and stroller operations, frontline staffing, passenger facilitation services, solid waste management, pest control, EHS and administrative support services, and provided copies of the relevant contracts and supporting details.
- 7.2.227 However, the Authority observes that certain components included under “Other O&M estimates” are presently based on internal estimates. Such expenses include maintenance-related expenses, consultancy charges, wildlife hazard management survey costs and other miscellaneous administrative and operational expenses. These expenses are similar in nature to expenses considered under other cost heads, including Repairs & Maintenance, Consultancy and other O&M expenses.
- 7.2.228 Considering the above, for the purpose of determination of tariff for the First Control Period, the Authority proposes to consider Rs. 2 Crores for FY 26-27 together with expenses to the extent supported by executed contractual arrangements. This has been escalated at the inflation rate proposed by the Authority as per Table 51. However, the Authority proposes to true up such expenses at the time of tariff determination of the next control period based on evaluation of reasonableness and efficiency.
- 7.2.229 The Authority notes that UDF collection charges have been computed based on Rs. 5 each per departing and embarking passenger, in line with the approach adopted for comparable airports, and proposes to consider the same for the First Control Period.
- 7.2.230 The other operating expenses proposed to be considered by the Authority for the First Control Period are presented in the table below.

**Table 124: Total Other Operating Expenses proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                          | Ref               | FY 27*      | FY 28        | FY 29        | FY 30        | FY 31        | Total        |
|--------------------------------------|-------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| EHS                                  | A                 | 0.10        | 0.10         | 0.10         | 0.11         | 0.11         | <b>0.51</b>  |
| Trolley Management                   | B                 | 0.43        | 0.69         | 0.69         | 0.72         | 0.75         | <b>3.29</b>  |
| Other Airside O&M                    | C                 | 2.73        | 3.21         | 3.26         | 3.38         | 3.51         | <b>16.09</b> |
| Other TOPS                           | D                 | 2.70        | 4.39         | 4.41         | 4.57         | 4.74         | <b>20.80</b> |
| UDF Collection Charges               | E                 | 0.91        | 1.64         | 1.95         | 2.42         | 2.88         | <b>9.81</b>  |
| <b>Total Other Operating Expense</b> | <b>F=Sum(A:E)</b> | <b>6.87</b> | <b>10.03</b> | <b>10.41</b> | <b>11.20</b> | <b>11.98</b> | <b>50.50</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### **Allocation of Other Operating Expenses**

- 7.2.231 The Authority notes that EHS, Trolley Management, Other Airside O&M Expenses, and UDF Collection Charges pertain primarily to aeronautical activities and are accordingly considered as 100% aeronautical. Other Terminal Operation(TOPS) expenses have been allocated using Gross Block Ratio (GBR).

7.2.232 The Authority has examined the allocation basis and finds the same to be reasonable. Accordingly, the Authority proposes to adopt the same allocation basis, taking into consideration the Gross Block Ratio as detailed in Table 73.

7.2.233 In accordance with the above, the aeronautical other operating expenses for the First Control Period are presented below.

**Table 125: Aeronautical Other Operating Expenses proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                          | FY 27* | FY 28 | FY 29 | FY 30 | FY 31 | Total        |
|--------------------------------------|--------|-------|-------|-------|-------|--------------|
| <b>Aero Other Operating Expenses</b> | 6.62   | 9.64  | 10.02 | 10.79 | 11.56 | <b>48.64</b> |

\*Considering COD of 17<sup>th</sup> August 2026

#### **X. Airport Operator Fee**

7.2.234 GVIAL has submitted that, in accordance with Clause 4.1.3(l) of the Concession Agreement, GVIAL is required to execute an Airport Operator Agreement, if applicable, as a condition precedent to the Appointed Date. Accordingly, GVIAL has entered into an Airport Operator Agreement dated 22<sup>nd</sup> September, 2021 with GMR Airports Limited (GAL) for provision of operational and management support services.

7.2.235 The Authority further notes that, in consideration of such services, GVIAL has proposed payment of an Airport Operator Fee equivalent to 3% of gross revenue (exclusive of taxes) or Rs. 24 crore per annum, whichever is lower payable from COD. Accordingly, GVIAL has claimed Rs. 24.00 crores in each year of the First Control Period and has allocated Rs. 23.10 crores, Rs. 23.00 crores, Rs. 22.50 crores, Rs. 22.00 crores and Rs. 21.60 crores towards aeronautical expenses for the period from FY 27 to FY 31. The aggregate claim for the First Control Period is Rs. 120.00 crores, of which Rs. 112.20 crores is submitted as aeronautical expenses.

7.2.236 The Authority, through its Independent Consultant, sought certain clarifications from GVIAL in relation to the above. The queries raised by the independent consultant and the corresponding responses submitted by GVIAL are presented below:

- whether any tender/RFP was floated for the selection and appointment of the Airport Operator, together with the relevant documents;
- the basis on which the fee was decided; and
- the details of the cost elements proposed to be incurred by the Airport Operator (GAL) in rendering the services under the Airport Operator Agreement, together with the estimated value of each such element for each year of the First Control Period, and a mapping of such cost elements against the corresponding heads of Operating Expenditure claimed by GVIAL in the MYTP example Manpower expenses, Admin and General expenses (including the Corporate cost allocation), Utility expenses and Operating expenses etc so as to assess whether any duplication of costs arises.

7.2.237 In response to the above queries, GVIAL has responded as follows:

- No separate tender/RFP was issued by the Concessionaire for the appointment of the Airport Operator, and that the arrangement is an enabling mechanism contemplated under the project documents to support the SPV in satisfying the requisite operational capability requirements, the Concessionaire remaining fully responsible and accountable to the Authority/Regulator for performance under the Concession Agreement. GVIAL has stated that, since the SPV did not have the requisite experience and expertise of airport operations, the leverage was made on its parent entity, GAL, and has placed reliance on Clause 1.1.2 and Clause 2.3.1 of the RFP requiring incorporation of the SPV, on Clause 4.1.3(l) of the Concession Agreement and on Clause 5.1.8 read with Schedule Y thereof. In support, GVIAL has cited that Airports operated under the umbrella of GMR Airports Limited (GAL) have consistently achieved top global rankings within their respective passenger categories for service quality and passenger experience, as recognized by ACI and Skytrax. GVIAL has also stated that GAL has entered into a strategic partnership with Groupe ADP, a globally reputed airport operator, enabling access to international best practices in areas such as technology, airside operations, and passenger experience, thereby strengthening operational standards across its portfolio as also the group's multi -geography expertise in development , management and maintenance of a portfolio of greenfield and brownfield airports in India, Turkey, Maldives, Philippines, Indonesia and Greece.
- On the basis for the fee, GVIAL has submitted that it is a market-aligned management fee linked to the scale of operations, adopted following benchmarking through the ICF Airport Management Fee Benchmarking Study (October 2020), which indicates that operator fees for greenfield airports involving active operator participation typically fall within the range of 2.5% to 3.5% of gross revenue. GVIAL has also referred to the probity report of K.S. Rao & Co. dated 28<sup>th</sup> May 2025, which records that the Airport Operator Agreement is on an arm's length basis and in compliance with the applicable statutory and governance framework.
- On the cost elements, GVIAL has not furnished any cost element or estimated value. GVIAL has submitted that the scope under Schedule I of the Agreement is strategic and overarching in nature, encompassing leadership, governance, operational oversight and directional inputs; that, the services being integrated, continuous and outcome-driven, it is neither practical nor feasible to establish a one-to-one correlation between individual services and specific cost elements; and that the fee reflects a market-aligned, value-based consideration for bundled management and operator services rather than a cost-plus construct. GVIAL has confirmed that the fee is accounted for as a separate line item and that costs included within regular airport opex are not simultaneously claimed under the operator fee.

7.2.238 The Authority has examined the above submissions and its response is as follows:

- i) The Authority notes that in the Request for Quote (RFQ) floated by APADCL for the Development of Greenfield International Airport at Bhogapuram had included a clause stating that the bidders must possess relevant experience, which will be evaluated by the Authority to assess their Technical Capacity/ O&M capabilities and only then the bidder shall be eligible to bid for the Request for Proposal (RFP). The clause is reproduced below:

*“2.2.2 The Applicant, either of its own or through O&M Member in case of a Consortium or through an agreement with the Airport Operator shall have an experience of an Eligible Project that qualifies under Clause 2.2.2 (C) (iii) (“O&M Experience”) satisfying the following requirements:*

*(aa) The entity claiming O&M Experience shall have been operated an Eligible Project for a period of 3 (three) consecutive years ("Three Year Period") in the last 5 (five) calendar years preceding the Application Due Date;*

*(bb) The entity claiming O&M Experience shall have achieved a passenger throughput of not less than 5 (five) mppa in any one year of such Three Year Period; and*

*(cc) Such Eligible Project shall have ASQ rating of 4.5 or more out of 5.0 or Skytrax ranking in the first 100 (hundred) (i.e. in between 1 to 100) in the year in which the passenger throughput is not less than 5 (five) mppa. For the purposes of this RfQ, ASQ or Skytrax ranking shall mean the overall ranking of the Eligible Project (a) for the relevant year as issued by Skytrax; or (b) quarters of the relevant year as issued by ACI, as the case may be."*

- ii) In this regard, the Authority notes that GAL (GMR Airports Limited), based on their successful management of airports such as DIAL and HIAL possesses the necessary experience and capability to operate Bhogapuram International Airport. Such operational experience and capability formed part of the technical credentials considered in the bidding and concession award process, pursuant to which GVIAL was subsequently incorporated as the SPV for implementation of the Project. Accordingly, the Authority considers that the operational expertise of GAL was already embedded in the concession framework and formed part of the basis on which the concession was awarded.
- iii) The Authority also notes that it has proposed to allow corporate costs allocations payable to the group entities, which may include elements of management oversight, advisory and shared services. Accordingly, there exists a potential overlap between the scope of Airport Operator services and corporate cost allocation.
- iv) Further, while the ICF Airport Management Fee Benchmarking Study and the probity report may indicate the range of fees observed under comparable commercial arrangements, such benchmarking, by itself, does not establish that the expenditure represents an efficient and prudently incurred cost for the purpose of tariff determination or that the same ought to be recovered from airport users.

7.2.239 The Authority further notes that GAL, being the promoter and shareholder of GVIAL, is entitled to a return on the capital deployed in the Project through the Fair Rate of Return applied to the Regulatory Asset Base. The proposed Airport Operator Fee constitutes an additional payment to GAL, linked to Gross Revenue and not supported by an identified cost base. In the absence of adequate demonstration of incremental services and associated costs, the Authority does not consider it appropriate to allow an additional payment to the promoter as an Operating Expense, over and above the regulated return on capital.

7.2.240 In view of the above, particularly considering that (a) GAL's operational expertise formed part of the technical qualification underlying the award of the concession; (b) the underlying cost elements attributable to the Airport Operator Fee have not been separately demonstrated; and (c) there exists a potential overlap with costs claimed under other heads of Operating Expenditure especially corporate cost allocation, the Authority is of the view that the Airport Operator Fee has not been adequately justified as an incremental and prudently incurred cost for the purpose of tariff determination.

7.2.241 Accordingly, the Authority proposes to not consider the Airport Operator Fee as part of O&M expenses for the First Control Period.

#### **Y. Working Capital Interest**

7.2.242 GVIAL has computed the working capital requirement based on the following assumptions:

- i) receivable period of 30 days
- ii) payable period of 30 days
- iii) interest rate of 10%
- iv) GVIAL has considered both aeronautical and non-aeronautical revenues for computing trade receivables outstanding.

7.2.243 The Authority proposes to compute the working capital requirement based on the following assumptions:

- i) receivable period of 15 days;
- ii) payable period of 15 days;
- iii) interest rate of 10%
- iv) Further, the Authority proposes to consider only aeronautical revenue for computing trade receivables.

7.2.244 Considering the above, the Interest on Working Capital proposed by the Authority for the First Control Period is presented in the table below.

**Table 126: Total Working Capital Interest proposed by the Authority for the First Control Period**

(Rs. in Crs)

| Particulars                                            | Ref            | FY 27       | FY 28        | FY 29        | FY 30        | FY 31        | Total           |
|--------------------------------------------------------|----------------|-------------|--------------|--------------|--------------|--------------|-----------------|
| Aeronautical Revenue                                   | A              | 254.63      | 541.32       | 691.54       | 922.66       | 1,139.17     | <b>3,549.33</b> |
| Aeronautical Expenses<br>(excluding financing charges) | B              | 159.01      | 266.27       | 280.86       | 294.67       | 309.20       | <b>1,310.02</b> |
|                                                        |                |             |              |              |              |              |                 |
| Receivables @ 15 days                                  | C=A*15/365     | 10.46       | 22.25        | 28.42        | 37.92        | 46.82        |                 |
| Payables @ 15 days                                     | D=B*15/365     | 6.53        | 10.94        | 11.54        | 12.11        | 12.71        |                 |
| WC Loan amount                                         | E=(C-D)        | <b>3.93</b> | <b>11.30</b> | <b>16.88</b> | <b>25.81</b> | <b>34.11</b> |                 |
|                                                        |                |             |              |              |              |              |                 |
| Opening Balance                                        | F              | -           | 3.93         | 11.30        | 16.88        | 25.81        |                 |
| Addition                                               | G=H-F          | 3.93        | 7.37         | 5.58         | 8.93         | 8.30         |                 |
| Closing Balance                                        | H=E            | 3.93        | 11.30        | 16.88        | 25.81        | 34.11        |                 |
| Average Balance                                        | I=Avg(F,H)     | 1.96        | 7.62         | 14.09        | 21.34        | 29.96        |                 |
| <b>Working Capital Interest<br/>(rounded off)</b>      | <b>J=I*10%</b> | <b>0.20</b> | <b>0.76</b>  | <b>1.41</b>  | <b>2.13</b>  | <b>3.00</b>  | <b>7.50</b>     |
| Allocation Ratio                                       | K              | 100%        | 100%         | 100%         | 100%         | 100%         |                 |
| <b>Aeronautical Working Capital<br/>Interest</b>       | <b>L=J*K</b>   | <b>0.20</b> | <b>0.76</b>  | <b>1.41</b>  | <b>2.13</b>  | <b>3.00</b>  | <b>7.50</b>     |

#### Allocation of Working Capital Interest

7.2.245 The Authority notes that GVIAL has allocated Interest on Working Capital between aeronautical and non-aeronautical activities in proportion to their respective operating expenses, as its calculation included revenues from both aeronautical and non-aeronautical streams. The Authority has, however, considered only aeronautical revenue in computing the working capital requirement. Accordingly, the Authority proposes to treat the Interest on Working Capital set out in Table 126 as 100% aeronautical.

7.2.246 In accordance with the above, the Aeronautical Interest on Working Capital proposed by the Authority for the First Control Period is the same as that presented in Table 126.

7.2.247 Considering the above, the total Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the First Control Period is presented in the table below:

**Table 127: Total Operation and Maintenance Expenses proposed by the Authority for the First Control Period***(Rs. in Crs)*

| Sr No | Particulars                  | Table Ref | FY'27         | FY'28         | FY'29        | FY'30         | FY'31         | Total           |
|-------|------------------------------|-----------|---------------|---------------|--------------|---------------|---------------|-----------------|
| A     | Manpower expense             | Table 74  | 27.81         | 51.16         | 58.25        | 63.88         | 69.97         | <b>271.07</b>   |
| B     | Rent expenses                | Table 77  | 1.57          | 2.65          | 2.78         | 2.92          | 3.06          | <b>12.97</b>    |
| C     | Rates & Taxes                | Table 79  | 0.42          | 0.71          | 0.73         | 0.76          | 0.79          | <b>3.41</b>     |
| D     | Lease License Fee            | Table 81  | 2.83          | 4.82          | 5.11         | 5.42          | 5.74          | <b>23.92</b>    |
| E     | Corporate cost allocation    | Table 83  | 1.87          | 3.18          | 3.37         | 3.57          | 3.79          | <b>15.78</b>    |
| F     | CSR                          |           | -             | -             | -            | -             | -             | -               |
| G     | Bank Charges                 | Table 87  | 2.79          | 4.65          | 4.83         | 5.01          | 5.19          | <b>22.47</b>    |
| H     | Consultancy & Legal          | Table 89  | 0.90          | 1.50          | 1.56         | 1.61          | 1.67          | <b>7.25</b>     |
| I     | Travel                       | Table 93  | 0.89          | 1.48          | 1.54         | 1.59          | 1.65          | <b>7.15</b>     |
| J     | Advertisement                | Table 95  | 1.00          | 1.04          | 1.08         | 1.12          | 1.16          | <b>5.38</b>     |
| K     | Auditor & Director Fee       | Table 97  | 0.16          | 0.26          | 0.27         | 0.28          | 0.29          | <b>1.25</b>     |
| L     | Vehicle Hire Charges         | Table 100 | 1.98          | 3.30          | 3.42         | 3.55          | 3.68          | <b>15.92</b>    |
| M     | Other Administrative Expense | Table 102 | 0.62          | 1.04          | 1.08         | 1.12          | 1.16          | <b>5.01</b>     |
| N     | Utility Cost                 | Table 107 | 12.62         | 21.21         | 22.45        | 24.10         | 26.90         | <b>107.28</b>   |
| O     | Repair & Maintenance         | Table 108 | 24.17         | 40.28         | 41.77        | 43.32         | 45.08         | <b>194.61</b>   |
| P     | IT Operation Cost            | Table 109 | 29.63         | 49.50         | 52.94        | 56.64         | 60.63         | <b>249.33</b>   |
| Q     | Enterprise IT                | Table 111 | 1.24          | 2.07          | 2.15         | 2.22          | 2.31          | <b>9.99</b>     |
| R     | Housekeeping Expense         | Table 113 | 4.92          | 7.52          | 7.40         | 7.67          | 7.96          | <b>35.47</b>    |
| S     | Insurance                    | Table 115 | 1.32          | 2.12          | 2.12         | 2.14          | 2.16          | <b>9.86</b>     |
| T     | Security Expense             | Table 117 | 2.15          | 4.04          | 4.62         | 5.20          | 5.79          | <b>21.80</b>    |
| U     | Lease Rental Equipment       | Table 119 | 8.85          | 14.22         | 14.22        | 14.22         | 14.22         | <b>65.75</b>    |
| V     | CNS ATM Charges              | Table 123 | 32.10         | 52.25         | 52.29        | 51.47         | 49.25         | <b>237.36</b>   |
| W     | Other Operating Expense      | Table 124 | 6.87          | 10.03         | 10.41        | 11.20         | 11.98         | <b>50.50</b>    |
| X     | Airport Operator Fee         |           | -             | -             | -            | -             | -             | -               |
| Y     | Interest on Working Capital  | Table 126 | 0.20          | 0.76          | 1.41         | 2.13          | 3.00          | <b>7.50</b>     |
|       | <b>Total O&amp;M Expense</b> |           | <b>166.91</b> | <b>279.79</b> | <b>295.8</b> | <b>311.14</b> | <b>327.43</b> | <b>1,381.03</b> |

*\*Considering COD of 17<sup>th</sup> August 2026*

7.2.248 Taking into account the revised ratios and allocation basis as discussed under each expense category, the Authority proposed the following Aeronautical O&M expenses for the First Control Period of Bhogapuram International Airport.

**Table 128: Aeronautical Operation and Maintenance Expenses proposed by the Authority for the First Control Period***(Rs. in Crs)*

OPERATION & MAINTENANCE EXPENSES FOR THE FIRST CONTROL PERIOD

| Sr No | Particulars                               | Table Ref        | FY'27*        | FY'28         | FY'29         | FY'30         | FY'31         | Total           |
|-------|-------------------------------------------|------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| A     | Manpower Expense                          | Table 75         | 26.07         | 48.21         | 55.09         | 60.53         | 66.41         | <b>256.32</b>   |
| B     | Rent Expenses                             | Table 78         | 1.43          | 2.41          | 2.53          | 2.66          | 2.79          | <b>11.81</b>    |
| C     | Rates & Taxes                             | Table 80         | 0.38          | 0.63          | 0.65          | 0.67          | 0.70          | <b>3.02</b>     |
| D     | Lease License Fee                         | Table 82         | 2.51          | 4.27          | 4.53          | 4.80          | 5.09          | <b>21.19</b>    |
| E     | Corporate cost allocation                 | Table 84         | 1.75          | 3.00          | 3.19          | 3.39          | 3.59          | <b>14.92</b>    |
| F     | CSR                                       |                  | -             | -             | -             | -             | -             | -               |
| G     | Bank Charges                              | Table 88         | 2.54          | 4.24          | 4.39          | 4.56          | 4.73          | <b>20.46</b>    |
| H     | Consultancy & Legal                       | Table 90         | 0.82          | 1.37          | 1.42          | 1.47          | 1.53          | <b>6.60</b>     |
| I     | Travel Cost                               | Table 94         | 0.83          | 1.39          | 1.45          | 1.51          | 1.57          | <b>6.75</b>     |
| J     | Advertisement                             | Table 96         | 0.89          | 0.92          | 0.95          | 0.99          | 1.02          | <b>4.77</b>     |
| K     | Auditor & Director Fee                    | Table 98         | 0.14          | 0.24          | 0.24          | 0.25          | 0.26          | <b>1.14</b>     |
| L     | Vehicle Hire Charges                      | Table 101        | 1.80          | 3.00          | 3.11          | 3.23          | 3.35          | <b>14.50</b>    |
| M     | Other Administrative Expense              | Table 103        | 0.57          | 0.94          | 0.98          | 1.02          | 1.05          | <b>4.56</b>     |
| N     | Utility Cost                              | Table 107        | 12.62         | 21.21         | 22.45         | 24.10         | 26.90         | <b>107.28</b>   |
| O     | Repair & Maintenance                      | Table 108        | 24.17         | 40.28         | 41.77         | 43.32         | 45.08         | <b>194.61</b>   |
| P     | IT Operation Cost                         | Table 110        | 26.25         | 43.86         | 46.90         | 50.18         | 53.72         | <b>220.90</b>   |
| Q     | Enterprise IT                             | Table 112        | 1.10          | 1.83          | 1.90          | 1.97          | 2.04          | <b>8.85</b>     |
| R     | Housekeeping Expense                      | Table 114        | 4.36          | 6.66          | 6.56          | 6.80          | 7.05          | <b>31.43</b>    |
| S     | Insurance                                 | Table 115        | 1.32          | 2.12          | 2.12          | 2.14          | 2.16          | <b>9.86</b>     |
| T     | Security Expense                          | Table 118        | 1.90          | 3.58          | 4.09          | 4.61          | 5.13          | <b>19.31</b>    |
| U     | Lease Rental Equipment                    | Table 119        | 8.85          | 14.22         | 14.22         | 14.22         | 14.22         | <b>65.75</b>    |
| V     | CNS ATM Charges                           | Table 123        | 32.10         | 52.25         | 52.29         | 51.47         | 49.25         | <b>237.36</b>   |
| W     | Other Operating Expense                   | <b>Table 125</b> | 6.62          | 9.64          | 10.02         | 10.79         | 11.56         | <b>48.64</b>    |
| X     | Airport Operator Fee                      |                  | -             | -             | -             | -             | -             | -               |
| Y     | Interest on Working Capital               | Table 126        | 0.20          | 0.76          | 1.41          | 2.13          | 3.00          | <b>7.50</b>     |
|       | <b>Total Aeronautical O&amp;M Expense</b> |                  | <b>159.21</b> | <b>267.03</b> | <b>282.27</b> | <b>296.81</b> | <b>312.20</b> | <b>1,317.52</b> |

\*Considering COD of 17<sup>th</sup> August 2026

7.2.249 Based on the above considerations, the Authority proposes Aeronautical Operation and Maintenance Expenditure of Rs. 1,317.52 crores for the First Control Period, as against GVIAL's submission of Rs. 2,173.00 crores (refer Table 67). The main reasons for variance between the amount as submitted by GVIAL and that proposed by the Authority are as follows:

- Repairs and Maintenance: Considered at 1.1% of opening aeronautical gross block (excluding site development costs) as against 1.5% of average gross fixed assets proposed by GVIAL resulting in a variance of Rs. 158.56 crores.
- CNS/ATM Expenditure: Reduction of 30% overhead component in AAI's Operating Expenses and CAPEX, and the per-person manpower rates have been revised while retaining the manpower count proposed resulting in a variance of Rs. 155.93 crores.

- Airport Operator Fee: Not proposed to be considered, resulting in a variance of Rs. 108.09 crores.
- Manpower Cost: The Authority proposes to accept the average employee cost of Rs. 17.36 lakh per employee, along with staff welfare expenses at 3% of the employee cost. The Authority further proposes to consider real growth of 6% as against 8% proposed by GVIAL. The overall headcount has been rationalised from 331 employees to 310 employees and phased at 250, 270, 290, 300 and 310 employees from FY 2026-27 to FY 2030-31, respectively. Based on the revised headcount and other assumptions, the Authority has recomputed the Employee Headcount Related (EHCR) expenses, resulting in a reduction of Rs. 89.87 crore vis-à-vis GVIAL's proposal.
- Other Operating Expenses: - Major variance pertaining of Airside O&M expenses where it is proposed to consider Rs. 2 Crores for FY 26-27 together with expenses to the extent supported by executed contractual arrangements, escalated at inflation for remaining years, resulting in an overall variance of Rs. 28.16 crores.
- Vehicle Hire Charges: GVIAL's FY27 estimate of Rs. 12.5 crores was revised to Rs. 3.98 crores on rectification of an error in hire charges per vehicle; further rationalized to Rs. 3.18 crores by reducing staff buses from 10 to 6, consequent to the reduced headcount, resulting in a variance of Rs. 44.82 crores.
- Housekeeping Expenses: Housekeeping expenses have been considered on the basis of the executed contracts for the Passenger Terminal Building and for the Landside and ATC areas and adjusted for Common Area Maintenance charges recoverable at Rs. 3 Crores per year for FY 26-27, inflated at inflation for the remaining years which had not been adjusted by GVIAL resulting in a variance of Rs. 27.53 crores.
- Utility Cost: Electricity consumption retained at constant levels up to FY30 with 5% escalation thereafter, a substantial part of consumption being fixed and independent of traffic. Recovery from concessionaires taken at 20% as against 15% submitted by GVIAL. Water consumption pertaining to city-side development excluded, and administrative charges of 10% recoverable under the Non-Aeronautical Master Concession Agreement netted off resulting in a variance of Rs. 26.77 crores.
- Travel Cost: Considered at the per-employee cost of Rs. 57,098 applied to the rationalised year-wise headcount resulting in a variance of Rs. 25.09 crores.
- Security Expenses: Deployment rationalised to 67 personnel in FY 27 as against 131 proposed, increasing progressively to 90% of strength by FY 31. Consumables considered at 10% of manpower cost as against approximately 32%. resulting in a variance of Rs. 21.24 crores.
- Rent: Rent for the Administrative Office Complex has been considered on an area of 35,000 sq. ft. as against 70,000 sq. ft. submitted by GVIAL together with a rate of Rs. 60 per sq. ft. per month and annual escalation of 5% resulting in a variance of Rs. 26.98 crores.
- Insurance: Proposed to be considered at 0.05% of aeronautical gross block as against 0.08% to 0.13% submitted. resulting in a variance of Rs. 15.60 crores.
- Bank Charges: Escrow account management fees, monitoring and review charges, IE, LIE, LIA, ASM audit and trustee fees excluded, being project development and financing-related costs that ought to have formed part of project cost; bank guarantee amounts relating to CNS/ATM restated in line with the Authority's revised assumptions. resulting in a variance of Rs. 13.96 crores.

- Corporate Cost Allocation: taken at 50% of GVIAL submission for FY 26-27 thereafter considered 6% Year-on-Year escalation resulting in variance of Rs. 14.48 Crores
- Enterprise IT : Proposed to be approved at 50% of GVIAL submission for FY 26-27 escalated by inflation resulting in variance of Rs. 10.11 Crores
- Advertisement: Restricted to Rs. 1 crore for FY 27 escalated at inflation resulting in a variance of Rs. 2.04 crores.
- Consultancy and Legal: Restricted to 50% of the amount submitted resulting in a variance of Rs. 12.68 crores.
- Auditor and Director Fees: Auditor and Director fees have been considered at Rs. 25 lakhs for FY27 as against Rs. 54 lakhs estimated by GVIAL resulting in a variance of Rs. 1.42 crores.
- Other administrative expenses: Proposed to allow Rs. 1 crore for FY 26-27 escalated at inflation for the remaining years of the control period, resulting in a variance of Rs. 20.44 Crores
- CSR expenses: fully disallowed resulting in a variance of Rs. 13.45 Crores
- IT Operation Related expenses – proposed to allow Rs. 220.90 Crores as compared to GVIAL submission of Rs. 235.85 Crores resulting in a variance of Rs. 14.95 Crores
- Interest on working capital – It is proposed to allow Rs. 7.50 Crores as compared to GVIAL's submission of Rs.28.10 Crores resulting in a variance of Rs. 20.60 Crores.

### **7.3 Authority's proposal regarding Operating and Maintenance (O&M) expenses for the First Control Period**

Based on the material before it and its analysis, the Authority proposes the following with regard to Operation and Maintenance (O&M) expenses for the First Control Period.

- 7.3.1 To consider O&M expenses for the First Control Period for BIA in accordance with Table 128.
- 7.3.2 To true up O&M expenses incurred by BIA for the First Control Period, subject to reasonableness and efficiency, at the time of tariff determination for the next control period.

## 8. NON-AERONAUTICAL REVENUE (NAR) FOR THE FIRST CONTROL PERIOD

### 8.1 GVIAL's submission regarding Non-Aeronautical Revenue for the First Control Period

8.1.1 GVIAL had in its MYTP dated 9<sup>th</sup> July 2025, submitted the following projected revenue from Non-Aeronautical Services for the First Control Period of Bhogapuram International Airport.

**Table 129: Non-Aeronautical Revenue submitted by GVIAL for Bhogapuram International Airport for the First Control Period**

(Rs. in crores)

| Particulars                   | Ref                  | FY 27*       | FY 28         | FY 29         | FY 30         | FY 31         | FY 32         | Total           |
|-------------------------------|----------------------|--------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| <b>NAR-CGF</b>                |                      |              |               |               |               |               |               |                 |
| Fuel Farm Revenue             | A                    | 3.60         | 5.53          | 6.32          | 7.05          | 7.93          | 8.90          | <b>39.34</b>    |
| Ground Handling Revenue       | B                    | 3.37         | 5.30          | 6.20          | 7.81          | 9.83          | 11.60         | <b>44.10</b>    |
| Cargo Revenue                 | C                    | 0.36         | 0.54          | 0.61          | 0.71          | 0.85          | 0.99          | <b>4.06</b>     |
| BME Revenue                   | D                    | 0.24         | 0.38          | 0.45          | 0.53          | 0.62          | 0.73          | <b>2.94</b>     |
| <b>Total Revenue from CGF</b> | <b>i=Sum(A:D)</b>    | <b>7.56</b>  | <b>11.75</b>  | <b>13.58</b>  | <b>16.10</b>  | <b>19.23</b>  | <b>22.21</b>  | <b>90.44</b>    |
|                               |                      |              |               |               |               |               |               |                 |
| <b>Direct Concession</b>      |                      |              |               |               |               |               |               |                 |
| In Flight Kitchen             | E                    | 0.43         | 0.69          | 0.83          | 0.96          | 1.14          | 1.33          | <b>5.38</b>     |
| <b>Master Concession</b>      |                      |              |               |               |               |               |               |                 |
| F&B                           | F                    | 21.76        | 34.90         | 41.55         | 48.29         | 56.57         | 66.16         | <b>269.22</b>   |
| Lounge Income                 | G                    | 14.51        | 23.27         | 27.70         | 32.19         | 37.71         | 44.11         | <b>179.48</b>   |
| Retail (Duty Paid)            | H                    | 23.37        | 37.49         | 44.62         | 51.86         | 60.76         | 71.06         | <b>289.16</b>   |
| Duty Free                     | I                    | 7.48         | 11.98         | 14.03         | 19.02         | 25.87         | 31.45         | <b>109.83</b>   |
| Car park                      | J                    | 11.28        | 18.10         | 21.54         | 25.04         | 29.33         | 34.30         | <b>139.59</b>   |
| Advertisement                 | K                    | 10.75        | 17.23         | 20.52         | 23.84         | 27.93         | 32.67         | <b>132.95</b>   |
| <b>Total</b>                  | <b>ii=Sum(F:K)</b>   | <b>89.15</b> | <b>142.96</b> | <b>169.95</b> | <b>200.24</b> | <b>238.18</b> | <b>279.75</b> | <b>1,120.23</b> |
| <b>Revenue Share to AO</b>    | <b>iii=ii*22.50%</b> | <b>20.06</b> | <b>32.17</b>  | <b>38.24</b>  | <b>45.05</b>  | <b>53.59</b>  | <b>63.59</b>  | <b>252.70</b>   |
|                               |                      |              |               |               |               |               |               |                 |
| Land & Space                  | L                    | 4.41         | 6.41          | 6.99          | 7.62          | 8.32          | 9.08          | <b>42.84</b>    |
| <b>Total</b>                  | <b>M=i+iii+L+E</b>   | <b>32.46</b> | <b>51.03</b>  | <b>59.64</b>  | <b>69.75</b>  | <b>82.27</b>  | <b>96.21</b>  | <b>391.35</b>   |

\*Considering COD of 30<sup>th</sup> June 2026

- 8.1.2 GVIAL submitted that in line with Para 5.6 of the Airport Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, GVIAL has estimated the revenue from services other than aeronautical services based on benchmarking with comparable airports, contractual arrangements, market assessments and airport-specific assumptions.
- 8.1.3 GVIAL has submitted that cargo, ground handling, bridge mounted equipment (BME) and fuel farm services at Bhogapuram Airport will be operated through third-party service providers under concession agreements awarded through competitive bidding processes and accordingly, in line with Clause 5.6.2 of the Tariff Guidelines, GVIAL has considered the revenue accruing to the Airport Operator from such businesses as revenue from services other than aeronautical services.
- 8.1.4 GVIAL has further submitted that concessions for Cargo, Ground Handling, BME and Fuel Farm operations have been awarded to the respective operators, and the revenue projections have been prepared based on the terms of the executed concession agreements.

- 8.1.5 The basis of projection of revenue from various non-aeronautical and concession businesses is discussed in the succeeding paragraphs.

#### **A. Fuel Farm**

- 8.1.6 GVIAL has submitted that it has awarded a license agreement to Hindustan Petroleum Corporation Limited (HPCL) through a competitive bidding process for design, build, finance, operate, maintain and transfer of Fuel Farm Facilities and Into-Plane Services at Bhogapuram Airport.
- 8.1.7 As per the Concession Agreement, the concessionaire is required to share 46.3% of Fuel Infrastructure Charges (FIC) and 5% of Into-Plane Charges with GVIAL.
- 8.1.8 For estimating revenue from the fuel farm business, GVIAL has considered fuel throughput projections based on the traffic forecast and has assumed average fuel uptake per departing passenger based on market research and industry benchmarks. The projected fuel throughput and the corresponding revenue share accruing to GVIAL are presented in the table below.

**Table 130: Estimated fuel throughput at Bhogapuram International Airport as submitted by GVIAL**

| Particulars                                                                                                           | FY'27       | FY'28       | FY'29       | FY'30       | FY'31       | FY'32       |
|-----------------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Fuel Uptake in KL (A)                                                                                                 | 52,044      | 78,565      | 89,756      | 1,00,111    | 1,12,556    | 1,26,331    |
| Fuel Infra Charges (Rate Per KL) (B)                                                                                  | 1,500       | 1,500       | 1,500       | 1,500       | 1,500       | 1,500       |
| Into Plane Charges (Rate per KL) (C)                                                                                  | 200         | 200         | 200         | 200         | 200         | 200         |
| <b>Revenue Share to GVIAL</b><br><b><math>A \times (46.3\% \times B + 5\% \times C)</math></b><br><b>(Rs. In Crs)</b> | <b>3.60</b> | <b>5.53</b> | <b>6.32</b> | <b>7.05</b> | <b>7.93</b> | <b>8.90</b> |

#### **B. Ground Handling**

- 8.1.9 GVIAL has submitted that the National Civil Aviation Policy (NCAP) permits domestic airlines to undertake self-handling for their own operations. Accordingly, GVIAL has assumed that 50% of domestic traffic would be serviced through self-handling, while the balance domestic traffic and 100% of international traffic would avail the services of a third-party ground handling service provider.
- 8.1.10 GVIAL has further submitted that, considering the aircraft fleet mix expected to operate at Bhogapuram Airport, a majority of aircraft movements are expected to comprise Code C aircraft. The Ground Handling (GH) rates considered for revenue estimation have been benchmarked with the AISATS Ground Handling Tariff at Hyderabad Airport and escalated by 4.2% annually from FY 27 to FY 32.
- 8.1.11 GVIAL has assumed a revenue share of 5% payable to the Airport Operator in respect of domestic services and 26% in respect of international and other services. GVIAL has further submitted that the ground handling concession was initially awarded to Celebi Airport Services India Private Limited (Celebi). However, following the revocation of security clearance granted to Celebi, GVIAL has issued a termination notice and is contemplating a fresh tendering process for appointment of a ground handling operator.
- 8.1.12 Based on the above assumptions, the estimated revenue from Ground Handling services and the corresponding revenue share accruing to GVIAL are presented in the table below.

**Table 131: Revenue projections submitted by GVIAL for Ground Handling Services***(Rs. in crores)*

| Particulars                     | FY'27       | FY'28       | FY'29       | FY'30       | FY'31       | FY'32        |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Domestic GH Revenue to ISP      | 29.1        | 46.8        | 55.5        | 63.1        | 72.4        | 83.6         |
| International GH revenue to ISP | 7.3         | 11.4        | 13.2        | 17.9        | 23.9        | 28.5         |
| <b>Total Revenue to ISP</b>     | <b>36.5</b> | <b>58.2</b> | <b>68.7</b> | <b>81.0</b> | <b>96.3</b> | <b>112.1</b> |
| <b>Revenue Share to GVIAL</b>   | <b>3.4</b>  | <b>5.3</b>  | <b>6.2</b>  | <b>7.8</b>  | <b>9.8</b>  | <b>11.6</b>  |

**C. Cargo**

- 8.1.13 GVIAL has submitted that it has awarded the Cargo Concession through a competitive bidding process to GMR Airports Limited for design, build, finance, operate, maintain and transfer of Air Cargo Terminal facilities and services at Bhogapuram International Airport. Under the terms of the concession agreement, the concessionaire is required to share a percentage of gross revenue with GVIAL based on annual cargo throughput. The applicable revenue share structure is presented in the table below.

**Table 132: Revenue Share details for Cargo as submitted by GVIAL**

| S.No | Annual Volume throughput (in MT) | % of Gross Revenue |
|------|----------------------------------|--------------------|
| 1    | Up to 25,000                     | 10.8               |
| 2    | Between 25,000 and 50,000        | 12.6               |
| 3    | More than 50,000                 | 15.3               |

- 8.1.14 GVIAL has submitted that the projected cargo traffic has been estimated based on market growth expectations and cargo demand forecasts contained in the CAPA study undertaken for Bhogapuram International Airport.

**Table 133: Cargo traffic projection for Bhogapuram International Airport as submitted by GVIAL***(in mt p.a.)*

| Particulars   | FY 27        | FY 28        | FY 29        | FY 30        | FY 31        | FY 32        |
|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Domestic      | 5,169        | 5,642        | 6,147        | 6,687        | 7,264        | 7,879        |
| International | 282          | 315          | 349          | 457          | 756          | 1,040        |
| <b>Total</b>  | <b>5,451</b> | <b>5,957</b> | <b>6,496</b> | <b>7,144</b> | <b>8,020</b> | <b>8,919</b> |

- 8.1.15 For the purpose of revenue estimation, GVIAL has assumed a 50:50 split between inbound and outbound domestic cargo and a 50:50 split between import and export international cargo.
- 8.1.16 GVIAL has submitted that cargo yields have been benchmarked with GMR Hyderabad Air Cargo, the independent cargo service provider at Hyderabad Airport. The yields considered for FY'27 have been escalated by 4.2% annually from FY 28 to FY 32.

**Table 134: Yield for Cargo as submitted by GVIAL**

| Particulars          | Yield (Rs/MT) |
|----------------------|---------------|
| Domestic-Inbound     | 6,158         |
| Domestic-Outbound    | 9,409         |
| International-Import | 14,953        |
| International-Export | 11,097        |

- 8.1.17 GVIAL has further submitted that the cargo licence was awarded through a competitive bidding process, with revenue share linked to annual cargo throughput (Refer Table 132). The applicable revenue share is 10.8% for annual throughput up to 25,000 MT, 12.6% for annual throughput above 25,000 MT and up to 50,000 MT, and 15.3% for annual throughput exceeding 50,000 MT. The concession period being 20 years.
- 8.1.18 Based on the projected cargo throughput, applicable yields and revenue share mechanism, the estimated cargo revenue and corresponding revenue share accruing to GVIAL are presented in the table below.

**Table 135: Cargo Revenue as submitted by GVIAL***(Rs. in Crores)*

| Particulars                   | FY 27      | FY 28      | FY 29      | FY 30      | FY 31      | FY 32      |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| Domestic Cargo Revenue        | 3.0        | 4.6        | 5.2        | 5.9        | 6.7        | 7.5        |
| International Cargo Revenue   | 0.3        | 0.4        | 0.5        | 0.7        | 1.2        | 1.7        |
| Total Cargo Revenue           | 3.3        | 5.0        | 5.7        | 6.6        | 7.8        | 9.2        |
| <b>Revenue share to GVIAL</b> | <b>0.4</b> | <b>0.5</b> | <b>0.6</b> | <b>0.7</b> | <b>0.8</b> | <b>1.0</b> |

**D. Bridge Mounted Equipment (BME)**

- 8.1.19 GVIAL has submitted that it has awarded the concession for Bridge Mounted Equipment (BME) services to GMR Airport Developers Limited (GADL) through a competitive bidding process for design, build, finance, operate, maintain and transfer of BME facilities at Bhogapuram Airport. Under the concession agreement, the concessionaire is required to share revenue with GVIAL at the rates given below.

**Table 136: Revenue share of BME as submitted by GVIAL**

| Sr. No | Year of Operation                   | % of Gross Revenue |
|--------|-------------------------------------|--------------------|
| 1      | 1-7 <sup>th</sup> year of operation | 10%                |
| 2      | 8 <sup>th</sup> year onwards        | 12%                |

- 8.1.20 GVIAL has submitted that the tariffs considered for BME services have been benchmarked with the corresponding tariffs at Mopa International Airport. The benchmark tariffs for FY 27 have been escalated by 4.2% annually for the subsequent years of the Control Period.

**Table 137: Benchmark Tariff Assumptions for BME Services as submitted by GVIAL**

| Rs / Hour                           | GPU Tariff (MOPA) | PCA Tariff (MOPA) |
|-------------------------------------|-------------------|-------------------|
| Domestic Passenger Wide Body        | 3,665             | 4,456             |
| Domestic Passenger Narrow Body      | 2,743             | 4,120             |
| International Passenger Wide Body   | 7,283             | 7,161             |
| International Passenger Narrow Body | 6,314             | 6,423             |

- 8.1.21 Based on the projected aircraft movements and the above tariff assumptions, the estimated revenue from BME services and the corresponding revenue share accruing to GVIAL are presented in the table below:

**Table 138: Estimated Revenue from BME Services as submitted by GVIAL***(Rs. in Crores)*

| Particulars                   | FY'27      | FY'28      | FY'29      | FY'30      | FY'31      | FY'32      |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| GPU Revenue at PBB            | 0.8        | 1.3        | 1.6        | 1.9        | 2.2        | 2.6        |
| PCA Revenue at PBB            | 0.9        | 1.4        | 1.7        | 2.0        | 2.3        | 2.7        |
| GPU Revenue at Remote Stand   | 0.3        | 0.5        | 0.6        | 0.8        | 0.9        | 1.1        |
| PCA Revenue at Remote Stand   | 0.3        | 0.5        | 0.6        | 0.7        | 0.8        | 0.9        |
| <b>Total Revenue to ISP</b>   | <b>2.4</b> | <b>3.8</b> | <b>4.5</b> | <b>5.3</b> | <b>6.2</b> | <b>7.3</b> |
| <b>Revenue share to GVIAL</b> | <b>0.2</b> | <b>0.4</b> | <b>0.4</b> | <b>0.5</b> | <b>0.6</b> | <b>0.7</b> |

**E. In Flight Kitchen**

- 8.1.22 GVIAL has submitted that the In-Flight Kitchen concession has been awarded through a competitive bidding process to M/s Encalm Sky Plates Private Limited. In accordance with the terms of the concession agreement, the concessionaire is required to pay a license fee of 11% to GVIAL.
- 8.1.23 For the purpose of revenue estimation, GVIAL has assumed an Average Ticket Value (ATV) of Rs. 95 for domestic passengers and Rs. 210 for international passengers for FY 27. The ATV assumptions have been

escalated at 4.2% per annum from FY 28 to FY 32. GVIAL has further assumed that 30% of domestic passengers and 20% of international passengers would opt for in-flight food and beverage purchases.

#### **Master Non-Aeronautical Concession**

- 8.1.24 GVIAL has submitted that, being a greenfield airport in the initial years of operation, Bhogapuram Airport is expected to witness relatively lower commercial penetration and consequently lower revenue potential across individual non-aeronautical business segments. Accordingly, GVIAL is of the view that operating standalone concessions for individual business verticals may not be optimal during the initial years of airport operations.
- 8.1.25 GVIAL has further submitted that, with a view to ensuring commercial viability of the non-aeronautical business portfolio through diversification of business risks, attainment of economies of scale and optimisation of operating expenditure, it has adopted a Master Non-Aeronautical Concession Model. Under this model, a single concessionaire is entrusted with operation and management of multiple non-aeronautical businesses, enabling cross-utilisation of resources and operational efficiencies. GVIAL has submitted that such an arrangement reduces the administrative and operational burden on the Airport Operator, facilitates transfer of business risks to the concessionaire and allows the concessionaire to leverage its experience and expertise across multiple commercial segments, thereby improving overall revenue generation. Accordingly, GVIAL has awarded a master concession covering businesses such as Food & Beverage (F&B), Retail, Lounges, Duty Free, Car Parking and Advertisements.
- 8.1.26 GVIAL has submitted that it had initially issued an Expression of Interest (EOI) on 13<sup>th</sup> November 2021 for non-aeronautical concessions, divided into two concession packages, namely Retail & Duty Free (RDF) and Food & Beverage, Lounges and In-Flight Kitchen (FLI). However, due to uncertainties arising from the COVID-19 pandemic and delays in commencement of the airport project on account of land acquisition related issues, the process could not be taken forward. Subsequently, with recovery in air traffic and improvement in the operating environment, GVIAL re-initiated the concession process.
- 8.1.27 GVIAL has further submitted that, considering the projected traffic profile and scale of operations at Bhogapuram International Airport, it was assessed that the commercial value of non-aeronautical businesses could be better realised through a consolidated concession structure. Accordingly, it was proposed to bundle various commercial activities under a single concession package, thereby enabling the concessionaire to act as a one-stop service provider and benefit from cross-subsidisation between business segments, resulting in enhanced operational efficiency and commercial viability. GVIAL appointed M/s BV Rao & Co. LLP, Chartered Accountants, as the Bid Manager for the concession process.
- 8.1.28 Based on the above approach, GVIAL floated a tender for a consolidated non-aeronautical concession encompassing various revenue streams, including F&B, Duty Free, Lounges, Retail, Car Parking and Advertisement, on a design, develop, operate and manage basis. The Expression of Interest was published in The Hindu newspaper for wider participation and was also uploaded on the GVIAL website on 22<sup>nd</sup> February 2023.
- 8.1.29 GVIAL has submitted that the following entities expressed interest and submitted qualification documents in response to the EOI:
- GMR Airports Limited (“GAL”);
  - Adani Airport Holdings Limited (“AAHL”); and
  - Travel Food Services Private Limited (“TFS”).

- 8.1.30 GVIAL has submitted that the qualification documents were opened on 21<sup>st</sup> March 2023 and evaluated by the Bid Manager. Pursuant to the evaluation, all three bidders were found technically qualified in accordance with the requirements of the EOI. Thereafter, Request for Proposal (RFP) documents were issued to all technically qualified bidders. As per the terms of the RFP, the bidder offering the highest revenue share was to be selected. Accordingly, the financial bids were opened in the presence of GVIAL officials and evaluated by the Bid Manager. The revenue shares quoted by the respective bidders are presented in the table below:

**Table 139: Revenue Share Quoted by Bidders for Master Non-Aeronautical Concession**

| Bid submitted by                     | Financial Bid -% of Gross Revenue                                                                                                                                                                     |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Travel Food Services Private Limited | Revenue Share -21.00%                                                                                                                                                                                 |
| Adani Airport Holdings Limited       | Revenue Share -8.50%                                                                                                                                                                                  |
| GMR Airports Limited                 | Revenue Share –<br>From 1 <sup>st</sup> to 5 <sup>th</sup> year – 22.50%<br>From 6 <sup>th</sup> year to 10 <sup>th</sup> year – 23.40%<br>From 11 <sup>th</sup> year-till end of concession – 24.30% |

- 8.1.31 GVIAL has submitted that GMR Airports Limited emerged as the successful bidder with the highest revenue share offer.
- 8.1.32 GVIAL has further submitted that revenues from commercial activities such as Retail, F&B, Lounges, Duty Free, Car Parking and Advertisement are directly dependent on passenger traffic levels and passenger spending behavior, whereas revenues from space rentals are driven primarily by contractual arrangements entered into with the respective concessionaires and service providers.

#### **Retail Concession**

- 8.1.33 GVIAL has submitted that the revenue projections for F&B, Lounges, Retail, Duty Free, Car Parking and Advertisement have been developed on the basis of Spend Per Passenger (SPP) benchmarking using Hyderabad Airport as the primary benchmark airport. In case of Duty Free, GVIAL has additionally considered benchmarking with Mopa Airport. The benchmark values have been adjusted for expected inflation and discounted to reflect the ramp-up profile and passenger characteristics of a greenfield airport. The benchmark assumptions adopted by GVIAL are presented in the table below:

**Table 140: Benchmarking of Spend Per Passenger (SPP)**

| Particulars                                          | F&B       | Lounges   | Retail    | Duty Free  | Car Park  | Advertisement |
|------------------------------------------------------|-----------|-----------|-----------|------------|-----------|---------------|
| GHIAL SPP (Rs. /Pax)                                 | 94        | 62        | 101       | 780        | 48        | 46            |
| MOPA SPP (Rs / Pax)                                  |           |           |           | 318        |           |               |
| Growth Rate                                          | 4%        | 4%        | 4%        | 4%         | 4%        | 4%            |
| Bhogapuram Airport Discount Factor                   | 20%       | 20%       | 20%       | 20%        | 20%       | 20%           |
| <b>Bhogapuram Estimated SPP (Rs. /Pax) for FY'27</b> | <b>81</b> | <b>54</b> | <b>87</b> | <b>475</b> | <b>42</b> | <b>40</b>     |

#### **F. F&B**

- 8.1.34 GVIAL has submitted that dedicated F&B areas have been earmarked within the Passenger Terminal Building (PTB). The outlets are proposed across domestic and international streams, covering both departure and arrival areas, thereby providing greater visibility and increasing customer penetration. Based on the benchmarking exercise, GVIAL has considered an SPP of Rs. 81 per passenger for FY'27. The F&B SPP has been escalated by 4.2% annually from FY'28 to FY'32.

**G. Lounge Income**

- 8.1.35 GVIAL has submitted that lounges and spa facilities provide an attractive proposition for premium travelers to utilize their dwell time at the airport. GVIAL has further submitted that, with increasing adoption of loyalty programmes and strategic partnerships, the proportion of passengers availing lounge facilities is expected to increase over time. Based on the benchmarking exercise, GVIAL has considered an SPP of Rs. 54 per passenger for FY 27. The lounge SPP has been escalated by 4.2% annually from FY 28 to FY 32.

**H. Retail**

- 8.1.36 GVIAL has submitted that retail revenue is primarily dependent on passenger profile and spending behaviour. Bhogapuram Airport is expected to cater to a mix of tourist and industrial traffic. While such traffic may exhibit a higher propensity to spend, the average spend per passenger is expected to be relatively lower considering the anticipated socio-economic profile of passengers. Based on benchmarking with comparable airports, GVIAL has considered an SPP of Rs. 87 per passenger for FY 27. The retail SPP has been escalated in subsequent years in line with inflation assumptions.

**I. Duty Free**

- 8.1.37 GVIAL has submitted that Duty Free revenue has been projected based on the SPP methodology. For this purpose, GVIAL has benchmarked the Duty Free business with Hyderabad Airport and Mopa Airport. GVIAL has submitted that the Duty Free SPP at Hyderabad Airport is approximately Rs. 780 per passenger, while the corresponding SPP at Mopa Airport is approximately Rs. 318 per passenger. Considering the expected passenger profile at Bhogapuram Airport and lower penetration levels during the initial years of operation, GVIAL has considered an SPP broadly aligned with the average of the benchmark airports. Accordingly, GVIAL has adopted a Duty Free SPP of Rs. 475 per passenger for FY 27, which has been escalated by 4.2% annually from FY 28 to FY 32.

**J. Car Park**

- 8.1.38 GVIAL has submitted that Car Parking revenue has been estimated based on benchmarking with comparable airports and expected passenger volumes at Bhogapuram Airport. Based on the benchmarking exercise, GVIAL has considered an SPP of Rs. 42 per passenger for FY 27, which has been escalated by 4.2% annually from FY 28 to FY 32.

**K. Advertisement**

- 8.1.39 GVIAL has submitted that Advertisement revenue has been projected based on benchmark revenue performance observed at comparable airports and the expected advertiser demand at Bhogapuram Airport. Based on the benchmarking exercise, GVIAL has considered an SPP of Rs. 40 per passenger for FY 27. The Advertisement SPP has been escalated by 4.2% annually from FY 28 to FY 32.

**Revenue share to the Airport Operator**

- 8.1.40 GVIAL has submitted that, in order to achieve better commercial management, operational efficiency and risk diversification, the Master Concessionaire shall operate the above non-aeronautical businesses and share revenue with GVIAL in accordance with the terms of the Master Concession Agreement. The revenue share payable by the Master Concessionaire is 22.50% of gross revenue from COD up to the fifth year of operation, 23.40% from the sixth year to the tenth year of operation, and 24.30% thereafter.

**L. Space Rental:**

- 8.1.41 GVIAL has submitted that it expects to earn revenue from direct leasing of terminal spaces and land parcels for airport-related activities, including airline offices, ticketing counters, office space for airport users, ground handling facilities, cargo facilities, fuel farm facilities, in-flight kitchen facilities and medical facilities. The details of the areas and applicable lease rentals are presented in the table below.

**Table 141: Details of Space let out as submitted by GVIAL**

| Particulars             | Area in SQM | Rate / Sqm/ Month |
|-------------------------|-------------|-------------------|
| BoH Area                | 30          | 1,200             |
| Ticket counter          | 99          | 2,000             |
| Office Space – Airlines | 360         | 2,000             |
| GH E&M                  | 277         | 2,000             |
| Office Space – Others   | 643         | 2,000             |
| IFK-Airside unpaved     | 6,071       | 75                |
| GH unpaved land         | 3,500       | 100               |
| GH Office               | 75          | 2,000             |
| Cargo Land              | 12,000      | 25                |
| Fuel                    | 30,351      | 25                |
| Medical                 | 62          | 1,500             |

- 8.1.42 GVIAL has submitted that all the above spaces and land parcels are expected to achieve 100% occupancy from FY 27 onwards, and the applicable rentals have been escalated by 10% annually over the Control Period except for IFK, Cargo and Medical which have been escalated based on inflation of 4.2%.
- 8.1.43 GVIAL has further submitted that the Government of India, under the National Civil Aviation Policy, 2016, has approved the 30% Hybrid Till framework for determination and regulation of aeronautical charges at airports. In accordance with the provisions of the Concession Agreement, the same framework is applicable to Bhogapuram Airport. The concession agreement of GVIAL at para 9.9.1 also provides similar direction. Following is the relevant extract:

*“The GOI has, vide its National Civil Aviation Policy ("NCAP") 2016 directed that the future tariffs at all airports will be calculated on a "30% (thirty per cent) Hybrid-Till" framework for the determination and regulation of the Aeronautical Charges at the Airport, and the same shall be accordingly considered by AERA, in accordance with the provisions of this Agreement. For avoidance of doubt, revenues of the Concessionaire from City Side Development and City Side for Residential Development in accordance with Schedule A measuring 293.9 acres (both inclusive), which has been earmarked as such in the approved Master Plan, shall be excluded from the hybrid-till framework for the determination and regulation of the Aeronautical Charges.”*

- 8.1.44 Accordingly, GVIAL has considered that 30% of non-aeronautical revenue would be taken into account under the Hybrid Till framework for cross-subsidization of aeronautical charges, while revenues arising from City Side Development areas would remain excluded in accordance with the provisions of the Concession Agreement.

**8.2 Authority's Examination regarding Non-Aeronautical Revenue for the First Control Period**

- 8.2.1 The Authority has examined the non-aeronautical revenue projections submitted by GVIAL for the First Control Period, including revenues from Cargo, Ground Handling, Fuel Farm, Bridge Mounted Equipment (BME), In-Flight Kitchen, Master Non-Aeronautical Concession and Space Rentals.

8.2.2 The Authority has reviewed the basis of estimation adopted by GVIAL, including the underlying concession agreements, traffic-linked assumptions, benchmarking adopted for various commercial businesses, revenue-sharing arrangements with concessionaires, and other supporting information furnished during the course of the review. The Authority notes that revenues from Cargo, Ground Handling, Fuel Farm and BME have been estimated based on the executed concession agreements and the contractual revenue share payable to GVIAL. In respect of commercial businesses covered under the Master Non-Aeronautical Concession, revenues have primarily been projected based on passenger traffic, SPP assumptions and the applicable revenue-sharing arrangements. For space rentals, revenue has been estimated based on the applicable rental rates.

8.2.3 The Authority has examined the assumptions, benchmarks, concession arrangements and other inputs considered by GVIAL for various non-aeronautical revenue streams. The analysis and observations of the Authority are discussed in the subsequent paragraphs.

#### **Revision in the duration of the First Control Period and COD**

8.2.4 The Authority notes that GVIAL, in its MYTP dated 9<sup>th</sup> July 2025, has submitted projections of revenue from services other than aeronautical services for a period of six years, i.e., from FY 27 to FY 32. The said projections were prepared based on an envisaged Commercial Operation Date ("COD") of 30<sup>th</sup> June 2026 and the corresponding regulatory period considered by GVIAL at the time of submission.

8.2.5 As discussed in para 2.3.4, the Authority has determined the First Control Period for Bhogapuram International Airport as a period of five years commencing on 01<sup>st</sup> April 2026 and ending on 31<sup>st</sup> March 2031 (FY 27 to FY 31) with COD as 17<sup>th</sup> August 2026.

8.2.6 The Authority notes that the revision in the COD has implications on the timing of commencement of airport operations and the associated build-up of passenger traffic and commercial activities. Consequently, the assumptions underlying the non-aeronautical revenue projections submitted by GVIAL require to be aligned with the revised COD considered by the Authority.

8.2.7 The Authority further notes that the projections submitted by GVIAL extend up to FY 32, whereas the First Control Period determined by the Authority extends only up to FY 31. Accordingly, for the purpose of the present analysis, the Authority has restated the submission of GVIAL to align the projections with the revised COD considered by the Authority and the revised First Control Period. The Authority has therefore excluded the revenue projections for FY 32 and, at this stage, and accordingly, the restated submission of GVIAL for the First Control Period is presented in the table below.

**Table 142: Non-Aeronautical Revenue submitted by GVIAL, restated for the First Control Period of Five Years**

(Rs. in crores)

| Particulars                   | Ref               | FY'27       | FY'28        | FY'29        | FY'30        | FY'31        | Total        |
|-------------------------------|-------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| <b>NAR-CGF</b>                |                   |             |              |              |              |              |              |
| Fuel Farm Revenue             | A                 | 2.97        | 5.53         | 6.32         | 7.05         | 7.93         | <b>29.81</b> |
| Ground Handling Revenue       | B                 | 2.78        | 5.30         | 6.20         | 7.81         | 9.83         | <b>31.92</b> |
| Cargo Revenue                 | C                 | 0.29        | 0.54         | 0.61         | 0.71         | 0.85         | <b>3.00</b>  |
| BME Revenue                   | D                 | 0.20        | 0.38         | 0.45         | 0.53         | 0.62         | <b>2.17</b>  |
| <b>Total Revenue from CGF</b> | <b>i=Sum(A:D)</b> | <b>6.24</b> | <b>11.75</b> | <b>13.58</b> | <b>16.10</b> | <b>19.23</b> | <b>66.90</b> |
| <b>Direct Concession</b>      |                   |             |              |              |              |              |              |
| In Flight Kitchen             | E                 | 0.36        | 0.69         | 0.83         | 0.96         | 1.14         | <b>3.98</b>  |

# NON-AERONAUTICAL REVENUE (NAR) FOR THE FIRST CONTROL PERIOD

| Particulars                | Ref                  | FY'27        | FY'28         | FY'29         | FY'30         | FY'31         | Total         |
|----------------------------|----------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| <b>Master Concession</b>   |                      |              |               |               |               |               |               |
| F&B                        | F                    | 17.96        | 34.90         | 41.55         | 48.29         | 56.57         | <b>199.26</b> |
| Lounge Income              | G                    | 11.97        | 23.27         | 27.70         | 32.19         | 37.71         | <b>132.84</b> |
| Retail Duty Paid           | H                    | 19.29        | 37.49         | 44.62         | 51.86         | 60.76         | <b>214.02</b> |
| Duty Free                  | I                    | 6.18         | 11.98         | 14.03         | 19.02         | 25.87         | <b>77.08</b>  |
| Car park                   | J                    | 9.31         | 18.10         | 21.54         | 25.04         | 29.33         | <b>103.32</b> |
| Advertisement              | K                    | 8.87         | 17.23         | 20.52         | 23.84         | 27.93         | <b>98.40</b>  |
| <b>Total</b>               | <b>ii=Sum(F:K)</b>   | <b>73.59</b> | <b>142.96</b> | <b>169.95</b> | <b>200.24</b> | <b>238.18</b> | <b>824.92</b> |
| <b>Revenue Share to AO</b> | <b>iii=ii*22.50%</b> | <b>16.56</b> | <b>32.17</b>  | <b>38.24</b>  | <b>45.05</b>  | <b>53.59</b>  | <b>185.61</b> |
| Land & Space               | L                    | 3.64         | 6.41          | 6.99          | 7.62          | 8.32          | <b>32.99</b>  |
| <b>Total</b>               | <b>iv=i+iii+L+E</b>  | <b>26.79</b> | <b>51.03</b>  | <b>59.64</b>  | <b>69.75</b>  | <b>82.27</b>  | <b>289.47</b> |
| <b>30% of Total</b>        | <b>v= iv * 30%</b>   | <b>8.04</b>  | <b>15.31</b>  | <b>17.89</b>  | <b>20.92</b>  | <b>24.68</b>  | <b>86.84</b>  |

\*As discussed in para 2.3.5, FY 27 figures have been pro-rated for 227 days based on the revised COD of 17 August 2026, as against 275 days based on the earlier COD of 30 June 2026.

- 8.2.8 The Authority observes that the non-aeronautical revenue submitted by GVIAL, when restated for the five-year First Control Period with revised COD, works out to Rs. 289.47 crores as against Rs. 391.35 crores projected by GVIAL over six years. The examination of the Authority in the succeeding paragraphs has accordingly been carried out with reference to the restated projections for the First Control Period.

## **Cargo, Ground Handling, Fuel Farm and BME Revenue**

- 8.2.9 GVIAL has considered the revenue accruing from Cargo, Ground Handling, Bridge Mounted Equipment (BME) and Fuel Farm / Into-Plane Services as revenue from services other than aeronautical services, on the basis that such services are proposed to be provided through independent third-party concessionaires.
- 8.2.10 The Authority notes that Clause 1.1 of the Concession Agreement between GVIAL and APADCL defines “Aeronautical Charges” as the charges approved by AERA which may be levied, collected and appropriated by the Concessionaire for the provision of Aeronautical Services. The Concession Agreement further defines “Aeronautical Services” with reference to the definition under AERA Act. The Authority also notes that the MoU executed between GVIAL and the Government of India dated 10<sup>th</sup> February 2023 similarly provides that “Aeronautical Services” shall have the meaning set forth in the AERA Act, 2008.
- 8.2.11 In this regard, Section 2(a) of the AERA Act, 2008 expressly includes within the definition of “aeronautical service”, inter alia, ground handling services relating to aircraft, passengers and cargo at an airport, cargo facilities at an airport, supply of fuel to aircraft at an airport and any other ground facility offered in connection with aircraft operations. Accordingly, Cargo, Ground Handling and Fuel Farm / Into-Plane Services fall within the scope of aeronautical services under the AERA Act, 2008. Further, BME, comprising ground power and pre-conditioned air supplied to aircraft at the stands, constitutes a ground facility offered in connection with aircraft operations and is therefore also considered aeronautical in nature.
- 8.2.12 The Authority further notes that the classification of revenue arising from such services is to be determined with reference to the nature of the underlying service and the applicable statutory and contractual framework. The fact that the services are provided through independent third-party concessionaires does not alter the aeronautical nature of the underlying activities or the revenue accruing to GVIAL therefrom.

- 8.2.13 Accordingly, having regard to the provisions of the AERA Act, 2008, read with the Concession Agreement and the MoU referred to above, the Authority proposes to classify and consider the revenue accruing to GVIAL from Cargo, Ground Handling, BME, Fuel Farm and Into-Plane Services as Aeronautical Revenue for the purpose of tariff determination. Consequently, such revenues have been excluded from the computation of Non-Aeronautical Revenue.

**Master Non-Aeronautical Concession**

- 8.2.14 The Authority has examined the Master Non-Aeronautical Concession Agreement executed by GVIAL, including the scope of services covered under the concession, the procurement process adopted for selection of the concessionaire, the revenue share payable to GVIAL, and the basis of revenue projections submitted by GVIAL. The concession covers the principal passenger-linked non-aeronautical activities at the Airport, including F&B, Lounges, Retail, Duty Free, Car Parking and Advertisement.
- 8.2.15 The Authority notes that three bidders participated in the process for selection of the Master Non-Aeronautical Concessionaire and that the concession has been awarded at a revenue share of 22.5%.
- 8.2.16 GVIAL has projected the revenue from the Master Non-Aeronautical Concession based on the revenue share of 22.5% applied on the projected gross revenue of the concessionaire. The gross revenue of the concessionaire is, in turn, dependent upon passenger traffic and the Spend Per Passenger (SPP) achieved at the Airport. The Authority notes that, since the Airport is a new airport and is yet to establish a track record of commercial operations, the actual SPP that would be achieved at the Airport is presently not known.
- 8.2.17 In the absence of an established SPP for the Airport, GVIAL has relied upon SPP assumptions benchmarked principally with Hyderabad International Airport, with adjustments for airport-specific factors, for projecting the concessionaire's revenue. The Authority notes that the SPP ultimately achieved would depend upon various factors, including the extent and utilisation of commercial space, passenger profile and spending patterns, merchandising mix and pricing of the offerings. Accordingly, at this stage, the SPP at the Airport cannot be established with reasonable certainty solely on the basis of the assumptions adopted by GVIAL.
- 8.2.18 In this context, it is to be noted that the non-aeronautical revenue projected by GVIAL in its MYTP comprises four broad streams, namely (i) revenue from the Master Non-Aeronautical Concessionaire, covering F&B, Lounges, Retail, Duty Free, Car Parking and Advertisement; (ii) revenue from the In-Flight Kitchen concession; (iii) revenue from letting out of space and land parcels; and (iv) revenue from the Cargo, Ground Handling and Fuel Farm (CGF) concessions.
- 8.2.19 As discussed in para 8.2.11 above, the revenues accruing to GVIAL from the Cargo, Ground Handling, BME, Fuel Farm and Into-Plane Services are intrinsically connected with aeronautical operations at the airport and have accordingly been proposed to be classified as Aeronautical Revenue. Such revenues therefore do not form part of the non-aeronautical revenue examined in this section.
- 8.2.20 In respect of the remaining streams, the Authority observes that the revenues arising from the Master Non-Aeronautical Concession and the In-Flight Kitchen concession are, by their very nature, driven by passenger throughput and passenger spending behavior, whereas revenue from letting out of space and land parcels is driven by the quantum of space and land available at the airport, the contractual arrangements entered into by the Airport Operator and the pace of commercial development at the airport. The Authority is therefore of the view that the space and land rental stream is airport specific and is not amenable to benchmarking on a per passenger basis, and the same has accordingly been examined separately in the succeeding paragraphs.

- 8.2.21 As regards the passenger-linked non-aeronautical revenue, considering that an actual and established SPP is presently not available for the Airport, the Authority considers it appropriate to assess the reasonableness of the projected revenue with reference to the per-passenger non-aeronautical revenue of comparable airports, based on the relevant tariff orders issued by the Authority. Such benchmarking provides an observable basis for assessing the passenger-linked non-aeronautical revenue projections for the Airport during the initial period of operations.
- 8.2.22 Accordingly, for the purpose of the present determination, the Authority has adopted the following approach:
- a) for each of the identified comparable airports, the total non-aeronautical revenue considered in the relevant tariff order of the Authority for FY'27 has been taken as the starting point;
  - b) revenue streams which are not linked to passenger throughput, such as real estate and land related revenue, space and rental income, cargo related and air traffic related income, contract linked income, income from IT and fuel stations and other miscellaneous income, have been excluded therefrom. Duty Free revenue has also been excluded at this stage and considered separately, being linked specifically to international passenger traffic, so as to arrive at the passenger linked non-aeronautical revenue, excluding Duty Free revenue, of each comparable airport;
  - c) the passenger linked non-aeronautical revenue, excluding Duty Free revenue, so derived has been divided by the total passenger traffic considered by the Authority for that airport for FY'27, so as to arrive at the income per passenger (IPP), excluding Duty Free revenue, of each comparable airport;
  - d) the simple average of the income per passenger (excluding Duty Free revenue), of the benchmarked airports has been adopted as the benchmark income per passenger for Bhogapuram International Airport for FY'27;
  - e) Duty Free revenue has been benchmarked separately by dividing the Duty Free revenue of each comparable airport for FY'27 by the respective international passenger traffic considered by the Authority for that airport, so as to arrive at the Duty Free income per international passenger. The simple average thereof has been adopted as the benchmark Duty Free income per international passenger for Bhogapuram International Airport for FY'27; and
  - f) the benchmark income per passenger, excluding Duty Free revenue, and the benchmark Duty Free income per international passenger so arrived at have been escalated at 3.7% per annum, being the inflation assumption considered by the Authority for the First Control Period, and applied to the total passenger traffic and international passenger traffic, respectively, determined by the Authority for Bhogapuram International Airport for each year of the First Control Period.

#### **Selection of comparable airports**

- 8.2.23 The Authority has considered Noida International Airport, Manohar International Airport, Mopa and Navi Mumbai International Airport as the reference airports for the purpose of the above benchmarking exercise. The considerations underlying the selection of these airports are set out in the succeeding paragraphs.
- 8.2.24 Noida International Airport: Noida International Airport is a recently operationalised greenfield airport in the country in respect of which the Authority has determined aeronautical tariff. Being a greenfield airport in its initial years of operation, its non-aeronautical revenue profile reflects the commercial penetration, ramp-up and passenger spending patterns that a newly commissioned airport may reasonably be expected to achieve. Bhogapuram International Airport, being a greenfield airport which has recently commenced operations, is

comparable in this respect, and the revenue per passenger considered by the Authority for Noida International Airport in the tariff order for its First Control Period therefore provides a directly relevant reference point.

- 8.2.25 **Manohar International Airport (Mopa):** Manohar International Airport is a recently commissioned greenfield airport developed under the PPP framework and is presently in the initial phase of its operations. Similar to Bhogapuram International Airport, the airport is expected to progressively develop its non-aeronautical revenue streams as passenger traffic and commercial activity stabilise over the initial years of operation. Further, both Bhogapuram International Airport and Manohar International Airport form part of the GMR Airports portfolio, which provides additional relevance from the perspective of the overall approach towards development and management of commercial facilities and non-aeronautical activities. Accordingly, the non-aeronautical revenue per passenger considered by the Authority for Manohar International Airport provides a relevant benchmark for benchmarking the non-aeronautical revenue potential of Bhogapuram International Airport during its First Control Period.
- 8.2.26 **Navi Mumbai International Airport (NMIAL):** Navi Mumbai International Airport is a greenfield airport developed under the PPP framework, for which the Authority has determined aeronautical tariff for its initial period of operations. Further, while determining the non-aeronautical revenue for NMIAL, the Authority had benchmarked the same with reference to the non-aeronautical revenue of Chhatrapati Shivaji Maharaj International Airport (CSMIA) and considered 80% of the corresponding revenue of CSMIA for NMIAL. Accordingly, for the present benchmarking exercise, the Authority has considered the non-aeronautical revenue determined for NMIAL on the above basis in the relevant tariff order. The same provides a relevant reference point for assessing the passenger-linked non-aeronautical revenue potential of Bhogapuram International Airport during its First Control Period.
- 8.2.27 The Authority notes that the three airports so selected together represent a good mix of recently commissioned greenfield airports and is of the view that adoption of the average of the income per passenger estimated at the three airports appropriately balances the commercial potential achievable at the airport against the ramp-up constraints of a greenfield facility.
- 8.2.28 The Authority has considered the non-aeronautical revenue and the passenger traffic as determined by the Authority in the tariff order for the First Control Period in the case of Noida International Airport, Manohar International Airport, Mopa, Goa and Navi Mumbai International Airport for the year FY'27, being the first year of the First Control Period of Bhogapuram Airport.

#### **Derivation of the benchmark income per passenger**

- 8.2.29 Based on the above approach, the benchmark income per passenger derived by the Authority is presented in the table below.

**Table 143: Derivation of benchmark Income per Passenger from comparable airports for FY'27**

*(Rs. in crores, unless otherwise stated)*

| <b>Particulars - FY'27</b>                | <b>Noida</b>             | <b>MOPA</b>              | <b>NMIAL</b>             | <b>Average</b> |
|-------------------------------------------|--------------------------|--------------------------|--------------------------|----------------|
| Source                                    | 1st Control Period Order | 1st Control Period Order | 1st Control Period Order |                |
| Total NAR for FY'27                       | 115.38                   | 128.02                   | 417.28                   |                |
| Less: Other than Passenger Linked Revenue | 37.71                    | 11.25                    | 0.00                     |                |
| Less: Duty Free                           | 3.57                     | 19.87                    | 96.12                    |                |
| <b>NAR considered for benchmarking</b>    | <b>74.10</b>             | <b>96.90</b>             | <b>321.16</b>            |                |

| Particulars - FY'27                                                        | Noida         | MOPA          | NMIAL         | Average       |
|----------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>Total Pax - FY'27 (in million)</b>                                      | <b>5.40</b>   | <b>11.79</b>  | <b>19.31</b>  |               |
| <b>Income per Passenger (IPP)- Excluding Duty Free (Rs. per passenger)</b> | <b>137.22</b> | <b>82.19</b>  | <b>166.32</b> | <b>128.58</b> |
|                                                                            |               |               |               |               |
| Duty Free                                                                  | 3.57          | 19.87         | 96.12         |               |
| <b>International Pax - FY'27 (in million)</b>                              | <b>0.10</b>   | <b>1.12</b>   | <b>4.91</b>   |               |
| <b>Income per Passenger (IPP)- Duty Free (Rs. per passenger)</b>           | <b>357.00</b> | <b>177.41</b> | <b>195.76</b> | <b>243.39</b> |

8.2.30 The Authority observes that the income per passenger, excluding Duty Free, derived for the three comparable airports lies in the range of Rs. 82.19 to Rs. 166.32 per passenger, with the average income per passenger working out to Rs. 128.58 per passenger for FY'27. Further, the Duty Free income per international passenger for the comparable airports lies in the range of Rs. 177.41 to Rs. 357.00 per passenger, with the average working out to Rs. 243.39 per international passenger for FY'27. The Authority is of the view that the said averages provide reasonable and objectively verifiable benchmarks for estimating the passenger linked non-aeronautical revenue of Bhogapuram International Airport.

8.2.31 The benchmark income per passenger of Rs. 128.58 per passenger for FY'27, excluding Duty Free, and the benchmark Duty Free income of Rs. 243.39 per international passenger for FY'27, have been escalated at 3.7% per annum for the subsequent years of the First Control Period, being the inflation assumption adopted by the Authority. The respective benchmarks have been applied to the total passenger traffic and international passenger traffic, as determined by the Authority for Bhogapuram International Airport, to estimate the passenger linked non-aeronautical revenue. The resultant passenger linked non-aeronautical revenue is presented in the table below.

**Table 144: Passenger Linked Non-Aeronautical Revenue proposed by the Authority for the First Control Period**

| Particulars                                                                    | Ref          | FY'27        | FY'28        | FY'29        | FY'30        | FY'31        | Total         |
|--------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Comparable Income per Passenger -excluding Duty Free (Rs. per passenger)       | A            | 128.58       | 133.33       | 138.27       | 143.38       | 148.69       |               |
| Total Pax proposed by the Authority (in million) (Refer Table 11)              | B            | 1.83         | 3.28         | 3.90         | 4.85         | 5.76         | 19.61         |
| <b>Total Passenger Linked NAR- excluding Duty Free for BIA (Rs. in crores)</b> | <b>C=A*B</b> | <b>23.47</b> | <b>43.78</b> | <b>53.89</b> | <b>69.50</b> | <b>85.62</b> | <b>276.26</b> |
|                                                                                |              |              |              |              |              |              |               |
| Comparable Income per Passenger - Duty Free (Rs. per passenger)                | D            | 243.39       | 252.40       | 261.73       | 271.42       | 281.46       |               |
| Total International Pax proposed by the Authority (in million)                 | E            | 0.07         | 0.16         | 0.18         | 0.25         | 0.32         | 0.98          |
| <b>Total Passenger Linked NAR- Duty Free for BIA (Rs. in crores)</b>           | <b>F=D*E</b> | <b>1.62</b>  | <b>4.13</b>  | <b>4.71</b>  | <b>6.87</b>  | <b>8.95</b>  | <b>26.28</b>  |
|                                                                                |              |              |              |              |              |              |               |
| <b>Total Passenger Linked NAR for BIA (Rs. in crores)</b>                      | <b>G=F+C</b> | <b>25.08</b> | <b>47.91</b> | <b>58.60</b> | <b>76.38</b> | <b>94.57</b> | <b>302.54</b> |

8.2.32 Accordingly, the Authority proposes to consider the passenger linked non-aeronautical revenue of Bhogapuram International Airport, covering the businesses operated under the Master Non-Aeronautical Concession and the In-Flight Kitchen concession, at Rs. 302.54 crores for the First Control Period, as against Rs. 189.59 crores (Refer revenue share from Master concession agreement and IFK revenue from Table 142) arrived on the basis of the restated submission of GVIAL in respect of the corresponding revenue streams.

8.2.33 The Authority notes that the revenue so benchmarked reflects the commercial potential that may reasonably be realized at Bhogapuram International Airport, having regard to the revenue levels considered by the Authority at comparable airports.

#### **Space Rental**

8.2.34 GVIAL has projected revenue from leasing of terminal space and land parcels for various airport-related activities, including airline offices, ticketing counters, ground handling facilities, cargo facilities, fuel farm facilities, in-flight kitchen facilities and medical facilities.

8.2.35 The Authority has examined the space rental revenue projections submitted by GVIAL. The Authority observes that the land and space rental revenue proposed by GVIAL is broadly comparable with the corresponding revenue considered for Mopa International Airport. However, the Authority notes that the classification of certain land parcels and spaces submitted by GVIAL as non-aeronautical requires further examination.

8.2.36 The Authority notes that, consistent with the regulatory approach adopted in tariff determinations for other major airports, revenues earned by the Airport Operator from the provision of land, space and other ground facilities in connection with aeronautical services fall under the category of Aeronautical Revenue in terms of Section 2(a) of the AERA Act, 2008. Accordingly, space and land allotted to aeronautical service providers, such as cargo operators, fuel farm operators, airlines and ground handling agencies, has consistently been treated as giving rise to Aeronautical Revenue, as such facilities are directly associated with the provision of aeronautical services and forming an integral part of airport operations. Only those rentals attributable to non-aeronautical activities will be considered under Non-Aeronautical Revenue.

8.2.37 Based on the above reclassification, the classification of land parcels & spaces is presented in the table below.

**Table 145: Classification of Land Parcels and Spaces – GVIAL Submission vs Authority's Approach**

| <b>Particulars</b>      | <b>Classification by AO</b> | <b>Proposed classification by the Authority</b> |
|-------------------------|-----------------------------|-------------------------------------------------|
| Back of House Area      | Non- Aeronautical           | Non-Aeronautical                                |
| Ticket counter          | Non- Aeronautical           | Aeronautical                                    |
| Office Space – Airlines | Non- Aeronautical           | Aeronautical                                    |
| GH E&M                  | Non- Aeronautical           | Aeronautical                                    |
| Office Space – Others   | Non- Aeronautical           | Aeronautical                                    |
| IFK-Airside unpaved     | Non- Aeronautical           | Non-Aeronautical                                |
| GH unpaved land         | Non- Aeronautical           | Aeronautical                                    |
| GH Office               | Non- Aeronautical           | Aeronautical                                    |
| Cargo Land              | Non- Aeronautical           | Aeronautical                                    |
| Fuel                    | Non- Aeronautical           | Aeronautical                                    |
| Medical                 | Non- Aeronautical           | Non-Aeronautical                                |

8.2.38 The Authority notes that GVIAL had initially submitted details of the proposed areas and rental rates for various land parcels and spaces as part of its MYTP submission. Subsequently, in response to queries raised

by the Authority and its Independent Consultant, GVIAL furnished revised details indicating the current status of the proposed lease rentals, including the area proposed to be allotted and the corresponding rental rates.

**Table 146: Current Status of Land and Space Rentals as submitted by GVIAL**

| Particulars              | Area in SQM | Rate / Sqm/ Month |
|--------------------------|-------------|-------------------|
| Back of House (BoH) Area | 60          | 1,200             |
| Ticket counter           | 55          | 2,800             |
| Office Space – Airlines  | 195         | 2,400             |
| GH E&M                   | 221         | 2,000             |
| Office Space – Others    | 96          | 2,400             |
| IFK-Airside unpaved      | 6,071       | 75                |
| GH unpaved land          | 250         | 150               |
| GH Office                | 53          | 2,400             |
| Cargo Land               | 12,000      | 25                |
| Fuel                     | 30,351      | 25                |
| Medical                  | 60          | 1,666             |

- 8.2.39 The Authority notes that the revised submission furnished by GVIAL reflects the latest position regarding area allocation and applicable rental rates for various categories of land and space. Since the underlying lease agreements and supporting contractual documentation have not been submitted by GVIAL for verification, the Authority, for the purpose of this Consultation Paper, has considered the area and rental rates as per the latest submission furnished by GVIAL, subject to verification at the time of true up.
- 8.2.40 The Authority has accordingly considered only those land parcels and spaces classified as non-aeronautical in accordance with the approach described above, namely BoH Area, IFK- Airside Unpaved Area and Medical Facilities, for the purpose of determination of Non-Aeronautical Revenue from space rentals.
- 8.2.41 Based on the latest area and rental rate details submitted by GVIAL and the reclassification carried out by the Authority, the Authority has computed the annual space rental revenue for FY'27 as follows:

**Table 147: Computation of Space Rental for FY 27**

| Particulars  | Area (Sq Mtr) | Rate (Rs/Sqr Mtr/Month) | Monthly Rental (in Rs crs) | Annual Rental (Rs crs) |
|--------------|---------------|-------------------------|----------------------------|------------------------|
| BoH Area     | 60            | 1,200                   | 0.01                       | 0.09                   |
| IFK Unpaved  | 6,071         | 75                      | 0.05                       | 0.55                   |
| Medical      | 60            | 1,666                   | 0.01                       | 0.12                   |
| <b>Total</b> |               |                         | <b>0.06</b>                | <b>0.75</b>            |

- 8.2.42 The Authority further notes that GVIAL has projected space rental revenue for the subsequent years of the First Control Period based on category-wise escalation assumptions adopted in its MYTP. The Authority has, at this stage, accepted the escalation assumptions adopted by GVIAL and has applied the same to the revised FY'27 base revenue determined above, subject to verification of the underlying agreements at the time of true up.
- 8.2.43 Accordingly, the space rental revenue considered by the Authority for the First Control Period is presented in the table below.

**Table 148: Space Rental Revenue Considered by the Authority for the First Control Period**

(Rs. in crores)

| Particulars               | Ref | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 | Total |
|---------------------------|-----|-------|-------|-------|-------|-------|-------|
| Year Frac                 | A   | 0.62  | 1     | 1     | 1     | 1     |       |
| Total Land and Space Rent | B   | 0.75  | 0.79  | 0.84  | 0.88  | 0.93  | 4.19  |

| Particulars                   | Ref | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 | Total |
|-------------------------------|-----|-------|-------|-------|-------|-------|-------|
| Pro-rated Land and Space Rent | A*B | 0.47  | 0.79  | 0.84  | 0.88  | 0.93  | 3.91  |

- 8.2.44 Interest Income - The Authority has examined the position in relation to the Cash and Bank Balances available with GVIAL for the purpose of determining whether any excess cash would be available with GVIAL, the income from which would be required to be considered as a deduction from the Aggregate Revenue Requirement for the First Control Period.
- 8.2.45 The Authority notes that GVIAL is expected to deploy its available Cash and Bank Balances towards meeting its funding requirements, including capital expenditure and working capital requirements during the First Control Period. Accordingly, the Authority is of the view that no excess cash is expected to be available with GVIAL during the First Control Period for deployment towards investments for earning interest income. In view of the above, the Authority proposes to true up the actual revenue accrued on account of interest income at the time of tariff determination for the Second Control Period.
- 8.2.46 Based on the above analysis, the revised non-aeronautical revenue proposed to be considered by the Authority for the First Control Period is presented in the table below.

**Table 149: Non-Aeronautical Revenue Proposed by the Authority for the First Control Period***(Rs. in crores)*

| Particulars                         | FY 27        | FY 28        | FY 29        | FY 30        | FY 31        | Total         |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| IPP based revenue (Refer Table 144) | 25.08        | 47.91        | 58.60        | 76.38        | 94.57        | 302.54        |
| Space Rental (Refer Table 148)      | 0.47         | 0.79         | 0.84         | 0.88         | 0.93         | 3.91          |
| <b>Total NAR</b>                    | <b>25.55</b> | <b>48.70</b> | <b>59.44</b> | <b>77.26</b> | <b>95.50</b> | <b>306.45</b> |
| <b>30% of NAR</b>                   | <b>7.67</b>  | <b>14.61</b> | <b>17.83</b> | <b>23.18</b> | <b>28.65</b> | <b>91.93</b>  |

- 8.2.47 The Non-Aeronautical Revenue as per Table 142 – which is GVIAL's re-drawn submission amounts to Rs. 289.47 crores. After excluding CGF revenues of Rs. 66.90 crores and Rs. 29.08 crores of Land and Space Rental attributable to aeronautical activities, which have been reclassified as Aeronautical Revenue by the Authority, the comparable Non-Aeronautical Revenue submitted by GVIAL works out to Rs. 193.50 crores. As against this, the Authority has proposed Non-Aeronautical Revenue of Rs. 306.45 crores, resulting in an increase of Rs. 112.95 crores. This increase is attributable to passenger-linked revenues from the Master Non-Aeronautical Concession and In-Flight Kitchen concession, which the Authority has benchmarked on a per passenger basis against comparable airports

### 8.3 Authority's proposal regarding Non-Aeronautical Revenue for the First Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Non-Aeronautical Revenue for the First Control Period:

- 8.3.1 To consider Non-Aeronautical Revenue for the First Control Period for Bhogapuram International Airport as per Table 149.
- 8.3.2 To true up NAR for the current control period, at the time of determination of tariff for the next control period, subject to minimum threshold as per Table 149.
- 8.3.3 To consider actual interest income earned by GVIAL during the First Control Period at the time of tariff determination of Second Control Period.

## 9. TAXATION FOR THE FIRST CONTROL PERIOD

### 9.1 GVIAL's submission regarding Aeronautical Taxation for the First Control Period

9.1.1 GVIAL has submitted the computation of aeronautical income tax based on the Profit Before Tax (PBT) worked out by them. GVIAL has applied an effective tax rate of 34.94% on the aeronautical PBT so computed.

9.1.2 While computing the aeronautical tax, GVIAL has considered the following:

- Aeronautical revenues for the First Control Period;
- 30% of non-aeronautical revenues, which are reduced while computing the Aggregate Revenue Requirement (ARR) under the Hybrid Till framework, added back to the aeronautical revenue base;
- Aeronautical Operation and Maintenance (O&M) expenses, including interest on working capital;
- Interest on debt based on the normative gearing ratio applied on opening RAB; and
- Depreciation computed for the purpose of ARR

9.1.3 The computation of aeronautical income tax submitted by GVIAL is as follows:

**Table 150: Aeronautical Taxation for the First Control Period submitted by GVIAL**

(Rs. in crores)

| Particulars                       | Ref.           | FY'27         | FY'28           | FY'29           | FY'30           | FY'31           | FY'32           | Total           |
|-----------------------------------|----------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Revenue</b>                    |                |               |                 |                 |                 |                 |                 |                 |
| Aeronautical Revenue              | A              | 808.47        | 1,244.37        | 1,421.61        | 1,585.75        | 1,783.05        | 2,001.32        | <b>8,844.57</b> |
| 30% Non-Aero Cross Subsidy        | B              | 9.74          | 15.31           | 17.89           | 20.92           | 24.68           | 28.86           | <b>117.40</b>   |
| <b>Total Aero Revenue</b>         | <b>C=A+B</b>   | <b>818.20</b> | <b>1,259.68</b> | <b>1,439.50</b> | <b>1,606.68</b> | <b>1,807.73</b> | <b>2,030.18</b> | <b>8,961.97</b> |
| <b>Less: Expenses</b>             |                |               |                 |                 |                 |                 |                 |                 |
| Aero OPEX (incl. working cap int) | D              | 307.90        | 429.87          | 460.73          | 495.20          | 533.29          | 577.91          | <b>2,804.90</b> |
| Depreciation                      | E              | 188.27        | 250.80          | 250.80          | 252.68          | 256.43          | 260.19          | <b>1,459.16</b> |
| Interest on Debt                  | F              | 170.28        | 216.03          | 203.46          | 192.61          | 183.38          | 173.97          | <b>1,139.72</b> |
| <b>Total Expense</b>              | <b>G=D+E+F</b> | <b>666.45</b> | <b>896.70</b>   | <b>914.99</b>   | <b>940.49</b>   | <b>973.10</b>   | <b>1,012.07</b> | <b>5,403.79</b> |
| <b>Aero PBT</b>                   | <b>H=C-G</b>   | <b>151.75</b> | <b>362.98</b>   | <b>524.52</b>   | <b>666.19</b>   | <b>834.63</b>   | <b>1,018.11</b> | <b>3,558.18</b> |
| <b>Aero Tax @34.94%</b>           |                | <b>53.03</b>  | <b>126.84</b>   | <b>183.29</b>   | <b>232.79</b>   | <b>291.65</b>   | <b>355.77</b>   | <b>1,243.37</b> |

### 9.2 Authority's examination regarding Aeronautical Taxation for the First Control Period

9.2.1 The Authority notes that GVIAL has considered 30% of Non-Aeronautical Revenue in the estimation of aeronautical Profit Before Tax (PBT), which has then been used in the computation of aeronautical taxes. The Authority observes that the fact that a part of Non-Aeronautical Revenue is used for cross-subsidisation as per the Hybrid Till mechanism does not change the nature of such revenue to aeronautical. Further, the cross-subsidization as per the Hybrid Till mechanism is undertaken in order to reduce the tariff pressure on passengers and to incentivize GVIAL to make effective investments in non-aeronautical income generating sources.

9.2.2 The Authority is of the view that:

- 30% of Non-Aeronautical Revenue should not be treated as a subsidy for GVIAL, as GVIAL has already earned it from non-aeronautical services and the same is meant as a cross-subsidy to the airport user; and
- the consideration of 30% of Non-Aeronautical Revenue as part of revenue from aeronautical services would result in an unfair enrichment to GVIAL, effectively reducing the cross-subsidy benefit to the airport user from the present 30% of non-aeronautical income.

9.2.3 Therefore, the Authority proposes to consider only aeronautical revenue and aeronautical expenses in the computation of aeronautical PBT.

9.2.4 The Authority also notes that, for the purpose of tax computation, GVIAL has considered interest cost in proportion of the notional gearing ratio.

9.2.5 The Authority has directed GVIAL to submit the Annual Tariff Proposal (Tariff Rate Card) within seven days from the date of issue of this Consultation Paper, for review and Stakeholder Consultation.

9.2.6 The Authority has, for the purpose of this Consultation Paper, estimated the revenue and corresponding tax liability based on the Authority's proposals regarding traffic and other building blocks set out in this Consultation Paper, along with other information currently available. The computation is provisional and shall be revised at the Tariff Order stage based on the tariff rates approved at that stage.

9.2.7 The Authority has recomputed the aeronautical tax of GVIAL based on the changes proposed to the other building blocks and considering the following approach:

- Aeronautical Revenue: Currently computed based on the Authority's proposals considered in this consultation paper of traffic and other building blocks, together with other information presently available. The computation will be revised in the Tariff Order based on the tariff rates approved therein.
- 30% Non-Aeronautical Revenue: The Authority proposes not to consider Non-Aeronautical Revenue for computation of Aeronautical Tax, consistent with the approach adopted by the Authority in recent tariff determinations.
- Operation & Maintenance (O&M) Expenses: The Authority proposes to consider Aeronautical O&M Expenses as provided in Table 128.
- Depreciation: The Authority proposes to consider Aeronautical Depreciation as provided in Table 41.
- Interest cost on Debt: The Authority proposes to consider interest expense based on notional gearing ratio suitably updated to reflect the Aeronautical Capital Expenditure and capitalisation proposed to be considered by the Authority during the First Control Period.
- Tax Rate: The Authority proposes to consider the applicable corporate tax rate for calculation of Aeronautical Tax.

9.2.8 Based on the above, the following table summarizes the aeronautical taxes proposed by the Authority for the First Control Period.

**Table 151: Aeronautical tax proposed to be considered by the Authority for the First Control Period**

(Rs. in crores)

| Particulars           | Ref | FY 27  | FY 28  | FY 29  | FY 30  | FY 31    | Total           |
|-----------------------|-----|--------|--------|--------|--------|----------|-----------------|
| Aeronautical revenues | A   | 254.63 | 541.32 | 691.54 | 922.66 | 1,139.17 | <b>3,549.33</b> |

| Particulars                                                                                   | Ref              | FY 27          | FY 28          | FY 29          | FY 30         | FY 31         | Total           |
|-----------------------------------------------------------------------------------------------|------------------|----------------|----------------|----------------|---------------|---------------|-----------------|
| Less: Aeronautical operating expense including interest on working capital (Refer Table 128)* | B                | 159.21         | 267.03         | 282.27         | 296.81        | 312.20        | <b>1,317.52</b> |
| Less: Aeronautical Depreciation (Refer Table 41)                                              | C                | 131.76         | 212.79         | 212.79         | 213.63        | 215.29        | <b>986.26</b>   |
| Less: Interest Cost on Debt                                                                   | D                | 127.40         | 196.32         | 185.90         | 176.08        | 166.80        | <b>852.50</b>   |
| <b>Aeronautical PBT</b>                                                                       | <b>E=A-B-C-D</b> | <b>-163.73</b> | <b>-134.83</b> | <b>10.57</b>   | <b>236.16</b> | <b>444.87</b> | <b>393.04</b>   |
| <b>Accumulated Losses</b>                                                                     |                  |                |                |                |               |               |                 |
| Opening Accumulated Losses                                                                    | F                | -              | -163.73        | -298.56        | -287.99       | -51.83        |                 |
| Current Year Losses                                                                           | G                | -163.73        | -134.83        | -              | -             | -             |                 |
| Current Year Set-off                                                                          | H                | -              | -              | 10.57          | 236.16        | 51.83         |                 |
| Closing Accumulated Losses                                                                    | <b>I=F+G+H</b>   | <b>-163.73</b> | <b>-298.56</b> | <b>-287.99</b> | <b>-51.83</b> | <b>-</b>      |                 |
| <b>Taxable Profit</b>                                                                         | <b>J</b>         | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>393.04</b> |                 |
| <b>Tax @ 25.17%</b>                                                                           | <b>K=J*rate</b>  | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>98.93</b>  | <b>98.93</b>    |

\*Interest on working capital is included in the Aeronautical operating expenses.

- 9.2.9 The Authority is of the view that the Aeronautical Tax liability for the First Control Period can be appropriately assessed only after examination of the tariff rate card to be submitted by GVIAL and consideration of the stakeholder comments received during the consultation process. The final computation of tax shall be undertaken at the Tariff Order stage based on the tariff rate card and the tariff building blocks considered by the Authority.

### 9.3 Authority's proposal regarding Aeronautical Taxation for the First Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Aeronautical Taxation for the First Control Period:

- 9.3.1 To consider the Aeronautical Taxation for the First Control Period for Bhogapuram International Airport as per Table 151.
- 9.3.2 To true-up the Aeronautical Tax amount, taking into consideration all the relevant facts, at the time of tariff determination for the Second Control Period.

## 10. QUALITY OF SERVICE FOR THE FIRST CONTROL PERIOD

### 10.1 GVIAL's submissions regarding Quality of Service for the First Control Period

10.1.1 GVIAL has not made any submission on Quality of Service in its Multi Year Tariff Proposal for the First Control Period.

### 10.2 Authority's examination regarding Quality of Service for the First Control Period

10.2.1 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."*

10.2.2 The Authority notes that Annex I of Schedule I of the Concession Agreement for Bhogapuram International Airport lays down the following:

*"The subjective quality of service shall be measured on the parameter of 'Overall satisfaction of the airport' on the ACI ASQ survey to be conducted every quarter. The benchmark score for the parameter 'Overall satisfaction with the airport' shall be at least equivalent to such score that the Airport is identified within top 20 (twenty) percentile of all airports in its category in the world. The Concessionaire shall also provide performance on all measured parameters of the ACI ASQ survey as part of the Quarterly Statement being submitted as per the provisions of Article 22 of the Agreement."*

10.2.3 The Authority also notes Clause 22.7.1 of the Concession Agreement that states that *"The Concessionaire shall participate in the User Survey of Airport Service Quality (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 4.0 (four) out of 5.0 (five) and/ or shall appear within top 20 (twenty) percentile of all airports, in its category in the world in such survey within 5 (five) years from the Phase I COD and maintain the same throughout the rest of the Concession Period."*

10.2.4 The Authority has also issued Consultation Paper No. 03/2025-26 dated 18<sup>th</sup> August 2025, on the *"Formulation of Performance Standards for Major Airports relating to Quality, Continuity, and Reliability of Service and Associated Activities."* The final order will be issued in due course and shall be applicable to GVIAL as and when the same becomes effective and applicable to major airports.

### 10.3 Authority's proposal regarding Quality of Service for the First Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Quality of service for the First Control Period:

10.3.1 GVIAL should ensure that service quality at Bhogapuram International Airport adheres to the performance standards outlined in the Concession Agreement and shall comply with such performance standards as may be notified pursuant to the final order referred to in paragraph 10.2.4, once the same become applicable to major airports, during the First Control Period.

## 11. AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE FIRST CONTROL PERIOD

### 11.1 GVIAL's submission on Aggregate Revenue Requirement (ARR) for the First Control Period

11.1.1 GVIAL has submitted Aggregate Revenue Requirement (ARR) and Yield Per Passenger (YPP) for the First Control Period as per the regulatory building blocks discussed in the earlier chapters.

11.1.2 The summary of ARR and YPP submitted by GVIAL is as follows:

**Table 152: Aggregate Revenue Requirement submitted by GVIAL for the First Control Period**

*(Rs. in Crs)*

| Particulars                                | Ref                | FY 27*          | FY 28           | FY 29           | FY 30           | FY 31           | FY 32           | Total           |
|--------------------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Average RAB                                | A                  | 4,529           | 4,310           | 4,059           | 3,842           | 3,658           | 3,470           |                 |
| FRoR                                       | B                  | 14.06%          | 14.06%          | 14.06%          | 14.06%          | 14.06%          | 14.06%          |                 |
| <b>Return on RAB</b>                       | <b>C=A*B</b>       | <b>477.62</b>   | <b>605.97</b>   | <b>570.70</b>   | <b>540.26</b>   | <b>514.38</b>   | <b>487.98</b>   | <b>3,196.91</b> |
| Depreciation                               | D                  | 188.27          | 250.80          | 250.80          | 252.68          | 256.43          | 260.19          | 1,459.16        |
| Operating Expenses                         | E                  | 307.90          | 429.87          | 460.73          | 495.20          | 533.29          | 577.91          | 2,804.90        |
| Aeronautical Tax                           | F                  | 53.03           | 126.84          | 183.29          | 232.79          | 291.65          | 355.77          | 1,243.37        |
| <b>Aggregate Revenue Requirement (ARR)</b> | <b>G=Sum (C:F)</b> | <b>1,026.83</b> | <b>1,413.47</b> | <b>1,465.51</b> | <b>1,520.93</b> | <b>1,595.75</b> | <b>1,681.85</b> | <b>8,704.35</b> |
| 30% cross subsidy from NAR                 | H                  | 9.74            | 15.31           | 17.89           | 20.92           | 24.68           | 28.86           | 117.40          |
| <b>Net ARR</b>                             | <b>I = G-H</b>     | <b>1,017.09</b> | <b>1,398.16</b> | <b>1,447.62</b> | <b>1,500.01</b> | <b>1,571.07</b> | <b>1,652.99</b> | <b>8,586.95</b> |
| PV Factor                                  | J                  | 0.91            | 0.79            | 0.70            | 0.61            | 0.54            | 0.47            |                 |
| <b>PV of ARR</b>                           | <b>K = I*J</b>     | <b>921.52</b>   | <b>1,110.63</b> | <b>1,008.16</b> | <b>915.87</b>   | <b>841.01</b>   | <b>775.77</b>   | <b>5,572.97</b> |
| <b>Sum of PV of ARR</b>                    | <b>L</b>           | <b>5,572.97</b> |                 |                 |                 |                 |                 | <b>5,572.97</b> |
| Total Traffic in MPPA                      | M                  | 2.69            | 4.14            | 4.72            | 5.27            | 5.92            | 6.65            | <b>29.39</b>    |
| <b>Yield Per Passenger (YPP)</b>           | <b>N= L/M</b>      |                 |                 |                 |                 |                 |                 | <b>1,896.37</b> |
| Departing passengers in MPPA               | O                  |                 |                 |                 |                 |                 |                 | 14.69           |
| <b>Yield per departing passenger (Rs.)</b> | <b>P=L/O</b>       |                 |                 |                 |                 |                 |                 | <b>3,792.75</b> |

\*Considering COD of 30<sup>th</sup> June 2026

### 11.2 Authority's examination of Aggregate Revenue Requirement (ARR) for the First Control Period

11.2.1 The Authority notes that GVIAL, in its MYTP dated 9<sup>th</sup> July 2025, has submitted the computation of Aggregate Revenue Requirement (ARR) for a period of six years, i.e., from FY 27 to FY 32. The said computation was based on the envisaged Commercial Operation Date ("COD") of 30<sup>th</sup> June 2026 and the corresponding regulatory period considered by GVIAL at the time of submission.

11.2.2 As discussed in Para 2.3.4, the Authority has determined the First Control Period for Bhogapuram International Airport as a period of five years commencing from 01<sup>st</sup> April 2026 and ending on 31<sup>st</sup> March 2031 (FY 27 to FY 31), with COD as 17<sup>th</sup> August 2026.

- 11.2.3 The Authority notes that the revision in COD has implications on the computation of various building blocks of ARR, including Regulatory Asset Base, depreciation, return on RAB and operating expenses, wherever applicable. Accordingly, the ARR submitted by GVIAL requires to be aligned with the actual COD and the First Control Period considered by the Authority.
- 11.2.4 The Authority further notes that the ARR submitted by GVIAL extends up to FY 32, whereas the First Control Period determined by the Authority extends only up to FY 31. Accordingly, for the purpose of the present analysis, the Authority has restated GVIAL's submission to align the ARR with the actual COD and the First Control Period and excluded FY 32 from the computation.
- 11.2.5 For the purpose of redrawing GVIAL's ARR table, the Authority has considered the figures from the respective redrawn tables of building blocks, which have been aligned with the actual COD of 17th August 2026 and the First Control Period ending FY 30-31. In respect of Aeronautical Tax, the Authority notes that GVIAL's MYTP submission was based on an assumed COD of 30th June 2026. Accordingly, for FY 2026-27, the Authority has proportionately adjusted the Aeronautical Tax submitted by GVIAL to reflect the actual COD of 17th August 2026. For the remaining years of the First Control Period, the Aeronautical Tax as submitted by GVIAL has been considered without any adjustment. Further, for traffic, the Authority has considered the projections as per GVIAL's revised submission based on revised study submitted by M/s. CAPA.
- 11.2.6 The resultant changes have accordingly been factored into the computation of ARR, PV of ARR and Yield per Passenger for the First Control Period.
- 11.2.7 The redrawn ARR of GVIAL for the First Control Period is presented in the table below.

**Table 153: Aggregate Revenue Requirement for the First Control Period drawn by the Authority based on GVIAL submissions**

*(Rs. in Crs)*

| Particulars                                | Ref                | FY 27           | FY 28           | FY 29           | FY 30           | FY 31           | Total           |
|--------------------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Average RAB (Table 43)                     | A                  | 4,545.58        | 4,342.48        | 4,091.68        | 3,875.20        | 3,691.14        |                 |
| FRoR                                       | B                  | 14.06%          | 14.06%          | 14.06%          | 14.06%          | 14.06%          |                 |
| <b>Return on RAB</b>                       | <b>C=A*B</b>       | <b>397.47</b>   | <b>610.55</b>   | <b>575.29</b>   | <b>544.85</b>   | <b>518.97</b>   | <b>2,647.14</b> |
| Depreciation (Table 38)                    | D                  | 155.41          | 250.80          | 250.80          | 252.68          | 256.43          | 1,166.11        |
| Operating Expenses (Table 67)              | E                  | 253.93          | 429.87          | 460.73          | 495.20          | 533.29          | 2,173.00        |
| Aeronautical Tax                           | F                  | 43.77*          | 126.84          | 183.29          | 232.79          | 291.65          | 878.34          |
| <b>Aggregate Revenue Requirement (ARR)</b> | <b>G=Sum (C:F)</b> | <b>850.59</b>   | <b>1,418.06</b> | <b>1,470.11</b> | <b>1,525.52</b> | <b>1,600.34</b> | <b>6,864.62</b> |
| 30% cross subsidy from NAR (Table 142)     | H                  | 8.04            | 15.31           | 17.89           | 20.92           | 24.68           | 86.84           |
| <b>Net ARR</b>                             | <b>I = G-H</b>     | <b>842.55</b>   | <b>1,402.75</b> | <b>1,452.22</b> | <b>1,504.60</b> | <b>1,575.66</b> | <b>6,777.78</b> |
| PV Factor                                  | J                  | 0.92            | 0.81            | 0.71            | 0.62            | 0.54            |                 |
| <b>PV of ARR</b>                           | <b>K = I*J</b>     | <b>776.33</b>   | <b>1,133.16</b> | <b>1,028.51</b> | <b>934.24</b>   | <b>857.76</b>   | <b>4,730.00</b> |
| <b>Sum of PV of ARR</b>                    | <b>L</b>           | <b>4,730.00</b> |                 |                 |                 |                 | <b>4,730.00</b> |
| Total Traffic in MPPA (Table 11)           | M                  | 1.64            | 2.95            | 3.50            | 4.36            | 5.18            | <b>17.63</b>    |

# AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE FIRST CONTROL PERIOD

| Particulars                                | Ref           | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 | Total           |
|--------------------------------------------|---------------|-------|-------|-------|-------|-------|-----------------|
| <b>Yield Per Passenger (YPP)</b>           | <b>N= L/M</b> |       |       |       |       |       | <b>2,682.93</b> |
| Departing passengers in MPPA               | O             |       |       |       |       |       | 8.82            |
| <b>Yield per departing passenger (Rs.)</b> | <b>P=L/O</b>  |       |       |       |       |       | <b>5,365.86</b> |

*\*As discussed in para 2.3.5, FY 27 figures have been pro-rated for 227 days based on the revised COD of 17 August 2026, as against 275 days based on the earlier COD of 30 June 2026.*

11.2.8 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. With respect to each element of the regulatory building blocks considered by AO in computation of ARR and Yield in the table above, the Authority proposes as follows:

- i. To consider the average RAB in accordance with Table 44.
- ii. To consider the FRoR in accordance with Table 49.
- iii. To consider the Depreciation as per Table 41.
- iv. To consider the O&M Expenses as per Table 128.
- v. To consider the Aeronautical Taxation as per Table 151.
- vi. To consider the Non-Aeronautical Revenue as per Table 149.
- vii. To consider the Total Traffic in accordance with Table 11.

11.2.9 The Authority is of the view that when a new airport is constructed, it involves significant capital investment in infrastructure, facilities, and operational costs. These costs are typically recovered through tariffs imposed on airlines, passengers, and other users of the airport's services. However, setting tariffs at excessively high levels can potentially discourage airlines from operating at the airport and deter passengers from choosing it as their preferred gateway. Conversely, setting tariffs too low may result in inadequate revenue generation, making it challenging for the airport to cover its operating costs and debt obligations.

11.2.10 This requires a delicate balance between cost recovery and its potential impact on air traffic demand. This balance is crucial for the financial viability of the airport and its ability to sustain operations while also ensuring that the tariffs remain competitive enough to attract and retain airlines and passengers. Therefore, the Authority, based on the tariff rate card to be submitted by GVIAL, will decide the balance between cost recovery and its potential impact on air traffic demand.

11.2.11 The Authority also draws 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 operator and end users*”. The said policy document also emphasizes 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.

11.2.12 The Authority’s objective is to strike a balance between reasonable collections for the airport operator and tariffs for airlines and passengers. The Authority also brings notice to para 12 (c) of the National Civil Aviation Policy (NCAP) 2016, in case the tariff in one particular year or contractual period turns out to be

# AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE FIRST CONTROL PERIOD

excessive, the airport operator and regulator will explore ways to keep the tariff reasonable and spread the excess amount over future through its order no 14/2016-17 dated 12<sup>th</sup> January 2017.

11.2.13 After considering the above, the Authority proposes to consider the following ARR and YPP as per the below table:

**Table 154: Aggregate Revenue Requirement proposed by the Authority for the First Control Period**  
(Rs. in Crs)

| Particulars                            | Ref         | FY'27*   | FY'28    | FY'29    | FY'30    | FY'31    | Total    |
|----------------------------------------|-------------|----------|----------|----------|----------|----------|----------|
| Average RAB (Table 44)                 | A           | 4,182.10 | 4,009.82 | 3,797.03 | 3,596.32 | 3,406.86 |          |
| FRoR (Table 49)                        | B           | 12.79%   | 12.79%   | 12.79%   | 12.79%   | 12.79%   |          |
| Return on RAB                          | C=A*B       | 332.81   | 512.84   | 485.62   | 459.95   | 435.72   | 2,226.95 |
| Depreciation (Table 41)                | D           | 131.76   | 212.79   | 212.79   | 213.63   | 215.29   | 986.26   |
| Operating Expenses (Table 128)         | E           | 159.21   | 267.03   | 282.27   | 296.81   | 312.20   | 1,317.52 |
| Aeronautical Tax (Table 151)           | F           | -        | -        | -        | -        | 98.93    | 98.93    |
| Aggregate Revenue Requirement (ARR)    | G=Sum (C:F) | 623.78   | 992.67   | 980.69   | 970.39   | 1,062.14 | 4,629.67 |
| 30% cross subsidy from NAR (Table 149) | H           | 7.67     | 14.61    | 17.83    | 23.18    | 28.65    | 91.93    |
| Net ARR                                | I = G-H     | 616.11   | 978.05   | 962.86   | 947.21   | 1,033.50 | 4,537.73 |
| PV Factor                              | J           | 1.00     | 0.89     | 0.79     | 0.70     | 0.62     |          |
| PV of ARR                              | K = I*J     | 616.11   | 867.15   | 756.88   | 660.14   | 638.61   | 3,538.89 |
| Sum of PV of ARR                       | L           | 3,538.89 |          |          |          |          |          |
| Total Traffic in MPPA (Table 11)       | M           | 1.83     | 3.28     | 3.90     | 4.85     | 5.76     | 19.61    |
| Yield Per Passenger (YPP)              | N= L/M      |          |          |          |          |          | 1,804.45 |
| Departing passengers in MPPA           | O           |          |          |          |          |          | 9.81     |
| Yield per departing passenger (Rs.)    | P=L/O       |          |          |          |          |          | 3,608.91 |

\*Considering COD of 17<sup>th</sup> August 2026

11.2.14 The Authority proposes the Net ARR of Rs. 4,537.73 crores (Rs. 3,538.89 crores in NPV terms) as against the ARR of Rs. 6,777.78 crores (Rs. 4,730.00 crores in NPV terms) submitted by GVIAL(as per redrawn submission refer Table 153).

11.2.15 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 revenue, in order to have a constructive stakeholder discussion and hence GVIAL is directed to submit the detailed annual tariff proposals in line with the ARR and Yield arrived at by the Authority within 7 days of issuance of this Consultation Paper

### **11.3 Authority's proposal regarding ARR for the First Control Period**

Based on the material before it and based on its analysis, the Authority proposes the following with regard to ARR for the First Control Period:

- 11.3.1 To consider the ARR and YPP for the First Control Period for Bhogapuram International Airport in accordance with Table 154.
- 11.3.2 To direct GVIAL to submit the annual tariff proposal (Tariff rate card) within 7 days from issuance of this Consultation Paper which will be put up for stakeholders' consultation.

## 12. SUMMARY OF AUTHORITY'S PROPOSALS

### Chapter 3: Traffic for the First Control Period

- 3.3.1 To consider the passenger, ATM and cargo traffic for the First Control Period for BIA as per Table 11.
- 3.3.2 To true up the traffic volume (passenger, ATM and cargo) on the basis of actual traffic in the First Control Period while determining tariff for the Second Control Period.

### Chapter 4: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

- 4.7.1 To consider the aeronautical additions for the First Control Period in accordance with Table 36.
- 4.7.2 To true-up the aeronautical capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for next Control Period.
- 4.7.3 To consider Aeronautical Depreciation as per Table 41 for the First Control Period.
- 4.7.4 To true up the Depreciation of the First Control Period based on the actual asset additions and actual date of capitalization at the time of tariff determination of the next Control Period.
- 4.7.5 To consider average RAB for the First Control Period for BIA as per Table 44.
- 4.7.6 To true-up the RAB based on actuals at the time of tariff determination for the next Control Period.
- 4.7.7 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 detailed in para 4.3.216. The same will be examined at the time of determination of tariff for the next Control Period.
- 4.7.8 To examine the accounting of input tax credits in accordance with Chapter V of the Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the next Control Period (as detailed in para 4.3.211).

### Chapter 5: Fair Rate of Return for the First Control Period

- 5.3.1 To consider Cost of Equity, Cost of Debt, notional debt-equity ratio and FRoR for the First Control Period as per Table 49.
- 5.3.2 At the time of tariff determination of the Second Control Period, to true up the Cost of Debt for the First Control Period based on actuals (or) SBI average 1-Year MCLR plus 150 bps of spread, whichever is lower.
- 5.3.3 At the time of tariff determination of the Second Control Period, to true up credit spread based on actual credit rating or 150 bps, whichever is lower.

### Chapter 6: Inflation for the First Control Period

- 6.3.1 To consider inflation for the First Control Period for Bhogapuram International Airport as per Table 51.

### Chapter 7: Operating & Maintenance Expenses for the First Control Period

- 7.3.1 To consider O&M expenses for the First Control Period for BIA in accordance with Table 128.
- 7.3.2 To true up O&M expenses incurred by BIA for the First Control Period, subject to reasonableness and efficiency, at the time of tariff determination for the next control period

### Chapter 8: Non-aeronautical Revenue (NAR) for the First Control Period

- 8.3.1 To consider Non-Aeronautical Revenue for the First Control Period for Bhogapuram International Airport as per Table 149.
- 8.3.2 To true up NAR for the current control period, at the time of determination of tariff for the next control period, subject to minimum threshold as per Table 149
- 8.3.3 To consider actual interest income earned by GVIAL during the First Control Period at the time of tariff determination of Second Control Period.

**Chapter 9: Taxation for the First Control Period**

9.3.1 To consider the Aeronautical Taxation for the First Control Period for Bhogapuram International Airport as per Table 151.

9.3.2 To true-up the Aeronautical Tax amount, taking into consideration all the relevant facts, at the time of tariff determination for the Second Control Period.

**Chapter 10: Quality of Service for the First Control Period**

10.3.1 GVIAL should ensure that service quality at Bhogapuram International Airport adheres to the performance standards outlined in the Concession Agreement and shall comply with such performance standards as may be notified pursuant to the final order referred to in paragraph 10.2.4, once the same become applicable to major airports, during the First Control Period.

**Chapter 11: Aggregate Revenue Requirement (ARR) for the First Control Period**

11.3.1 To consider the ARR and YPP for the First Control Period for Bhogapuram International Airport in accordance with Table 154.

11.3.2 To direct GVIAL to submit the annual tariff proposal (Tariff rate card) within 7 days from issuance of this Consultation Paper which will be put up for stakeholders' consultation.

**13. STAKEHOLDERS CONSULTATION TIMELINE**

- 13.1.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 12 read with the relevant discussion in the other chapters of the Consultation Paper are hereby put forth for Stakeholders' Consultation.
- 13.1.2 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.
- 13.1.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposals made in this Consultation Paper, latest by 31<sup>st</sup> October 2026.

**Secretary,  
Airports Economic Regulatory Authority of India,  
3<sup>rd</sup> Floor, Udaan Bhawan,  
Safdarjung Airport,  
New Delhi – 110003.  
Tel: 011-24695044-47; Fax: 011-24695048**

**(Chairperson)**

## 14. LIST OF ANNEXURES

### 14.1 Annexure I- Clauses of Concession Agreement (CA)

GMR Airports Limited (GAL) won the bid for development of the new greenfield airport at Bhogapuram Mandal, Andhra Pradesh and signed the Concession Agreement (CA) on 12<sup>th</sup> June 2020 with Andhra Pradesh Airports Development Corporation Limited (APADCL), the Concessioneing Authority, through a Special Purpose Vehicle (SPV) named GMR Visakhapatnam International Airport Limited (GVIAL). The Concession has been granted on a Design, Build, Finance, Operate and Transfer (DBFOT) basis for an initial period of 40 years from the Appointed Date, extendable by a further period of 20 years.

This Annexure reproduces the Clauses of the Concession Agreement relied upon and quoted in this Consultation Paper, together with the Clauses of Concession Agreement that highlight the Concession Term, Site, Concession Fee, Per-Passenger Fee, Project Development Fees, Licence Fee, Lease Rent and City Side Development. Certain relevant Clauses of the Concession Agreement read as below:

#### ARTICLE 1: DEFINITIONS AND INTERPRETATION

**"Licence Fee"** means an annual licence fee of Rs. 20,000/- (Rupees twenty thousand only) per acre per annum, increased annually by 6% (six per cent) during the subsistence of this Agreement;

**"Project Development Fee"** means a one-time lump sum amount of INR 11,60,00,000 (Rupees Eleven crores and sixty Lakhs only) to be paid by the Concessionaire as pre-operative expenses incurred by the Authority on the Project till the execution of this Agreement.

**"Aeronautical Charges"** means the charges approved by AERA, which charges can be levied, collected and appropriated by the Concessionaire for the provision of Aeronautical Services;

**"Aeronautical Services"** has the meaning as set forth in the AERA Act in relation to the services to be provided at the Airport;

**"Aeronautical Revenues"** means the aggregate revenue requirement determined by AERA as per the Applicable Laws;

#### ARTICLE 3: GRANT OF CONCESSION

3.1.1 Subject to and in accordance with the provisions of this Agreement, GOI Approval, GoAP Approval, Applicable Laws and the Applicable Permits, the Authority hereby grants to the Concessionaire, the concession set forth herein including the exclusive right, licence and authority to develop, operate and maintain the Airport ("Concession") for an initial period of 40 (forty) years commencing from the Appointed Date, and the Concessionaire hereby accepts the Concession and agrees to implement the Project subject to and in accordance with the terms and conditions set forth herein. Provided that the Concessionaire shall, at any time not earlier than 35th (thirty fifth) anniversary of the Appointed Date and no later than 37th (thirty seventh) anniversary of the Appointed Date, (a) inform, in writing, to the Authority of its interest for renewal/ extension of the Concession by an additional period of 20 (twenty) years along with an undertaking and confirmation that it agrees to participate in an international competitive bidding process for the determination of Per-Passenger Fee for such additional period of 20 (twenty) years, in the form and manner, as may be prescribed by the Authority; and (b) In the event, the Authority decides to

accept such request for extension/renewal pursuant to Clause (a) above and the Concessionaire participating in such international competitive bidding: (i) the Affiliate(s) of the Concessionaire shall not be qualified, either directly or indirectly, to participate in any such international bidding process; (ii) the Concessionaire shall be deemed to be qualified to submit the financial bid of such international bidding process without being required to participate in the pre-qualification process and shall not be required to submit any documents for pre-qualification; and (iii) the Concessionaire shall have the right to match the highest bid received pursuant to such international bidding process, if its bid is within 10 % (ten per cent) of the highest bid that may be offered at that time in accordance with the terms and conditions of the bidding documents of the international bidding process issued therein. Provided further that, in the event the Airport is not expanded by the Concessionaire in accordance with the provisions of this Agreement or the Concessionaire has been in default under any of the provisions of this Agreement, then, the Authority shall not be required to comply with this Clause 3.1.1. The Parties agree that any decision concerning the extension /renewal of the Concession Period shall solely vest with the Authority.

3.2 City Side Development – Subject to and in accordance with the provisions of this Agreement and Applicable Laws, the Concession hereby granted shall, without prejudice to the provisions of Clause 3.1.2, entitle the Concessionaire to undertake development, operation and maintenance of the real estate specified in Schedule-A, subject to the conditions stipulated in Schedule-B and to exploit such development for commercial purposes in accordance with the provisions of Article 24 ("City Side Development") with the right to sub-license any or all parts thereof by means of Project Agreements.

3.3 City Side Residential Development – Subject to and in accordance with the provisions of this Agreement and Applicable Laws, the Concession hereby granted shall, without prejudice to the provisions of Clause 3.1.2, entitle the Concessionaire to undertake development, construction and maintenance of the residential development specified in Annex-IV of Schedule-A, in accordance with the provisions of Article 24-A ("**City Side Residential Development**") with the right to sub-lease any or all parts thereof, in accordance with the Land Lease Agreement.

#### **ARTICLE 4: CONDITIONS PRECEDENT**

4.1.2 (d) procured necessary approvals for ensuring that the scheduled commercial operations at the Civil Enclave at the existing Vizag Naval Airfield (INS Dega) are stopped once the operation of Greenfield Airport at Bhogapuram starts, for a period of 30 years;

#### **ARTICLE 5: OBLIGATIONS OF THE CONCESSIONAIRE**

5.1.8 In the event, the Concessionaire enters into an agreement with an airport operator in terms of the RFP, then the Concessionaire shall ensure that the provisions as set out above as well the guiding principles of airport operator agreement as set out in Schedule-Y are duly complied by such airport operator.

5.4.1 The Concessionaire and the Preferred Bidder shall execute an agreement with the Authority, substantially in the form specified at Schedule S ("Shareholders' Agreement"), providing for the issue and allotment of one non-transferable equity share of the Concessionaire ("Golden Share") in favour of the Authority and/ or its nominee, and shall inter-alia also provide for the following: (a) appointment of nominee(s) of the Authority on the Board of Directors of the Concessionaire; (b) an irrevocable undertaking that the rights vested in the Authority and the Project Affected Persons, shall not be abridged, abrogated or in any manner affected by any act done or purported to be done by the Concessionaire or any of its Associates or Affiliates; (c) an irrevocable undertaking that any divestment of

Equity in the Concessionaire shall not in any manner affect the rights of the Authority herein and that the successors, assigns and substitutes of the Preferred Bidder and the Concessionaire shall be bound by such undertaking; and (d) any other matter mutually agreed upon between the Parties.

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 6 (six) months from the COD, frame a procurement policy specifying the principles and procedures that it shall follow in awarding contracts 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 to be 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 privilege where the consideration (including deposits in any form in respect thereof) exceeds Rs. 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 the interests of the Users.

## **ARTICLE 10: RIGHT OF WAY**

10.11.1 Upon execution of the Concession Agreement and in further consideration of the Authority providing leave and licence rights for the Airport Site and City Side Development for the Project to the Concessionaire and granting the rights and access set forth in this Agreement, the Concessionaire shall pay Licence Fee to the Authority from the Appointed Date.

10.11.2 The Licence Fee for the first Accounting Year shall be paid by the Concessionaire within a period of 30 (thirty) days of the Appointed Date. From the second Accounting Year until the expiry or termination of this Agreement, the Licence Fee shall be due and payable no later than 10 (ten) days of start of each Accounting Year. The Authority shall not be obliged to demand payment of Licence Fee by notice or otherwise.

10.12.1 Upon execution of the Concession Agreement and the Land Lease Agreement providing leasehold rights for the City Side Residential Development to the Concessionaire and granting the rights and access set forth in this Agreement and the Land Lease Agreement, the Concessionaire shall pay Lease Rent to the Authority as per the terms of the Land Lease Agreement.

10.12.2 The Lease Rent for the first Accounting Year shall be paid by the Concessionaire within a period of 30 (thirty) days of the execution of the Land Lease Agreement. From the second Accounting Year until the expiry or termination of this Agreement, the Lease Rent shall be due and payable no later than 10 (ten) days of start of each Accounting Year. The Authority shall not be obliged to demand payment of Lease Rent by notice or otherwise.

## **ARTICLE 12: CONSTRUCTION OF THE AIRPORT**

12.2.1 The Concessionaire shall at all times procure and ensure that the Airport is constructed and developed in accordance with the Master Plan. The guidelines for preparing the Master Plan are provided in Annex II to Schedule A.

12.9.2 The Parties acknowledge and agree that the lump sum costs of all Construction Works comprising Funded Works, as set out in Annex 1 of Schedule-B, shall be equivalent to the amount of INR 134.55 Crores (Rupees One Hundred and Thirty Four Crores and Fifty Five Lakhs). The Parties also acknowledge that the aforesaid costs of Funded Works have not been included in the figure specified in the definition of Total Project Cost.

## **ARTICLE 18: O&M SERVICES**

18.2 Ground Handling Services – The Concessionaire shall provide or cause to be provided, the infrastructure required for operation of the ground handling services, in accordance with the provisions relating to ground handling as set out in the GH Regulations, as may be required at the Airport for and in respect of the Users like aircrafts, passengers and cargo, which shall include ramp handling, traffic 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.

18.3 Aircraft Fuelling Services – The Concessionaire shall provide, or cause to be provided, the infrastructure required for operation of fuelling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner (“Aircraft Fuelling Services”). Such infrastructure shall include tank farms, common hydrant fuelling systems and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice.

18.4.1 Subject to the Applicable Laws and the Applicable Permits, the Concessionaire shall or cause to, develop, operate and maintain, the Cargo Facilities which shall include the buildings, structures and equipment required for handling of incoming and outgoing cargo, including short-term warehousing thereof in accordance with the provisions of this Agreement, Applicable Laws, relevant ICAO Documents and Annexes and Good Industry Practice.

## **ARTICLE 19: RESERVED SERVICES**

19.2.1 The Authority shall, upon fulfilment of the applicable terms and conditions by the Concessionaire, at the request of the Concessionaire, support the execution of an agreement between AAI and the Concessionaire, substantially in the form set forth in Schedule T (“CNS/ATM Agreement”), which shall ensure the provision of the CNS/ATM Services at the Airport, at all times during the Concession Period, in accordance with the practices established or recommended from time to time pursuant to the Chicago Convention and on the same terms as applicable to similar services at other airports in India, and in compliance with the directions of DGCA. If the format of the CNS/ATM Agreement is changed or modified by AAI in its sole discretion any time after the date of this Agreement but before its execution by the Concessionaire, then, the Concessionaire shall execute the CNS/ATM Agreement in such changed or modified format.

## **ARTICLE 22: KEY PERFORMANCE INDICATORS**

22.7.1 The Concessionaire shall participate in the User Survey of Airport Service Quality (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 4.0 (four) out of 5.0 (five) and/ or shall appear within top 20 (twenty) percentile of all airports, in its category in the world in such survey within 5 (five) years from the Phase I COD and maintain the same throughout the rest of the Concession Period.

## **ARTICLE 24-A: CITY SIDE FOR RESIDENTIAL DEVELOPMENT**

24-A.1 The City Side for Residential Development – The Authority shall provide a parcel of land admeasuring 139.16 acres described in Schedule A to the Concessionaire in relation to City Side for Residential Development for a period of 99 (Ninety Nine) years on lease basis, in terms of a land lease agreement to be entered into between the Concessionaire and the Authority, in the form set forth in Schedule Z ("Land Lease Agreement").

## **ARTICLE 26: PER-PASSENGER FEE AND PROJECT DEVELOPMENT FEES**

26.2.1 The Concessionaire shall pay the Project Development Fees within a period of 30 (thirty) days of the Appointed Date.

26.2.2 The Project Development Fees payable by the Concessionaire, as per this Clause 26.2, shall be capitalised over Project Assets which will form part of the regulated asset base for the purposes of the determination of the Aeronautical Charges.

## **ARTICLE 27: CONCESSION FEE**

27.1.1 In consideration of the grant of Concession, the Concessionaire shall pay to the Authority by way of concession fee a sum of Rs. 1/- (Rupees one only) per annum ("Concession Fee") and Per-Passenger Fee specified in Clause 27.2.

27.1.2 The Concession Fees shall be payable in advance within 7 (seven) days of the commencement of each Concession Year during the Concession Period.

27.1.3 The Concession Fees shall be considered as a part of the operating expense for the purpose of the determination of the Aeronautical Charges.

27.2.1 In consideration of the grant of Concession, the Concessionaire shall pay to the Authority a fee in respect of each passenger ("Per-Passenger Fee") commencing from the 10th (tenth) anniversary of the Phase I COD, on a monthly basis ("Monthly Passenger Fee") calculated as follows:  $\text{Monthly Passenger Fee} = (\text{Per-Passenger Fee} \times \text{number of domestic Passenger Traffic during the month}) + (2 \times \text{Per-Passenger Fee} \times \text{number of international Passenger Traffic during the month})$

## **ARTICLE 28: FEES**

28.3.2 The determination and regulation of the Aeronautical Charges at the Airport shall be in accordance with the principles as set out in the National Civil Aviation Policy, 2016. For avoidance of doubt, revenues arising out of the City Side Development and City Side Residential Development in accordance with Annexure IV of Schedule A,

which has been earmarked as such in the approved Master Plan shall be excluded from the hybrid-till framework for the determination and regulation of the Aeronautical Charges.

## **SCHEDULE-B: DEVELOPMENT OF THE AIRPORT**

3.1 The initial Development of Airport shall include: (i) construction and procurement of the Aeronautical Assets, including Runways, taxiways, apron, aircraft parking bays and other associated facilities with following requirements; a. ICAO Aerodrome Reference Code: {4E} The provisions of ICAO/ DGCA CAR / NLA 305 shall be used for designing the airport in order to make it compliant for occasional landing / take-off of Code 4F aircraft. b. The proposed airport will have 1 (one) Runway with the runway length in 10- 28 direction is 3800m and the width shall be 45m with 7.5m paved shoulders plus 7.5m wide gravel shoulders on either side along with one rapid exit taxiway for each runway, which will be developed in the first phase. c. The proposed airport will have 1 parallel taxiway of length 3000m and width 25m along with provision to extend the length of the 1st parallel taxiway to full length of the runway and provision for 2nd parallel taxiway with length about 2607m and width 25m in the first phase. d. Location of Runway: Runway Orientation 10-28 " (ii) construction and procurement of the Terminal Building as follows: a. The passenger terminal building capacity in the first phase (2020-21 to 2023-24) will be 6 million per year. b. Level of service for Terminal Building - IATA Level of Service "C" (optimum standards) compliant. The total area of the Terminal Building in phase-I should be based on not less than 20 square meter per peak hour passenger for the all the phases of terminal building development c. 80% of the international and 70% of the domestic aircrafts B737/ A320 or larger aircrafts shall be served by the boarding bridges; d. Provide international standard range of retail and other passenger services; and e. Terminal design must be capable of incremental expansion with minimum impact on current operations.

3.2 The Airport shall be constructed by the Concessionaire in conformity with the Master Plan as set forth in Schedule-A and the Specifications and Standards as set forth in Schedule-D. Further all the designs shall, as far as possible, comply to GRIHA and ECBC norms.

4 Reserved Area – The Concessionaire shall earmark and allocate sufficient space for performance of Reserved Services by the Authority and / or the Designated GOI Agencies as the case may be, necessary to meet with the Level of Service and KPI requirements mentioned in this Agreement.

5.2 City Side Development and City Side for Residential Development shall be undertaken in conformity with the Specifications and Standards set forth in Schedule-D and the list of permitted activities in Annex IV of Schedule - A.

6.1 The Concessionaire shall, in the Master Plan, earmark and carve out an area of 10 acres for the exclusive use of the Defence Forces ("Defence Area"), which area shall be allocated by the Authority to the concerned Defence Forces.

6.2 The Defence Area preferably should be located as identified in the land use plan provided in Map 1B in this Agreement with a separate independent entry/exit to the defence facilities

6.3 The Concessionaire shall provide adequate access and good surface connectivity of the Airport to the boundary of the Defence Area on the land side.

6.4 While preparing the Master Plan, the Concessionaire shall also take into consideration providing access to defence aircrafts apron from Runway with adequate taxiway system.

## 7. Cargo Facilities

7.1 The Concessionaire shall earmark 10 acres of land within the Site for the development of a Cargo Facility in the Airport.

7.2 The Cargo Facilities including apron, cargo terminal for international and domestic cargo and other allied facilities shall be developed in a Phase wise manner as per the applicable Standards and Specifications.

## 8. MRO Facilities

8.1 The Concessionaire shall earmark minimum 25 acres of land within the Site for the development of a MRO Facility in the Airport as per the applicable Standards and Specifications.

8.2 The area earmarked for the MRO Facilities in the Master Plan, may not be used for any other facility until any inquiry comes and the Concessionaire enters into any arrangement with any third party or the Concessionaire itself decides for developing and operating the MRO Facilities and for associated activities.

8.3 The MRO Facility shall be developed, subject to the requirements specified in Clause 12.10 of the Concession Agreement, for serving aircrafts of type and size as per the demand established, which shall include the buildings, structures and equipment required by the aircraft as per the provisions in CAR 145 of DGCA. This will be built in accordance with the provisions of this Agreement, Applicable Laws, relevant ICAO Documents and Annexes, CAR Guidelines and Good Industry Practice. 9. Archaeological finds and Religious Structures Any archaeological finds will be the property of the Gol. The Authority would make efforts to relocate any religious structures in the Site before handing over. Post handing over of the Site, the Authority is not responsible for any religious structures which may come up post handover of the Site to Concessionaire. 10. Office Space for Authority The Concessionaire shall separately earmark and provide a minimum of 2500 sq. ft. of the constructed area/ office space in the Terminal Building for the Authority or at an office building adjacent to or nearby the Terminal Building.

## **ANNEX TO SCHEDULE-U: DETERMINATION OF AERONAUTICAL CHARGES**

9.9.1 The GOI has, vide its National Civil Aviation Policy ("NCAP") 2016 directed that the future tariffs at all airports will be calculated on a "30% (thirty per cent) Hybrid-Till" framework for the determination and regulation of the Aeronautical Charges at the Airport, and the same shall be accordingly considered by AERA, in accordance with the provisions of this Agreement. For avoidance of doubt, revenues of the Concessionaire from City Side Development and City Side for Residential Development in accordance with Schedule A measuring 293.9 acres (both inclusive), which has been earmarked as such in the approved Master Plan, shall be excluded from the hybrid-till framework for the determination and regulation of the Aeronautical Charges.

9.9.2 The determination and regulation of the Aeronautical Charges at the Airport shall be in accordance with the principles as set out in the National Civil Aviation Policy, 2016. For avoidance of doubt, revenues of the Concessionaire from City Side Development and City Side for Residential Development of area in accordance with Schedule B, which has been earmarked as such in the approved Master Plan, shall be excluded from the hybrid-till framework for the determination and regulation of the Aeronautical Charges.

9.9.3 The Aeronautical Charges shall be regulated and set/ re-set, in accordance with the terms of the Concession Agreement and the Applicable Laws. Provided however, the Per-Passenger Fee paid/ payable by the Concessionaire to the Authority, under and pursuant to the terms of the Concession 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.

9.9.4 The Concession Fees shall be considered as a part of the operating expense for the purpose of the determination of the Aeronautical Charges.

#### **SCHEDULE-T: CNS/ATM AGREEMENT**

7.4 The provision of CNS-ATM services shall be on cost recovery basis. CAPEX costs shall be recovered from GVIAL as Annual Yearly Instalments at an Annual Percentage Rate (APR) of 12%, amortized over a ten-year period. The GVIAL shall deposit in advance the quarterly estimated cost (OPEX) which include manpower, equipment maintenance, frequency spectrum costs, overhead charges etc. The TNLC revenues collected by AAI during previous year shall be deducted from the annual OPEX costs. In case of any deficit the same shall be borne by the GVIAL.