

फा. सं. ऐरा/20010/एम.वाई.टी.पी./ए.आई.ए.एल.-अहमदाबाद/सीपी-III/2021-26/
F. No. AERA/20010/MYTP/AIAL-AHMEDABAD/CP-III/2021-26

आदेश संख्या 40/2022-23

Order No. 40/2022-23



भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

सरदार वल्लभभाई पटेल अंतरराष्ट्रीय हवाईअड्डा (एस.वी.पी.आई.ए.), अहमदाबाद
(एएमडी) के लिए तृतीय नियंत्रण अवधि (01.04.2021 – 31.03.2026) के लिए वैमानिक
टैरिफ निर्धारित करने के मामले में/

IN THE MATTER OF
DETERMINATION OF AERONAUTICAL TARIFF FOR
SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT (SVPIA)
AHMEDABAD (AMD)
FOR THE THIRD CONTROL PERIOD
(01.04.2021 - 31.03.2026)

जारी करने की तारीख : 18.01.2023

Date of Issue: 18.01.2023

ऐरा भवन /AERA Building
प्रशासनिक कॉम्पलेक्स / Administrative Complex
सफदरजंग हवाईअड्डा /Safdarjung Airport
नई दिल्ली /New Delhi – 110003



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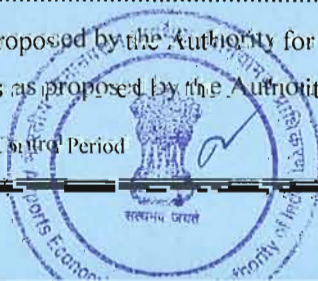


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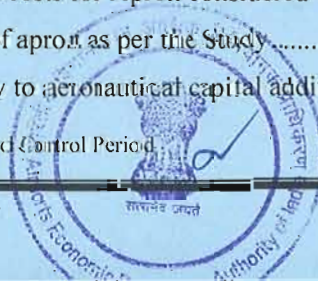


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Glossary

Abbreviation	Full Form
A&G expenses	Administrative & General expenses
AAHL	Adani Airport Holdings Limited
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
ACFT	Air Crash Fire Tender
ACI	Airports Council International
AEL	Adani Enterprises Limited
AERA/Authority	Airports Economic Regulatory Authority of India
AFS	Air Freight Station
AGL	Airfield Ground Lighting System
AHO	Airport Health Office
AIAL	Ahmedabad International Airport Limited
AIASL	AI Airport Services Limited
AICMC	All-inclusive Comprehensive Maintenance Contract
AIS	Air Insulated Switchgear
AO	Airport Operator
AOCC	Airport Operations Control Centre
ANS	Air Navigation Services
APAO	Association of Private Airport Operators
ARFF	Aircraft Rescue and Fire Fighting (ARFF)
ARR	Aggregate Revenue Requirement
ASA	American Society of Appraisers
ASRS	Automated Storage and Retrieval System
ASQ	Airport Service Quality
ATC	Air Traffic Control
ATF	Aviation Turbine Fuel
ATM	Air Traffic Movement
AUCC	Airport User Consultative Committee
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BIAL	Bangalore International Airport Limited
BOCW	Building and Other Construction workers' Welfare
BOQ	Bill of Quantities
BPCL	Bharat Petroleum Corporation Ltd.
CA	Concession Agreement
CAPA	Centre of Asia Pacific Aviation.
CAPEX	Capital expenditure
CAPM	Capital Asset Pricing Model
CB	Cantonment Board
CCR	Constant Current Regulator
CFT	Crash Fire Tender
CHQ	Corporate Head Quarter
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force



Abbreviation	Full Form
CNS	Communications, Navigation and Surveillance Systems
CoA	Certificate of Airworthiness
COD	Commercial Operation Date
CoE	Cost of Equity
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CPWD DSR	Central Public Works Department - Delhi Schedule of Rates
CSC	Cargo Service Center
CSMIA	Chhatrapati Shivaji Maharaj International Airport
CSR	Corporate Social Responsibility
CSS	Corporate Support Services
CUTE	Common Use Terminal Equipment
CWIP	Capital Work in Progress
CY	Calendar Year
DARK	Disabled Aircraft Removal Kit
DFMD	Door Frame Metal Detector
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
EBIT	Earnings before interest and tax
ETV	Emergency Transport Vehicle
FA	Financing Allowance
FAR	Fixed Asset Register
FCP	First Control Period
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
FTC	Fuel Throughput Charges
GA	General Aviation
GDP	Gross Domestic Product
GHIAL	GMR Hyderabad International Airport Limited
GIS	Gas Insulated Switchgear
GoI	Government of India
GSE	Ground Support Equipment
GSEC	Gujarat State Export Corporation
GST	Goods and Service Tax
HHMD	Hand-held Metal Detector
HVAC	Heating, Ventilation, and Air Conditioning
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICT	Integrated Cargo Terminal
ILBS	In-Line Baggage Screening System
IMD/MET	India Meteorological Department
IOCL	Indian Oil Corporation Ltd.
ITP	Into-Plane Services
JARS	Joint Asset Reconciliation Statement
JVC	Joint Venture Cell
KL	Kilo Litre
LoA	Letter of Award
MIAL	Mumbai International Airport Limited



Abbreviation	Full Form
MMTH	Multi Modal Transport Hub
MoCA	Ministry of Civil Aviation
MoU	Memorandum of Understanding
MPPA	Million Passengers Per Annum
MRO	Maintenance, Repair, and Overhaul
MTOW	Maximum Take Off Weight
MVS	Marshall & Swift Valuation Service
MYTP	Multi Year Tariff Proposal
NAR	Non-aeronautical Revenue
NATS	National Air Traffic Services
NCAP-2016	National Civil Aviation Policy – 2016
NITB	New Integrated Terminal Building
O&M expenses	Operational and Maintenance expenses
OMC	Oil Marketing Companies
OMDA	Operation, Maintenance and Development Agreement
PAR	Plinth Area Rates
PAX	Passengers
PBG	Performance Bank guarantee
PCN	Pavement Classification Number
PHP	Peak Hour Passenger
PIDS	Perimeter Intrusion Detection System
PPP	Public-Private Partnership
PSA	Private Security Agency
PSF	Passenger Service Fee
PV	Present Value
RAB	Regulatory Asset Base
RCS	Regional Connectivity Scheme
RFP	Request for Proposal
RHQ	Regional Head Quarter
RESA	Runway End Safety Area
RET	Rapid Exit Taxiway
RIL	Reliance Industries Limited
RR	Rack Rate
RSS/DSS	Receiving Station/Distribution Station
RT	Radio Transmission
RWH	Rainwater Harvesting
RWY	Runway
R&M	Repair and Maintenance
SBD	Self-bag Drop
SCP	Second Control Period
SHA	Security Hold Area
SOFR	Secured Overnight Financing Rate
SQM	Square Metre
STP	Sewage Treatment Plant
SVPIA	Sardar Vallabhbhai Patel International Airport
TCP	Third Control Period
TO	Tariff Order
TSP	Terminal, Storage and Processing



Abbreviation	Full Form
UDAN	Ude Desh ka Aam Naagrik
UDF	User Development Fees
VIP /CIP	Very Important Person /Commercial Important Person
VTP	Variable Tariff Plan
WDV	Written Down Value
WPI	Wholesale Price Index
YPP	Yield per Passenger



भारतीय विमानपत्तन प्राधिकरण
AERA



1. BRIEF ON SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT (SVPIA)

1.1. Background

- 1.1.1. Sardar Vallabhbhai Patel International Airport (SVPIA) is an International Airport located in Hansol, 9 Kms north of Central Ahmedabad, and about 18 kms southeast of Gandhinagar. Named after the freedom fighter and the first Deputy Prime Minister of India Sardar Vallabhbhai Patel, it serves the twin cities of Ahmedabad and Gandhinagar.
- 1.1.2. Ahmedabad Airport was established in 1937 while international operations started in 1991. It is well connected with regular flights to major cities like Vadodara, Mumbai, Chennai, Bangalore, Delhi, Hyderabad, Goa, Pune, Kolkata and Jaipur. The airport is equally well-connected to international destinations in countries such as USA, France, England, Japan and China.
- 1.1.3. Presently, SVPIA has two operational passenger terminals, Domestic Terminal (T1) has an annual passenger handling capacity of approximately 5 MPPA, and International Terminal (T2) with annual passenger handling capacity of around 2.5 MPPA. Thus, the total current terminal capacity at SVPIA is around 7.5 MPPA. In FY 2020, SVPIA handled 11.43 million passengers making it the seventh largest¹ airport in the country in terms of passenger traffic handled. The domestic passenger traffic for FY 2020 was 79.70% of the total passenger traffic and the remaining 20.30% consisted of international passengers in FY 2020.
- 1.1.4. Under the provisions of Airports Economic Regulatory Authority of India Act, 2008 (read with AERA Amendment Act 2019 and AERA Amendment Act 2021), Ahmedabad Airport is one of the Major Airports under the ambit of AERA. Pursuant to AERA Act 2008, the Authority had issued guidelines for the purpose of determination of aeronautical tariffs for Major Airports. As per the guidelines, AERA had issued Tariff Order No. 14/2015-16 dated 05th June 2015 and Tariff Order No. 14/2018-19 dated 23rd July 2018, in the matter of determination of aeronautical tariffs for SVPIA for the First Control Period (FCP) and Second Control Period (SCP) respectively.

1.2. Technical Highlights

- 1.2.1. Technical and Terminal building details of SVPIA is provided in the table below²:

Table 1: Technical Details of SVPIA

Particulars	Details
Total airport area (Acres)	987.12 (including carve-out land)
Runway orientation and length	05/23; 3,505 meters x 45 meters
Number of Taxi Tracks	11
Number of Apron Bays	<ul style="list-style-type: none"> • Apron 1 – 24 (Code A & B: 4, Code C: 15, D & E: 5) • Apron 2 – 13 (Code C: 9 and Code D & E: 4) • Apron 3 – 12 (all Code B)
Aerodrome Category	4E
Navigational Aids	ILS-RWY 23 with Cat-I Approach Lighting, RWY 05 Simple Approach lighting System, RADAR - ASR / SSR (Mode S), ADS-B, Automation System with Software Support Facility, Simulator (INDRA), DVOR, DME, VHF/RCAG/VCCS/DVTR

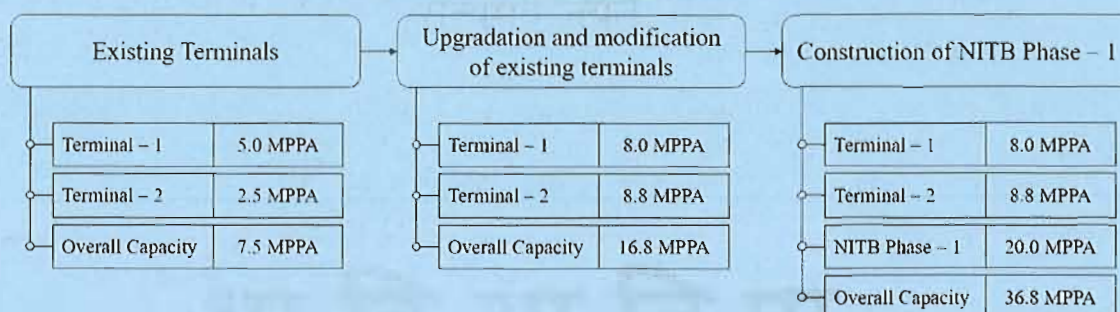
¹ Traffic News AAI <https://www.aai.aero/sites/default/files/traffic-news/Mar2K19Annex3.pdf>

² Source: Multi Year Tariff Proposal for Ahmedabad International Airport Limited (AIAL) for Third Control Period (FY21-22 to FY25-26)

Particulars	Details	
Operational hours	24	
Terminal building Details		
Particulars	Domestic (T1)	International (T2)
Terminal Building Area (SQM)	34,144	45,233
Immigration Counters	-	36
Customs Counters	-	4
Security Counters	8	3
Departure Conveyor	1	2
Arrival Conveyor	3	5
Peak hour passenger capacity	1,600	1,400
No. of Check-in Counters Common Use Terminal Equipment (CUTE)	23	32
Total Area of Car Parking (SQM)	10,787	17,621

- 1.2.2. The existing terminals are currently undergoing refurbishment and expansion. The project is expected to be completed in the current Financial Year. The passenger handling capacity of the existing terminals (T1 and T2) is expected to increase from 7.5 MPPA to 16.8 MPPA post completion of the upgradation/modification works. The Airport Operator (AO) had also proposed the commissioning of the Phase 1 of the New Integrated Terminal Building (NITB) towards the end of FY 2026 (with a capacity of 20 MPPA). As a result, the total passenger handling capacity would be enhanced to 36.8 MPPA. The pictorial representation of the phase wise terminal capacity of SVPIA (as proposed by the Airport Operator) at the end of the Third Control Period (FY 2022-FY 2026) is given as under:

Figure 1: Passenger Terminal Expansion Plan at SVPIA



1.3. Ownership Structure

- 1.3.1. Prior to concession out for its development on PPP basis, SVPIA was owned & operated by AAI. Subsequent to the selection of Adani Enterprises Limited (AEL) as the "Selected Bidder", AEL promoted and incorporated the Special Purpose Vehicle (SPV) – Ahmedabad International Airport Limited (AIAL), as the concessionaire under the Companies Act, 2013 in accordance with the terms of the RFP. On 14th February 2020, AIAL signed the Concession Agreement with AAI for exclusive right to operate, manage and develop Ahmedabad Airport for a period of 50 (fifty) years from the Commercial Operations Date (COD). In consideration for the grant of such concession, the Airport Operator shall pay AAI a monthly concession fee during the concession period, namely, specified amount of "Per Passenger Fee" for both domestic and international passengers (refer to Para 18.4.2 of Annexure 4 in Chapter 18 for the relevant clause of the Concession Agreement).
- 1.3.2. However as per the Clause 20.1.1 of the Concession Agreement, only the designated Government of India (GoI) agencies shall be authorised to undertake the 'reserved services' at the airport, namely,

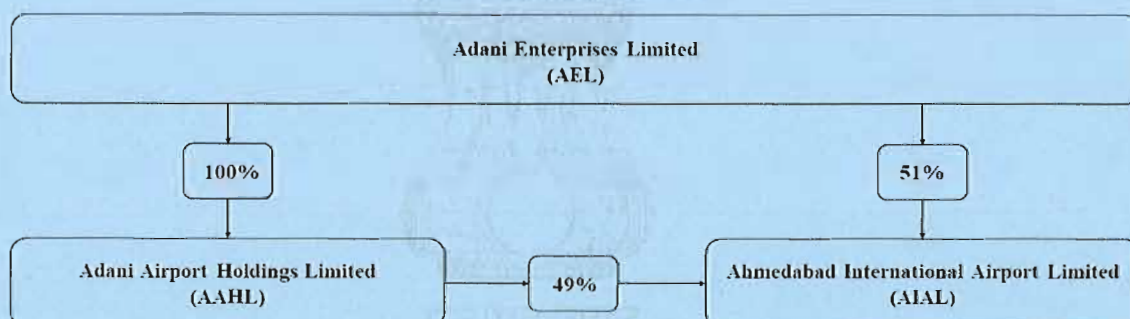
CNS/ATM services (Communications, Navigation and Surveillance Systems/Air Traffic Movement), Security services, Meteorological services, Mandatory health services, Customs control, Immigration services, Quarantine services and any other services as may be notified by GoI (refer to Para 18.4.2 of Annexure 4 in Chapter 18). This does not restrict AAI from requiring the Concessionaire to undertake any or all of the Reserved Services on such terms and conditions as may be mutually agreed between the Parties.

- 1.3.3. AEL later incorporated a 100% subsidiary named Adani Airport Holdings Limited (AAHL). As on 31st March 2022, AEL holds 51% shareholders equity in AIAL and the remaining 49% is held by AAHL.

Table 2: Shareholding pattern of the Airport Operator

Name of Shareholder	% Shareholding
Adani Enterprises Limited	51%
Adani Airport Holdings Limited	49%

Figure 2: Ownership Structure



1.4. Cargo Operations

- 1.4.1. With respect to cargo operations at SVPIA, AAI Cargo Logistics and Allied Services (AAICLAS) has facilities which are operated by Gujarat State Export Corporation (GSEC) and Cargo Service Center (CSC). All AAICLAS facilities are part of the 'carved out' area as per Annexure IV of Schedule A to the Concession Agreement (refer to Para 18.4.3 and 18.4.4 of Annexure 4 in Chapter 18). Hence, under the Concession Agreement it is retained by AAI and not transferred to the Airport Operator.
- 1.4.2. However, Clause 19.4.1. of Concession Agreement mentions about the obligations of the Airport Operator for upgrading, developing, operating and maintaining the Cargo Facilities in accordance with the provisions of the Concession Agreement, Applicable Laws, Permits and Good Industry Practices (refer to Para 18.4.3).
- 1.4.3. Pursuant to the terms of the Concession Agreement and in order to cater to the growing demands at SVPIA, AIAL started providing domestic cargo handling services from the existing common user cargo terminal and international cargo handling operations³ from its interim international cargo terminal (old T3).
- 1.4.4. AERA vide Order No. 52/2020-21 dated 06th November 2020 approved the levy of ad-hoc domestic cargo handling charges for AIAL. In addition, AERA vide Order No. 01/2021-22 dated 23rd June 2021 approved the Ad-hoc charges for International Cargo Handling Services.

³ Multi Year Tariff Proposal for Ahmedabad International Airport Limited (AIAL) for Third Control Period (FY21-22 to FY25-26)

- 1.4.5. The cargo operations have also been factored in the ARR of the AO. Major components such as capital expenditure, depreciation, operating expenses and revenues with respect to the cargo operations and facilities have been presented separately in the respective sections.

1.5. Ground Handling Operations

- 1.5.1. The Clause 19.2 of the Concession Agreement mentions the Airport Operator's obligations towards provision of infrastructure required for ground handling services at the SVPIA and the extract of the relevant Clause has been provided in Para 18.4.5 of Annexure 4 in Chapter 18.
- 1.5.2. Further, subject to the provisions of the Concession Agreement the Airport Operator has the right to grant License to any entity for providing Ground Handling Services at SVPIA on such terms and conditions as mentioned in the License Agreement between by the Airport Operator and the potential service providers.
- 1.5.3. Pursuant to above terms of the Concession Agreement the Airport Operator has engaged GSEC Bird Airport Services Private Limited and AI Airport Services Limited (AIASL) for provision of such Ground Handling services at SVPIA.

1.6. Fuel Facility Operations

- 1.6.1. The Clause 19.3. of the Concession Agreement mentions the Airport Operator's obligations towards providing aircraft fuelling services, which has been provided in Para 18.4.6 of Annexure 4 in Chapter 18.
- 1.6.2. Previously, when the airport was operated by AAI, various Oil Marketing Companies (OMCs) were providing fuel services at the airport using their own respective infrastructure. As mandated by the Concession Agreement (CA), AIAL is planning to build an open access facility and is in the process of acquiring the existing assets of IOCL, RIL and BPCL. The Airport Operator is also initiating the development of a green field facility along with a hydrant refuelling system. Further AIAL also plans to provide Into-Plane Services (ITP) at SVPIA Ahmedabad.
- 1.6.3. The fuel farm operations have also been factored in the ARR of the AO, however, the major components such as capital expenditure, depreciation, operating expenses and revenues with respect to the fuel farm operations and facilities have been presented separately in the respective sections.

Stakeholders' comments of brief on SVPIA

- 1.6.4. During the Stakeholders' Consultation Process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in Consultation Paper No. 10/2022-23 with respect to the brief on SVPIA. The comments by the Stakeholders are presented below.

AIAL's comments regarding brief on SVPIA

- 1.6.5. With respect to AERA's comment as per Para 1.2.2, AIAL stated that the comments on the similar matter are provided in Para 7.10.2. The same may be referred hereto.

Authority's analysis of Stakeholders' comments on brief on SVPIA

- 1.6.6. The Authority has examined the AO's comment in Para 7.12.1 of this Tariff Order and the same may be referred to.



2. TARIFF DETERMINATION OF SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT

2.1. Introduction

2.1.1. AERA, was established by the Government of India vide notification No. GSR 317(E) dated 12th May 2009. The functions of AERA, in respect of Major Airports, are specified in section 13 of the Act, which are as below:

- a) To determine the tariff for aeronautical services taking into consideration –
 - i. the capital expenditure incurred and timely investment in the improvement of airport facilities
 - ii. the service provided, its quality and other relevant factors
 - iii. the cost for improving efficiency
 - iv. economic and viable operation of Major Airports
 - v. revenue received from services other than the aeronautical services
 - vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise, and
 - vii. any other factor which may be relevant for the purpose 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 the development fees in respect of Major Airports
- c) To determine the amount of the passengers' service fee levied under Rule 88 of the Aircraft Rules, 1937 made under the 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 authorised by it in this behalf
- e) To call for any such information as may be necessary to determine the tariff for aeronautical services, and
- 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 the 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 following are the aeronautical services:

- i. Aeronautical services provided by the Airport Operators
- ii. Cargo, Ground Handling and Fuel Supply Services, and
- iii. Air Navigation Services



Authority's Orders applied in tariff determination in this Tariff Order

- 2.1.4. AERA has, after extensive stakeholders' consultation, finalised its approach to the economic regulation of services categorised in Para 2.1.3 above. Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have also been issued. The details of Orders and Guidelines issued in this behalf are as under:
- i. Order No. 13 dated 12.01.2011 (In the matter of Regulatory Philosophy and Approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and Conditions for Determination of Tariff for Airport Operators); and
 - ii. Order No. 05 dated 02.08.2010 (In the matter of Regulatory Philosophy and Approach in Economic Regulation of the services provided for Cargo Facility, Ground Handling and Supply of Fuel to the aircraft at Major Airports); Order No. 12 dated 10.01.2011 and Direction No. 4 dated 10.01.2011 (Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft).
 - iii. Order No. 07/2016-17 dated 13.06.2016 in the matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports-Capital Costs Reg.
 - iv. Order No. 14/2016-17 dated 23.01.2017 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.
 - v. Order No. 20/2016-17 dated 31.03.2017 in the matter of allowing Concession to Regional Connectivity Scheme (RCS) Flights under RCS – Ude Desh ka Aam Naagrik (UDAN) at Major Airports.
 - vi. Order No. 35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09.04.2018 in the matter of Determination of Useful life of Airport Assets.
 - vii. Order No. 42/2018-19 dated 05.03.2019 in the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India.
- 2.1.5. AERA vide Order No. 14/2015-16 dated 05th June 2015 had determined the Aeronautical Tariff in respect of SVPIA for the First Control Period (01.04.2011 to 31.03.2016).
- 2.1.6. AERA vide Order No. 14/2018-19 dated 23rd July 2018 has determined the Aeronautical Tariff in respect of SVPIA for the Second Control Period (01.04.2016 to 31.03.2021). The tariff was applicable with effect from 01st August 2018.
- 2.1.7. As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority. Clause 28.11.1 of the Concession Agreement clearly mentions that the Airport Operator shall seek revision of Aeronautical Charges by the Regulator as per applicable Regulatory Framework for the next applicable Control Period and states that the Airport Operator shall have not less than 365 days from the COD to seek such revision of the aeronautical charges. The extract of the relevant Clause has been provided in Para 18.4.7 of Annexure 4 in Chapter 18. AIAL, on 04th February 2022, submitted a Multi-Year Tariff Proposal (MYTP) for the Third Control Period (TCP) from 01st April 2021 to 31st March 2026 for SVPIA, Ahmedabad.
- 2.1.8. Given that, during the Second Control Period, the Commercial Operation Date was achieved by AIAL on 07th November 2020, the true up proposal for the Second Control Period for the period from FY

2017 till COD was submitted separately by AAI on 01st February 2022. For the period post COD till 31st March 2021, AIAL has submitted its true up proposal as part of the MYTP.

- 2.1.9. Both the true up proposal for AAI and the MYTP of AIAL are available on the AERA website.
- 2.1.10. Further to the review of submissions made by AAI and AIAL, details and clarifications were sought for by AERA, responses to which were submitted by both parties on various dates over the period from April 2022 to October 2022.

2.2. Control Period

- 2.2.1. In terms of Direction No. 05 issued on 28th February 2011 (Terms and Conditions for Determination of Tariff for Airport Operators), Control Period means a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant to such order shall subsist. The Second Control Period commenced from 01st April 2016, and the Third Control Period has commenced from 01st April 2021.

2.3. Pre-COD Period

- 2.3.1. AAI had submitted its initial true up proposal for the pre-COD period from 01st April 2016 to 06th November 2020 vide email dated 01st February 2022. The Authority based on its preliminary scrutiny of the true up figures submitted by AAI, observed various discrepancies and upon enquiry, AAI provided information from time to time till July 2022. The Authority noted variances between the assets transferred by AAI as on COD and that recorded by the Airport Operator (AO). In order to resolve such differences, the Authority intervened and directed AAI and the Airport Operator vide email dated 04th April 2022 for a joint reconciliation of the assets handed over by AAI and taken over by the Airport Operator. AAI and the Airport Operator submitted a Joint Asset Reconciliation statement on 13th April 2022 of the assets handed over by AAI on 07th November 2020 and taken over by the Airport Operator as on COD. The same has been discussed in detail in the Study on Allocation of Assets (The summary of the study is given in Annexure 2 of this Tariff Order). With respect to the operating expenses submitted by AAI on 01st February 2022, it was noticed that certain expense heads considered by AAI were different from those approved by AERA in the Tariff Order (Order No. 14/2018-19 dated 23rd July 2018) for SVPIA for the Second Control Period. Further it was observed that certain expenses were grouped under incorrect heads. In order to have a fair comparison between the actual expenses incurred and the projections approved in the Tariff Order for SCP, AAI was requested to share the actual operational and maintenance expenses (O&M expenses) incurred against the projections in the Tariff Order for SCP. AAI vide email dated 22nd June 2022 shared the revised O&M expenses along with the updated true up submission. The same has been discussed in detail in the Study on Efficient Operation and Maintenance Expenses (The summary of the study is given in Annexure 3 of this Tariff Order). The sequential timeline of the above events has been presented in the table below:

Table 3: Sequence of events with regard to true up submissions of AAI

Event	Date
Submission of original true up proposal by AAI	01 st February 2022
Email from the Authority to AAI and Airport Operator seeking joint reconciliation of assets transferred as on COD	04 th April 2022
Submission of Joint Asset Reconciliation statement by AAI and Airport Operator	13 th April 2022
Submission of revised Operations and Maintenance Expenses by AAI for the pre-COD period	22 nd June 2022

Event	Date
Submission of revised true up by AAI with changes to Operations and Maintenance expenses claimed for the pre-COD period	22 nd June 2022

2.4. Post-COD Period

- 2.4.1. The tariff determination for the post-COD period has been considered for the Airport Operator under the following categories:
- True up of the period from COD till 31st March 2021
 - Tariff determination for the Third Control Period i.e., from 01st April 2021 to 31st March 2026.
- 2.4.2. As SVPIA was taken over and operated by the Airport Operator from the COD i.e., 07th November 2020, the Authority has considered to true up the necessary building blocks of the Airport Operator for the five-month period commencing from 07th November 2020 up to 31st March 2021. Further, the Authority has considered the Third Control Period of five years for the Airport from 01st April 2021 to 31st March 2026.
- 2.4.3. The Airport Operator had submitted its MYTP on 04th February 2022. The document is available on the AERA's website.
- 2.4.4. The Authority appointed an Independent Consultant, PricewaterhouseCoopers Pvt. Ltd. to assess the MYTP submitted by the Airport Operator for the Third Control Period. Accordingly, the Independent Consultant has assisted the Authority in examining the true up submission of AAI and the Airport Operator for the pre and post COD period respectively, the MYTP of Airport Operator, including verifying the data from various supporting documents such as audited financials, Fixed Asset Register (FAR) submitted by the Airport Operator, examining the building blocks in tariff determination, and ensuring that the treatment given to it is consistent with the Authority's methodology and approach.
- 2.4.5. With respect to the operating expenses submitted by AIAL, vide email dated 20th April 2022, AIAL conveyed that they had missed to include Bank and Other finance Charges in the True-Up for FY 2021. Similarly, vide email dated 07th June 2022, AIAL conveyed that they had missed to include Utility Charges of INR 4.34 Lakhs and O&M Expenses of INR 12.36 Lakhs (both pertaining to Cargo) in the True Up for FY 2021. The same was discussed in detail in the Study on Efficient Operation and Maintenance Expenses.
- 2.4.6. In its initial submission, AIAL had not provided detailed break-up and supporting information regarding certain items such as the capital expenditure proposed for the Third Control Period (TCP). Vide email dated 12th May 2022, the Authority requested the Airport Operator to share the detailed break-up of the proposed capital expenditure. AIAL vide email dated 23rd May 2022 shared the list of projects planned to be carried out in the Third Control period. In its clarification vide email dated 21st July 2022, AIAL revised the list of projects and the cost proposed for various items. Among the list of projects, AIAL had included several minor projects that consisted of individual items of less than INR 15 Cr. value. However, AIAL had not provided the individual item level breakup of such projects. The Authority requested AIAL to share the breakup of minor projects vide email dated 19th June 2022 and the same was shared by AIAL vide email dated 16th July 2022. Subsequently, the Airport Operator shared a revised list of minor projects vide email dated 30th July 2022 in which AIAL submitted that it had dropped certain projects which were previously a part of the proposed capital expenditure for TCP. Even at this stage, there were multiple gaps in the information shared by AIAL in piecemeals over time. The Authority requested various clarifications and follow up queries on the information shared by AIAL from time to time to address these gaps and assess the reasonableness of the proposed capital

expenditure. The Airport Operator responded to these queries and shared various documents in parts over the period from 23rd May 2022 till 18th October 2022. The sequential timeline of the above events has been presented in the table below:

Table 4: Sequence of events with regard to true up and MYTP submissions of the AO

Event	Date
Submission of original MYTP by AO	04 th February 2022
Email from the Authority to AAI and Airport Operator seeking joint reconciliation of assets transferred as on COD	04 th April 2022
Submission of Joint Asset Reconciliation statement by AAI and Airport Operator	13 th April 2022
Revision of Operating expenses due to the inclusion of Bank and Other finance Charges	20 th April 2022
Email from the Authority to the Airport Operator for the detailed break-up of the proposed capital expenditure in TCP	12 th May 2022
Submission of the list of projects planned to be carried out in TCP by AIAL	23 rd May 2022
Revision of Operating expenses due to the inclusion of Utility Charges of INR 4.34 Lakhs and O&M Expenses of INR 12.36 Lakhs (both pertaining to Cargo)	07 th June 2022
Email from the Authority to the Airport Operator for the detailed breakup of the minor projects planned to be carried out in TCP	19 th June 2022
Submission of the breakup of the minor projects planned to be carried out in TCP by AIAL	16 th July 2022
Revised Submission of the list of projects planned to be carried out in TCP by AIAL	21 st July 2022
Revised submission of the breakup of the minor projects planned to be carried out in TCP by AIAL*	30 th July 2022
Submission of documents and response to queries by AIAL	23 rd May 2022 till 18 th October 2022

*Even at this stage, gaps were still persistent in the information shared by AIAL

- 2.4.7. The Authority notes that Clause 5.7.1 of Direction 5/ 2010-11 pertaining to Terms and Conditions for determination of Tariff for Airport Operators Guidelines, 2011 states that *"For any service provided by the Airport Operator for (i) ground handling services relating to aircraft, passengers and cargo at an airport; (ii) the cargo facility at an airport and (iii) supplying fuel to the aircraft at an airport, the Authority shall follow the regulatory approach and process for tariff determination as mentioned in the Direction No. 4/ 2010-11 on Terms and Conditions for determination of Tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to the Aircraft Guidelines, 2011"*.

Further, clause 1.2 of the Direction No.4/ 2010-11 states that *"these Guidelines shall apply to Service Provider(s) for (i) the Cargo facility at a Major Airport, (ii) ground handling relating to aircraft, passengers and cargo at a major airport and for (iii) supplying fuel to the aircraft at a major airport: Provided that Airport Operator providing the Regulated Service(s) as defined herein shall be excluded from the application of these Guidelines."*

Taking cognizance of the above provisions laid out under Direction 5/ 2010-11 and Direction 4/ 2010-11 and the fact that the Airport Operator is providing the services of cargo facility and supplying fuel to the aircraft, the Authority has examined the Assets, Expenses and Revenues pertaining to Cargo and Fuel farm of the AO separately under the relevant chapters in this Tariff Order, for the purpose of determining Aggregate Revenue Requirement of the Airport Operator.



2.5. Studies commissioned by the Authority

2.5.1. The Authority had also commissioned two independent studies with respect to SVPIA:

- a) **Study on Allocation of Assets for SVPIA:** The Study carried out a detailed analysis of the Regulatory Asset Base (RAB) of both AAI and the Airport Operator. The Study also developed a rationale for classification of assets into Aeronautical, Non-aeronautical, Air Navigation Services (ANS) and Common. It then apportioned the common assets based on suitable ratios. Further, the Study also examined the assets transferred from AAI to AIAL (as on COD) and determined the Deemed Initial RAB as on COD.
- b) **Study of Efficient Operation and Maintenance Expenses for SVPIA:** The Study examined the historical trends in the O&M expenses of SVPIA and assessed how the airport has performed in comparison to select peers in the industry. The Study verified the classification of various expenses between Aeronautical, Non-aeronautical, ANS and Common and made revisions wherever necessary. The Common expenses were further apportioned by the Study based on suitable ratios. Further, the Study ascertained the expenses that appeared to be unreasonably high and rationalised them based on suitable benchmarks.

2.5.2. The recommendations of these studies were considered by the Authority while finalising its proposals in the Consultation Paper No. 10/2022-23 dated 20th October 2022. The summary of the Study on Allocation of Assets is given in Annexure 2 of this Tariff Order. The summary of the Study on Efficient Operation and Maintenance Expenses is given in Annexure 3 of this Tariff Order.

2.6. Issuance of Consultation Paper and Stakeholder Comments

2.6.1. The Authority through its Independent Consultant had examined the MYTP submitted by Airport Operator and verified the data and the projections for the Third Control Period including capital expenditure and obtained clarifications on the information provided by Airport Operator from time to time, while finalising the Consultation Paper No. dated 10/2022-23.

2.6.2. After examination of the True up proposal of AAI, the MYTP of AIAL and other details submitted by AAI and AIAL (AO), the Authority issued Consultation Paper No. 10/2022-23 dated 20th October 2022 inviting comments from Stakeholders on various issues and proposals presented in the Consultation Paper with the following timelines:

- Date of Issue of Consultation Paper: 20th October 2022
- Date of Stakeholder Consultation Meeting: 09th November 2022
- Date of submission of written comments by Stakeholders: 21st November 2022
- Date of submission of responses of AAI and AO: 02nd December 2022

The Stakeholder meeting was held on 09th November 2022, minutes of which are published on the AERA website.

2.6.3. The following stakeholders have provided their comments on the Consultation Paper No. 10/2022-23 which are available on AERA's website:

- i. Ahmedabad International Airport Limited (AO)
- ii. Airports Authority of India (AAI)
- iii. Federation of Indian Airlines (FIA)



- iv. Delhi International Airport Limited (DIAL)
- v. Bangalore International Airport Limited (BIAL)
- vi. Association of Private Airport Operators (APAO)
- vii. International Air Transport Association (IATA)
- viii. Air Cargo Forum India (ACFI)
- ix. Business Aircraft Operators Association (BAOA)
- x. Federation of Freight Forwarders' Association of India (FFFAI)
- xi. Mr. Mukesh Bhandari

Table 5: Stakeholders who commented on each proposal/ matter discussed during the Consultation Process for SVPIA

Component impacting tariff determination for the Third Control Period	Name of the Stakeholder who has provided comments
Brief on SVPIA	AO
Tariff Determination of SVPIA	No comments
Framework for Determination of Tariff for SVPIA	FIA
True up of AAI for SCP from FY 2017 till COD	AAI, APAO and FIA
True up of AO for SCP from COD till 31 st March 2021	AO, APAO and FIA
Traffic Projections for the Third Control Period	AO, DIAL and FIA
CAPEX, Depreciation and RAB for the Third Control Period	ACFI, AO, APAO, BIAL, FIA and IATA
Fair Rate of Return for the Third Control Period	AO, APAO, DIAL and FIA
Inflation for the Third Control Period	FIA
O&M Expenses for the Third Control Period	AO, APAO, FIA and IATA
Non-aeronautical Revenue for the Third Control Period	AO, BIAL, FIA and IATA
Taxation for the Third Control Period	AO and FIA
Quality of Service for the Third Control Period	IATA
Aggregate Revenue Requirement for the Third Control Period	AO, APAO, BAOA, BIAL, FIA, FFFAI, IATA and Mr. Mukesh Bhandari

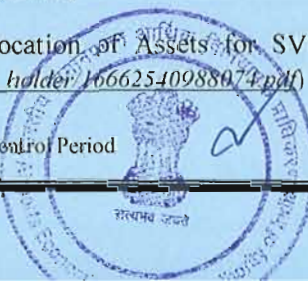
- 2.6.4. No inputs were received from MoCA as part of the consultation process.
- 2.6.5. The responses from AO and AAI on the comments from other Stakeholders were received on 02nd December 2022. Thus, the Stakeholder Consultation process concluded on the receipt of Stakeholders' comments and responses from both AAI and AO on 02nd December 2022. The Stakeholders' comments and counter comments are available on AERA's website.
- 2.6.6. The Authority has examined the various comments and observations of stakeholders along with submissions made by the Airport Operator and AAI to finalize its decisions pertaining to various regulatory building blocks, based on which this Tariff Order is being issued.

2.7. Construct of the Tariff Order

- 2.7.1. A brief on SVPIA is provided in Chapter 1. This Chapter 2 explains the context for the current tariff determination exercise and the submissions made by AAI and AIAL. The framework used for determination of tariffs as per the AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28th February 2011 is explained in Chapter 3.
- 2.7.2. Chapter 4 lists out the submissions of AAI for true up of the Second Control Period (till COD) which is from FY 2017 to 06th November 2020 and Chapter 5 lists out submissions of the Airport Operator for true of the period from 07th November 2020 to 31st March 2021. This is followed by a recap of the

Authority's decisions regarding various building blocks as part the Tariff Order (TO) for the Second Control Period. These Chapters then discuss the Authority's examination on specific issues regarding true up of the Second Control Period as part of the determination of tariffs for the Third Control Period at the Consultation stage. These Chapters also discusses the assessment and outcome of the studies conducted by the Authority regarding asset allocation between aeronautical and non-aeronautical assets and efficient O&M expenses. The summary of these studies are given under Annexures 2 & 3 respectively to this Tariff Order. These chapters also captures the comments from various stakeholders along with responses from AAI and AIAL. The Authority has also provided its analysis of the Stakeholders' comments and the final decision on the subject matter.

- 2.7.3. Chapter 6-13 discusses AO's submissions and the Authority's examination of AO's submissions along with its proposals with respect to various building blocks pertaining to the Third Control Period including projected Traffic, Capital Expenditure, Depreciation and RAB, Fair Rate of Return, O&M Expenses, Non-aeronautical Revenue projections, Taxes, Inflation and Quality of Service along with the Authority's analysis regarding the same as set out in the Consultation Paper No. 10/2022-23 dated 20th October 2022. Thereafter, comments of AO and other stakeholders, responses of AO on other Stakeholders' comments, Authority's analysis and final decisions are set out.
- 2.7.4. Chapter 14 presents the Aggregate Revenue Requirement as determined by the Authority based on the proposal and adjustments considered by the Authority for the Third Control Period at the Consultation stage. This is followed by comments of AIAL and other stakeholders. Thereafter, the Authority's analysis and final decisions are set out.
- 2.7.5. Chapter 15 discusses the views of the Authority on certain key issues arising from Concession of SVPIA and unprecedented impact of COVID-19.
- 2.7.6. Chapter 16 summarises the Authority's decisions on all the matters relating to the tariff computations and Chapter 17 is the final Tariff Order issued by the Authority for the Third Control Period of SVPIA, Ahmedabad.
- 2.7.7. Chapter 18 contains the following Annexures:
- Annexure 1 - Tariff Rate Card pertaining to SVPIA, Ahmedabad for the Third Control Period as approved by the Authority, effective from 01st February 2023 to 31st March 2026. Annexure 1 also contains the Variable Tariff Plan approved by the Authority
 - Annexure 2 – Summary of the Study on Allocation of Assets for SVPIA for the Second Control Period
 - Annexure 3 – Summary of the Study on Efficient O&M Expenses for SVPIA for the Second Control Period
 - Annexure 4 – Extract of relevant clauses of the Concession Agreement entered between AAI and the Airport Operator
 - Annexure 5 – Note of corporate cost allocation submitted by AIAL
 - Annexure 6 – Details regarding capital expenditure for the Third Control Period
 - Annexure 7 – Details regarding O&M expenses for the Third Control Period
- 2.7.8. Chapter 19 contains the list of Appendices:
- Appendix 1 – Study on Allocation of Assets for SVPIA for the Second Control Period (https://aera.gov.in/uploads/stock_holder/16662540988074.pdf)



- Appendix 2 – Study on Efficient O&M Expenses for SVPIA for the Second Control Period (https://aera.gov.in/uploads/stack_holder/16662541501282.pdf)
- Appendix 3 – NATS Study submitted by AIAL (https://aera.gov.in/uploads/stack_holder/16662542305366.pdf)

- 2.7.9. The Authority notes that as per 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.” The Authority would like to state that it is the responsibility of the AO to ensure compliance with the CA and the provisions thereof.
- 2.7.10. It is the sole responsibility of the Airport Operator to maintain proper books of accounts & 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 & FAR and that there is no duplication of expenses.



3. FRAMEWORK FOR DETERMINATION OF TARIFF FOR SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT

3.1. Methodology

3.1.1. 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.

3.1.2. As per the guidelines, for the Second Control Period, the Authority had adopted the Hybrid-Till mechanism for tariff determination, wherein, only 30% of the Non-aeronautical Revenue is to be used for cross-subsidising the aeronautical charges. The Authority has considered the same methodology in the true up of the Second Control Period and for tariff determination in the Third Control Period.

3.1.3. The ARR under hybrid till for the Control Period (ARR) shall be expressed as under:

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

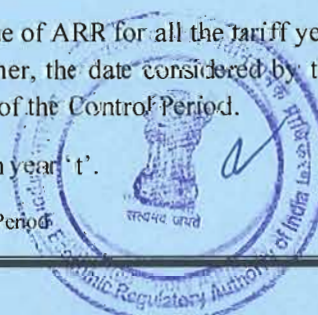
$$ARR_t = (FRoR * RAB_t) + D_t + O_t + T_t - \alpha * NAR_t$$

- where t is the Tariff Year in the Control Period
- where ARR_t is the Aggregate Revenue Requirement for year t
- where FRoR is the Fair Rate of Return for the Control Period
- where RAB_t is the Regulatory Asset Base pertaining to Aero activities for the year t
- where D_t is the Depreciation corresponding to the RAB for the year t
- where O_t is the Operation and Maintenance Expenditure for the year t, which include all expenditures incurred by the Airport Operator(s) pertaining to Aero activities
- where T_t is the Taxation cost for the year t, relating to Aero activities
- α is the cross-subsidy factor for revenue from services other than aeronautical services. Under the hybrid till methodology followed by the Authority, $\alpha = 30\%$.
- where NAR_t is the revenue from Non-Aeronautical Services for the year t.

3.1.4. Based on ARR, yield per passenger (Y) is calculated as per the formula given below

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

- Where $PV(ARR_t)$ is the present value of ARR for all the tariff years. All cash flows are assumed to occur at the end of the year. Further, the date considered by the Authority for discounting of cash flows is one year from the start of the Control Period.
- Where, VE_t is the passenger traffic in year 't'.



- 3.1.5. All the figures in this Tariff Order have been rounded off up to two decimal places.

3.2. Revenues from Air Navigation Services (ANS)

- 3.2.1. The Airport Operator shall be providing aeronautical services such as landing, parking, ground handling, cargo and fuel supply services at SVPIA and has submitted revenue projections for the same in the Third Control Period in its MYTP. However, AAI shall be handling the Air Navigation Systems (ANS) at SVPIA and hence the MYTP submitted by Airport Operator does not consider revenues, expenditure, and assets on account of ANS.
- 3.2.2. Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

Stakeholders' Comments on framework for determination of tariff for SVPIA

- 3.2.3. During the Stakeholders' Consultation Process, the Authority has received one comment/view from a stakeholder in response to the proposals of the Authority in Consultation Paper No. 10/2022-23 with respect to the framework for determination of tariff for SVPIA. The comments by the stakeholders are presented below:

Other Stakeholders' comments regarding framework for determination of tariff for SVPIA

- 3.2.4. FIA's comment regarding the framework for determination of tariff for SVPIA is as follows: "*It is submitted that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 (AERA Act), under sub-section (a), "aeronautical services means any services provided - (i) For navigation, surveillance and supportive communication thereto for air traffic management." It is submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services, should form part of aeronautical revenues and accordingly AERA should take into account of the corresponding revenue and revise the tariff card.*"

AAI and AIAL's responses to stakeholders' comments regarding framework for determination of tariff for SVPIA

- 3.2.5. AAI and AIAL's response to the Stakeholder comment with respect to framework for determination of tariff for SVPIA is presented below.
- 3.2.6. With respect to FIA's comment, AIAL stated that - "*AIAL submits that no capital and operational expenditure related to ANS services (except those mandated under Concession Agreement (CA)) have been included in the tariff proposal. As per CA, Schedule Q CNS/ATM Agreement, similar to other PPP Airports, the services of ANS are retained by AAI and the same are not under the purview of AIAL. Since the services are provided by AAI, the rate of ANS services cannot be made part of tariff card of AIAL*"
- 3.2.7. With respect to FIA's comment, AAI stated that - "*AAI submits that the tariff determination for airports by AERA is done only for the aeronautical charges for airport services of the AAI major airports. Tariff for air navigation charges is separately determined by MoCA.*"



Authority's analysis of Stakeholders' comments regarding framework for determination of tariff for SVPIA

- 3.2.8. The Authority noted the comments of FIA and the response of the AO and AAI and is of the view that tariff for ANS is presently regulated by the Ministry of Civil Aviation for all the airports. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. The Airport Operator is not the service provider of ANS services at SVPIA and no revenues accrue to the AO in this regard. Hence, the Authority determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.



4. TRUE UP OF AAI FOR THE SECOND CONTROL PERIOD FROM FY 2017 TILL COD

4.1. Background

- 4.1.1. AAI had entered into a Concession Agreement dated 14th February 2020 with AIAL (the 'Concessionaire') for the operation, management and development of Sardar Vallabhbhai Patel International Airport for a period of 50 years from the COD, i.e., 07th November 2020.
- 4.1.2. As per the Concession Agreement between AAI and the Airport Operator (Clause 28.11.3) (Refer Para 18.4.16), the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA.
- 4.1.3. Pursuant to the above Concession Agreement, AAI had submitted its True Up Proposal for the period from 01st April 2016 up to 06th November 2020.
- 4.1.4. The true up workings submitted by AAI covered the following building blocks:
 - i. Traffic
 - ii. Regulatory Asset Base
 - iii. Fair Rate of Return
 - iv. Aeronautical Depreciation
 - v. Return on Land
 - vi. Aeronautical Operation and Maintenance Expenses
 - vii. Non-aeronautical Revenue
 - viii. Aeronautical Taxes
- 4.1.5. The Authority examined the issues in detail and covered the analysis as follows.
 - i. Recorded AAI's submission regarding different regulatory building blocks for true up of the Second Control Period till COD
 - ii. Recapped the decisions taken by the Authority in the Tariff Order for the Second Control Period (Order No. 14/2018-19 dated 23rd July 2018)
 - iii. Provided the Authority's examination and proposals regarding the true up calculation of each regulatory building block for the Second Control Period till COD as per the Consultation Paper
 - iv. Detailed the Stakeholders' comments on different regulatory building blocks during the Consultation stage and AAI's response to Stakeholders' comments
 - v. Provided the Authority's analysis and decisions after reviewing Stakeholders' comments and AAI's responses regarding different regulatory building blocks
- 4.1.6. The Authority had considered the following documents for determining true up for the Second Control Period (pre-COD):
 - i. Tariff Order for Sardar Vallabhbhai Patel International Airport (Order No.14/2018-19) dated 23rd July 2018.
 - ii. Audited Financial Results of AAI for the Second Control Period (pre-COD)
 - iii. AERA Guidelines and Orders
 - iv. Authority's decisions on the Regulatory Building Blocks as per previously issued Tariff Orders of other airports.



4.2. AAI's submission of true up for the Second Control Period from FY 2017 till COD

4.2.1. As mentioned in Para 2.3.1 of this Tariff Order, AAI had submitted a revised True Up Submission on 22nd June 2022. The details of the same have been provided below:

Table 6: True up for Second Control Period (till COD) submitted by AAI

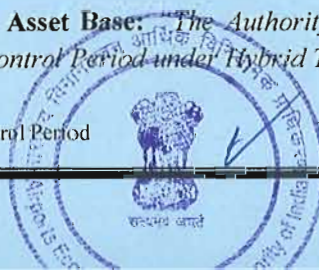
Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Opening RAB	293.75	301.12	290.52	297.86	331.38	
Closing RAB	301.12	290.52	297.86	331.38	316.44	
Average Regulatory Asset Base (RAB)	297.44	295.82	294.19	314.62	323.91	
Fair Rate of Return (FRoR)	14%	14%	14%	14%	14%	
Return on Average RAB @14%	41.64	41.42	41.19	44.05	45.35	213.64
Depreciation	23.08	24.19	26.40	27.22	17.05	117.95
Operating Expenditure	155.80	159.52	174.72	212.05	116.39	818.48
Return on Land	0.12	0.12	0.12	0.12	0.12	0.62
Unamortised portion of Land - Balance of Land Value	0.00	0.00	0.00	0.00	1.11	1.11
Corporate Tax	0.00	0.00	0.00	0.00	99.06	99.06
Add: Carried forward of Shortfall from First Control Period	3.6					3.64
Non-aeronautical revenues	67.09	63.02	78.74	101.91	20.59	331.35
Less: 30% Deductions for Non-Aero Revenues	-20.13	-18.91	-23.62	-30.57	-6.18	-99.41
Total Gross ARR	204.16	206.35	218.81	252.87	272.91	1,155.09
Revenue earned from Aeronautical Services	186.51	209.39	195.37	166.55	33.45	791.28
Excess / (Shortfall)	(17.64)	3.04	(23.43)	(86.32)	(239.46)	(363.81)
PV	1.69	1.48	1.30	1.14	1.00	
PV of Excess / (Shortfall)	(29.80)	4.51	(30.45)	(98.41)	(239.46)	(393.61)

4.3. Authority's examination of true up of AAI for the Second Control Period from FY 2017 till COD at the Consultation stage

4.3.1. For each of the regulatory building blocks proposed for true up by AAI, the Authority had looked at the past decisions taken with regards to the true up of the particular building block for Second Control Period as per the Tariff Order for the Second Control Period and has then proceeded to examine the same as part of the tariff determination for the Third Control Period. These issues had been discussed in detail in the relevant sections of the Consultation Paper No. 10/2022-23.

4.3.2. The decisions taken at the time of determination of tariff for Aeronautical services for the Second Control Period vide Order No. 14/2018-19 dated 23rd July 2018 have been reproduced below:

- **Decision No. 2.e – Aggregate Revenue Requirement (ARR):** *"To consider shortfall of INR 3.6 Cr. in the First Control Period to be added to ARR for the Second Control Period."*
- **Decision No. 3.b – Traffic Forecast:** *"The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in 2nd Control Period while determining tariffs for the 3rd Control Period."*
- **Decision No. 5.a – Regulatory Asset Base:** *"The Authority decides to consider the opening regulatory base for the Second Control Period under Hybrid Till as INR 294.9 Cr."*



- **Decision No. 6.b – Capital Expenditure:** *"The Authority directs AAI to undertake user stakeholders' consultation process for the major capital expenditure as per the Guidelines."*
- **Decision No. 6.c – Regulatory Asset Base:** *"The Authority decides to true up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalization of underlying assets in a given year."*
- **Decision No. 9.a – Fair Rate of Return (FRoR):** *"The Authority decides to consider the FRoR at 14% for SVPIA for the First and Second Control Period."*
- **Decision No. 10.a – Non-aeronautical revenue:** *"The Authority decides to consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue."*
- **Decision No. 10.c –Non-aeronautical revenue:** *"The Authority decides that non-aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true-up will be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues"*
- **Decision No. 11.b – O&M expenses:** *"The Authority expects AAI to reduce O&M expenditure over a period of time."*
- **Decision No. 11.c – O&M expenses:** *"The Authority decides to true up the O&M expenditure for FY 2016-17 to FY 2020-21 of the Second control period based on the actuals at the time of determination of tariffs for the Third control period."*
- **Decision No. 11.d.i, 11.d.ii, 11.d.iii – O&M expenses:** *"The Authority decides the following factors for corrections while determining tariffs for the next control period:*
 - i. *Mandated cost incurred due to directions issued by regulatory agencies like DGCA*
 - ii. *Cost of actual operating expenses including electricity*
 - iii. *All statutory levies in the nature of fees, levies, taxes and other such charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/service provided by AAI will be reviewed by the Authority for the purpose of corrections. Any additional expenditure by way of interest payments, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be trued up."*
- **Decision No. 12.b –Taxation:** *"The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the Second Control Period during determination of tariffs for the Third Control Period."*
- **Decision No. 13.b –Aeronautical revenue:** *"The Authority decides to continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Government of India vide Order No G.17018/7/2001- AAI dated 09.02.2004 in order to encourage and promote intra-regional connectivity at SVPIA"*
- **Decision No. 13.c –Aeronautical revenue:** *"The Authority decides to provide waiver of landing and other charges in line with the Order No.20/2016-17 dated 31.03.2017 of the Authority."*



- **Decision No. 13.d – Aeronautical revenue:** *"The Authority decides to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.08.2018."*
- **Decision No. 13.e – Aggregate Revenue Requirement (ARR):** *"The Authority decides to consider shortfall/excess in revenues for the Second Control Period based on proposed tariffs by AAI while determining aeronautical tariffs for the Third Control Period"*.

4.4. True up of Traffic

- 4.4.1. AAI as a part of its true up proposal had submitted the passenger and ATM traffic based on actuals for the period from FY 2017 to FY 2021 (up to 30th November 2020). The passenger and ATM traffic as submitted by AAI for true up of the Second Control Period (till 30th November 2020) is as given in the table below.

Table 7: Traffic submitted by AAI for true up of the Second Control Period (till 30th November 2020)

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 up to 30 th Nov 2020	Total
Passengers (In millions)						
Domestic	5.62	7.32	9.03	9.11	1.46	32.54
International	1.79	1.8	2.15	2.32	0.06	8.12
Total	7.41	9.12	11.17	11.43	1.53	40.66
ATM (in No's)						
Domestic	38,762	49,987	63,884	69,190	16,889	238,712
International	12,345	13,142	14,528	15,387	1,603	57,005
Total	51,107	63,129	78,412	84,577	18,492	295,717

Authority's examination and proposal regarding true up of Traffic for the Second Control Period at the Consultation stage

- 4.4.2. Traffic proposed by the Authority as per the Tariff Order for the Second Control Period is as given in the table below.

Table 8: Traffic proposed by the Authority as per the Tariff Order for the Second Control Period

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Passengers (In millions)						
Domestic	5.62	7.32	8.28	9.36	10.58	41.17
International	1.79	1.85	2.04	2.25	2.48	10.40
Total	7.41	9.17	10.32	11.61	13.06	51.57
ATM (in No's)						
Domestic	38,762	49,987	54,147	58,654	63,535	265,085
International	12,345	13,142	14,244	15,438	16,732	71,901
Total	51,107	63,129	68,391	74,091	80,267	336,985

- 4.4.3. In its true up proposal, AAI had considered the traffic till 30th November 2020 whereas AAI has operated the airport only till 06th November 2020, post which operations were taken over by AIAL. AAI was requested to share the details regarding the traffic handled at SVPIA during the period from 01st April 2020 till 06th November 2020. Based on the details received from AAI vide email dated 21st



July 2022 and the details available on the AAI Traffic News website, the actual traffic handled at SVPIA during the Second Control Period is as follows:

Table 9: Actual traffic handled at SVPIA in the Second Control Period⁴

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	FY 2021 (post-COD)	FY 2021	Total (till COD)	Total (SCP)
Passengers (Mn)									
Domestic	5.62	7.32	9.03	9.11	1.10	2.34	3.44	32.18	34.52
International	1.79	1.85	2.15	2.32	0.05	0.15	0.20	8.15	8.31
Total	7.41	9.17	11.17	11.43	1.15	2.49	3.64	40.34	42.83
ATM (000's)									
Domestic	38.76	49.99	63.88	69.19	13.50	23.61	37.11	235.33	258.94
International	12.35	13.14	14.53	15.39	1.40	1.69	3.10	56.80	58.50
Total	51.11	63.13	78.41	84.58	14.90	25.31	40.21	292.13	317.43

- 4.4.4. Since AAI had operated the Airport till 06th November 2020, the Authority considered the actual traffic handled in FY 2021 till COD for true up of the Second Control Period (till COD) with respect to AAI and the rest was attributed to the period post COD when the traffic was handled by AIAL (the Airport Operator).
- 4.4.5. The Authority had noted that the international passenger traffic for FY 2018 submitted by AAI was slightly lower than the figure published on the AAI website. The figure available on the AAI website also matched the values considered by the Authority in the Tariff Order for SCP. Therefore, the Authority had considered the international passenger traffic based on the data published by AAI on its website.
- 4.4.6. The Authority compared the actual traffic achieved at SVPIA against the traffic projections approved by the Authority in the Tariff Order for the Second Control Period. The comparison is given below:

Table 10: Comparison of actual traffic submitted by AAI vs projections approved by AERA in TO for SCP

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Domestic Passengers (Mn)						
As per AAI (A)	5.62	7.32	9.03	9.11	3.44	34.52
As per the Tariff Order for SCP (B)	5.62	7.32	8.28	9.36	10.58	41.17
Difference (A – B)	-	-	0.75	(0.25)	(7.15)	(6.65)
International Passengers (Mn)						
As per AAI (C)	1.79	1.85*	2.15	2.32	0.20	8.26
As per the Tariff Order for SCP (D)	1.79	1.85	2.04	2.25	2.48	7.92
Difference (C – D)	-	-	0.11	0.07	(2.27)	(2.14)
Domestic ATM (in No's)						
As per AAI (E)	38,762	49,987	63,884	69,190	37,113	258,936
As per the Tariff Order for SCP (F)	38,762	49,987	54,147	58,654	63,535	265,085
Difference (E – F)	-	-	9,737	10,536	(26,422)	(6,149)
International ATM (in No's)						
As per AAI (G)	12,345	13,142	14,528	15,387	3,096	58,498
As per the Tariff Order for SCP (H)	12,345	13,142	14,244	15,438	16,732	71,901
Difference (G – H)	-	-	284.00	(51.00)	(13,636)	(13,403)

* From AAI Traffic News

⁴ Source: AAI Traffic News and clarifications from AAI



- 4.4.7. The Authority had observed that the actual domestic and international passenger traffic in FY 2019 is higher than the projections approved by the Authority in the Tariff Order for SCP. For FY 2020, the domestic passengers (PAX) as submitted by AAI was lower than the projections approved by the Authority in the Tariff Order for SCP by approximately 3% though the actual domestic ATM traffic was significantly higher than the projections by approximately 18%. The drop in domestic passenger traffic majorly occurred in March 2020 due to the impact of the Coronavirus Disease (COVID-19) pandemic.
- 4.4.8. In FY 2021, the actual traffic was considerably lower than the projections approved by the Authority in the Tariff Order for SCP, again due to the negative impact of COVID-19.
- 4.4.9. Based on the above facts, the Authority proposed to consider the actual traffic for true up of the Second Control Period, as given in Table 9.

Stakeholders' comments on true up of Traffic for the Second Control Period

- 4.4.10. There were no Stakeholder comments with respect to true up of traffic for the Second Control Period.

Authority's analysis of Stakeholders' comments on true up of Traffic for the Second Control Period

- 4.4.11. No Stakeholder comments were received regarding traffic for the Second Control Period. In this regard, the Authority decides to consider the traffic based on actuals for true up of the Second Control Period, consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23. The traffic considered by the Authority for true up of the Second Control Period is given in Table 9.

4.5. True up of Regulatory Asset Base

- 4.5.1. The RAB for the Second Control Period as submitted by AAI for true up is given below.

Table 11: RAB for the Second Control Period as submitted by AAI

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
Opening RAB (A)	293.75	301.12	290.52	297.86	331.38	
Addition (B)	30.46	14.36	33.74	62.16	2.12	142.83
Depreciation (C)	(23.08)	(24.19)	(26.40)	(27.22)	(17.05)	(117.95)
Sales/Disposals/Transfers (D)	0.00	(0.08)	0.00	(1.42)	0.00	(1.51)
Cargo Assets Transferred (E)		(0.69)				(0.69)
Closing RAB (F = A + B + C + D + E)	301.12	290.52	297.86	331.38	316.44	
Average RAB [(A + F) ÷ 2]	297.44	295.82	294.19	314.62	323.91	

- 4.5.2. AAI also submitted that value of the Regulatory Asset Base that was transferred to AIAL as on COD is INR 301.77 Cr.



Authority's examination and proposal regarding true up of RAB for the Second Control Period from FY 2016-17 up to COD at the Consultation Stage

- 4.5.3. The opening RAB considered by the Authority as per the Tariff Order for Second Control Period is given in the table below.

Table 12: Opening RAB considered by the Authority as per the Tariff Order for SCP

S. No.	Particulars	Amount (INR Cr.)
1	Original Cost of Airport Aeronautical Assets excluding ANS related assets as on 01.04.2011	548.1
2	Aeronautical asset addition during the First control period	25.7
3	Cost of Aeronautical Assets (1 + 2) as on 01.04.2016	573.8
4	Accumulated Depreciation as on 01.04.2016	278.9
5	Opening RAB (3 – 4) as on 01.04.2016	294.9

- 4.5.4. For true-up, AAI has considered a slightly different value for Opening RAB from what was approved by the Authority in the Tariff Order for Ahmedabad Airport for the Second Control Period. The Opening RAB submitted by AAI as part of the true up proposal submission is INR 293.75 Cr. AAI has given the following justification for the difference of INR 1.15 Cr. – *"the reason for variation is due to Freehold Land which has not been tabulated in the above"*.
- 4.5.5. As explained in Para 5.11 of Order No. 14/2018-19 dated 23rd July 2018, the Authority had decided to exclude the cost of land from RAB in its analysis during the determination of tariffs for the SCP. The Authority vide Order No. 42/2018-19 dated 05th March 2019 had decided that *"in case land is purchased by 'the airport' operating company either from private parties or from government, the compensation shall be in the form of equated annual instalments computed at actual cost of debt or SBI base rate plus 2% whichever is lower over a period of thirty years"* (Para 4.1.4). Therefore, the cost of land cannot be considered as a part of RAB.
- 4.5.6. Hence, the Opening RAB for the Second Control Period was considered as INR 293.75 Cr. by the Authority after excluding the cost of land of INR 1.15 Cr from the aeronautical asset base.
- 4.5.7. The RAB computed by the Authority for the Second Control Period in the Tariff Order (Order No. 14/2018-19 dated 23rd July 2018) is as follows.

Table 13: RAB considered by the Authority as per Tariff Order for SCP

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Opening Aeronautical RAB (A)	294.9	284.5	269.0	380.0	349.0	
Aeronautical Addition Assets capitalized during the year (B)	16.7	11.8	144.8	6.4	193.6	373.3
Disposals/Transfers (C)	-	-	-	-	-	
Depreciation (D)	26.6	27.3	33.8	37.4	39.6	164.7
Closing Aeronautical RAB (E = A + B - C - D)	285.0	269.0	380.0	349.0	502.9	
Average RAB [(A + E) ÷ 2]	290.0	276.8	324.5	364.5	426.0	
Cargo closing RAB	0.5					
Closing Aeronautical RAB	284.5					

- 4.5.8. As per the Tariff Order for the Second Control Period, the Authority had approved aeronautical capital additions worth INR 373.3 Cr. However, the total aeronautical assets actually capitalised by AAI in the Second Control Period are worth INR 142.83 Cr. Further, INR 36.62 Cr. worth of Capital Work in Progress (CWIP) was transferred to AAI. The remaining capital addition of INR 193.85 Cr. was

dropped by AAI in view of the development under PPP basis. Some of these projects have been proposed by AAI as part of the Schedule U of the CA (Refer Para 18.4.11 in Annexure 4 of Chapter 18).

4.5.9. The Authority had commissioned an independent study on the allocation of assets. The details of the assets capitalised by AAI in SCP till COD are provided in the Study. The Study provided a broad framework for allocation of various classes of airport assets into Aeronautical, Non-aeronautical and Common. The process followed by the Study was as follows:

- The assets responsible for/ used exclusively for the provision of aeronautical services were classified as 'Aeronautical'. Additionally, the decisions of AERA on allocation of certain assets in the previous control periods and in the case of other airports have also been taken into consideration for this exercise.
- Assets which are solely used for the provision of services other than aeronautical services were classified as 'Non-aeronautical'.
- Assets which are purely Aeronautical and purely Non-aeronautical were identified.
- If any asset is not exclusively used for the provision of either Aeronautical service or Non-aeronautical service, it was classified as 'Common'.
- AAI is also involved in the provision of Air Navigation Services (ANS) over the Indian airspace. Therefore, certain ANS assets also form part of the books of AAI. However, since this service is managed separately by AAI and the tariffs for the same are not part of the tariff determination exercise, the assets related to the same were not considered under the RAB of AAI. Therefore, the ANS assets were excluded from the Aeronautical Gross Block of AAI.
- The Study further apportioned the common assets into Aeronautical and Non-aeronautical based on suitable ratios.
- The Study found that the allocation followed in AAI's submissions, except as specifically identified in the case of certain assets such as terminal building works, office equipment etc., was broadly in line with the asset allocation methodology adopted by the Authority. The Study analysed the assets on a case-to-case basis and made appropriate reclassifications in case of any discrepancies identified in allocation.

4.5.10. The outcomes of the Study on allocation of Assets (summary of the study is given in Annexure 2) were as follows.

- AAI's classification of assets into Aeronautical, Non-aeronautical, ANS and Common, was examined by the Study. Wherever required, the assets were reclassified based on the information available in the FAR and the methodology detailed in the Study on the allocation of assets. The decrease in additions to aeronautical Gross Block due to such reclassifications was INR 2.78 Cr.
- The bifurcation of common assets to aeronautical and non-aeronautical was based on the Terminal Area Ratio (ratio of terminal area allocated towards aeronautical and non-aeronautical activities). As per the submissions of AAI, the average Terminal Area Ratio in the Second Control Period was 94.83 : 5.17 (aeronautical : non-aeronautical). However, the Study has considered the ratio to be 92.5 : 7.5 (aeronautical : non-aeronautical) as approved by the Authority in Order No. 14/2018-19, resulting in a reduction of INR 0.36 Cr in the aeronautical capital additions in the Second Control Period (until COD).



- The reclassification and exclusion of assets also had an impact on the aeronautical depreciation for the Second Control Period. Therefore, the depreciation was recomputed by the Study, considering the changes made to the aeronautical Gross Block. There was a reduction of INR 0.76 Cr. across the SCP (till COD).
- Post adjustments, the RAB as on COD for AAI was determined by the Study to be INR 314.06 Cr. as compared to INR 316.44 Cr as per AAI's submission.

4.5.11. The summary of revised additions to Gross Block in the Second Control Period as recommended by the Study on the Allocation of Assets is given below.

Table 14: Revised additions to Gross Block in SCP (till COD) as per the Study on Allocation of Assets

Particulars (INR Cr.)	Refer	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (until COD)	Total
As per AAI:							
Aero Gross Additions (A)		30.46	14.36	33.74	62.16	2.12	142.83
Non-aero Gross Additions (B)		0.06	0.00	0.10	0.15	0.00	0.31
ANS Gross Additions (C)		2.40	18.25	2.46	6.95	2.15	32.20
Total Gross Additions (D)	A + B + C	32.92	32.61	36.30	69.26	4.27	175.34
Impact of Study on:							
Aero Gross Additions (E)		(2.09)	(0.21)	(0.37)	(0.41)	(0.06)	(3.14)
Non-aero Gross Additions (F)		0.65	0.21	0.37	0.17	0.06	1.47
ANS Gross Additions (G)		1.43	-	-	0.24	-	1.67
Total Gross Additions (H)	E + F + G	-	-	-	-	-	-
Revised as per Study:							
Aero Gross Additions	A + E	28.38	14.14	33.37	61.75	2.06	139.69
Non-aero Gross Additions	B + F	0.71	0.21	0.47	0.33	0.06	1.78
ANS Gross Additions	C + G	3.83	18.25	2.46	7.18	2.15	33.87
Total Gross Additions	D + H	32.92	32.61	36.30	69.26	4.27	175.34

4.5.12. Based on the recommendations of the Study on the Allocation of Assets, the Authority proposed to consider the RAB for true up of the Second Control Period as given in the table below.

Table 15: RAB proposed by the Authority for true up of Second Control Period (till COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total (till COD)
Opening RAB (A)	293.75	299.09	288.39	295.62	328.92	
Addition (B)	28.38	14.14	33.37	61.75	2.06	139.69*
Depreciation (C)	(23.04)	(24.07)	(26.14)	(27.01)	(16.93)	(117.19)
Sales/Disposals/Transfers (D)	0.00	(0.08)	0.00	(1.42)	0.00	(1.51)
Cargo Assets Transferred** (E)		(0.69)				
Closing RAB (F = A + B + C + D + E)	299.09	288.39	295.62	328.92	314.06	
Average RAB [(A + F) ÷ 2]	296.42	293.74	292.01	312.27	321.49	

*As per the submission of AAI, the aeronautical capital additions were INR 142.83 Cr. However, as per the adjustments detailed in the Study on Allocation of Assets (summary of the study is given in Annexure 2), it was recomputed to INR 139.69.

**The reduction of INR 0.69 Cr. was on account of the transfer of the cargo assets from AAI to AAICLAS in FY 2018 when the cargo operations at SVPIA were taken over by AAICLAS.

Deemed Initial RAB:

4.5.13. In February 2019, Adani Enterprises Limited (AEL) won the rights of operations, management and development of the airport under the public-private partnership (PPP) model for a period of 50 years. On 14th February 2020, Concession Agreement was signed between Airport Authority of India and Ahmedabad International Airports Limited (AIAL) and the Commercial Operation Date (COD) was achieved on 07th November 2020. As per Concession Agreement, the Concessionaire shall be liable to pay to AAI an amount equivalent to investments made by AAI in aeronautical assets as of COD and as considered by the AERA as part of Regulatory Asset Base (RAB) subject to reconciliation, true up and final determination by AERA. The relevant clauses of the concession agreement in this regard are given below:

- *Clause 28.11.3 (a) – It is agreed by the Parties that the Concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical Assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment (“Deemed Initial RAB”).*
- *Clause 28.11.3 (b) – The estimated depreciated value of investments made by the Authority in the Aeronautical Assets at the Airport as on March 31, 2018, is Rs. 271,00,00,000 (Rupees Two Hundred and Seventy-One Crores) (“Estimated Deemed Initial RAB”). It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.*

4.5.14. Therefore, as part of the tariff determination exercise for the Third Control Period (TCP), the Deemed Initial RAB, as on COD, needed to be determined taking into account the Opening RAB for the SCP, the aeronautical capital additions undertaken by AAI in the SCP (until COD) and the assets transferred to AIAL as on COD.

4.5.15. It was noticed that there were considerable differences in the initial submissions of AAI and AIAL regarding RAB. Considering the significant differences between the submissions and in order to resolve the same, the Authority intervened and directed AAI and AIAL to carry out a joint reconciliation of the transferred assets. Subsequently, a joint asset reconciliation statement (JARS) was submitted by both parties vide email dated 13th April 2022. As per the reconciliation statement jointly submitted by AAI and AIAL, the summary of the assets transferred is given below.

Table 16: Summary of assets transferred from AAI to AIAL as on COD as per joint asset reconciliation statement

Particulars (INR Cr.)	Gross Value	Gross Assets Retained by AAI	Gross Asset Transferred to AIAL
Aeronautical assets (A)	720.18	26.68	693.50
Non-aeronautical assets (B)	22.02	0.17	21.86
ANS assets (C)	113.04	93.80	19.24
Total (A + B + C)	855.24*	120.65	734.59
Particulars (INR Cr.)	Net Value	Net Assets Retained by AAI	Net Asset Transferred to AIAL
Aeronautical assets (D)	316.44	15.12	301.32
Non-aeronautical assets (E)	3.81	0.11	3.70
ANS assets (F)	28.36	26.56	1.80
Total (D + E + F)	348.61	41.78	306.82

*There was a difference of INR 1.15 Cr. due to exclusion of cost of land.



- 4.5.16. AIAL had accepted that the value of aeronautical assets (RAB) transferred by AAI as on COD was INR 301.32 Cr.
- 4.5.17. The Study on Allocation of Assets had made certain adjustments to the RAB submitted by AAI for the Second Control Period. The changes included reclassification of assets and revision of Terminal Area Ratio. These changes would apply to the assets when transferred to books of AIAL as well. Therefore, the transferred RAB was recomputed based on such changes made by the Study.
- 4.5.18. Based on the adjustments that were made to the RAB of AAI, the Net Block that was transferred from AAI to AIAL as on COD, which was recomputed by the Study on the allocation of assets is as follows.

Table 17: Summary of revised Net Block transferred from AAI to AIAL on COD as per Study on Allocation of Assets

Particulars (INR Cr.)	Net Value (A + B)	Net Assets Retained by AAI (A)	Net Asset Transferred to AIAL (B)
As per JARS:			
Aeronautical assets (A)	316.44	15.12	301.32
Non-aeronautical assets (B)	3.81	0.11	3.70
ANS assets (C)	28.36	26.56	1.80
Total (A + B + C)	348.61	41.78	306.82
Revised by the Study:			
Aeronautical assets (D)	314.06	14.87	299.19
Non-aeronautical assets (E)	4.69	0.25	4.44
ANS assets (F)	29.15	26.57	2.59
Total (D + E + F)	347.90	41.69	306.21

- 4.5.19. As can be seen above, certain ANS related assets were also transferred to AIAL as on COD. However, as per the terms of the Concession Agreement, AAI would continue to provide ANS services at SVPIA. As mentioned in Clause 20.2.2 of the Concession Agreement, AIAL is required to make available all necessary civil infrastructure and necessary support. Therefore, the ANS related assets, when transferred to the books of the AIAL, would be considered as aeronautical in nature considering that AIAL is not providing or charging for ANS services at SVPIA whereas it is required to provide the supporting infrastructure.
- 4.5.20. The Authority proposed to consider the Deemed Initial RAB, which would be the Opening RAB for AIAL as on COD, to be INR 301.77 Cr. (i.e., INR 299.19 Cr + INR 2.59 Cr.) as determined by the Study on the Allocation of Assets.

Stakeholders' comments on true-up of Regulatory Asset Base for the Second Control Period till COD

- 4.5.21. During the Stakeholder consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to true up of Regulatory Asset Base for the Second Control Period. The comments by stakeholders are presented below

AAI's comments regarding true-up of Regulatory Asset Base for the Second Control Period till COD

- 4.5.22. AAI's comment regarding true-up of Regulatory Asset Base is as follows:

With respect to AERA's reclassification of Terminal buildings and related assets (Refer Para 4.4.3 of the Study on the Allocation of Assets) and Offices and office equipment (Refer Para 4.4.4 of the Study on the Allocation of Assets) AAI stated that - *"The Authority has allocated portion of the Asset to Non-Aero, based on 'Study on allocation of assets for SVPIA', AAI has examined the list of assets listed in*

Exhibit 1 (a) & Exhibit 1 (b) and noted certain assets are specific to the Aero business and has no connection to non-aero, hence allocation to non-aero would result in inequality. AAI confirm list of assets that are purely used for Aeronautical in Exhibit A & Exhibit B. AAI request the Authority to reconsider the assets listed in Exhibit A & Exhibit B as 100% Aeronautical."

With respect to AERA's reclassification of Procurement of Computer, Printer and Photocopiers (Refer Para 4.4.5 of the Study on the Allocation of Assets) AAI stated that - *"AAI had classified the Assets based on the usage of the Assets between Aero and ANS, overview is as follows*

Revised Asset	Classification	Asset description	Aero	ANS	Ref.
150013877.0	Common	Procurement of 10 nos. Computers and printers	70.00%	30.00%	Note 1

Revised Asset	Classification	Asset description	Aero	ANS	Ref.
150013897.0	Common	Procurement of 16 nos. Photocopier machine	87.50%	12.50%	Note 2

Note 1: Out of the total 10 Computers and printers, 7 have been used by Aero division and 3 by the ANS division, based on which assets were segregated

Note 2: Out of the total 16 PHOTOCOPIER MACHINE, 14 have been deployed for Aero and 2 machines has been installed for ANS, based on which assets were segregated

The Authority has reclassified the assets based on the study without considering the actual usage of the assets. We humbly request the Authority to reconsider the allocation of Asset."

With respect to AERA's reclassification of Guest house (Refer Para 4.4.6 of the Study on the Allocation of Assets) AAI stated that - *"The Authority has applied 100% of the Guest house furniture to ANS, since the furniture at the Guest House is used as common facility by AAI employees, AAI request the Authority to consider allocation based on the Employee head count or Terminal building ratio"*

- 4.5.23. With respect to the notional terminal building ratio, AAI stated that - *"Notional terminal building ratio: Impact of the Disallowance: Capex disallowance of Rs. 0.36 Crores and cascading effect on depreciation. A&G expenses of Rs. 0.07 Crores & Municipal taxes of Rs. 1.38 Crores. Total Disallowance Rs. 1.81 Crores. AAI noted that Authority has factored Notional Terminal Building Ratio at 7.5% uniformly across the control period without bearing actual area utilized for nonaeronautical. AAI submits to the Authority to consider the Actual terminal building ratio for the following reason:*

Higher % of Non-aeronautical are only desired however the ground reality of non-aeronautical business is dependent on multiple factors such as demand, customer behaviour, spending pattern, per capita income of the region, etc., hence such standardization approach of the Authority may be detrimental to the Airport operator, further the Authority has ignored the effect of covid which resulted in foreclosure of non-aeronautical contracts.

AAI submits to Authority that AAI is in business of running the Airports and Non-Aero business in incidental to Airport business further there is no earmarked non-aeronautical space in the Airports.

AAI submits that the ratios submitted are based on actual floor space usage and increasing the ratio to 92.5:7.5 by comparing with other airports/ generally accepted ratios may not reflect the true ground scenario in Ahmedabad Airport.

AAI submits that Terminal area which is defined as non aeronautical area in SCP order has been not used for non-aeronautical purposes and no revenue is generated by AAI. Therefore, it should be considered as aeronautical.

AAI requests AERA to consider Non-Aero Space based on the actual utilization"



Other Stakeholders' comments regarding true up of Regulatory Asset Base for the Second Control Period till COD

- 4.5.24. FIA's comment with respect to the true up of Regulatory Asset Base is as follows: *"We recommend that no adjustment of RAB should be provided in favour of AAI for period after the COD i.e., 06th November 2020, post which the operational control of the Ahmedabad Airport is transferred to AIAL"*

AAI and AIAL's responses to Stakeholders' comments regarding true up of Regulatory Asset Base for the Second Control Period till COD

- 4.5.25. AAI and AIAL's response to the Stakeholder comment with respect to true up of Regulatory Asset Base for the Second Control Period are presented below.

- 4.5.26. With respect to FIA's comment, AIAL stated that - *"There is no adjustment of RAB after the COD. Calculations done by AERA in para 4.14 are in order to give effect to provisions of the Concession agreement which mandates the present value of the "Adjusted Deemed Initial RAB" to be paid by AO to AAI. Relevant clause of the Concession agreement is reproduced below: "The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."*

- 4.5.27. With respect to FIA's comment, AAI stated that - *"AAI submits that there is nothing that favors AAI before or after the COD, and adjustments to the RAB are as per the Direction 05/2011-12 and concession agreement. The settlement process between AAI and the new operator is as per the concession agreement clause 28.11.4, abstract of the same is as follows: "Pursuant to the Payment of the Estimated Deemed Initial RAB and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed initial RAB shall be adjusted as a part of the Balancing payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"):*

(a) reduced to the extent of over-recoveries, if any, of the Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next control Period: or

(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next control Period.

The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."

AAI is of the view that sufficient justification for the above comment has not been given by FIA in its submission for AAI to have a view on the same."

Authority's analysis of Stakeholders' comments on true up of Regulatory Asset Base for the Second Control Period till COD

- 4.5.28. The Authority has carefully examined the comments of AAI regarding the disallowance of RAB owing to the reclassification of assets and is of the view that the independent Study on Allocation of Assets for SVPIA had scrutinized the assets on a case-to-case basis and made appropriate reclassifications in case any discrepancies were identified with respect to asset allocation. The Authority would like to



clarify that guest house was reclassified as non-aeronautical as against the AAI's contention which states that the same was reclassified to ANS. In certain cases, the information contained in the Fixed asset register did not sufficiently justify the classification made by AAI. The Authority had requested AAI to furnish additional details regarding these assets vide email dated 04th April 2022 to justify the classification of these assets. AAI never responded to this query in spite of multiple follow ups by the Authority. It is to be noted that even as part of the Stakeholder comments, AAI has not provided any details regarding the nature and use of these assets that would justify the classification suggested by AAI. Therefore, the Authority does not find merit in the submission of AAI to require further reclassifications. The various reclassification of the assets as per the Authority has been sufficiently explained in Para 4.4.2 to Para 4.4.9 in the Study on Allocation of Assets for SVPIA and Para 4.5.9 and Para 4.5.10 of this Tariff Order. Hence, the Authority does not see any reason to change the proposal as given in the Consultation Paper No. 10/2022-23.

- 4.5.29. **Terminal building ratio:** The Authority has noted the comments of AAI on Terminal Building ratio. The Authority states that there should be continued efforts by AAI to increase the efficiency in the operation of airports in generating of Non-aeronautical Revenue. Further, the Authority would like to state that as per the Tariff Order of SVPIA for the SCP, the Authority had decided to consider the Terminal area ratio of 92.5 : 7.5 (aeronautical: non-aeronautical) for the SCP in order to encourage the growth of non-aeronautical revenues which would cross-subsidize aeronautical charges. The Authority had also stated that "in future, the Authority would expect AAI to allocate more terminal building area for non-aeronautical services and consider a revision while truing-up". However, even after such direction from AERA, AAI has failed to enhance utilisation towards non-aeronautical activities. Therefore, AERA contends that merely accepting the ratios provided by Airport Operator would not bring in efficiencies in the airport operations. This exercise of considering suitable allocation ratios is undertaken by AERA across all Major Airports, during tariff determination after taking in account all relevant factors such as size of the airport, passenger traffic and availability of terminal space.
- 4.5.30. The Authority has noted the comments of FIA and the response of the AO and AAI and is of the view that there is no adjustment of RAB after the COD i.e., after 06th November 2020. The present value of the "Adjusted Deemed Initial RAB" has been derived by the Authority in accordance with the provision of the Concession Agreement (clause 28.11.4) (Refer table 55 of this Tariff Order for the same). The Authority decides to consider the same in the Tariff Order for the Third Control Period of AIAL.
- 4.5.31. Considering the above mentioned analysis of the Stakeholders' comments, the Authority has decided to consider the RAB based on actuals for true up of the Second Control Period, consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23. The RAB considered by the Authority for true up of the Second Control Period is given in Table 15.

4.6. True up of Depreciation

- 4.6.1. As per the true up proposal submitted by AAI, the Depreciation rates followed by AAI are as follows:

Table 18: Depreciation rates followed by AAI in SCP

S. No.	Asset Class name	Depreciation Rate from 1.4.2016 onwards (in %)	Depreciation as per Order 35 (1.4.2018 onwards) (in %)
1	Runway, taxiways, Apron	3.33%	3.33%
2	Building Freehold	3.33%	3.33%
3	Boundary - Freehold	3.33%	10.00%
4	Plant and Equipment - Fr	6.67%	6.67%
5	Furniture and fixtures	10.00%	14.29%
6	Vehicles - Freehold	12.50%	12.50%
7	Office appliances - Fr	16.67%	33.33%

S. No.	Asset Class name	Depreciation Rate from 1.4.2016 onwards (in %)	Depreciation as per Order 35 (1.4.2018 onwards) (in %)
8	Computer software - Fr	20.00%	20.00%
9	Plant and Equipment - Le	6.67%	6.67%

- 4.6.2. Based on the above rates of depreciation, AAI had submitted the Aeronautical Depreciation for the Second Control Period (till COD) as follows.

Table 19: Aeronautical Depreciation as per AAI for the Second Control Period till COD

S. No.	Asset Class name (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total (till COD)
1	Land Freehold	-	-	-	-	-	-
2	Building Freehold	(0.91)	(0.91)	(0.91)	(1.11)	(0.76)	(4.60)
3	Plant and Equipment - Fr	(9.27)	(9.39)	(9.36)	(9.44)	(5.63)	(43.09)
4	Vehicles - Freehold	(0.20)	(0.23)	(0.23)	(0.23)	(0.14)	(1.03)
5	Land Freehold	(10.22)	(11.12)	(12.80)	(14.54)	(9.61)	(58.29)
6	Boundary Freehold	(0.14)	(0.15)	(0.26)	(0.21)	(0.08)	(0.84)
7	Runway, taxiways, Apron	(2.27)	(2.29)	(2.31)	(0.98)	(0.41)	(8.26)
8	Furniture and fixtures	(0.08)	(0.10)	(0.53)	(0.55)	(0.30)	(1.56)
9	Office appliances - Fr	-	-	-	(0.02)	(0.01)	(0.03)
10	Computer software - Fr	-	-	-	(0.16)	(0.09)	(0.25)
	Total	(23.08)	(24.19)	(26.40)	(27.22)	(17.05)	(100.89)

Authority's examination and proposal regarding true up of Depreciation for the Second Control Period from FY 2016-17 up to COD at the Consultation stage

- 4.6.3. The depreciation rates as considered by the Authority till FY 2018 is as follows.

Table 20: Depreciation rates considered by the Authority till FY 2018 as per Tariff Order for SCP

Asset Class name	Depreciation rates as per Authority till FY 2018
Land	0%
Leasehold land	0%
Runways	3.33%
Taxiways	3.33%
Aprons	3.33%
Roads, Bridges and Culverts	3.33%
Building - Terminal	3.33%
Building - Temporary	33%
Building - Residential	3.33%
Security Fencing - Temporary	33%
Boundary Wall - Operational	3.33%
Boundary Wall- Residential	3.33%
Other Buildings - Unclassified	3.33%
Computers and Peripherals	16.67%
Intangible Assets - Software	20%
Plant and Machinery	6.67%
Tools and Equipment	6.67%
Office Furniture	10%



Asset Class name	Depreciation rates as per Authority till FY 2018
Other vehicles	12.50%
Vehicle- Cars and Jeeps	12.50%
Electrical Installations	10%
Other office equipment	20%
Furniture and fixtures – other than office	10%
X-ray baggage system	6.67%
CFT/Firefighting Equipment	6.67%

4.6.4. The depreciation rates considered by the Authority from FY 2019 onwards are as follows:

Table 21: Depreciation rates considered by the Authority from FY 2018-19 onwards as per Tariff Order for SCP

Asset Class name	Depreciation rates as per Order No. 35/2017-18
Terminal building (including VIP terminal, bus terminal, Haj terminal)	3.33%
Building in operational area	3.33%
Utility building	3.33%
Cargo complex	3.33%
Residential building	3.33%
Main access roads, roads in operational area, boundary wall, security fencing	10.00%
Baggage handling/escalators/elevators/Travellite/ Heating, ventilation, and air conditioning (HVAC) equipment/Cargo Automated Storage and Retrieval System (ASRS)/ Emergency Transport Vehicle (ETV) equipment	6.67%
X-ray machine, Radio transmission (RT) Set, Door Frame Metal Detector (DFMD), Hand-held Metal Detector (HHMD), Security equipment	6.67%
Office equipment	20.00%
Furniture and Fixtures – other than trolleys	14.29%
Furniture and Fixtures – trolleys	33.33%
Cargo equipment, Dollies, PPT	6.67%
Computers – End user devices	33.33%
Computers – Servers and networks	16.67%
CUTE Equipment	16.67%
Electrical installation and equipment – Electrical fittings, including Runway lightning system Gen-set/Power equipment	10.00%
Flight information system, Airport Operation Command Centre (AOCC) system	10.00%
Light motor vehicles and heavy motor vehicles	12.50%
Crash fire tenders/other fire equipment including pumps, sprinklers	6.67%
Intangible assets- Computer software	20.00%
Runway/ Taxiway/ Apron	3.33%
Hangar	3.33%

4.6.5. Accordingly, Depreciation for the Second Control Period as approved by the Authority in the Tariff Order for the Second Control Period is given below.

Table 22: Depreciation as considered by the Authority in the Tariff Order for SCP

Details (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Depreciation for the Second Control Period	26.60	27.30	33.80	37.40	39.60	164.70

- 4.6.6. The Authority had commissioned a Study on Allocation of Assets for SVPIA for the Second Control Period till COD. The Study examined the depreciation rates adopted by AAI and noted that for the purposes of true up, AAI has calculated the depreciation for the period from 01st April 2016 to 31st March 2018 using the depreciation rates adopted in their books of accounts as per the Companies Act, 2013. For the period from 01st April 2018 to COD, the Study noted that the depreciation has been determined by considering the useful life as prescribed under AERA Order No. 35/2017-18 dated 12th January 2018.
- 4.6.7. The Study concluded that the depreciation rates determined by AAI are in line with the depreciation rates prescribed in AERA Order No. 35/2017-18 dated 12th January 2018. Hence, based on the recommendations of the Study on Allocation of Assets, the Authority proposed to consider the year-wise depreciation on aeronautical assets for the Second Control Period (till COD) as given in the table below.

Table 23: Depreciation proposed by the Authority for true up of AAI for SCP (pre-COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total (till COD)
Depreciation as per AAI (A)	23.08	24.19	26.40	27.22	17.05	117.95
Adjustments due to:						
Reclassification of assets (B)	(0.05)	(0.12)	(0.23)	(0.18)	(0.11)	(0.68)
Revision of Terminal Area Ratio (C)	(0.00)	(0.01)	(0.02)	(0.03)	(0.02)	(0.08)
Depreciation (A + B + C)	23.04	24.07	26.14	27.01	16.93	117.19

Stakeholders' comments on true-up of Depreciation for the Second Control Period till COD

- 4.6.8. There were no Stakeholder comments with respect to true up of Depreciation for the Second Control Period.

Authority's analysis of Stakeholders' comments on true up of Depreciation for the Second Control Period till COD

- 4.6.9. There are no changes to the depreciation of AAI from that considered at the Consultation stage. The Authority decides to consider depreciation for true up of the SCP until COD as per Table 23.

4.7. True up of Fair Rate of Return

- 4.7.1. AAI had considered the FRoR at 14% in line with the decision taken by the Authority for Chennai, Kolkata, Guwahati and Lucknow airports for the First Control Period.
- 4.7.2. The summary of FRoR on RAB as submitted by AAI for the true up of SCP till 01st November 2020 is as follows:

Table 24: Summary of FRoR on RAB as per AAI for SCP

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till 1 st Nov 2020)	Total
Average RAB	297.44	295.82	294.19	314.62	323.91	
Fair Rate of Return (FRoR)	14%	14%	14%	14%	14%	
Return on average RAB @14%	41.64	41.42	41.19	44.05	45.35	213.64

Authority's examination and proposal regarding true up of FRoR for the Second Control Period from FY 2016-17 up to COD at the Consultation stage

- 4.7.3. The Authority had noted that AAI has not taken any debt for financing of SVPIA.
- 4.7.4. At the time of determination of tariffs for the Second Control Period, the Authority had decided to consider the FRoR for SVPIA as 14%. In line with this decision, the Authority proposes to consider the Fair Rate of Return at 14% for true up of the Second Control Period.
- 4.7.5. However, it was noted that AAI had operated the Airport in FY 2021 till 06th November. Therefore, AAI is eligible to claim return on RAB only till the COD. Therefore, for FY 2021, the Authority proposed to pro-rate the FRoR for the 220 days in FY 2021 during which AAI operated the airport. The pro-rated FRoR for FY 2021 (till COD) was computed as follows:

$$FRoR_{COD} = FRoR \times \frac{n}{365}$$

- Where FRoR is the fair rate of return for entire FY 2021, FRoR_{COD} is the pro-rated FRoR for FY 2021 (till COD), and n is the number of days of operations in FY 2021.

- 4.7.6. Based on the approach detailed above, the pro-rated FRoR for FY 2021 (till COD) for AAI was computed as given below.

Table 25: Pro-rated FRoR proposed by the Authority for FY 2021 (till COD) for AAI for true up at Consultation stage

Particulars	Value (%)
FRoR for FY 2021 (A)	14.00%
Number of days of operations in FY 2021 (B)	220
Pro-rated FRoR for FY 2021 (till COD) (A × B ÷ 365)	8.44%

- 4.7.7. Based on the above, the Authority proposed to consider FRoR as per table below for SVPIA for true up for the Second Control Period (till COD) at the Consultation stage.

Table 26: FRoR proposed by the Authority for true up of Second Control Period (till COD)

Particulars (in %)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)
Fair Rate of Return (FRoR)	14%	14%	14%	14%	8.44%

Stakeholders' comments on true-up of FRoR for the Second Control Period till COD

- 4.7.8. During the stakeholder consultation process, the Authority has received one comment from a Stakeholder in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to true up of FRoR for the Second Control Period. The comment by the stakeholder is presented below.

Other Stakeholders' comments on true up of FRoR for the Second Control Period till COD

- 4.7.9. FIA's comment with regard to FRoR for SCP is as follows, "a. Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs. Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered

for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines. b. We observe that Fair Rate of Return of 14% provided to Airport Authority of India ("AAI") is higher than comparison to the same being given to the present Airport Operator i.e., AIAL@ 12.21% (Refer 8.2.10 of the CP). Without prejudice to (a) above, there appears no rationale to provide higher return to AAI in comparison to AIAL and accordingly AERA may reduce the FROR suitably."

AAI's responses to Stakeholders' comments regarding true up of FRoR for the Second Control Period till COD

- 4.7.10. AAI's response to the Stakeholder comment with respect to true up of FRoR for the Second Control Period is presented below.
- 4.7.11. With respect to FIA's comment, AAI stated that - "FIA has compared the future FRoR of the Airport Operator (AO) with FRoR of AAI, however FRoR may not be comparable due to the change in the composition of funding of the new operator. It has already been well established in the second control period order that the FRoR of AAI would be 14%. Hence, revisiting this stand due to a change in operator, in AAI's opinion, is not in order. To reiterate, had AAI continued operations in SVPIA, 14% return would have been continued for the subsequent control periods also. Further, AAI noted that discount factored considered by the Authority post 31st Mar 2021 up to 31st Mar 2022 (as per table 47 of the CP) is at rate of 12.21 % i.e., FRoR of the new operator. However, AAI submits that as per the concession agreement, the return of RAB until settled will be paid by the operator. Considering that AAI's asset is yet to be settled, during the COD to Settlement period, FRoR of AAI should be adopted by AERA."

Authority's analysis of Stakeholders' comments on true up of FRoR for the Second Control Period till COD

- 4.7.12. The Authority has carefully examined FIA's comment and the response of AAI and is of the view that an airport infrastructure is a capital-intensive business and requires investment with a long-term perspective wherein investors desire a stable return on equity. Therefore, the Authority finds that it is not pragmatic or fair to reduce or not to provide any FRoR on the assets of the Airport Operator. Further, as there was no debt availed by AAI and the AO during the pre-COD period and the period from COD till 31st March 2021, the Authority based on its uniform approach decides to consider the FRoR as 14% for AAI for true up of the Second Control Period as proposed during the Consultation stage (Refer Para 4.7.7).

The Authority has also noted the comments of AAI on the discount factor (12.21%) considered by the Authority post 31st March 2021 up to 31st March 2022. The Authority would like to clarify that as per the Tariff Order for the SCP the FRoR was determined to be 14% only for the Second Control Period and not for the Third Control Period for AAI. The Authority has suitably computed the FRoR to be provided during the TCP in line with the AERA Act and AERA Guidelines taking into account all relevant factors. While computing the compounding factor, the Authority has considered the appropriate FRoR determined by it across the various time periods, in order to estimate the value of Adjusted Deemed Initial RAB as on 31st March 2022. AAI's claim of considering a 14% FRoR in determining the discount factor is unfounded as decisions taken for the past Control Period cannot be merely extrapolated to the future.

- 4.7.13. Considering the above mentioned analysis of the Stakeholders' comments, the Authority has decided to consider the FRoR consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23. The FRoR considered by the Authority for true up of the Second Control Period is given in Table 26.



4.8. True up of Return on Land

4.8.1. AAI submitted that they had calculated Equated Annual Instalments, as per Order No. 42/2018-19 issued by Authority on FRoR to be provided on Cost of Land incurred, as follows:

Table 27: Equated annual instalments computed by AAI for return on land

S. No.	Particulars	Amount (INR)
1	Cost of Land	1,15,14,911
2	Aero %	100%
3	Interest Rate (SBI Base Rate + 200 Points)	10.12%
4	Equated Annual Instalment	12,34,152

4.8.2. Based on the above, AAI had made the following submission regarding Return on Land during the Second Control Period as given below.

Table 28: Return on land as submitted by AAI for the Second Control Period till COD

Particulars (in INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
Return on Land	0.12	0.12	0.12	0.12	0.12	0.62
Unamortised portion of Land – Balance value of land	0.00	0.00	0.00	0.00	1.11*	1.11

* Considering the Airport has been transferred to Ahmedabad International Airport Limited w.e.f. 07th November 2020, un-amortised cost of the land will be allowed to be claimed in FY 2020-21.

Authority's examination and proposal regarding true up of Return on Land for the Second Control Period from FY 2016-17 up to COD at the Consultation stage

4.8.3. The Authority noted that AAI had claimed return on land for INR 0.62 Cr. as part of its true up submission for the pre-COD Period. The Authority proposed to draw reference to the following clauses prescribed in its Order No. 42/ 2018-19 dated 05th March 2019, regarding determination of FRoR on the Cost of Land:

- As per para 4.1.1 of the aforementioned order, the Authority decides that in case the land is provided to the airport free of cost, no return shall be given on the land.
- As per para 4.1.2, the Authority states that return on land shall be provided on the cost if (provided it is not free of cost) it is used for aeronautical purposes only.
- As per clause 4.1.8., the aforementioned order would take effect from the next control period.

4.8.4. As return on land should be sought prospectively and not retrospectively (as per Clause 4.1.8 of the aforementioned Order), the Authority was of the opinion that return on land will not be included in the true up calculation. Hence, the Authority proposed not to allow any return on the cost of land as part of true up of the pre-COD period.

4.8.5. Further, AAI had submitted that considering the Airport has been transferred to Ahmedabad International Airport Limited w.e.f. 07th November 2020, un-amortised cost of the land may be allowed to be claimed in FY 2021. However, the return on cost of land was due in the case that the land was purchased by the Airport Operator from private parties or from government. Since, in the case of SVPIA, w.e.f. COD, AAI was not the airport operator, the Authority was of the considered view that AAI was not eligible to claim return on the cost of land post COD. Hence, the Authority proposed not to consider Return on Land claimed by AAI as part of true up for the pre-COD period.

Stakeholders' comments on true-up of Return on Land for the Second Control Period till COD

- 4.8.6. During the Stakeholder Consultation Process, the Authority has received a comment from a stakeholder in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to true up of Return on Land for the Second Control Period. The comment by stakeholder is presented below.

AAI's comments regarding true-up of Return on Land for the Second Control Period till COD

- 4.8.7. AAI's comment regarding true-up of Return on Land for the Second Control Period is as follows:

"AERA's guidelines Ref. No. Order No. 42/ 2018-19 - 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. The Guidelines aims to provide return on investment in land for operating the Airport. In light of this, AAI submits to the Authority to consider return on the investment made by the Airport owner due to the following: AAI continues to be the owner of the Airport; the Airport has been leased to the operator under the GoI's PPP scheme hence AAI should not be deprived of return on investment on the land parcel. Further, AAI submits that Amortized land cost shall be added as part of the tariff. Further, compensation has been paid by AAI as per the court direction."

Other Stakeholders' comments regarding true-up of Return on Land for the Second Control Period till COD

- 4.8.8. No other Stakeholder comments were received regarding true up of Return on Land for the Second Control Period.

Authority's analysis of Stakeholders' comments on true up of Return on Land for the Second Control Period till COD

- 4.8.9. The Authority notes the comments of AAI on disallowance of the Return on Land and is of the view that the Order No. 42/ 2018-19 dated 01st April 2022 envisages return on land over a period of thirty years and it does not contemplate providing cumulative return on land as proposed by AAI in its submission for true up of pre-COD period.

With respect to the unamortized value of land, AAI had claimed return on land for INR 0.62 Cr. as part of its true up submission for the pre-COD Period. The Authority had noted that the land has not been transferred by AAI to the AO. The Authority highlights the following clauses in Order No. 42/ 2018-19 dated 05th March 2019:

- 4.1.4 In case land purchased by the airport operating company either from private parties or from government, the compensation shall be in the form of equated annual instalments computed at actual cost of debt or SBI base rate plus 2% whichever is lower over a period of thirty years
- As per clause 4.1.8., the aforementioned order would take effect from the next control period

From the perusal of the above Order, it is evident that the benefit of compensation is available to AAI

- 1) Over a period of thirty years
- 2) From the Control Period subsequent to the date of the Order i.e., 5th March 2019

Further, the Order envisages return on land over a period of thirty years and it does not contemplate providing cumulative return on land as proposed by AAI.

Therefore, the Authority decides not to consider Return on Land claimed by AAI as part of true up for the pre-COD period, consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23 (Refer Para 4.8.5).



4.9. True up of Operating Expenses

4.9.1. The aeronautical O&M expenses, as submitted by AAI for the Second Control Period till COD, are as given in the table below.

Table 29: Aeronautical O&M expenses submitted by AAI for true up of SCP (till COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
Employee Benefit	23.69	31.59	38.37	41.14	16.26	151.05
Resources Deployed from DIAL / MIAL	-0.05	-0.05	-0.05	-0.04	0.00	-0.18
Administrative & Other Expenses	3.21	6.49	6.54	14.41	20.76	51.40
Operating Expenses	42.83	48.94	58.91	56.43	17.18	224.29
Repairs & Maintenance	34.30	5.02	5.03	7.01	4.06	55.42
Security Expenses	0.45	0.90	-0.32	0.04	0.20	1.27
Prior Period Adjustment (NET)	0.09	0.42	0.00	-0.37	0.20	0.34
Finance Cost	0.00	0.00	0.00	0.15	0.00	0.15
Consumption of Stores Spares	0.00	0.00	0.00	0.00	0.00	0.00
CHQ/RHQ	75.17	61.09	58.75	85.97	44.65	325.63
Total	179.70	154.40	167.23	204.74	103.32	809.38

4.9.2. From the above table, it was observed that the expense heads considered by AAI were different from those approved by AERA in the Tariff Order (Order No.14/2018-19 dated 23rd July 2018) for SVPIA for the Second Control Period. Further, it was observed that certain expenses were grouped under incorrect heads such as in the case of certain Repair and Maintenance (R&M) expenses that were grouped under "Operating expenses". In order to have a fair comparison between the actual expenses incurred and the projections approved in the Tariff Order for SCP, AAI was requested to share the actual O&M expenses incurred against the projections listed in the Tariff Order for SCP. AAI vide email dated 22nd June 2022 shared the revised O&M expenses as follows.

Table 30: Revised O&M expenses proposed by AAI for true up of SCP till COD

FY ending March 31 (INR Cr.)	2017	2018	2019	2020	2021 (till COD)	Total (till COD)
Payroll expenditure	23.64	31.54	38.32	41.10	16.26	150.87
Administrative and general expenditure	9.22	13.79	16.31	28.15	26.18	93.64
Apportionment of A&G expenses of CHQ/RHQ	75.17	61.09	58.75	85.97	44.65	325.63
Repairs and Maintenance expenditure	28.64	31.67	40.84	35.51	18.84	155.51
Utility and Outsourcing expenditure	18.50	19.93	20.33	20.80	10.05	89.62
Other outflows	0.62	1.51	0.17	0.52	0.40	3.22
Total	155.80	159.52	174.72	212.05	116.39	818.48

4.9.3. It was seen from the above table that the revised O&M expenses were slightly higher than those submitted as part of the initial true up proposal. AAI clarified that few expenses were missed out during the initial submissions and that though the invoices against certain expenses were raised post COD, all the expenses included in the revised O&M expense submissions were incurred prior to COD.

Authority's examination and proposal regarding true up of Operating expenses for the Second Control Period from FY 2016-17 up to COD at the Consultation stage

- 4.9.4. The aeronautical O&M expenses approved by the Authority in the Tariff Order for Second Control Period are as given in the table below.

Table 31: Aeronautical O&M expense projections approved by Authority in the Tariff Order for SCP

FY ending March 31 (INR Cr.)	2017	2018	2019	2020	2021	Total
Payroll expenditure	28.6	39.2	41.2	43.2	45.4	197.6
Administrative and general expenditure	5.9	6.4	10.9	11.2	11.5	45.9
Apportionment of Administrative & General expenses (A&G) of Corporate Head Quarter/ Regional Head Quarter (CHQ/RHQ)	13.3	13.2	13.8	14.5	15.2	70
Repairs and Maintenance expenditure	24.8	24.2	25.7	27.3	27.8	129.8
Utility and Outsourcing expenditure	23.2	23.2	23.2	23.2	23.2	116
Other outflows	0.4	0.4	0.5	0.5	0.6	2.4
Total	96.1	106.6	115.2	120.0	123.8	561.7

- 4.9.5. The Authority had commissioned an independent study to establish the efficient O&M expenses for SVPIA (summary of the study is given in Annexure 3). In addition to the examination of allocation of expenses, the Study also included the internal and external benchmarking of O&M expenses incurred by AAI during the Second Control Period.
- 4.9.6. The Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 3) had allocated O&M expenses into Aeronautical, Non-aeronautical and Common based on the following principles
- **Aeronautical costs:** Expenses which are incurred for operation and maintenance of Aeronautical assets were categorised as Aeronautical costs.
 - **Non-Aeronautical costs:** Expenses which are incurred for operation and maintenance of Non-Aeronautical assets were categorised as Non-aeronautical costs.
 - **ANS costs:** Expenses which are incurred for the operation and maintenance of ANS assets were categorised as ANS expenses.
 - **Common costs:** Expenses for which the benefits or use cannot be exclusively linked to either Aeronautical, Non-aeronautical or ANS were segregated as Common expenses.
- 4.9.7. Based on the outcomes of the Study on efficient O&M expenses for SVPIA for the Second Control Period, the Authority had made the following observations regarding AAI's submission of O&M expenses under various heads for the Second Control Period:

a) Revision of the Terminal Area Ratio:

Observation: The Authority had at the time of determination of tariffs for the Second Control Period decided to adopt the Terminal Area Ratio as 92.5 : 7.5 (aeronautical : non-aeronautical) to encourage the growth of non-aeronautical revenues which would cross-subsidise aeronautical charges. However, AAI was yet to achieve such allocation as directed by the Authority. Further it was observed that in its computations AAI had considered only the specific areas allocated to commercial activities as non-aeronautical. The common areas have not been identified and further bifurcated between aeronautical

and non-aeronautical. Therefore, in light of the above, the Terminal Area Ratio was revised to 92.5 : 7.5 (aeronautical : non-aeronautical) in line with the Authority's decision in Order No. 14/2018-19 dated 23rd July 2018 for the Second Control Period.

Impact: The impact on the aeronautical expenses due to the revision of the Terminal area ratio was a reduction by INR 0.58 Cr. for the pre-COD period.

Reference: Para 5.2.2 and Para 5.2.3 of the Study on Efficient Operation and Maintenance Expenses

b) Revision of the Employee Ratio:

Observation: The Authority had noted that in the case of AAI, the costs directly pertaining to ANS employees had been excluded from the O&M expenses, but the ANS employees were considered in the allocation of Common expenses. Accordingly, the Authority had considered the common expenses allocated to ANS employees as deemed Non-aeronautical and had recomputed the Employee ratio as shown in Table 23 of the Study on Efficient Operation and Maintenance Expenses

Impact: The impact on the aeronautical expenses due to the revision of the Employee ratio was a reduction of INR 11.60 Cr. for the pre-COD period.

Reference: Para 5.2.6 and Para 5.2.7 of the Study on Efficient Operation and Maintenance Expenses

c) Employee expenses:

Observation: The Authority noted that AAI had considered the entire retirement benefit provided at CHQ as aeronautical. As per Para 14.8 of the Tariff Order No. 14/2018-19 dated 23rd July 2018 for SVPIA for SCP, the Authority had proposed to use the ratio of 95 : 5 (aeronautical : non aeronautical) for retirement benefits provided at CHQ. Accordingly, the allocation of the retirement benefit allocated to CHQ/RHQ was revised.

Impact: The impact on the employee expenses due to the revision had resulted in the reduction of the aforementioned expenses by INR 0.86 Cr. for the pre-COD period.

Reference: Para 5.3.2 of the Study on Efficient Operation and Maintenance Expenses.

d) A&G expenses:

Observation: The Authority noted that certain line items like arbitration expenses and legal fees of the A&G expenses were allocated as 100% aeronautical by AAI while line items like "INT/Penalties-Govt" was allocated by AAI using the Employee ratio. However, the Authority proposed to re-allocate the components of the A&G expenses related to the entire airport in the ratio of Gross Fixed Assets and that pertaining to employees in the ratio of Employee Head Count. Further, the various components of municipal taxes were reallocated based on the ratios as recommended by the Study on efficient O&M expenses for SVPIA for the Second Control Period. For "INT/Penalties-Govt" expense, the Authority noted that it was allocated by AAI using the Employee ratio. However, as per paragraph 14.20.7 of the Tariff Order No. 14/2018-19 dated 23rd July 2018 for SVPIA for SCP, "All statutory levies in the nature of fees, levies, taxes and other such charges by Central or State Government or local bodies, local taxes and levies directly imposed on and paid by AAI on final product/service provided by AAI will be reviewed by the Authority for the purpose of corrections. Any additional expenditure by way of interest payment, penalties, fines and such penal levies associated with such



statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be trued up". Hence, the Authority had proposed to exclude this expense.

Impact: The reallocation had resulted in a reduction of A&G expenses by INR 4.33 Cr. for the pre-COD period.

Reference: Para 5.3.3 to Para 5.3.17 of the Study on Efficient Operation and Maintenance Expenses.

e) Repairs and Maintenance Expenses:

Observation: The Authority had noted that certain line items such as "Power and generation set", "auto equipment" etc were allocated as 100% aeronautical by AAI. However, the Authority was of the view that these charges should be treated as Common and had proposed to allocate these expenses in the Gross Block Ratio considering that the benefits are accrued to the entire airport. For certain R&M expenses related to "residential building", "cars" etc, the Authority noted that AAI allocated these expenses as 100% aeronautical. However, these expenses were incurred towards the maintenance and upkeep of vehicles, offices and residential buildings that are used by the employees at the airport. Therefore, the Authority proposed to treat these charges as Common and allocate these items using the Employee ratio. The Authority noted that certain R&M expenses related to "communication equipment", "navigation equipment" etc were allocated as 100% aeronautical by AAI. However, these expenses were incurred in the provision of Air Navigation Services (ANS) and are managed separately by AAI. Therefore, the Authority had proposed to exclude the same from the O&M expenses.

Impact: The reallocation had resulted in a reduction of Repairs and Maintenance expenses by INR 5.76 Cr. for the pre-COD period.

Reference: Para 5.3.18 to Para 5.3.22 of the Study on Efficient Operation and Maintenance Expenses.

f) Utility Expenses:

Observation: The Authority had noted that AAI had allocated the water charges using the employee ratio. However, the Authority was of the view that this charge is common to the airport and was not incurred specifically towards offices or employees. Hence, the Authority had proposed to allocate this expense in the Gross Block ratio.

Impact: The reallocation had resulted in the reduction of utility expenses by INR 0.06 Cr. for the pre-COD period.

Reference: Para 5.3.27 of the Study on Efficient Operation and Maintenance Expenses.

g) CHQ/RHQ expenses:

Observation: The Authority had noted that as per the true up submissions of AAI, the CHQ/RHQ expenses were allocated as 95% aeronautical and 5% non-aeronautical and it was observed that the CHQ/RHQ expenses also included legal expenses and expenses related to Mumbai JVC Cell which were driving up the CHQ/RHQ expenses significantly. The Authority had the following the observations on the CHQ/RHQ expenses.

- **Administration & General Expenses of CHQ and RHQ:** The Authority had noted that the legal and arbitration expenses incurred at CHQ/RHQ level should be analysed and distributed on a case-to-case basis. Since, such a breakup had not been provided by AAI, the Authority had proposed to



exclude the legal expenses from CHQ/RHQ expenses, considering that users should not have to bear the cost of services that are not availed by them.

- **Pay and Allowances of CHQ and RHQ:** The Authority had also noted that the portion of JVC employee costs were to be paid by MIAL as per Operation, Maintenance and Development Agreement (OMDA) and that it sees no value addition in general of such JVC cells in the tariff determination process or for the provision of aeronautical services at the respective airports. Since these expenses do not bear any cost-relatedness to the aeronautical services provided at the respective airports, the Authority proposed to exclude the Mumbai Joint Venture Cell (JVC) expenses from the CHQ/RHQ expenses. AAI had excluded pay and allowances of employees involved in ATM, CNS & Cargo department at CHQ/RHQ while working out the allocation to airport. However, no exclusion has been done for support services of department relating to Human Resource, Finance, Civil etc. AAI had considered 5% of expenses (net off revenue) towards non-aeronautical income. Manpower of CHQ/RHQ is also providing services to activities that are not aeronautical i.e., Air Traffic Control, Communications, Navigation and Surveillance Systems cadres at respective airports for which appropriate adjustment was not carried out. In order to give effect to the reallocation as mentioned, it was considered that 20% of CHQ/RHQ pay and allowances be excluded towards the following:

- Support services to ANS, Cargo & Commercial at CHQ, RHQ and airport
- Officials of Directorate of Commercial

The Authority had proposed to consider the remaining balance of 80% of CHQ/RHQ expense to be allocated to the airport.

Impact: The reallocation had resulted in a reduction of CHQ/RHQ expenses by INR 154.71 Cr. for the pre-COD period.

Reference: Para 5.3.30 to Para 5.3.35 of the Study on Efficient Operation and Maintenance Expenses.

4.9.8. The impact of the above re-allocation of O&M expenses are summarised in the following table.

Table 32: Impact of the re-allocation of O&M expenses as proposed by the Authority in SCP till COD

Particulars (INR crore)	Allocation as per		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
	AAI	Study						
Employee expenses- Retirement benefits (A)	Aeronautical	95 :5 (aero : non aero)	0.04	0.23	0.43	-	0.16	0.86
A&G expenses (B)	Aeronautical	Reclassified	0.01	0.01	0.01	0.31	1.03	1.38
	Aeronautical	Gross Block	0.00	0.02	0.11	0.01	0.01	0.16
	Employee ratio	Average aero PBT	-	-	-	-	-	-
	Employee ratio	Excluded	0.00	-	-	2.68	-	2.68
	Aeronautical	Employee	0.02	0.02	0.01	0.00	-	0.05
	Aeronautical	Terminal area	0.01	0.01	0.02	0.02	-	0.07
Repair & Maintenance Expenses (C)	Aeronautical	Gross Block	0.95	0.72	1.88	1.04	0.48	5.07
		Employee	0.08	0.11	0.06	0.14	0.10	0.49
		Excluded	0.01	0.02	0.06	0.06	0.05	0.20
Utility expenses (D)	Employee ratio	Gross Block	0.01	0.01	0.02	0.02	0.01	0.06
CHQ/RHQ expense (E)	95 :5 (aero : non aero)	Reallocated	40.91	21.29	35.36	49.21	7.93	154.71
Total (A+B+C+D+E)			42.05	22.46	37.96	53.49	9.76	165.72

4.9.9. Rationalisation of aeronautical O&M expenses:

Observation: The Authority had the following observations regarding the rationalisation of R&M expenses.

- The Authority had observed that, on the basis of internal and external benchmarking, the R&M expenses incurred by AAI is on the higher side.
- The Authority had noted that the R&M expenses (excluding the special case of runway recarpeting) as a % of opening RAB are higher than 7% except for FY 2021 (till COD). The Authority proposed to consider 6% of Opening RAB as the reasonable benchmark for R&M expenses and accordingly rationalise the R&M expenses for AAI for SCP (pre-COD).

Impact: There was a reduction of INR 33.86 Cr. in the O&M expenses due to the rationalisation of R&M expenses.

Reference: Refer Para 5.6 of the of the Study on Efficient Operation and Maintenance Expenses.

- 4.9.10. The aeronautical expenses of AAI as proposed by the Authority for true up of the Second Control Period (pre-COD) after taking into account the revision of ratios, re-allocation of expenses and the rationalisation of R&M expenses is shown in the following table.

Table 33: Aero O&M expenses proposed by AERA for true up of AAI for SCP (pre-COD) at Consultation stage

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Employee Benefit	21.69	29.00	35.74	38.14	15.22	139.79
Administrative & Other Expenses	8.90	13.33	15.84	24.53	24.96	87.55
CHQ/RHQ	34.26	39.80	23.39	36.76	36.72	170.92
Repairs & Maintenance	24.39	24.71	24.07	24.50	18.22	115.88
Utility Expenses	18.47	19.89	20.30	20.77	10.04	89.47
Miscellaneous & Other Outflows	0.62	1.49	0.13	0.47	0.39	3.09
Total*	108.32	128.23	119.46	145.16	105.55	606.72

*Refer Table 50 of the Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 3)

Stakeholders' comments on true-up of Operating expenses for the Second Control Period till COD

- 4.9.11. During the stakeholder consultation process, the Authority received comments from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2023-22 with respect to true up of Operating Expenses for the Second Control Period. The comments by the stakeholders are presented below.

AAI's comments on true up of Operating Expenses for the Second Control Period till COD

- 4.9.12. With respect to the deemed employee ratio, AAI stated that - "*Deemed Employee Head Count considered by the Authority:*

Impact of the Disallowance: Rs. 13.99 (Emp Cost of Rs. 11.60 Crs, A&G - 0.91 Crs, Other consumables Rs. 0.86 Crs, R&M - 0.49 Crs, Other outflow - Rs. 0.13 Crs). AAI has scientifically calculated the employee head count ration, i.e. common

Employees have been allocated to Aero, Non Aero and ANS based on the existing employee strength of respective divisions, details of the working is listed below.



Employee Ratio for (AERO: Non-Aero)					
Aero	96.60%	97.12%	97.37%	97.39%	96.99%
Non-Aero	3.40%	2.88%	2.63%	2.61%	3.01%

AAI noted that authority has treated all the common employees apportioned to ANS as non-aero thereby increasing the share of non-aero expenditure.

The Authority has also not taken cognizant of the following: Authority in the CP noted that "The Study evaluated the basis for computing the Employee Head Count ratio as submitted by AAI and observed the classification to be generally appropriate and in line with the approach of the Authority in other airports"

Employees relating to HR and A/c's are common resources that are allocated to all the divisions and treating common employee to non-aero may be incorrect approach. AAI submits to the Authority to revisit the allocation."

- 4.9.13. With respect to allocation based on gross asset value, AAI stated that - **"Allocation of Expenditure based on Gross Asset value:** AAI had extensively reviewed and excluded the portion of Non-Aero Expenditure while submitting the OPEX Cost, further disallowance of expenditure based on GAV results in arbitrary disallowance. AAI submits that the disallowance of Arbitration Expenditure, Legal and Cost of Elect. Spares based on the gross value of the asset may not be accurate representative of the cost driver, further considering AAI has already excluded the relevant cost towards non-aero, further adjustments would result in cascading allocation towards non-aero.

R&M: Allocation of R&M cost for non-aero could be fundamentally incorrect approach as Airports does not have separate non-aero customers, further Airports has to incur cost irrespective of non-aero revenue, such disallowance would result in loading of R&M cost to non-aero business which will cascade to increase price of product offered at the airports and fall in Non-Aero Revenue"

- 4.9.14. With respect to R&M cost, AAI stated that - **"Capping of R&M Cost:** Disallowing actual expenditure incurred towards R&M defeats the purpose of performing true up and Efficiency study. Further discourages the Airport operator to spend on the R&M to maintain the quality standard and enhance the customer experience. AAI reiterate that the expenditure towards Repairs and Maintenance has been incurred, further AAI follows rigorous process of awarding contracts."

- 4.9.15. With respect to CHQ/RHQ expense, AAI stated that - **"Disallowance of CHQ and RHQ Cost:**

Legal Exp: AAI clarifies that legal and Arbitrary cost at Chq/RhQ are cost incurred at the Corporate and are not allocatable to any specific airport, hence allocated across the Airports.

Mumbai JVC: AAI submits that salaries of coordination cell was misclassified as "Mumbai JVC" however these employees were working for western region (Regional Head Quarters). Hence AAI had allocated cost to the all the airports in the western region. AAI submits to the Authority that the cost relating to Regional Headquarters wrongly booked in Mumbai Coordination Cell may be allowed.

20% Disallowance of Employee Cost: AAI submits to the Authority that CHQ and RHQ cost has been allocation to ANS, and balance of allocation has been divided to Aero and Non-Aero in the ratio of 95: 5. Further Non-Aero employee as % of overall employee (after reallocation of support staff) is less than 3%.

AAI reiterates that costs are genuinely incurred by the AAI and AAI also submits that it is underway in performing and submitting independent study on CHQ/RHQ cost allocation for all Airports. AAI request the Authority to revisit the CHQ/RHQ cost."



Other Stakeholders' comments on true up of Operating Expenses for the Second Control Period till COD

- 4.9.16. APAO has submitted that, "Earlier in month of September 2022, we provided our comments on the Consultation Paper for Mangaluru Airport, we look forward for the final order to be released by the Authority and to provide clarity on the important points pertaining to the principles to be adopted for these new Concession Agreement. The approach to be adopted by the Authority is keenly awaited by the private operators, lenders, investors who have shown faith in the Aviation sector. Most of the issues which APAO would like to raise in the SVPIA's Consultation Paper are of similar to that of Mangaluru Airport. Accordingly, APAO has drawn reference to its comments regarding "Restricting R&M expenses to 6% of opening RAB" on the Consultation Paper No. 07/2022-23 dated 05th August 2022 for Mangaluru International Airport.

AAI's responses to Stakeholders' comments regarding true up of Operating Expenses for the Second Control Period till COD

- 4.9.17. AAI's response to the Stakeholder comment with respect to true up of Operating Expenses for the Second Control Period is presented below.
- 4.9.18. With respect to APAO's comment, AAI stated that - "AAI has noted that such restriction has been carried out during the second control period also and AAI is also of the view that there should not be capping on actual expenditure. Refer para 4.9.9 of the CP. AAI submits that:

Every station of AAI is subject to C&AG audit on a yearly basis. Hence, the costs captured by the airports in their respective trial balances are based on the actual spend. To determine the costs, there are detailed tendering mechanisms for every contract. Hence, no costs in addition to what is incurred is accounted for in stations.

AAI requests the Authority to consider the actual costs incurred for the second control period without restricting it to 6% on opening RAB. Terminal Buildings were built more than 20 years back and AAI submits that with ageing of the building and associated equipment, the R&M will only increase over the years. Moreover, applying a ratio on the depreciated WDV will further reduce the cost whereas the reality is that the costs will only increase over the years to make good the wear and tear over the years"

Authority's analysis of Stakeholders' comments on true up of Operating expenses for the Second Control Period till COD

- 4.9.19. The Authority has noted AAI's comments on deemed Employee Headcount considered by the Authority. The Authority would like to emphasize that after a detailed examination, it has excluded the salaries of employees providing services to ANS, as the Authority has determined tariff of Aeronautical services (excluding ANS). The Authority notes that AAI had appropriately classified the employees in HR and Accounts as Common. The Authority had retained such classification during its examination. However, the Authority revised apportionment of such Common employees into Aero, Non-aero and ANS by considering the Common employees attributed to ANS as Deemed Non-aero. Such an adjustment is appropriate and is required in order to exclude the costs pertaining to ANS. In the absence of such an adjustment, some expenses attributable to ANS would also get factored into the aeronautical cost calculation, which is not as per the AERA tariff determination exercise and not in the interest of Airport Users. This has been sufficiently explained in Para 5.2.6 and Para 5.2.7 in the Study on Efficient Operation and Maintenance expenses for SVPIA and Para 4.9.7(b) of this Tariff Order. Hence, the Authority sees no reason to deviate from its proposal at the Consultation Stage and decides to consider the employee ratio of AAI as determined by it in Consultation Paper No. 10/2022-23 dated 20th October 2022 (Refer Para 4.9.7 (b)).



- 4.9.20. **Allocation of expenditure based on Gross Asset value:** The Authority has examined the comments of AAI on the Gross Fixed Assets ratio and re-allocation of certain expenses based on this ratio. The Authority has explained in detail the rationale for using the Gross Fixed Assets ratio and the other ratios such as Terminal Building ratio, Employee headcount ratio etc in details in its Independent Study on "Study on Efficient Operation and Maintenance expenses for SVPIA".

Based on the nature and purpose of the expenses such as cost of elect. spares, repairs & maintenance expenses etc have been apportioned using appropriate ratios such as Gross Fixed Assets/ Net block/ Employee Headcount ratio/ Terminal Building ratio. The Authority had re-allocated such expenses based on merit, by applying appropriate ratios and in line with the approach uniformly followed by it for all other Major Airports.

With respect to AAI's comment which states that "*R&M: Allocation of R&M cost for non-aero could be fundamentally incorrect approach as Airports does not have separate non-aero customers...*", AERA would like to state that under Hybrid Till mechanism, the Airport Operators retain 70% of the non-aero revenue and only 30% of the non-aeronautical revenue is used for cross subsidization. The assets at the airport play an essential role in enabling the Airport Operators to earn such revenues. Since the airport assets also contribute to the generation of such non-aeronautical revenues, the non-aeronautical business should also contribute its fair share towards the maintenance and upkeep of the airport assets. In order to account for the same, it is important to bifurcate the R&M expenses into aeronautical and non-aeronautical using suitable ratios. In view of the above factors, the Authority decides not to change its view in respect of the re-allocation of expenses proposed by it at the Consultation Stage (Refer Para 4.9.7 (e)).

- 4.9.21. **Capping of R&M Cost:** The Authority reviewed the comments of AAI and APAO on Repairs & Maintenance (R&M) and states that, as per the Independent Study conducted on Efficient O&M expenses for SVPIA, R&M expenses of AAI were found to be on the higher side and hence, the Study proposed rationalization of R&M expenses by restricting the same to 6% of Opening RAB. Based on the same, the expenses were rationalised and the revised amount was considered for true up in the Consultation paper No. 10/2022-23. Further, the Authority would like to point out that it has proposed this practice consistently in the past for other similar airports, in order to rationalize the inefficiency noted in the incurrence of the Repairs & Maintenance expenses. Based on the above factors, the Authority is of the view that its proposal at the Consultation stage (Refer Para 4.9.9) is reasonable and justified and hence, sees no reason to change the same.

- 4.9.22. **CHQ/ RHQ expense allocation:** The Authority examined AAI's comments on CHQ/RHQ expenses and is of the view that the process followed by AAI for allocation of CHQ/ RHQ expenses is inefficient and non-transparent. It also appears that the computations are not policy based and without much forethought. Further, the analysis of this expense has already been discussed in detail in the Independent Study of O&M expenses for SVPIA. The Authority expects that AAI should determine the efficient baseline costs through a thorough study, providing a detailed framework for allocation of various operating cost into aeronautical and non-aeronautical activities. Hence, based on the above mentioned statements, the Authority is of the view that its proposal already stated at the Consultation stage (Refer Para 4.9.7 (g)) is rational and sees no reason to change the same.

- 4.9.23. Additionally, the Authority would like to state that with respect to the methodology for the computation of the Gross Block ratio, the Authority notes the comment of AAI (Refer Para 5.7.11 for the same) and finds merit in the issue raised by the AO, hence the Authority has revised this ratio, keeping the same consistent as followed for other Airports. Therefore, the Authority has recomputed the



operational expenses to be reckoned for true up of Second Control Period (pre-COD) as given below. However, the impact on the O&M expenses of AAI is not very significant.

Table 34: Aeronautical O&M expenses decided by AERA for true up of AAI for SCP (pre-COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Employee Benefit	21.69	29.00	35.74	38.14	15.22	139.79
Administrative & Other Expenses	8.90	13.33	15.84	24.53	24.96	87.55
CHQ/RHQ	34.26	39.80	23.39	36.76	36.72	170.92
Repairs & Maintenance	24.39	24.71	24.07	24.50	18.22	115.89
Utility Expenses	18.47	19.89	20.30	20.77	10.04	89.47
Miscellaneous & Other Outflows	0.62	1.49	0.13	0.47	0.39	3.09
Total	108.32	128.23	119.46	145.16	105.55	606.73

4.10. True up of Non-aeronautical Revenue

4.10.1. AAI submitted Non-aeronautical Revenue for Second Control Period as given in the table below.

Table 35: AAI's submission of Non-Aeronautical Revenue for true up of Second Control Period till COD

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Trading Concessions						
Restaurant/ Snack bar and T.R. Stall	0.63	0.85	1.40	1.16	0.01	4.07
Hoarding and Display	11.35	13.25	15.17	20.24	1.76	61.77
Other trading concessions	39.46	24.26	35.26	42.41	6.38	147.77
Rent and Space	4.98	10.48	11.81	12.49	7.73	47.49
Duty free shops	1.88	2.65	3.76	6.12	0.25	14.67
Miscellaneous	0	0	0.13	0.30	-0.01	0.43
Car rentals	0	0	0	0	0	0
Car Parking	9.15	11.75	6.95	14.74	0	42.58
Other Misc. Income	-0.37	-0.22	4.25	4.45	4.45	12.57
Total	67.09	63.02	78.74	101.91	20.59	331.35

Authority's examination and proposal regarding true up of Non-aeronautical Revenue for the Second Control Period from FY 2016-17 up to COD at the Consultation stage

4.10.2. The Authority had considered non-aeronautical revenue as given in the table below at the time of tariff determination for the Second Control Period.

Table 36: Non-aeronautical Revenue considered by the Authority as per the Tariff Order for SCP

Particulars (INR Crores)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Restaurant/ Snack bar	6.00	6.60	7.20	7.90	9.50	37.20
T.R Stall	5.40	5.90	6.50	7.20	8.60	33.60
Duty free shop	1.00	1.10	1.20	1.30	1.50	6.10
Hoarding and Display	11.20	12.30	13.50	14.90	17.90	69.80
Land lease	10.30	11.10	11.90	12.80	13.80	59.90
Building Non-residential	11.00	11.90	12.80	13.70	14.70	64.10
Porterage	9.40	10.40	11.40	12.50	13.80	57.50

Particulars (INR Crores)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Car Parking	0.50	0.60	0.70	0.70	0.90	3.40
Admission tickets	2.00	2.20	2.40	2.60	3.10	12.30
Other miscellaneous	4.10	4.30	4.60	4.80	5.00	22.80
Profit on sale of assets/Scrap	-	-	-	-	-	-
Revenues from interest income	0.10	0.10	0.20	0.20	0.20	0.80
Total (A)	61.10	66.40	72.30	78.70	89.10	367.60
Adjustment: Change in revenue from cargo, ground handling and fuel services considered as aeronautical revenues and change in growth rates (B)	5.10	5.20	5.30	5.30	8.80	29.70
Non-aeronautical revenues as per Authority (A – B)	56.00	61.20	67.00	73.30	80.20	337.70

- 4.10.3. The following table summarises the difference between the Non-aeronautical Revenue (NAR) submitted by AAI based on actuals and the projections considered by the Authority in the Tariff Order for the Second Control Period.

Table 37: Comparison of NAR submitted by AAI and projections by the Authority in Tariff Order for SCP

Particulars (INR Crores)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
As per AAI (A)	67.09	63.02	78.74	101.91	20.59*	331.35
As per tariff order for SCP (B)	56.00	61.20	67.00	73.30	80.20	337.70
Difference (A-B)	11.09	1.82	11.74	28.61		

* For FY 2021, the figures are till COD for AAI.

- 4.10.4. The Authority had observed that the non-aeronautical revenues earned for FY 2021 till COD were lower compared (by approximately 74%) to the projections approved by the Authority for FY 2021 in the tariff order for the Second Control Period. However, it would be pertinent to note that the passenger traffic in FY 2021 has dropped by approximately 68% (~91% drop in international and ~62% drop in domestic) compared to FY 2020 due to the negative impact of the COVID-19 pandemic.
- 4.10.5. For FY 2017-20, the Authority had noted that the NAR as per AAI has exceeded the projections approved by the Authority in the Tariff Order for the Second Control Period by approximately 21%.
- 4.10.6. The Authority requested AAI to share the break-up of "Rent and space" revenue vide email dated 24th August 2022 for further examination. The breakup of "Rent and space" provided by AAI vide email dated 29th August 2022 is shown in the following table.

Table 38: Breakup of "Rent and space" as per AAI

Classification (INR Cr.)	2016-17	2017-18	2018-19	2019-20	2020-21 (up to 1 st Nov 2020)	Total
R&SA/I Counter Charges	-	0	0.03	0.03	0	0.05
R&SL and Rent Others	-	9.11	8.98	9.12	5.43	32.63
R & S-Land Ren Hangars	0	-	-	0	0.03	0.04
R & S Other Building	3.77	0.66	2.11	2.66	1.75	10.96
R&S-Hire Charges	-	-	0.04	0.03	-	0.07
R&S Utility Charges	1.21	0.72	0.65	0.66	0.52	3.75
Total	4.98	10.48	11.81	12.49	7.73	47.49

- 4.10.7. Further vide email dated 02nd September 2022, AAI was requested to share the details regarding "Space rentals collected from Airlines". AAI, vide email dated 29th September 2022, responded with the following table.

Table 39: Breakup of "Space rentals collected from Airlines" as shared by AAI

Space Rentals (INR Cr.)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
AIR ARABIA PJSC	0.00	0.00	0.00	0.01	0.00	0.02
AIR COSTA (LEPL) Airline	0.03	0.00	-	-	-	0.03
AIR INDIA LIMITED	0.06	0.06	0.05	0.06	0.00	0.24
AIR ODISHA AVIATION PVT LTD	-	0.00	0.01	-	-	0.01
Deccan Charters Private Limited	-	-	0.00	0.04	0.02	0.07
EMIRATES	0.05	0.06	0.06	0.07	0.04	0.28
ETIHAD AIRWAYS	0.01	0.01	0.01	0.01	0.01	0.06
GHODAWAT ENTERPRISES PRIVATE LIM	-	-	-	0.01	0.01	0.01
GO AIRLINES (INDIA) LIMITED	0.03	0.00	0.01	0.01	0.07	0.11
INTERGLOBE AVIATION LIMITED	0.15	0.02	0.10	0.13	0.13	0.52
JET AIRWAYS	0.05	0.02	0.02	0.00	-	0.09
JET LITE(INDIA) LTD	0.00	0.00	-	-	-	0.00
KUWAIT AIRLINES	0.01	0.01	0.01	0.01	0.01	0.04
QATAR AIRWAYS	0.01	0.01	0.01	0.01	0.01	0.06
SINGAPORE AIRLINES	0.02	0.02	0.03	0.03	0.02	0.12
SPICE JET LIMITED	0.06	0.01	0.04	0.06	-	0.16
Supreme Transport Organisation Pvt.	0.00	0.00	0.00	0.00	-	0.01
TATA SIA Airlines Limited	0.01	0.01	0.01	0.02	0.01	0.05
THAI AIRASIA	-	-	-	0.01	0.00	0.01
TURBO MEGHA AIRWAYS PRIVATE LIM	-	-	0.01	0.02	0.01	0.04
VENTURA AIR CONNECT	0.00	0.00	0.00	0.00	0.00	0.01
Total	0.49	0.23	0.37	0.51	0.34	1.95

- 4.10.8. The Authority is of the view that space rentals from agencies providing aeronautical services should be treated as aeronautical revenue. Hence, the Authority had proposed to consider "Space rentals collected from Airlines" amounting to INR 1.95 Cr. as aeronautical revenue.
- 4.10.9. Based on its analysis, the Authority proposed to recompute the Non-aeronautical Revenue as given in the table below for true up of AAI for the Second Control Period (pre-COD).

Table 40: Non-aeronautical Revenue proposed by the Authority for true up of AAI for SCP (pre-COD)

Particulars (INR Crores)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Trading Concessions						
Restaurant/ Snack bar and T.R. Stall	0.63	0.85	1.40	1.16	0.01	4.07
Hoarding and Display	11.35	13.25	15.17	20.24	1.76	61.77
Other trading concessions	39.46	24.26	35.26	42.41	6.38	147.77
Rent and Space	4.98	10.48	11.81	12.49	7.73	47.49
Duty free shops	1.88	2.65	3.76	6.12	0.25	14.67
Miscellaneous	0	0	0.13	0.30	-0.01	0.43

Particulars (INR Crores)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Car rentals	0	0	0	0	0	0
Car Parking	9.15	11.75	6.95	14.74	0	42.58
Other Misc. Income	-0.37	-0.22	4.25	4.45	4.45	12.57
Total (A)	67.09	63.02	78.74	101.91	20.59	331.35
Less: Space rentals collected from Airlines (B)	0.49	0.23	0.37	0.51	0.34	1.95
Total Non-aero Revenue (A - B)	66.60	62.79	78.36	101.41	20.25	329.40

Stakeholders' comments on true-up of NAR for the Second Control Period till COD

4.10.10. There were no Stakeholder comments with respect to true up of NAR for the Second Control Period.

Authority's analysis of Stakeholders' comments on true up of NAR for the Second Control Period till COD

4.10.11. No Stakeholder comments were received regarding NAR for the Second Control Period till COD. In this regard, the Authority has decided to consider the NAR consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23. The NAR considered by the Authority for true up of the Second Control Period is given in Table 40.

4.11. True up of Aeronautical Revenue

4.11.1. AAI submitted the details of Aeronautical Revenue for true up of Second Control Period till COD as given in the table below.

Table 41: Aeronautical Revenue submitted by AAI for true up of Second Control Period (till COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Landing Domestic	38.88	42.17	52.05	52.20	9.57	194.88
Landing International	21.21	23.58	26.45	26.67	6.43	104.33
Parking Domestic	0.35	0.34	1.06	3.35	4.84	9.94
Parking International	0.06	0.07	0.20	0.66	0.18	1.18
UDF/PSF Domestic	61.19	72.42	57.66	37.71	4.32	233.30
UDF/PSF International	31.52	33.41	22.47	7.12	0.17	94.69
Exten of Watch Hours	0.00	0.00	0.00	0.00	0.00	0.00
CUTE & SITA charges	4.02	5.41	8.47	10.08	0.93	28.91
Throughput Revenue	2.44	1.96	2.62	2.07	0.00	9.10
Cargo Revenue	0.00	0.00	0.00	0.00	0.00	0.00
Concession Fees from AAICLAS / Others	0.00	0.05	0.49	0.71	0.03	1.27
Land lease to Ground Handling Agency	22.21	23.66	19.85	20.34	4.16	90.22
Land lease to Oil companies	4.65	6.33	4.05	5.63	2.82	23.48
Total	186.51	209.39	195.37	166.55	33.45	791.28



Authority's examination and proposal regarding true up of Aeronautical Revenue for the Second Control Period from FY 2016-17 up to COD at the Consultation stage

- 4.11.2. The Authority had proposed aeronautical revenues as given in the table below at the time of tariff determination for the Second Control Period.

Table 42: Aeronautical Revenue as per Tariff Order for SCP

Particulars (in INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Aeronautical Revenue	182.3	208.2	174.4	161	176.7	902.6

- 4.11.3. The Authority had noted that as per the decision regarding aeronautical revenues, AAI had considered services related to Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue in their true up submission.

- 4.11.4. The comparison between the true up submission of AAI and the projections approved by the Authority in the Tariff Order for SCP is shown in the following table.

Table 43: Comparison of actual aeronautical revenue as per AAI and projections as per TO for SCP

Particulars (in INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
As per AAI	186.51	209.39	195.37	166.55	33.45	791.28
As per the Tariff Order for SCP	182.3	208.2	174.4	161.0	176.7*	902.6*
Difference	4.21	1.19	20.97	5.55		

* For entire FY 2021 as per Tariff Order whereas the data is till COD for AAI

- 4.11.5. From FY 2017-20, AAI had realised higher aeronautical revenues when compared to the projections approved by the Authority in the Tariff Order for SCP. For FY 2021, the aeronautical revenues realised by AAI till COD was on the lower side (approximately 81%) when compared to the projections approved by the Authority for FY 2021 in the Tariff Order for SCP. However, it would be pertinent to note that the passenger traffic in FY 2021 has dropped by approximately 68% (~91% drop in international and ~62% drop in domestic) compared to FY 2020 due to the negative impact of the COVID-19 pandemic.

- 4.11.6. As observed in Para 4.10.8, the Authority proposed to make certain adjustments to the aeronautical revenue by reclassifying "Space rentals collected from Airlines" as aeronautical revenue. Hence, the Authority proposed to recompute and consider the aeronautical revenue for true up of AAI for the Second Control Period (pre-COD) as shown in the following table.

Table 44: Aeronautical Revenue proposed by the Authority for true up of AAI for SCP (pre-COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Landing Domestic	38.88	42.17	52.05	52.20	9.57	194.88
Landing International	21.21	23.58	26.45	26.67	6.43	104.33
Parking Domestic	0.35	0.34	1.06	3.35	4.84	9.94
Parking International	0.06	0.07	0.20	0.66	0.18	1.18
UDF/PSF Domestic	61.19	72.42	57.66	37.71	4.32	233.30
UDF/PSF International	31.52	33.41	22.47	7.12	0.17	94.69
Exten of Watch Hours	0.00	0.00	0.00	0.00	0.00	0.00
CUTE & SITA charges	4.02	5.41	8.47	10.08	0.93	28.91
Throughput Revenue	2.44	1.96	2.62	2.07	0.00	9.10
Cargo Revenue	0.00	0.00	0.00	0.00	0.00	0.00

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Concession Fees from AAICLAS / Others	0.00	0.05	0.49	0.71	0.03	1.27
Land lease to Ground Handling Agency	22.21	23.66	19.85	20.34	4.16	90.22
Land lease to Oil companies	4.65	6.33	4.05	5.63	2.82	23.48
Total	186.51	209.39	195.37	166.55	33.45	791.28
Add: Space rentals collected from Airlines (B)	0.49	0.23	0.37	0.51	0.34	1.95
Total Aeronautical revenue (A + B)	187.01	209.62	195.75	167.05	33.79	793.23

Stakeholders' comments on true-up of Aeronautical Revenue for the Second Control Period till COD

- 4.11.7. There were no Stakeholder comments with respect to true up of Aeronautical Revenue for the Second Control Period.

Authority's analysis of Stakeholders' comments on true up of Aeronautical Revenue for the Second Control Period till COD

- 4.11.8. No Stakeholder comments were received regarding Aeronautical Revenue for the Second Control Period till COD. In this regard, the Authority decides to consider the Aeronautical Revenue consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23. The Aeronautical Revenue considered by the Authority for true up of the Second Control Period is given in Table 44.

4.12. True up of Taxation

- 4.12.1. AAI submitted its aeronautical tax computation for the SCP as part of the true up submission after considering asset depreciation as applicable under Income tax laws and the following tax rates:

Table 45: Tax rates adopted for SCP by AAI

Particulars (INR Cr)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Tax rates adopted for SCP	34.61%	34.61%	34.94%	25.17%	25.17%	25.17%

- 4.12.2. Based on the above considerations, AAI submitted tax expenditure for SCP till 01st November 2020 as follows:

Table 46: Tax expenditure as per AAI for SCP till 01st November 2020

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till 01 st Nov 2020)	FY 2022
Revenue						
Aeronautical Revenue	186.51	209.39	195.37	166.55	33.45	
Return on Land	0.12	0.12	0.12	0.11	0.11	
Shortfall in Revenue						393.61
Cost						
Total Cost	-155.80	-159.52	-174.72	-212.05	-116.39	
Depreciation	-70.74	-66.79	-68.01	-79.89	-75.49	
Profit /Loss	-39.91	-16.81	-47.24	-125.29	-158.31	393.61
Tax Rates	34.61%	34.61%	34.94%	25.17%	25.17%	25.17%
Tax liability	0.00	0.00	0.00	0.00	0.00	99.06

Authority's examination and proposal regarding true up of Taxation for the Second Control Period from FY 2017 up to COD at the Consultation stage

- 4.12.3. The following table shows the tax projections for aeronautical services as considered by the Authority in the Tariff Order for SCP.

Table 47: Aeronautical taxes as approved by the Authority in the Tariff Order for SCP

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Aeronautical Revenue	182.3	208.2	174.4	161	176.7	902.6
Aeronautical O&M (excluding CHQ/RHQ overheads)	108.9	79.9	87.6	91.3	94.0	461.7
CHQ/RHQ overheads	17.6	19.1	20.1	21.1	22.2	100.1
Depreciation as per IT Act	26.2	25.0	33.5	40.3	48.9	173.9
PBT	29.5	84.2	33.5	8.3	11.6	167.1
Tax for aeronautical services	10.2	29.1	11.5	2.9	4.0	53.7

- 4.12.4. The Authority noted that AAI has claimed zero tax liability from FY 2017 to FY 2021 (till COD).
- 4.12.5. For FY 2022, the Authority noted that AAI has claimed a tax liability of INR 99.06 Cr on the shortfall in recovery of ARR of INR 393.61 Cr as calculated by AAI. Tax expenditure of INR 99.06 Cr. is claimed considering the shortfall for SCP that will be paid by AIAL (as per Clause 28.11.4 of the Concession agreement, stated below) in FY 2021-22 which will attract tax liability for AAI.
- 4.12.6. As per Clause 28.11.4 of the Concession Agreement, *"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon reconciliation, true up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"):*
- Reduced to the extent of over-recoveries, if any, of aeronautical revenues by the Authority until COD, that the Regulator would provide for as a downward adjustment while determining aeronautical charges for the next Control Period; or*
 - Increased to the extent of under-recoveries, if any, of aeronautical revenues by the Authority until COD, that the Regulator would provide for as an upward adjustment while determining aeronautical charges for the next Control Period"*
- 4.12.7. However, the Authority was of the view that AAI should set off its prior period losses incurred in the pre-COD period against the Shortfall amount that is proposed to be collected from the Airport Operator.



- 4.12.8. Based on the revised O&M expenses and over-recovery/(shortfall) in the Second Control Period (pre-COD), the Authority recomputed the aeronautical tax as given below:

Table 48: Aeronautical Tax proposed by the Authority for true up of SCP till COD at the Consultation stage

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Revenue						
Aeronautical Revenue (A) (Refer Table 44)	187.01	209.62	195.75	167.05	33.79	793.23
Shortfall in revenue proposed to be collected (Refer Table 50) (B)						7.54*
Expenses						
O&M expenses (Refer Table 33) (C)	108.32	128.23	119.46	145.16	105.55	606.72
Depreciation as per IT Act** (D)	70.58	66.49	67.58	70.17	72.95	347.76
Total (E = C + D)	178.90	194.72	187.04	215.33	178.49	954.48
Profit /Loss (F = A - E)	8.11	14.90	8.70	(48.27)	(144.70)	(161.25)
Set off of prior period loss*** (B + F)						(153.71)
Tax Rates (G)	34.61%	34.61%	34.94%	25.17%	25.17%	
Tax liability (G × F)	2.81	5.16	3.04	-	-	11.01

*As on 31st March 2022

**Computed using WDV method considering useful lives as per IT Act.

***Note: The set off of prior period loss has been computed only for the purpose of determining taxes. The net loss of INR 153.71 Cr. will not be considered for true up for the pre-COD period.

Stakeholders' comments on true-up of Taxation for the Second Control Period till COD

- 4.12.9. There were no Stakeholder comments with respect to true up of Taxation for the Second Control Period.

Authority's analysis of Stakeholders' comments on true up of Taxation for the Second Control Period till COD

- 4.12.10. No Stakeholder comments were received regarding Taxation for the Second Control Period till COD. However, as explained in Para 4.9.23, the Authority has recomputed the O&M expenses. Therefore, the Authority recomputed the aeronautical tax based on the revised O&M expenses as shown in the following table.

Table 49: Aeronautical Tax decided by the Authority for true up of SCP till COD

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Revenue						
Aeronautical Revenue (A) (Refer Table 44)	187.01	209.62	195.75	167.05	33.79	793.23
Shortfall in revenue proposed to be collected (Refer Table 51) (B)						7.55*
Expenses						
O&M expenses (Refer Table 34) (C)	108.32	128.23	119.46	145.16	105.55	606.73
Depreciation as per IT Act** (D)	70.58	66.49	67.58	70.17	72.95	347.76
Total (E = C + D)	178.90	194.72	187.04	215.33	178.50	954.48
Profit /Loss (F = A - E)	8.11	14.90	8.70	(48.27)	(144.70)	(161.26)
Set off of prior period loss*** (B + F)						(153.71)
Tax Rates (G)	34.61%	34.61%	34.94%	25.17%	25.17%	
Tax liability (G × F)	2.81	5.16	3.04	-	-	11.01

*As on 31st March 2022

**Computed using WDV method considering useful lives as per IT Act.

***Note: The set off of prior period loss has been computed only for the purpose of determining taxes. The net loss of INR 153.71 Cr. will not be considered for true up for the pre-COD period.

4.13. True up of Aggregate Revenue Requirement

Authority's examination and proposal regarding true up of ARR for the Second Control Period from FY 2016-17 up to COD at the Consultation stage

- 4.13.1. Based on the analysis of various building blocks for the Second Control Period as discussed in the previous sections and the proposals made regarding the same, the Authority had proposed ARR as given in the table below for true up of AAI for the Second Control Period (pre-COD) at the Consultation stage.

Table 50: ARR proposed by the Authority for true up of AAI for SCP (pre-COD) at the Consultation stage

Particulars (INR Cr.)	Refer	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
Average RAB (A)	Table 15	296.42	293.74	292.01	312.27	321.49	
FRoR (B)	Table 26	14.00%	14.00%	14.00%	14.00%	8.44%	
Return on RAB (C = A × B)		41.50	41.12	40.88	43.72	27.13	194.35
Return on Land (D)	Para 4.8.5	-	-	-	-	-	-
Depreciation (E)	Table 23	23.04	24.07	26.14	27.01	16.93	117.19
Operational expenses (F)	Table 33	108.32	128.23	119.46	145.16	105.55	606.72
Tax (G)	Table 48	2.81	5.16	3.04	-	-	11.01
ARR ((H = sum of C to G)		175.66	198.58	189.53	215.89	149.60	929.26
Non-aero Revenue (NAR)	Table 40	66.60	62.79	78.36	101.41	20.25	329.40
Less: 30% NAR (I)		19.98	18.84	23.51	30.42	6.07	98.82
First Control Period Shortfall (J)		3.64					3.64
Net ARR (K = H - I + J)		159.32	179.74	166.02	185.47	143.53	834.08
Aero Revenues (L)	Table 44	187.01	209.62	195.75	167.05	33.79	793.23
Over-recovery / (Shortfall) (M = L - K)		27.69	29.88	29.73	(18.42)	(109.73)	(40.85)
Present Value Factor (N)		1.61	1.41	1.24	1.08	1.00	
PV of Over-recovery / (Shortfall) as on 06 th Nov 2020 (M × N)		44.48	42.11	36.75	(19.97)	(109.73)	(6.36)
Total Over-recovery / (Shortfall) of SCP till COD (O)							(6.36)
PV factor @14% as on 31 st March 2021 (P)							1.06
PV of Over-recovery / (Shortfall) as on 31 st March 2021 (Q = O × P)							(6.72)
PV factor @12.21% as on 31 st March 2022 (R)							1.12
PV of Over-recovery / (Shortfall) as on 31 st March 2022 (Q × R)							(7.54)

- 4.13.2. As can be seen above, there had been an under-recovery of INR 6.36 Cr. by AAI in the Second Control Period (pre-COD) as on 06th November 2020.



Stakeholders' comments on true-up of ARR for the Second Control Period till COD

- 4.13.3. There were no Stakeholder comments with respect to true up of tax for the Second Control Period till COD.

Authority's analysis of ARR for the Second Control Period till COD post Stakeholder Consultation

- 4.13.4. The Authority, after careful examination of the Stakeholders' comments across various building blocks pertaining to true up of Second Control Period till COD, retained the proposals as mentioned in the Consultation Paper No. 10/2022-23.
- 4.13.5. However, as explained in para 4.9.23, the Authority has recomputed the O&M expenses. Hence, the Authority has recomputed the ARR for true up of the Second Control Period (pre-COD) as shown in the table below.

Table 51: ARR considered by the Authority for true up of AAI for SCP (pre-COD)

Particulars (INR Cr.)	Refer	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
Average RAB (A)	Table 15	296.42	293.74	292.01	312.27	321.49	
FRoR (B)	Table 26	14.00%	14.00%	14.00%	14.00%	8.44%	
Return on RAB (C = A × B)		41.50	41.12	40.88	43.72	27.13	194.35
Return on Land (D)	Para 4.8.5	-	-	-	-	-	-
Depreciation (E)	Table 23	23.04	24.07	26.14	27.01	16.93	117.19
Operational expenses (F)	Table 34	108.32	128.23	119.46	145.16	105.55	606.73
Tax (G)	Table 49	2.81	5.16	3.04	-	-	11.01
ARR ((H = sum of C to G)		175.66	198.58	189.53	215.89	149.60	929.27
Non-aero Revenue (NAR)	Table 40	66.60	62.79	78.36	101.41	20.25	329.40
Less: 30% NAR (I)		19.98	18.84	23.51	30.42	6.07	98.82
First Control Period Shortfall (J)		3.64					3.64
Net ARR (K = H - I + J)		159.32	179.75	166.02	185.47	143.53	834.09
Aero Revenues (L)	Table 44	187.01	209.62	195.75	167.05	33.79	793.23
Over-recovery / (Shortfall) (M = L - K)		27.69	29.88	29.73	(18.42)	(109.74)	(40.86)
Present Value Factor (N)		1.61	1.41	1.24	1.08	1.00	
PV of Over-recovery / (Shortfall) as on 06 th Nov 2020 (M × N)		44.48	42.11	36.75	(19.97)	(109.74)	(6.37)
Total Over-recovery / (Shortfall) of SCP till COD (O)							(6.37)
PV factor @ 14% as on 31 st March 2021 (P)							1.06
PV of Over-recovery / (Shortfall) as on 31 st March 2021 (Q = O × P)							(6.72)
PV factor @ 12.21% as on 31 st March 2022 (R)							1.12
PV of Over-recovery / (Shortfall) as on 31 st March 2022 (Q × R)							(7.55)

Note: There is a difference of INR 0.01 Cr. from the PV of over-recovery (shortfall) proposed at the Consultation stage due to the revision in Gross Block Ratio as mentioned in Para 4.9.23

4.14. Adjusted Deemed Initial RAB

4.14.1. As per Clause 28.11.4 of the Concession Agreement, "Pursuant to the payment of the Estimated Deemed Initial RAB, and upon reconciliation, true up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"):

- c) Reduced to the extent of over-recoveries, if any, of aeronautical revenues by the Authority until COD, that the Regulator would provide for as a downward adjustment while determining aeronautical charges for the next Control Period; or
- d) Increased to the extent of under-recoveries, if any, of aeronautical revenues by the Authority until COD, that the Regulator would provide for as an upward adjustment while determining aeronautical charges for the next Control Period"

4.14.2. Accordingly, the Authority computed the Adjusted Deemed Initial RAB as follows:

Table 52: Adjusted Deemed Initial RAB as computed by the Authority at the Consultation stage

Particulars	Formula	Refer	Amount (INR Cr.)
Deemed Initial RAB	A	Para 4.5.20	301.77
Estimated Deemed Initial RAB	B	Clause 28.11.3 (b) of CA	271.00
Difference	$C = A - B$		30.77
PV of Under-recovery in Second Control Period (till COD) as on COD	D	Para 4.13.1	6.36
Adjusted Deemed Initial RAB as on COD	$C + D$		37.14

4.14.3. In accordance with the provisions of clause 28.11.4 of the CA, AERA had computed the Adjusted Deemed Initial RAB as on COD i.e., INR 37.14 Cr. (as shown in Table 52) and derived the future value of such Adjusted Deemed Initial RAB by applying the compounding factor of FRoR and assuming a future expected date of payment by the Concessionaire (Airport Operator) to the Airports Authority of India as follows:

- i. The Authority had assumed future expected date of payment of Adjusted Deemed Initial RAB as 31st January 2023, based on the assumption that the Tariff Order for SVPIA (wherein the Deemed Initial RAB is finally determined by the Regulator) is issued on or before 15th January 2023.
- ii. The Authority had applied a compounding factor to determine future value of the under-recovery as on COD by applying:
 - FRoR @ 14% from COD up to 31st March 2021 and
 - FRoR @ 12.21% from 01st April 2021 up to 31st January 2023 (based on the FRoR determined by AERA for the Third Control Period for SVPIA, as discussed under Chapter 8 of the Consultation Paper No. 10/2022-23).



- 4.14.4. The Adjusted Deemed Initial RAB computed as on COD, 31st March 2021, 31st March 2022, 31st December 2022 and 31st January 2023 has been presented in the table below:

Table 53: Adjusted Deemed Initial RAB computed as on future date of payment

Particulars (in INR Cr.)	As on COD	31 st March 2021*	31 st March 2022**	31 st January 2023
Adjusted Deemed Initial RAB	37.14	39.20	43.99	48.49

*Compounding for the period from COD up to 31st March 2021 has been done using FRoR of 14%.

**Compounding for period beyond 31st March 2021 has been done using FRoR of 12.21%, determined by AERA for SVPIA for the Third Control Period.

- 4.14.5. It is likely that the actual date of payment is different from 31st January 2023 as presented in the above table. In that scenario, following formula may be used for determining the Adjusted Deemed Initial RAB on a particular payment date:

$$\text{Adjusted Deemed Initial RAB}_t = A \times (1 + r \times t \div 365)$$

- where A = Adjusted Deemed Initial RAB computed as on 31st March 2022
 - where r = FRoR for Third Control period, computed as 12.21% (Refer Chapter 8)
 - where t = Number of days elapsed between actual date of payment and 31st March 2022
- 4.14.6. The projection of Adjusted Deemed Initial RAB on a particular payment date is illustrated through the following example.

Table 54: Illustration for computation of Adjusted Deemed Initial RAB based on date of payment

Particulars (INR Cr.)	Value
Assumed date of payment (DOP)	06 th February 2023
Adjusted Deemed Initial RAB as on 31 st March 2022 (A)	43.99
FRoR for TCP (r)	12.21%
Number of days between 31 st March 2022 and 06 th February 2023 (t)	312
Adjusted Deemed Initial RAB as on 06 th February 2023	43.99 × (1 + 12.21% × 312 ÷ 365)
	48.58

- 4.14.7. The Authority had proposed the Adjusted Deemed Initial RAB as explained above and requested the Stakeholders to provide their comments on the same, at the Consultation stage.
- 4.14.8. At the Consultation stage, the Authority proposed to consider under-recovery of INR 7.54 Cr. (as per Table 50 as on 31st March 2022) for true up of AAI for the Second Control Period (pre-COD) and readjust the same in the ARR computation of AIAL for the Third Control Period.

Authority's analysis of Adjusted deemed RAB for the Second Control Period till COD post Stakeholder consultation

- 4.14.9. During the Stakeholder Consultation Process, there were no Stakeholders' comments regarding the Adjusted deemed RAB. The methodology for computation of adjusted deemed initial RAB shall remain the same. At the Consultation stage, the PV of Shortfall as on 31st March 2022 was computed as INR 7.54 Cr. (Refer para 4.13.1). However, as mentioned in Para 4.13.5, the ARR for SCP till COD

has been recomputed by the Authority (INR 7.55 Cr.). Accordingly, the Authority recomputed the Adjusted Deemed Initial RAB as follows:

Table 55: Adjusted Deemed Initial RAB as recomputed by the Authority

Particulars	Formula	Refer	Amount (INR Cr.)
Deemed Initial RAB	A	Para 4.5.20	301.77
Estimated Deemed Initial RAB	B	Clause 28.11.3 (b) of CA	271.00
Difference	$C = A - B$		30.77
PV of Under-recovery in Second Control Period (till COD) as on COD	D	Para 4.13.5	6.37
Adjusted Deemed Initial RAB as on COD	$C + D$		37.14

4.15. Authority's decisions regarding true up of Second Control Period (till COD)

Based on the material before it and its analysis, the Authority decides the following with respect to true up of the Second Control Period (till COD):

- 4.15.1. To consider true up of the Passenger traffic and ATM for the Second Control Period (pre-COD) as per Table 9.
- 4.15.2. To consider true up of RAB for AAI for the Second Control Period (pre-COD) as per Table 15.
- 4.15.3. To consider Deemed Initial RAB as INR 301.77 Cr. as on 07th November 2020 for AIAL as per Para 4.5.20.
- 4.15.4. To consider true up of Depreciation for AAI for the Second Control Period (pre-COD) as per Table 23.
- 4.15.5. To consider true up of FRoR for AAI for the Second Control Period (pre-COD) as per Table 26.
- 4.15.6. To not consider return on the cost of land for AAI for true up of the Second Control Period (pre-COD).
- 4.15.7. To consider true up of Aeronautical O&M expenses for AAI for the Second Control Period (pre-COD) as per Table 34.
- 4.15.8. To consider true up of Non-aeronautical Revenue for AAI for the Second Control Period (pre-COD) as per Table 40.
- 4.15.9. To consider true up of Aeronautical Revenue for AAI for the Second Control Period (pre-COD) as per Table 44.
- 4.15.10. To consider true up of Aeronautical Tax for AAI for the Second Control Period (pre-COD) as per Table 49.
- 4.15.11. To consider the under-recovery of INR 7.55 Cr (as on 31st March 2022) for true up of AAI for the Second Control Period (pre-COD) as per Table 51 and readjust the same in the ARR for the Third Control Period.



5. TRUE UP OF THE AIRPORT OPERATOR FOR THE SECOND CONTROL PERIOD FROM COD TILL 31ST MARCH 2021

5.1. Background

- 5.1.1. As mentioned in Para 4.1.1, AAI had entered into a Concession Agreement dated 14th February 2020, with AIAL (the 'Concessionaire') for the operation, management and development of SVPIA for a period of 50 years from the COD, i.e., 07th November 2020.
- 5.1.2. Pursuant to the above Concession Agreement, the Airport Operator had submitted its true up proposal for the Second Control Period from COD up to 31st March 2021 as part of its MYTP.
- 5.1.3. The true up workings submitted by the Airport Operator covered the following building blocks:
- i. Regulatory Asset Base
 - ii. Fair Rate of Return
 - iii. Aeronautical Depreciation
 - iv. Aeronautical Operation and Maintenance Expenses
 - v. Non-aeronautical Revenue
 - vi. Aeronautical Taxes
- 5.1.4. The Authority has examined the issues in detail and covered the analysis as follows:
- i. Recorded AIAL's submissions for true up under different Regulatory building blocks.
 - ii. Provided the Authority's examination and proposals regarding the true up calculation of each regulatory building block for the Second Control Period post COD as per the Consultation Paper.
 - iii. Detailed the Stakeholders' comments on different regulatory building blocks during the Consultation stage and AIAL's response to Stakeholders' comments
 - iv. Provided the Authority's analysis and decisions after reviewing Stakeholders' comments and AIAL's responses regarding different regulatory building blocks
- 5.1.5. The Authority had considered the following documents for determining true up for the Second Control Period (post-COD):
- i. Tariff Order for Sardar Vallabhbhai Patel International Airport (Order No.14/2018-19) dated 23rd July 2018.
 - ii. Financial results of the Airport Operator for the FY 2020-21.
 - iii. AERA Guidelines and Orders
 - iv. Authority's decisions on the Regulatory building blocks as per previously issued Tariff Orders of other similar airports



5.2. AIAL's submission of true up for the Second Control Period from COD till 31st March 2021

5.2.1. AIAL had submitted the true up for the period from COD till 31st March 2021 as follows.

Table 56: AIAL's submission of Aggregate Revenue Requirement for true up of SCP post-COD

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Average RAB	288.61
FRoR	14.76%
FRoR Return on average RAB	16.41
Add: Operating expenses	71.11
Add: Depreciation	21.88
Add: Amortisation of land	-
Add: Taxes	-
Add: Working capital loan interest	-
Less: Non - Aero	(6.18)
ARR - Aero based on RAB workings	103.23
Actual aero revenues	45.77
(Shortfall)/ Surplus	(57.46)
PV of (Shortfall)/ Surplus	(60.67)*

**Difference of INR 2.41 Cr. from MYTP submission is due to inclusion of bank and other finance charges and cargo related expenses. (The same has been discussed in Para 5.7.1 to Para 5.7.6).*

5.3. Authority's examination of true up submitted by AIAL for the Second Control Period from COD till 31st March 2021 at the Consultation stage

5.4. True up of Regulatory Asset Base

5.4.1. As per the true up submission of AIAL, a total of INR 68.12 Cr. (including Financing Allowance of INR 0.97 Cr.) was capitalised in the Second Control Period (post-COD). This included a total of 87 asset items including assets capitalised from CWIP received from AAI. The details regarding the same are given below.

Table 57: RAB for FY 2021 (post-COD) as submitted by AIAL

Particulars (INR Cr.)	FY 2021 (post-COD)
Opening RAB	265.78
Addition*	68.12
Depreciation	(22.47)
Closing RAB	311.44
Average RAB	288.61

**INR 68.12 Cr. includes Financing Allowance of INR 0.97 Cr., intangible assets worth INR 25.55 Cr. and INR 34.79 Cr. worth of projects capitalised from CWIP transferred from AAI to AIAL on COD*

Authority's examination and proposal regarding true up of RAB for the Second Control Period from COD till 31st March 2021 at the Consultation stage

5.4.2. The Authority had commissioned an independent study on the allocation of assets. As explained in Para 4.5.20, the Authority has proposed to consider the Deemed Initial RAB to be INR 301.77 Cr. as recommended by the study on the allocation of assets. The details of the individual asset items capitalised by AIAL in SCP post-COD are also provided in the study on the allocation of assets.

5.4.3. The Study on Allocation of Assets made the following revisions to the aeronautical capital additions of AIAL:

- AIAL had not done an asset-by-asset allocation between Aeronautical and Non-aeronautical for the assets capitalised in SCP. Instead, in its computations, AIAL has applied a bifurcation factor of 97.7% on the overall RAB while calculating the return on average RAB. The study examined the individual asset items capitalised by AIAL and classified them suitably based on the information regarding the assets shared by the Airport Operator. The common assets were further bifurcated between aeronautical and non-aeronautical based on the Terminal Area Ratio of 92.5 : 7.5 (aeronautical : non-aeronautical). The reallocation of assets resulted in a reduction of INR 1.27 in aeronautical capital additions. (Refer Para 6.2.1 and Para 6.2.4 of the Study)
- In FY 2021, AIAL capitalised an asset item named "Domestic Apron, Link Taxi Track Extension". The cost incurred towards this project was INR 32.65 Cr. In its submission, AIAL had stated that this asset was transferred by AAI to AIAL as part of the CWIP and the same was confirmed by AAI vide their email dated 29th April 2022. AAI also submitted that the area of the said work was 61,246 SQM and the costs are within the normative costs prescribed by AERA. The Study compared the actual costs incurred against the inflation adjusted normative benchmarks prescribed by AERA (as per Order No. 07/2016-17 dated 13th June 2016) and found that the cost, after exclusion of GST to be within the normative limits prescribed by AERA. Hence, the Study has considered the cost towards "Domestic Apron, Link Taxi Track Extension" as submitted by AIAL. (Refer Para 6.3 of the Study)

5.4.4. Apart from the reclassification of assets and the normative assessment, the study on the allocation of assets (summary of the study is given in Annexure 2) made the following observations and adjustments:

- AIAL had capitalised an amount of INR 25.55 Cr. as an intangible asset. The asset is a notional item, the value of which constitutes certain pre-COD expenses incurred by AIAL, AEL and AAHL in the process of winning the concession rights to the airport and until the COD was achieved. The Study noted that the Concession Agreement does not specifically provide for intangible asset, or expenditure which constitutes salary and consulting costs incurred prior to COD, to be included in the RAB. Accordingly, the intangible asset was excluded by the Study from the aeronautical capital additions considered for the Second Control Period. (Refer Para 6.4 of the Study)
- The capitalisation proposed by AIAL for the SCP includes financing allowance of INR 0.97 Cr. on the average WIP in FY 2021 (post-COD). However, as per AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28th February 2011, financing allowance is not applicable to assets/projects which have been acquired/initiated and commissioned within the same Tariff Year. Therefore, no financing allowance was considered by the Study on the assets capitalised by AIAL in FY 2021. (Refer Para 6.5 of the Study)

5.4.5. Based on the examination of the Study on Allocation of Assets (post classification of assets, normative assessment, exclusion of intangible asset (pre-COD expenses) and exclusion of Financing Allowance), the aeronautical capital additions in the Second Control Period (post-COD) as per the Study was INR 40.34 Cr. Details pertaining to these adjustments are provided in the study on the allocation of assets.



- 5.4.6. The Authority proposed to consider the recommendations of the Study on Allocation of Assets. Accordingly, the Authority recomputed the RAB for true up of AIAL for the Second Control Period (post-COD) as given in the table below.

Table 58: RAB proposed by the Authority for true up of AIAL for SCP (post-COD)

Particulars (INR Cr.)	Refer	Formula	FY 2021 (post-COD)
Opening RAB	Para 5.4.2*	A	301.77
Addition of assets	Para 5.4.5	B	40.34**
Financing Allowance	Para 5.4.4	C	-
Depreciation	Para 5.5.3	D	11.69
Closing RAB		$E = A + B + C - D$	330.42
Average RAB		$(A + E) \div 2$	316.10

*Refer Table 17 (INR 299.19 Cr + INR 2.59 Cr. = INR 301.77 Cr.)

**Amount of INR 36.71 Cr was capitalised from CWIP transferred from AAI as on COD and the remaining amount of INR 3.63 Cr. is from projects initiated by AIAL.

Stakeholders' comments on true-up of RAB for the Second Control Period post-COD

- 5.4.7. During the Stakeholder consultation process, the Authority has received comments from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to true up of Regulatory Asset Base for the Second Control Period. The comments by the Stakeholders are presented below.

AIAL's comments regarding true up of Regulatory Asset Base for the Second Control Period post-COD

- 5.4.8. With respect to AERA's proposal as per Para 4.5.20 and 5.4.3 of the Consultation Paper No. 10/2022-23 relating to true up of RAB, AIAL stated that their comments on the similar matter are provided in Para 7.10.3. The same may be referred hereto.
- 5.4.9. With respect to AERA's proposal as per Para 5.4.4 page 68 of Consultation Paper No. 10/2022-23 relating to Intangible Assets (pre-COD expenditure), AIAL's comment is as follows:

- "Adani Enterprises Limited (AEL) was announced the successful bidder for Ahmedabad Airport in Feb-2019. As the Concession agreement was a part of the Bid, AEL was aware of its obligations and responsibilities under the Concession Agreement and activities that were required to be done to achieve the successful Commercial Operations Date (COD). This process was akin to Operational Readiness and Airport Transfer (ORAT) activity which is done when green field facility is commissioned at the Airport. When an old asset is taken over by a new owner with a responsibility to maintain the superior service standards which were not supported by the existing infrastructure and bottlenecks, it is akin to a greenfield asset from the operations perspective.

The Authority in case of Bengaluru International Airport Limited (BIAL) has approved cost of Rs. 46 Crs for ORAT during tariff determination of third control period (refer page no. 252 of Order No. 11/2021-22 for BIAL Third Control Period).

- We had earlier submitted to the Authority that various clauses in the Concession agreement mandated certain activities/obligations to be performed by the Airport Operator prior to COD so that the transition from AAI to AO is smooth. These activities covered many areas like operational readiness, familiarization & training, Trial programs, Airport facility assessment, Capability building & human resource management, observation period financial closure etc. Being an operating Airport, these were important from the perspective of Airport users and passengers as

well. It appears from the CP that the same has not been taken cognizance of by the Authority. Hence, we are reproducing the relevant provisions of the CA for your ready reference:

Extract of relevant clauses from the Concession Agreement: Clause 16.5 Observation Period prior to COD: There was a requirement to have 60 days of observation period before COD whereby Concessionaire's team was to work along with AAI's team to understand the Airport operations. In order to have a dedicated Airport team to be ready for participation in Observation period Concessionaire is required to hire personnel well before the time.

Further As per Clause 5.8 of the CA, Concessionaire is obligated to have trained personnel employed all the time. Before taking over the Airport, the AO is required to hire people who are trained to take care of safe operations of the Airport.

As per Clause 4.1.3 of the CA, as a condition precedent; Concessionaire needs to fulfill the following activities: -

Particular	Details
Submission of PBG within 120 days of signing of CA	Submission of PBG requires engagement with various Banks, lenders and financial institution. This also requires dedicated finance team to work with various financial institutions.
Procure all the applicable permits	All the necessary applicable permits need to be obtained which encompass all the functions of the Airport: - Operational like CTO, Fire NOCs, Clearance of BoD Financial – GST / PAN / TAN Engineering & Maintenance – Travelators, Weights & Measures, Single Line, HR Compliances – Shops & Establishment / ESI / PSF / CLRA Security – Clearance of Aviation Security Program In order to process and obtain the necessary applicable permits adequate manpower had to be onboarded well before the COD so that necessary applications are made timely, and approvals are obtained.
List of construction works to be undertaken in the first seven concession years	In order to provide list of construction works, Master planning needed to be undertaken which required engagement of master planner, designer, architects, town planners etc. Further under clause 5.12 of the CA Obligations relating to aesthetic quality of the Airport it is stated that "The Concessionaire shall engage professional architects and town planners of repute for ensuring that the design of the Airport meets the aforesaid aesthetic standards"

Clause 6.4.5 Works In Progress: - Concessionaire is obligated to pay CWIP amounts to AAI. "The Parties shall constitute a committee comprising representatives of the Concessionaire, Authority and each of the counterparties under such contracts, which committee shall be responsible for: (a) facilitating any discussions and/ or interactions amongst AAI, the Concessionaire and the counterparties under such contracts, including in respect of any modifications to the works, and (b) coordinating, facilitating, and monitoring the progress of such works-in-progress."

In order to assess, the works in progress both physical and financials, necessary teams were engaged from master planning, designing, asset health check, vendor management and financial experts.

Clause 10.2 Lease, Access, and Right of Way: Concessionaire is allowed to take necessary surveys, investigations etc of the property prior to COD to assess various risks associated with the site. This activity required engagement of various experts and agencies.

Clause 10.3 Procurement of the Site: Both AAI and Concessionaire need to undertake joint inspection of site, inventory of buildings, structures, roads works etc. This required dedicated finance, operations and engineering & maintenance team in place to do the joint inspection and asset health check.

Clause 15.1 / 26.1 Commercial Operation Date / Financial Close: In order to achieve COD, financial close is a mandatory requirement. To make financial projections necessary studies were

required to be undertaken like traffic study, revenue potential study, capex planning based on master planning, estimation of capex, operating cost estimation, engagement of financial consultant, financial modelling etc. This required engagement of consultants and also in-house corporate finance team.

Clause 18.17 Maintenance Programme :- On or before COD, Concessionaire needs to submit detailed Maintenance Programme which shall include: (a) preventive maintenance schedule; (b) arrangements and procedures for carrying out urgent repairs; (c) criteria to be adopted for deciding maintenance needs; (d) intervals and procedures for carrying out inspection of all elements of the Airport; (e) intervals at which the Concessionaire shall carry out periodic maintenance; (f) arrangements and procedures for carrying out safety related measures; and (g) intervals for major maintenance works and the scope thereof.

In order to prepare the Maintenance Programme a dedicated Engineer's team involvement was required. Further this required investigation and detailed health study of the existing assets. The detailed study was conducted by engagement of both in-house team and expert consultants.

Clause 28.1 Collection of Fees by the Concessionaire: On and from COD and till the Transfer Date, the Concessionaire has the sole and exclusive right to demand, collect and appropriate Fees from the Users for the provision of the Aeronautical Services and Non-Aeronautical Services, including the airlines and passengers, in accordance with the provisions of the Regulatory Framework.

In order to collect the fees from COD onwards necessary IT infrastructure was required to be set up which included SAP, AODB, AOCC, Billing Systems, Passenger Data Collection System. In addition, it required Engagement of Finance team, assessment of existing IT Infrastructure, engagement of IT experts and experts who understood the regulatory framework.

Clause 28.8 Display of Aeronautical Charges: Website was required to be ready and necessary aeronautical charges needed to be provided on the website. This required creation of websites, domains, engaging IT experts, domain experts, experts from regulatory framework etc.

Clause 30.3 Insurances: No later than 30 (thirty) days prior to commencement of the Concession Period, the Concessionaire shall by notice furnish to the Authority, in reasonable detail, information in respect of the insurances that it proposes to take. This required engagement of insurance agents, risk measurement, assessment of asset value, risk mitigation plan etc.

Various other requirements under the CA which entailed onboarding of personnel/consultants: -

- Operational SOPs
- Clause 23 - Readiness of Performance Measurement Plan
 - Schedule H - to obtain ACI Membership
- Schedule 1 - Submission of Aerodrome Emergency Plan prior to COD
- 18.15.4 Establishing Airport Safety Management Unit (ASMU)
- Formation of various committees - JCC for CNS ATM, MoU, Capex, Right of Way
- Aeronautical Information Services
- Apron Management Unit



- *With respect to the comments of the Authority that there is no provision in the CA which specifically permits these expenditures to be capitalized, we would humbly submit that the CA specifically provides for restrictions on some expenditure not to be considered as passthrough for example monthly concession fees. There is no clause in the CA which restrains the expenses incurred before COD to be sought as pass-through, as there is no ambiguity that these expenditures are part of the audited financial statements and are genuine, legitimate and were essential for smooth airport functioning on transition.*
- *Though the Airport was operational before COD, the expenses incurred by AIAL before COD are pre-operative in nature and should be allowed as RAB either by way of it is capitalization and allocation to various assets or capitalized as separate asset as Intangible.*
- *From the foregoing submissions, the Authority would appreciate that without having proper manpower and professional support it would not have been possible to achieve transition of airport from AAI to AO as mandated under the CA. These activities were required to be performed prior to COD. Hence, the expenditure incurred by the AO to achieve successful COD are essential, genuine, and legitimate. Accordingly, we request the Authority to at least take into account the expenditure incurred by us under this head, post issue of LOA by AAI till COD i.e., Rs.23.82 crores against Rs. 25.55 crores claimed by us. In case the Authority believes that the same cannot be allowed to be capitalized as intangibles for the purpose of arriving at RAB, we request the Authority to allow the same as expenses in the FY20-21 for calculation of ARR. Not considering this expenditure for calculation of ARR would tantamount to penalizing the AO for a successful COD with smooth transition in an operating Airport."*

Other Stakeholders' comments regarding true up of Regulatory Asset Base for the Second Control Period post-COD

- 5.4.10. APAO has submitted that, "Earlier in month of September 2022, we provided our comments on the Consultation Paper for Mangaluru Airport, we look forward for the final order to be released by the Authority and to provide clarity on the important points pertaining to the principles to be adopted for these new Concession Agreement. The approach to be adopted by the Authority is keenly awaited by the private operators, lenders, investors who have shown faith in the Aviation sector. Most of the issues which APAO would like to raise in the SVPIA's Consultation Paper are of similar to that of Mangaluru Airport. Accordingly, APAO drew reference to its comments regarding "Intangible assets (Pre-COD expenses) not allowed for purpose of tariff determination" given on the Consultation Paper No. 07/2022-23 for Mangaluru International Airport.

AIAL's responses to Stakeholders' comments regarding true up of Regulatory Asset Base for the Second Control Period

- 5.4.11. AIAL's response to the Stakeholder comment with respect to true up of Regulatory Asset Base for the Second Control Period is presented below.
- 5.4.12. With respect to APAO's comment regarding Intangible assets, AIAL has stated that APAO has supported AIAL's submissions and comments relating to intangible assets. AIAL has also submitted its detailed explanations and justifications on all the matters as part of its response to the Consultation Paper. Further, AIAL requests the Authority to consider the well-reasoned comments provided by AIAL which are duly supported by the aforementioned Stakeholder.



Authority's analysis of Stakeholders' comments on true up of RAB for the Second Control Period post-COD

- 5.4.13. With respect to the AO's comment as per Para 5.4.8, the Authority has reviewed the comments provided by the AO and has provided its views in Para 7.12.2.
- 5.4.14. The Authority has examined the comments raised by the AO and APAO regarding the inclusion of pre-COD expenses for the purpose of tariff determination, and has provided its views as given hereunder:
- i. The Authority has studied the provisions of the Concession Agreement and based on those the decisions have been taken on merit in this Tariff Order.
 - ii. There is no provision in the Concession Agreement to consider these costs incurred by the AO prior to COD. It would not be appropriate to draw a comparison with Operational Readiness and Airport Transfer (ORAT) activity, which is a widely accepted practice for operationalizing greenfield airports and for which specific provisions and scope of inclusion is defined in the respective airports' concession agreement.
 - iii. The purpose of AAI deputing its Senior Personnel prior to COD and their continuation at the airport for the period of 3 months after COD is primarily to ensure that the relevant knowledge and experience of the operation and management of SVPIA is transferred to the AO. Therefore, the deputation of such staff is relevant towards the objective of smooth transition of the airport from AAI to AO, and fulfilment of the terms of the CA.
 - iv. Furthermore, the Authority notes that as per Clause 15.1.2 of the Concession Agreement, the Concessionaire is mandated to achieve COD within 180 days from the date of the Concession Agreement.
 - v. In summary, AAI deputed its staff and management personnel to the Airport during the transition period, including prior to the COD and the cost of such personnel was paid by the Airport Operator. Additionally, Adani Group also had to depute its own manpower from other group entities. The Authority has accordingly decided to consider salary expenses pertaining to such Adani Group entities for the period of six months prior to COD, i.e., from 06th May 2020 to 06th November 2020, for the purpose of tariff determination.
 - vi. Further, on a detailed examination of the costs (department-wise) of manpower deputed by the Adani Group for the above-mentioned period of 6 months, the Authority notes that the manpower deputed for certain functions such as Commercial ought to be excluded. Further, the Authority has rationalized the headcount submitted by the AO for certain other functions such as, IT, Operations, Security, Techno Commercial, etc. to derive the allowable expenses, as shown in the table below. The exclusion of employees in the Commercial department and rationalisation of employee headcount resulted in the reduction of the salary expenses from INR 24.35 Cr to INR 10.53 Cr.
 - vii. The proportion of such Adani group expenses allocable towards AIAL has been determined in the proportion of Estimated Deemed Initial RAB and CWIP of AIAL to the total Estimated Initial RAB and CWIP of all 3 airports (Mangaluru, Lucknow and Ahmedabad), as submitted by AAI at the time of the Letter of Award.
 - viii. The Authority has decided that the bid expenses incurred prior to the date of Letter of Award of AIAL, and expenses incurred between the date of Concession Agreement and COD (other



than as specifically considered above), as submitted by the Airport Operator would not be considered for tariff determination.

- ix. Further, the Authority notes that salary expenses (INR 1.27 Cr.) were incurred by AIAL during the observation period of 60 days as per clause 16.5 of the Concession Agreement, wherein the new Concessionaire's team had to work along with AAI's team to understand the Airport operations. The aforementioned costs have been considered in the tariff determination process.
- x. Based on the above, the total costs pertaining to Salary expenses prior to COD, as allowable for the purpose of true up of AIAL is determined as follows:

Table 59: Allowable costs pertaining to pre-COD expenses

Entity	Period	Total Allowable (INR Cr.)	% attributable to SVPIA	True up (INR Cr.)
Adani Group	06 th May 2020 – 06 th Nov 2020	10.53	26.4%*	2.78
AIAL	07 th Sep 2020 – 06 th Nov 2020	1.27	100%	1.27
Total				4.05

*Ratio of Estimated Deemed initial RAB and CWIP of AIAL to the total Estimated Initial RAB and CWIP of all 3 airports (Mangaluru, Lucknow and Ahmedabad)

- xi. The Authority, based on the above analysis and considering all the necessary clauses of the Concession Agreement, (including achievement of COD within 6 months from the date of CA), wherein a new Concessionaire has to perform, with involvement of Senior executives, certain obligatory/ statutory pre-COD functions such as operational readiness, familiarization & training, Trial programs, Airport facility assessment, Capability building & human resource management, observation period, etc., decides to allow INR 4.05 Cr. (as determined in the table above) as part of the O&M expenses.
- xii. The Authority has considered such expense, as part of O&M expenses, only for the period of 6 months prior to COD, in order to facilitate smooth transition of the Airport from one airport operator (AAI) to another (new Concessionaire).

5.4.15. Considering the above mentioned analysis of the Stakeholders' comments, the Authority has decided to consider the RAB based on actuals for true up of the Second Control Period (post-COD), consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23. The RAB considered by the Authority for true up of the Second Control Period (post-COD) is given in Table 58.

5.5. True up of Depreciation

5.5.1. For the purpose of true up, AIAL had calculated depreciation for the period from COD till 31st March 2021, based on their determination of remaining useful life of assets. AIAL had also submitted a technical evaluator's report in this regard.

Authority's examination and proposal regarding true up of Depreciation for the Second Control Period from COD till 31st March 2021 at the Consultation stage

5.5.2. The study on the allocation of assets, examined the useful lives considered by AIAL and noted that for certain assets, AIAL has considered a useful life that is different from that specified in AERA Order No. 35/2017-18 dated 12th January 2018. The observations and adjustments made by the Study in this regard are as follows:

- For certain software, AIAL had considered a useful life of 6 or 4 years, whereas for the remaining software a useful life of 3 years has been considered. AERA Order No. 35/2017-18 dated 12th

January 2018 states that useful life of Computer Software can be considered as estimated by the Airport Operator if the same is supported by Technical Justifications.

- Since the technical evaluator's report submitted by AIAL mentioned the useful life of Software as 3 years, the study on the allocation of assets recomputed the depreciation for software considering a useful life of 3 years.
- The details of the assets for which the useful life has been revised by the study on the allocation of assets are given below:

Table 60: Assets for which the useful life was revised by the Study

Description	Asset Category	Useful life in years as per	
		AIAL	Study
DOMESTIC APRON, LINK TAXI TRACK EXTENSION	Runways, Taxiway and Apron	20	30
AHMEDABAD OFFICE SAFE TOUCH COATING	Building	10	30
AHMEDABAD OFFICE 1ST FLOOR INTERIOR WORK	Building	10	30
CONST.OF VISITORS LOUNGE	Building	25	30
BIOMETRIC ACCESS CONTROL SYSTEM AT AIRPORT	Plant & Machinery	7/6	15
BATTERY OPERATED FORKLIFT, CAP:3MT	Plant & Machinery	7/6	15
SAP RE-FX	Computer Software	6	3
GALAXY SOFTWARE	Computer Software	6	3
SURFACE PRO EHS SOFTWARE	Computer Software	4	3
SURFACE PRO EHS SOFTWARE	Computer Software	4	3

- Based on the revised useful lives, allocation of assets and date of capitalisation, the study on the allocation of assets (summary of the study is given in Annexure 2) recomputed the depreciation for each asset for the period from COD to 31st March 2021.
- Other than the assets capitalised by AIAL, the existing assets that were transferred from AAI to AIAL also formed a part of the RAB of AIAL. The gross value of these assets is INR 711.51 Cr (INR 690.69 + INR 20.82 Cr.). Hence, the Study had determined the depreciation for such existing assets as well.

5.5.3. Based on the above, the Authority proposed to recompute the Depreciation for true up of AIAL for the Second Control Period (post-COD) considering the recommendations of the Study on Allocation of Assets.

Table 61: Depreciation proposed by the Authority for true up of Second Control Period (post-COD)

Particulars (INR Cr.)	FY 2021 (post-COD)
Aeronautical Depreciation on new assets capitalised by AIAL (A)	0.71
Aeronautical Depreciation on existing assets transferred from AAI to AIAL (B)	10.98
Total aeronautical depreciation for FY 2021 (post-COD) (A + B)	11.69

Stakeholders' comments on true-up of depreciation for the Second Control Period post-COD

5.5.4. There were no Stakeholder comments with respect to true up of depreciation for the Second Control Period post-COD.



Authority's analysis of Stakeholders' comments on true up of depreciation for the Second Control Period post-COD

- 5.5.5. There are no changes to the depreciation of AIAL from that considered at the Consultation Stage. The Authority decides to consider depreciation of AIAL for FY 2021 post COD as per Table 61.

5.6. True up of Fair Rate of Return

- 5.6.1. AIAL submitted the FRoR in their true up submissions as shown in the following table

Table 62: AIAL's submission of FRoR for true up of Second Control Period post COD

Particulars (In %)	FY 2021 (post-COD)
Cost of Equity (A)	17.30 %
Cost of Debt (B)	12.00 %
Gearing: Percentage of debt (C)	48.00 %
FRoR $[(A \times (1 - C) + B \times C)]$	14.76 %

Authority's examination and proposal regarding true up of FRoR for the Second Control Period from COD till 31st March 2021 at the Consultation stage

- 5.6.2. The Authority noted that AIAL, in its MYTP, had assumed a uniform FRoR from COD till end of the Third Control Period. AIAL had considered the Cost of Equity to be 17.30% based on their consultant's report and had assumed the Cost of Debt to be 12.00% and Gearing to be 48%.
- 5.6.3. However, as per the Tariff Order No. 14/2018-19 dated 23rd July 2018 in the matter of determination of aeronautical tariffs in respect of Sardar Vallabhbhai Patel International Airport, Ahmedabad (SVPIA) for the Second Control Period, the Authority had decided to consider the FRoR for SVPIA for the First and Second Control Periods as 14% (Decision No. 9.a).
- 5.6.4. Therefore, the Authority proposed to consider the FRoR for true up of the Second Control Period as 14% in line with the decision taken at the time of determination of tariffs for SCP considering that the Airport Operator had operated the Airport only for a period of five months in the Second Control Period. AERA will consider the FRoR for the Airport Operator in line with other PPP airports from the next Control Period.
- 5.6.5. Since AIAL had operated the Airport for only 145 days in FY 2021, the Authority proposed to consider a pro-rated FRoR for the period post COD in FY 2021. The pro-rated FRoR had been computed below as per the approach detailed in Para 4.7.5.

Table 63: FRoR proposed by the Authority for true up of AIAL for SCP (post-COD)

Particulars (%)	FY 2021 (post-COD)
FRoR (A)	14.00%
Number of days of operations in FY 2021 (B)	145
Equivalent FRoR for FY 2021 (post-COD) $(A \times B \div 365)$	5.56%

Stakeholders' comments on true-up of FRoR for the Second Control Period post-COD

- 5.6.6. During the Stakeholder consultation process, the Authority has received a comment from a Stakeholder in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to true up of FRoR for the Second Control Period. The comment by the Stakeholder is presented below.

Other Stakeholders' comments on true-up of FRoR for the Second Control Period post-COD

- 5.6.7. FIA stated that - *"Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs. Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines. We observe that Fair Rate of Return of 14% provided to Airport Authority of India ("AAI") is higher than comparison to the same being given to the present Airport Operator i.e. AIAL@ 12.21% (Refer 8.2.10 of the CP). Without prejudice to (a) above, there appears no rationale to provide higher return to AAI in comparison to AIAL and accordingly AERA may reduce the FROR suitably"*

AIAL's responses to Stakeholders' comments regarding true up of FRoR post-COD

- 5.6.8. AIAL's response to the Stakeholder comment with respect to true up of FRoR for the Second Control Period post-COD is presented below.
- 5.6.9. With respect to FIA's comment, AIAL stated that - *"As far as issue of airport charges leading to higher costs for airlines is concerned, we would like to state that the airport charges form 6-8% of the total operational cost of Airlines (based on the study of annual reports/financials available in public domain of listed Indian airlines such as Indigo, SpiceJet etc.). Hence, contribution of Airport Charges to the Airline cost structure is very limited and of lower significance as compared to other higher-impact costs such as fuel, aircraft leases, aircraft maintenance costs, salaries etc. In respect to FRoR, we would like to clarify that Authority has allowed FROR of 14% to AAI for true up purpose and also allowed FROR of 14% to AO for true up of 5 months from COD to March-2021, as no debt was raised by AAI or AO during the relevant period. For TCP, Authority has allowed FRoR of 12.21%. However, AIAL is seeking FRoR of 14.76% based on cost of equity of 17.30% as determined by the independent study done for AIAL and cost of debt of 12% as per actuals. If Airport Operators are not given suitable returns on their investment, the development and upgradation of such infrastructure facilities will not be of the level as expected by the Governments, Aviation Industry and Users. As far as efficiency is concerned, Airport operator has done analysis of all expenses, capital or operational, and has projected the expenses after factoring necessary efficiencies like vendor consolidation, bundling of procurement etc."*

Authority's analysis of Stakeholders' comments on true up of FRoR for the Second Control Period post-COD

- 5.6.10. With respect to FIA's comment, the Authority's views as provided in case of AAI may be referred to (Refer Para 4.7.12 of this Tariff Order).
- 5.6.11. Considering the above mentioned analysis of the Stakeholders' comments, the Authority has decided to consider the FRoR consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23. The FRoR considered by the Authority for true up of the Second Control Period (post-COD) is given in Table 63.



5.7. True up of Operating Expenses

- 5.7.1. AIAL had submitted aeronautical O&M expenses for true up of the Second Control Period (post-COD) as given in the table below.

Table 64: Breakup of the various O&M expenses as per AIAL

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Manpower expenses - AAI employees	12.13
Manpower expenses - AIAL employees	13.58
Utility expenses	6.26
IT expenses	1.78
Rates & taxes	1.20
Security expenses	1.46
Security others	-
Corporate Allocation	6.98
Administrative Expenses	3.94
Insurance	0.85
R&M	10.37
Others	10.27
Runway recarpeting	-
Total	68.83

- 5.7.2. However, vide their email dated 20th April 2022, AIAL requested that, *"We found that we have missed to include the Bank and Other finance Charges in the True-Up for FY21, though the same is included while projecting the next control period ARR. The amount can be verified from Financial statements schedule 22 and also from the MYTP sheet "Master Actuals Cell J107". You may kindly consider the same while assessing the True-up for FY21."*
- 5.7.3. Accordingly, the Bank and Other finance Charges had been taken into consideration for the assessment of O&M expenses of AIAL for FY 2021.
- 5.7.4. Similarly, vide their email dated 07th June 2022, AIAL requested that, *"We noted that we have missed to include Utility Charges of Rs. 4.34 Lakhs and O&M Expenses of Rs. 12.36 Lakhs (both pertaining to Cargo) in the True Up for FY 21, though the same included while projecting the next control period ARR. The amount can be verified from the MYTP sheet "Master Actuals-Linked" Cell "J82" and "J84" respectively for utility charges and O&M expenses. You may kindly consider the same while assessing the True-up for FY21."*
- 5.7.5. Accordingly, the cargo related expenses had been taken into consideration for the assessment of O&M expenses of AIAL for FY 2021.
- 5.7.6. The following table shows the breakup of the various O&M expenses as submitted by AIAL after including the above mentioned expenses.

Table 65: Revised breakup of the various O&M expenses as per AIAL for SCP (post-COD)

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Manpower expenses - AAI employees	12.13
Manpower expenses - AIAL employees	13.58
Utility expenses	6.26
IT expenses	1.78

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Rates & taxes	1.20
Security expenses	1.46
Security others	-
Corporate Allocation	6.98
Administrative Expenses	3.94
Insurance	0.85
R&M	10.37
Others	10.27
Runway recarpeting	-
Utility expenses (Cargo)	0.04
Cargo expenses	0.12
Bank and Other finance Charges	2.12
Total	71.11

Authority's examination and proposal regarding true up of Operating Expenses for the Second Control Period from COD till 31st March 2021 at the Consultation stage

- 5.7.7. In order to ascertain the reasonableness of the operating expenses of AIAL, the Authority had decided to conduct a study on efficient O&M expenses for SVPIA (summary of the study is given in Annexure 3). Additionally, the study on efficient O&M expenses for SVPIA also examined the allocation of the expenses into Aeronautical, Non-aeronautical and Common. The Common expenses were further bifurcated between Aeronautical and Non-aeronautical using suitable ratios.
- 5.7.8. Based on the outcomes of the study on efficient O&M expenses for SVPIA, the Authority had made the following observations regarding AIAL's submission of O&M expenses under various heads for the Second Control Period (post-COD):

a) Employee Expenses – Select employees:

Observation: The Authority noted that AIAL had considered the expenses incurred towards the Select employees as 100% Aeronautical, in line with the Clause 6.5 of the Concession Agreement between AAI and AIAL. However, the Authority on examination of the relevant clauses of the Concession Agreement had considered the employee expenses of AAI employees up to 'Deemed Deputation Period' as Common, since the employee expenses of AAI pertains to both Aeronautical and Non-aeronautical activities. Accordingly, the Authority had bifurcated the employee expenses of AAI employees up to 'Deemed Deputation Period' in the employee ratio of 98.67 : 1.33 (Aeronautical: Non-aeronautical), as submitted by AIAL.

Impact: The impact of the above mentioned revision led to the reduction of employee expenses of the Select employees by INR 0.16 Cr. in the Second Control Period (post-COD).

Reference: Para 6.1.14 to Para 6.1.16 and Para 6.1.19 of the Study on Efficient Operation and Maintenance Expenses.

b) Employee Expenses – AIAL employees:

Observation: The Authority noted that as per the MYTP submission of AIAL, there were 180 Select employees (from AAI) who are deployed at SVPIA since COD. Since these employees are expected to continue serving the airport until the end of the Deemed Deputation Period (i.e., till 3 years from

COD), the need for 122 AIAL employees over and above the above mentioned 180 Select employees appears to be unreasonably high, especially in the first five months of operations. Hence, the Authority had proposed to make certain adjustments to the employee ratio of AIAL.

Impact: The revision in the employee ratio resulted in a reduction of employee expenses of AIAL employees by INR 3.63 Cr in the Second Control Period (post-COD).

Reference: Para 6.1.17 to Para 6.1.19 of the Study on Efficient Operation and Maintenance Expenses.

c) A&G Expenses:

Observation: The Authority noted that the allocation of certain expenses require revision. For e.g., AIAL has bifurcated Rates and Taxes using the Terminal Area Ratio, whereas the taxes are Common for the entire airport and not just for the terminal building. Hence the Authority had reallocated the taxes using the Gross Block ratio. Similarly, the Authority proposed to allocate the expenses based on the nature of each expense as recommended by the Study on Efficient O&M Expenses.

Impact: The impact of the above mentioned revision was a reduction of A&G expenses by INR 0.21 Cr in the Second Control Period (post-COD).

Reference: Para 6.1.21 to Para 6.1.24 of the Study on Efficient Operation and Maintenance Expenses

d) R&M expenses

Observation: The Authority noted that AIAL had used the terminal area ratio of 94.9 : 5.1 (aeronautical : non aeronautical) for the allocation of R&M expenses irrespective of the nature of expenses. However, the Authority proposed to bifurcate the various line items on basis of the nature of expenses as recommended by the Study on Efficient O&M Expenses for SVPIA. Further, the aeronautical R&M expenses of INR 10.41 Cr. as proposed by the Authority (post reallocation) was compared as a percentage of the opening RAB of AIAL in a similar manner as done in the case of AAI. The Authority noted that the extrapolated R&M expense (INR 26.25 Cr.) was found to be greater than 6% of the opening RAB of AIAL. Hence, the Authority proposed to rationalise the R&M expenses of AIAL at 6% of opening RAB.

Impact: The above mentioned reallocation resulted in an increase of R&M expenses by INR 0.04 Cr. Further, the rationalisation of the R&M expenses led to an overall reduction of INR 3.23 Cr in the R&M expenses in the post-COD period.

Reference: Para 6.1.33 to Para 6.1.42 of the Study on Efficient Operation and Maintenance Expenses

e) Corporate support services expenses (CSS)

Observation: The Authority noted that CSS expenses as submitted by AIAL comprised of inhouse legal team expense amounting to INR 0.44 Cr. However, the Authority proposed to exclude this in house legal team expense as recommended by the Study on Efficient O&M Expenses for SVPIA. Further, the Authority noted that the AO had segregated expenses towards Corporate Allocation Cost in the Initial RAB ratio of 97.7:2.3 (aeronautical : non- aeronautical). However, the Authority proposed to bifurcate this expense in the ratio of Employee Headcount as recommended by the Study on Efficient O&M Expenses for SVPIA.



Impact: The above mentioned revision resulted in a reduction of CSS expenses by INR 0.73 Cr.

Reference: Para 6.1.25 to Para 6.1.32 of the Study on Efficient Operation and Maintenance Expenses.

f) Other outflow expenses

Observation: The Authority noted that the allocation of various expenses require revision. For e.g., AIAL had bifurcated the expenses towards In-Line Baggage Screening System (ILBS) Screeners using the Terminal area ratio, the Study on Efficient Operation and Maintenance Expenses reclassified the same as 100% aeronautical, since the expense is airport security related. Therefore, the Authority proposed to reallocate certain expenses based on the nature of expenses as given in Table 69 of the Study on Efficient Operation and Maintenance Expenses.

Impact: The above mentioned revision resulted in a reduction of INR 2.98 Cr. in other outflows

Reference: Para 6.1.46 to Para 6.1.55 of the Study on Efficient Operation and Maintenance Expenses

- 5.7.9. Based on the analysis of AIAL's submissions, the recommendations made by the Study on Efficient O&M Expenses for SVPIA (summary of the study is given in Annexure 3), the Authority had proposed the following operations and maintenance expenditure for true up of AIAL for the Second Control Period (post-COD) at the Consultation stage.

Table 66: Aeronautical O&M expenses proposed by AERA for true up of SCP (post-COD) at the Consultation stage

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Payroll expenditure – AAI employees	11.97
Payroll expenditure – AIAL employees	9.95
A&G expense	5.78
CSS expense	6.25
Utilities	6.31
R&M expenditure	7.19
Other outflows	12.76
Total*	60.21

**Note: Refer Table 74 of the Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 3).*

Stakeholders' comments on true-up of Operating expenses for the Second Control Period post-COD

- 5.7.10. During the Stakeholder consultation process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to true up of Operating expenses for the Second Control Period. The comments by Stakeholders are presented below.

AIAL's comments regarding true up of Operating expenses for the Second Control Period post-COD

- 5.7.11. With respect to AERA's proposal as per Para 5.7.8. page 72 of Consultation Paper No. 10/2022-23 relating to Rationalisation of O&M expenses, AIAL stated that:

- "In Respect of Employee Headcount, we would like to submit that the Hon'ble Supreme Court vide its judgement dated 1st July 2022 in respect to tariff appeals of First Control Period of DIAL and MIAL has recognized the importance of employees from both AAI and DIAL to work in

tandem in the transition phase. Relevant extract of para 65 of the judgement is reproduced below: "The principle of economic efficiency incorporated in SSA only means that there should be no extra cost included which does not affect the efficiency of the system. It can hardly be said that the system could have worked in the relevant year without the AAI manpower. No doubt it was a transition phase which required both sets of manpower to work in tandem towards the efficiency levels. The relevant aspect is that as and when AAI started pulling out their manpower, DIAL supplemented the manpower. That manpower supplemented may be less or more is not relevant. In the year in question, the presence of both sets of manpower was necessary for the efficient functioning and the manpower of DIAL was in the learning process. This learning curve cannot be excluded on the ground of not being relatable to economic efficiency. It can hardly be called duplication of work even though it may in some sense add to the value of HRAB but that is a natural corollary. The parties to the contract were quite conscious of this ramification as they knew the methodology which would be adopted for the takeover of the airport."

- The reason mentioned by the Authority for rationalization of manpower is that 122 employees by the AO appears to be unreasonably high. AIAL would like to submit that the reasons provided by the Authority lacks consistency with its own Independent Study of O&M. As per point 4.5.5 of Study of O&M, it is mentioned that "Based on global benchmarks, the level of staffing for an airport is generally considered to be optimum when the number of passengers per employee is around 15000-17000". Ahmedabad Airport had achieved Pre- COVID traffic of 11.43 million in FY19-20 and based on aforesaid global benchmark it should have at least employees of 760 ($11.43 \times 10^6 / 15000$). AERA in its Study for O&M point 7.3.3 has acknowledged that Ahmedabad Airport was understaffed Airport. The relevant extract is 7.3.3. From the above figures and table, the following observations may be gathered: Though Ahmedabad airport has the highest average salary among the comparable airports, it is the most understaffed among them. SVPIA handles the highest number of passengers per employee (~250k PAX per employee) which is nearly 3x of that of Cochin, almost 2x of that of Bangalore, Hyderabad and Chennai Airports.
- We would like to bring to the kind attention the manpower requirements at PPP Airports: - Hyderabad Airport in the First Control Period had manpower of over 400 when the traffic for the Airport was 6 mppa. In Study for O&M Page no. 92, it is mentioned that "The Study compared the department wise head count at the other PPP airports and could not find reference to security departments at other airports" Extract from Hyderabad Airport FCP MYTP Submission

GMR HYDERABAD INTERNATIONAL AIRPORT LIMITED

Form F11(a) - Employees Strength Ref. section 4.5.5.5

S. No	Particulars with detailed breakup	Actuals 2009-10	Actuals 2010-11	Projected 2011-12	Projected 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16
A	Total 1 (GHIAL)	554	534	587.4	587.4	587.4	646.14	646.14
B	Total 2 (GADL + GHIAL)							
1	BCO & MD's off.	4	3	3	3	3	4	4
2	CEO's office	1	5	5	6	6	6	6
3	Commercial	19	22	24	24	24	27	27
4	Corp. Comm.	5	5	5	6	6	6	6
5	CR & Conn.	29	28	31	31	31	34	34
6	Expts	4	2	2	2	2	2	2
7	F & A	36	44	48	48	48	53	53
8	Bus Excellence	0	4	4	4	4	5	5
9	HR	15	15	17	17	17	18	18
10	FMS	9	7	8	8	8	8	8
11	Legal	6	6	7	7	7	7	7
12	Operations	241	226	249	249	249	273	273
13	CPD	2	5	6	6	6	6	6
14	Security	150	132	145	145	145	160	160
15	Aerospace Buss	12	4	4	4	4	5	5
16	Cargo	4	6	7	7	7	7	7
17	SPG	5	6	7	7	7	7	7
18	New ABD	4	4	4	4	4	5	5
19	GMRV	8	9	10	10	10	11	11
20	Aviation Academy	2	1	1	1	1	1	1
	Total Direct Nos	416	396	436	436	436	479	479
	Indirect Nos	138	138	145	145	145	160	160
21	Technical Services							
22	IT							

- *Hyderabad Airport since inception has department of Security with over 150 people as provided in the above table when the traffic was 6 million. You may also refer below point for listing of DIAL Manpower and separate department for Security.*

The comment in the Study of O&M report reflects that no real comparison is done with PPP Airports.

- ***Regarding the Authority's proposal to reduce Security Department manpower from 16 to 5, In addition to above comparison of Hyderabad Airport, we would like to place the following facts: As per clause 18.11.3.e) of the CA, AO shall adhere to the security measures laid down by the BCAS and DGCA. As per clause 19.1.2 of the CA, "Without prejudice to the generality of this Article 19, the Concessionaire shall ensure that the Aeronautical Assets at all times comply with the regulations relating to the safety and security of the Users, life and property, at the Site" Further, as per Clause 20.3 of the CA,***

20.3.1 The Concessionaire shall procure the provision of security at the Airport, including for the prevention of terrorism, hijacking, sabotage and/or similar acts or occurrences, through the Designated GOI Agency, in accordance with the Applicable Laws.

20.3.2 The Concessionaire agrees and undertakes that the practices and procedures to be adopted for the security of the Airport, Users, and persons working at the Airport and other persons or property at the Airport shall be in accordance with the guidelines prescribed by the BCAS or Designated GOI Agency.

Clause 20.6 of the CA also specifies that The Concessionaire agrees and undertakes that it shall, at all times during the Concession Period: (c) comply with all rules, regulations and guidelines prescribed by BCAS or the Designated GOI Agency, in connection with the security of the Airport and provide and maintain perimeter fencing or other appropriate protection around the Airport; (d) provide and maintain all the security equipment as may reasonably be required by BCAS or the Designated GOI Agency from time to time Clause 21.4 of the CA mentions that "The Concessionaire shall, prior to the close of each day, notify the Authority and Designated GOI Agency, by facsimile and e-mail, a report stating accidents and unusual occurrences on the Airport relating to the safety and security of the users and Airport weekly and monthly summary of such reports shall also be sent within 3 (three) days of the closing of each week and month, as the case may be. For the purposes of this Clause 21.4, accidents and unusual occurrences on the Airport shall include: (n) any incident of breach of security at the Airport

Apart from the above requirements mentioned in the Concession Agreement, it is to be noted that: - Ahmedabad airport is one of the hypersensitive airports and thus to ensure proper safety and security of the premises, AIAL has to deploy manpower in security department to liase / deal with Designated GOI agencies such as BCAS/CISF - Also, AIAL has to perform the function of pass section for providing entry passes / AEP / temporary AEPs to the airport users including various contractors, airlines/cargo/ground handling staff etc. - AIAL has also deployed security staff for monitoring the kerbside security for the airport and all compliances relating to AVSEC

Brief description of the roles of each of the employees under Security department.

Designation	Role Description	Head Count #
Chief Security Officer	Heading the Security function to maintain the airport in secured manner. Mandatory requirement to have a CSO for the Airport.	1
Lead - Avsec Audit & Compliance	Managing all aspects of security compliance at airport	1
Executive - Avsec Audit & Compliance	Supporting Lead - Avsec Audit & Compliance in Security Compliances	1

Designation	Role Description	Head Count #
Lead - Kerbside Traffic Management	Managing the traffic for Kerbside passenger and vehicular movements and ensuring safe and efficient traffic movement.	1
Lead - Security Automation	Ensuring enhanced usage of security solutions at airport with a view to enhance processing capacity with existing space / resources	1
Lead - ILBS	Managing the screening of passenger baggage through mix of human and system-based screening	1
Duty Manager - ILBS	Managing the baggage screening round-the-clock in shifts	3
Lead - Security Planning	Planning of Airport security operations and resource management	1
Lead - Pass section & AEP	Managing the activities of preparation and issuance of airport entry permits for Airport and its stakeholders	1
Executive - Pass Section	Supporting Lead - Pass section	1
Manager - CISF Liaisoning	Responsible to liaise with CISF team to obtain requisite support wherever needed	1
Duty Manager - Landside Security	Managing the security of landside area round-the-clock in shifts	3

- Regarding the Authority's proposal to reduce HR manpower from 12 to 3 we would like to place the following facts:

As per Clause 5.1.2 of the CA, AO is required to reimburse AAI Manpower salaries on monthly basis. Also, as per clause 6.5, AO is required to make offer to AAI employees within 90 days of COD. In order to perform these mandatory activities, Manpower are exclusively required for the following activity :-

Reconciliation of monthly Salary statement, Attendance of AAI manpower on manual basis, Co-ordination for AAI employee joining formalities, Handling complaints, industrial relations, managing grievance procedures and facilitating counselling, Engaging with AAI employees, Understanding the current skills, Organizing town halls, Working out suitable compensation package, Understanding the non-tangible benefits available to AAI employees, studying how the same can be factored in compensation package, Preparation of offer letters, Rolling out joining offers for over 170 employees within time bound manner.

Further AIAL being a separate entity has to fulfill various statutory obligations relating to PF, ESI, TDS, labor laws etc.

It would be observed that there was need for large number of HR manpower in the initial stage due to time bound requirements under the CA. Once these activities were performed the HR manpower were gradually reduced in FY 22. Hence the cost of HR manpower in FY 21 cannot be said to be unreasonable.

Brief description of the roles of each of the employees under Human Resource department is provided.



Designation	Role Description	Head Count #
Head - HR	Heading the function comprising of various roles to ensure continued availability of human capital	1
Lead - Talent Acquisition	Leading the process for recruiting, tracking and interviewing candidates, and onboarding new employees as per organizational needs	1
Executive - Talent Acquisition	Supporting Lead - Talent Acquisition	1
Lead - Compensation & Benefits	Overseeing employee compensation and benefits, compensation databases, job descriptions, benchmark compensation as well as annual performance reviews.	1
Lead - Talent Management	Leading the process of developing and retaining employees throughout	1
Lead - Training & Development	Leading the process of Identification, Design, co-ordination, organizing, and facilitating learning and development solutions	1
Lead - HR Ops	Leading the process for Employee Lifecycle management, implementing new company policies and maintaining internal HR systems	1
Lead - Admin	Managing the Office premises with requisite administrative facilities	1
Executive - Admin	Supporting Lead-Admin	1
Lead - IR	Co-ordination for AAI employee joining formalities, Handling complaints, industrial relations, managing grievance procedures and facilitating counseling	1
Lead - Employee Engagement & AAI Co-ordination	Engaging with AAI employees, Understanding the current skills, working out compensation plan and rolling out joining offers as per concession agreement	1
Lead - HR Compliances	Managing compliances with respect to PF, ESIC and other contract labour related compliances	1

- Regarding the Authority's proposal to reduce Engineering & Maintenance manpower from 10 to 2 we would like to place the following facts:

As per Clause 6.5.3 the senior management staff of AAI of the rank of DGM and above would not be available after 3 months from COD. As per requirement of CA, AIAL made offer to AAI select employee. However, nobody accepted the offer. It was necessary for AIAL to plan hiring and training for various roles.

As per Concession Agreement, an airport operator has to comply with following clauses from the Concession Agreement:

5.12 Obligations relating to aesthetic quality of the Airport. The Concessionaire shall maintain a high standard in the appearance and aesthetic quality of the Airport and achieve integration of the Airport with the character of the surrounding landscape through both appropriate design and sensitive management of all visible elements.

As per Clause 18.1.1 of the CA, The obligations of the Concessionaire hereunder shall include but not limited to: (f) ensuring that the Aeronautical Assets, including Runway, taxiways, aprons and approach areas are maintained and operated in accordance with the provisions contained in Applicable Laws, Applicable Permits and relevant ICAO Documents and Annexes (g) ensuring that Runway, including the strips, shoulders, stop way and runway end safety area for Runway and strips and shoulders for taxiways and isolation bays are maintained in accordance with the provisions contained in Applicable Laws, Applicable Permits and relevant ICAO Documents and Annexes (m) maintaining the Airfield Lighting System and the main and standby power supply systems in accordance with the standards prescribed in Applicable Laws and relevant ICAO Documents and Annexes, and DGCA Civil Aviation Requirements, as may be issued or updated from time to time, and relevant codes and standards;

Also, as per clause 18.1.3 of the CA, The Concessionaire shall maintain, in conformity with Good Industry Practice, all stretches of approach roads, over-bridges/ underbridges, over-passes, under-passes or other structures or utilities situated on the Site.

As per Clause 18.2 of the CA, The Concessionaire shall at all times comply with Applicable Law in the maintenance of the Airport and will maintain, keep in good operating repair and condition in accordance with Applicable Laws, Applicable Permits, the standards prescribed in the relevant ICAO Documents and Annexes and Good Industry Practice or renew, replace and upgrade to the extent reasonably necessary, the Airport. All maintenance, repair and other works shall be carried out in such a way as to minimize inconvenience to Users of the Airport.

Brief description of the roles of each of the employees under Engineering & Maintenance department is provided below

Designation	Role Description	Head Count #
Head - E&M	Heading the Engineering & Maintenance Function and ensure upkeep & maintenance of assets	1
Lead - E&M-Civil	Leading the maintenance and upkeep of Civil Structures, Buildings including follow up and review of outsourced agencies to ensure quality of work	1
Manager - E&M-Civil	Supporting the Lead - E&M-Civil in exercise of duties	1
Lead - E&M-Electrical	Leading the maintenance and upkeep of Electricals including follow up and review of outsourced agencies to ensure quality of work	1
Manager - E&M-Electrical	Supporting the Lead - E&M-Electrical in exercise of duties	1
Lead - E&M-Mechanical	Leading the maintenance and upkeep of Mechanical Instruments including follow up and review of outsourced agencies to ensure quality of work	1
Manager - AGL	Leading the maintenance and upkeep of Airfield Ground Lighting including follow up and review of outsourced agencies to ensure quality of work	1
Manager - E&M - BHS/Airport Systems	Leading the maintenance and upkeep of BHS & Airport Systems including follow up and review of outsourced agencies to ensure quality of work	1
Executive E&M - AutoCAD	Preparation & maintaining records and of various drawings	1
Lead - E&M-Planning & Scheduling	Planning for Maintenance and Upkeep including preparation of maintenance schedules	1

We request the Authority to allow the employee cost, the amount which has been actually incurred and paid, during the period from COD till 31st March 2021 without any adjustment.

- In respect of Revised Block Ratio of 93.66% considered by AERA, we would like to provide the following: 2.3.2.1 The ratio calculated by the Authority excluding the value of "Excluded" assets (Rs. 26.52 Cr) from numerator while the same amount continues as addition in the denominator:

Particulars	Reference	Asset Value as on 31 st Mar/21
Aero Gross Block	A	751.85
Non-Aero Gross Block	B	24.35
Excluded Gross Block	C	26.52
Total Gross Block	D=A+B+C	802.71
Gross Block Ratio Proposed by AERA	E=A/D*100	93.66%

In this case, while we do not agree with AERA's treatment of excluding assets (which are being commented separately), we hereby would like to submit that the correct calculation would be as below: Gross Block Ratio = (Aero Gross Block) / (Aero Gross Block + Non-Aero Gross Block) x 100. i.e. = 751.85 / (751.85+24.35) x 100 = 96.86 % (please note, this will further change based on the treatment of Intangible assets and other misc. assets).

In view of the above, we request AERA to revise the Gross Block Ratio and corresponding workings wherever it is applied.

• **In respect to R&M Expense:**

AERA has restricted R&M expenses to 6% of the opening RAB without any basis. R&M expenses depend on various factors like age of the existing assets, frequency of the use of assets (single/double/triple shift), local geographic and weather conditions.

RAB is a depreciating building block. RAB amount depreciates each year based on depreciation rate applied. In case R&M is computed as percentage of the RAB, it results in reduction of R&M amount. Whereas in actuals, as the asset gets older the R&M expenditure increases to maintain the efficiency of the operations. This was also explained by AAI during the stakeholder consultation in the presentation provided on 9th November 2022.

In order to understand the issue highlighted above, about ever-increasing Gap between the projected R&M vs notional R&M based on 6% of Opening Net RAB, the following example may be referred to.

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Opening Net Block	100	95	90	85	80	75	70	65	60	55
Dep Rate	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Dep on Gross Block	5	5	5	5	5	5	5	5	5	5
Closing Net Block	95	90	85	80	75	70	65	60	55	50
6% of R&M Exp on Opening Net RAB (as suggested by AERA) (A)	6.00	5.70	5.40	5.10	4.80	4.50	4.20	3.90	3.60	3.30
Projected R&M Cost based on age of asset (B)	6.00	6.00	7.00	7.00	8.00	8.00	9.00	9.00	10.00	10.00
Difference (A - B)	-	(0.30)	(1.60)	(1.90)	(3.20)	(3.50)	(4.80)	(5.10)	(6.40)	(6.70)

It is evident from the Joint Fixed Reconciliation signed by AAI and AIAL that last major capital expenditure was incurred by AAI during year 2010. This clearly demonstrates that the Fixed Assets at the Airport are very old, which requires and justifies higher repairs & maintenance cost to achieve efficiency.

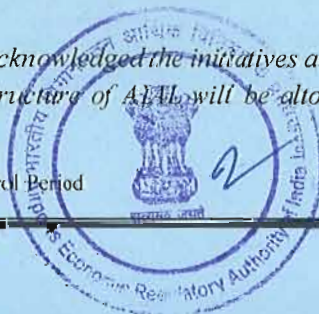
In the CP, it is mentioned that 6.1.41. It can be observed from the above table that the R&M expense as a % of opening RAB are higher than 6%. It is seen that in the case of Pune (Order No. 45/2021-22 dated 17th March 2022) and Calicut (Order No. 39/2021-22 dated 11th February 2022), AERA has considered the R&M expenses to be reasonable provided that they are within 6% of the Opening RAB for each Tariff Year (Refer Para 5.6.2).

We would like to highlight the operative portion from Tariff orders for both these Airport.

Calicut Order No. 39/2021-22 dated 11th February 2022 and Pune Order No. 45/2021-22 dated 17th March 2022 mentioned that "As most of these assets are newly constructed / installed during the last 5 years and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority decides to allow repairs-and maintenance expenses for the Second Control Period only to the extent of 6% of the RAB (opening net block of the Second Control Period) or the actual expenses whichever is less."

In case of Calicut/Pune, Authority recognized that most of the assets are newly constructed and hence the Authority has put a cap of 6% of Opening RAB. While in case of AIAL, most of the assets are old or very old, hence AIAL R&M expenses would anyways be higher than 6% of opening RAB.

AERA in its Study for O&M has acknowledged the initiatives and improvements which have taken place and stated that the cost structure of AIAL will be altogether different than Government



Airport. On one side AERA is acknowledging AIAL being a Private Airport Operator will have a different cost structure and on other side it is applying the yardstick it has applied for Government owned Airports like Calicut and Pune. AERA has never used 6% cap in any of PPP Airports. The approach adopted for AIAL lacks consistency. Refer extracts from 6.1.36 and 6.1.56 of the study.

Further, it is observed that while AERA has considered 6% of Net Block in FY22 and FY23, and for FY24 to FY26 AERA has considered the expenses as per AO filing which were based on different assumptions and were lower than the amount arrived as per percentage of Net Block. Notwithstanding our comments given above on restricting the R&M expenses, we submit that if a principle is applied that should be adhered consistently irrespective whether the value is higher or lower, rather than cherry picking.

We request AERA to true-up the R&M expenses based on actual cost incurred, without any capping. We are pleased to provide any information required by Authority in this regard as always.

- **Regarding the Authority's proposal to exclude cost of legal employees from Corporate Support Services cost**, as Authority has allowed Corporate cost allocation for other departments like Operations, Finance, etc. it is logical that Corporate cost allocation for legal department should also be allowed.

AERA has mentioned in the CP, example of distinct roles and responsibilities of other functions like Finance, IT etc at Airport Company and at Corporate Level. Likewise Legal department also has different roles and responsibilities at Airport company and Corporate Level

Roles and Responsibilities at Corporate Level

- Providing business and legal perspective and advice on a wide range of strategic, tactical, and operational issues to all Airports teams
- Determination of legal interests and options and counsel to top leadership on legal matters • Coordinating and giving directions with external counsels
- Participating in the formulation of general management policy as a member of the executive management team
- Developing and leading internal audit and corporate compliance programs

Roles and Responsibilities at Airport Level

- Transaction support, including in relation to contracting and compliance
- Drafting and vetting of RFP/RFOs
- Applicability and compliances of local laws applicable to the Airport and maintaining proper corporate interactions with the relevant local, state and federal governmental bodies, legislatures

We would like to take reference from Consultation Paper No. 15/2020-21 for Delhi Airport where Corporate Cost Allocation without any deduction of legal corporate cost is allowed by AERA in tariff order. It is to be noted that DIAL has Legal team employed at Airport Company also and there is no redundancy between the Corporate legal team and Airport Legal team. The extract from DIAL Consultation Paper No. 15/2020-21 is provided.



DIAL Corporate Level Structure

13.6.1 GMR AIRPORTS LIMITED

Table 80 Cost Objected allocated from GAL to DIAL

S.NO	DEPARTMENT COST CHARGED	COST TYPE	BASIS OF AFFORTIONMENT
1	GCM Office	Fully Chargeable	Weighted Average Ratio of Assets*
2	BCM Office	Fully Chargeable	Weighted Average Ratio of Assets
3	CEO Office	Fully Chargeable	Weighted Average Ratio of Assets
4	Stakeholder Management	Fully Chargeable	Weighted Average Ratio of Assets

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Study on Efficient Operation and Maintenance Costs

S.NO	DEPARTMENT COST CHARGED	COST TYPE	BASIS OF AFFORTIONMENT
5	Commercial and BD	Semi- Chargeable*	Weighted Average Ratio of Assets
6	Legal	Fully Chargeable	Weighted Average Ratio of Assets
7	Sector HR	Semi- Chargeable*	Weighted Average Ratio of Assets
8	Sector IT	Semi- Chargeable*	Weighted Average Ratio of Assets
9	Strategic Planning Group	Fully Chargeable	Weighted Average Ratio of Assets
10	Finance and Accounts	Semi- Chargeable*	Weighted Average Ratio of Assets
11	Regulatory	Fully Chargeable	Weighted Average Ratio of Assets



DIAL Airport Company Structure

Table 42 Manpower Count for DIAL during Second Control Period

S. No	Department	Functions	FY15	FY16	FY17	FY18
1	Operations (DIAL)	Airport Operations	465	437	471	570
2	BCM/ CEO Office	Senior Management	12	12	32	60
3	Commercial (Aeronautical & Non-Aeronautical)	Support Functions	88	82	91	89
4	Corporate Communication	Support Functions	12	11	10	14
5	Corporate Relations	Support Functions	24	21	20	21
6	SPG/Business Integration & Planning	Support Functions	20	20	20	20
7	Ethics & Intelligence & GMRVF	Support Functions	26	27	33	37
8	Finance & Accounts	Support Functions	62	69	73	107
9	Human Resources & FMS	Support Functions	34	35	31	73
10	Guest Relations	Support Functions	25	24	23	21
11	IT	Support Functions	19	12	7	6
12	Legal	Support Functions	15	13	13	21
13	MAG	Support Functions	6	5	7	16
14	Project & Engineering	Airport Operations	27	23	21	18
16	Quality Service & Delivery	Airport Operations	15	14	11	13
17	Baggage Screeners	Airport Operations	438	422	316	319
18	Security	Airport Operations	85	87	91	106
19	Trolley retriever	Airport Operations	215	204	220	226
Total Manpower (Excluding CPD)			1,588	1,518	1,480	1,737

Based on above facts, we request the Authority to allow the corporate cost allocation, the amount which has been actually incurred and paid, during the period from COD till 31st March 2021 without any downward adjustment for legal department cost.

- With respect to the consideration of Other Outflow expenses by AERA, we would like to submit the following:

Expenses like housekeeping and securities relating to Kerbside / forecourt ➤ In case of other Airports like CIAL, DIAL, HIAL cost for kerbside or forecourt is common and bifurcated into Gross Asset Allocation ratio or 100% Aero. ➤ In case of Cochin, security related expenses are for whole Airport and not only for terminal building. ➤ Kerbside or forecourt is an operational area which is used by the passengers and travelers. These are essential activity of Airport operations which are for surrounding areas.

Under the Concession Agreement of Ahmedabad Airport, Terminal Building has a definition which includes kerbside. "Terminal Building" means the stand-alone and/ or integrated passenger terminal building with separately identified area for domestic passengers and international passengers on the Site and the land appurtenant thereto, including the kerbside and approach roads and including the existing terminal building, as described and demarcated in the perspective plan set out at Annex II of Schedule A, and/ or the Master Plan, as the case may be;

Extract from Cochin Airport Third Control Period order no. 08/2021-22 Page 61, point 4.8.10, expenses for Security and housekeeping are for whole Airport.



True up of Second Control Period

Item	Basia according to CIAL	Basia according to the study
Total Repairs cost	Repairs and maintenance expenses were bifurcated based on the ratio approved by the Authority in the Tariff Order	Bifurcated based on revised ratio of Aeronautical Gross Block to Total Gross Block
Safety and security expenses	Safety and security expenses were bifurcated in proportion of number of employees providing Aeronautical and Non-Aeronautical services	As the security expenses are incurred for the whole of Terminal building and the Airport, the same were bifurcated using the terminal allocation ratio
Utilities cost	Utilities costs were considered as net of revenues from concessionaires and the net amount so obtained were considered as 100% Aeronautical	Same as according to CIAL
Vehicle running and maintenance expenses	Vehicle running and maintenance expenditure were bifurcated in the proportion of number of employees providing Aeronautical and Non-Aeronautical services	Same as according to CIAL
Housekeeping expenses	Housekeeping expenses were bifurcated in the proportion of number of employees providing Aeronautical and Non-Aeronautical services	As the housekeeping expenses are incurred for the upkeep and cleanliness of the Terminal building and the areas surrounding them, the same were bifurcated using the terminal allocation ratio
Consumables expenses	Consumables expenses were bifurcated in the proportion of number of employees providing Aeronautical and Non-Aeronautical services	As the consumables are used across the Terminal building by employees and passengers alike, consumable expenses were bifurcated using the terminal allocation ratio
CUTE operational expenses	CUTE operational expenses were considered as 100% Aeronautical	Same as according to CIAL
Other operational	Other operational expenses were segregated in the proportion of employees providing Aeronautical and	As the other operational expenses pertain to the overall Airport

Extract from DIAL Consultation Paper 15/2020-21 dated 09th Jun 2022 for Third Control Period Study for Efficient O&M Cost in respect to Security agencies deployed for landside areas

12.4.6 SECURITY EXPENSES

The number of manpower deployed around the airport for ensuring safety at various locations are given as below:

Table 67 Count of Manpower Services deployed by DIAL- Location and Contractor Wise

Sl. No	Duty Post	Total	
		RAJA Manpower	Peregrine Manpower
1	T3 Landside	102	93
2	T1 Landside	78	15
3	CARGO Terminal	55	0
4	CDU	6	0
5	Vital Installations	70	0
6	New Udaan Bhawan	38	0
7	T2 Landside	69	0
	Total	418	110
	Leave Reserve/Weekly off (24% for RAJA and 16% for Peregrine)	99	18
8	Officers	13	0
9	EPGs (5) & Gunmen (4)	9	0

R. Subramanian and Company LLP
Chartered Accountants

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- **Security Services from M/s Modern Veer in the ratio of only aero employees in security department:**

While AIAL doesn't agree with the rationalization of headcount for Security Department, the authority's view to restrict the expenses towards the outsourcing of certain part of security services (which is manpower intensive and thus outsourced from economic feasibility) lacks merit.

As already provided by us and also as indicated by AERA in the CP, "These manpower are deployed for Kerbside traffic management at T1 and security check post at Domestic Cargo Entry gate. Their overall role includes Kerbside management, traffic marshalling, traffic management, landside security, patrolling, Billing & accounting for NASFT, Coordination with CISF/Policy, Emergency Response etc".

In view of the nature of services, we request AERA to consider the same as 100% Aero without any adjustments.

- ***Security Services from M/s G4S Solutions considered as Non-Aero as their responsibilities are limited to Cityside only***

As already provided by us and also as indicated by AERA in the CP, "These are recurring expenses. These manpower are deployed for Kerbside traffic management at T2. Their overall role includes Kerbside management, traffic marshalling, traffic management, patrolling etc"

AERA has considered the above services which are related to Kerbside traffic management as Non-Aero with a reason "Since their responsibilities are limited to the cityside, the Study has considered this expense as non-aeronautical."

The above contention of AERA is not aligned with nature of services as the Kerbside Traffic Management services is not related to City Side Developments. Under the Concession Agreement City Side Development are earmarked land parcels which has no relation with Airport operations

In view of the nature of services, we request AERA to consider the same as 100% Aero without any adjustments.

- ***Housekeeping Expenses- Appointment of Contractor for landside cleaning work at Ahmedabad Airport considered as Non-aero as their activity pertains to Landside***

AERA has considered the above services which are related to Landside Cleaning works as Non-Aero with a reason "This activity pertains to the landside; hence it is considered as non-aeronautical."

Kindly refer the points mentioned above regarding the treatment of Kerbside/ Forecourt in various other Airport orders. It is to be noted that the treatment proposed by AERA is not consistent with approach followed for other airports

Thus, we request AERA to consider the Housekeeping works as Common which may be allocated in Gross Block Ratio."

Other Stakeholders' comments regarding true up of Operating Expenses for the Second Control Period post-COD

- 5.7.12. APAO has submitted that, "Earlier in month of September 2022, we provided our comments on the Consultation Paper for Mangaluru Airport, we look forward for the final order to be released by the Authority and to provide clarity on the important points pertaining to the principles to be adopted for these new Concession Agreement. The approach to be adopted by the Authority is keenly awaited by the private operators, lenders, investors who have shown faith in the Aviation sector. Most of the issues which APAO would like to raise in the SVPIA's Consultation Paper are of similar to that of Mangaluru Airport. Accordingly, ICAO drew reference to its comments regarding "Restricting R&M expenses to 6% of opening RAB" given on Consultation Paper No. 07/2022-23 for Mangaluru International Airport.

AIAL's responses to Stakeholders' comments regarding true up of Operating Expenses for the Second Control Period post COD

- 5.7.13. AIAL's response to the Stakeholder comment with respect to true up of Operating Expenses for the Second Control Period is presented below.
- 5.7.14. With respect to APAO's comment on R&M expenses, AIAL has stated that APAO has supported AIAL's submissions and comments regarding the same. AIAL has also submitted its detailed explanations and justifications on all the matters as part of its response to the Consultation Paper.



Further, AIAL requests the Authority to consider the well-reasoned comments provided by AIAL which are duly supported by the aforementioned Stakeholder.

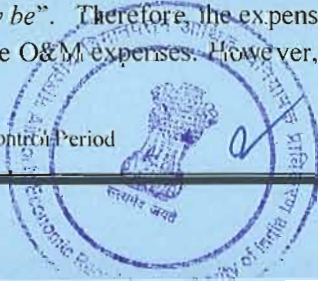
Authority's analysis of Stakeholders' comments on true up of Operating Expenses for the Second Control Period post-COD

5.7.15. The Authority has examined the comments provided by the AO on the manpower deployed by the AO for the period from COD to 31st March 2021 and provides its views as under:

- The Authority is aware of the Hon'ble Supreme Court's judgement dated 11th July 2022 with respect to tariff appeals of First Control Period of DIAL and MIAL. AERA emphasizes to the AO that it should make sure that during the deemed deputation period, both AAI and AIAL employees work together to the most efficient standards and the AO makes complete utilization of the AAI employees. AERA is not bound to agree to the data on Employee Headcount that the AO may furnish in its MYTP. The Authority has considered the principles laid out in its Guidelines, AERA Act, 2008, and ICAO principles and has allowed only the efficient and essential O&M expenses that are reasonable and justifiable for the efficient conduct of business/safe operations of SVPIA. The Authority by doing so, has taken care of the interest of the airport users as well.
- With respect to the headcount rationalization of AIAL post COD till 31st March 2021, it is pertinent to note that the need for 122 AIAL employees over and above the 180 Select employees is unreasonably high considering that the Select employees shall remain deployed at SVPIA during the Deemed Deputation Period.
- With respect to the AO's comment regarding the Security department, the Authority notes that as per the Concession Agreement, definition of the Terminal building is as follows: *“Terminal Building” means the stand-alone and/ or integrated passenger terminal building with separately identified area for domestic passengers and international passengers on the Site and the land appurtenant thereto, including the kerbside and approach roads and including the existing terminal building, as described and demarcated in the perspective plan set out at Annex II of Schedule A, and/ or the Master Plan, as the case may be”.*
- Considering that the responsibilities of some of the employees involved in Security department pertains to the kerbside, the Authority has made appropriate revision to the number of employees in this department to account for those employees managing the kerbside and hence, the employee ratio of AIAL employees has been recomputed accordingly.
- With respect to AIAL's comments regarding *“Ahmedabad airport is one of the hypersensitive airports and thus to ensure proper safety and security of the premises...”*, the Authority would like to point out that there is no change in the sensitivity status of SVPIA post COD. Prior to COD, AAI had not made any compromises with respect to safety and security at SVPIA. The Airport was functioning smoothly with the existing headcount which is now treated as “Select employees” who remain available at SVPIA for three years from COD.
- For HR department, the Authority would like to point out that the responsibilities of these employees as stated by the AO are routine in nature and the same may be further streamlined with the deployment of technology which the AO would already have in place. Further, the Authority is convinced that the employee headcount had been rationalized, keeping in view the operational requirements of the Airport and in line with the principles laid out in the AERA Guidelines. The reasons for rationalization of these departments have been explained in detail in the Independent Study on Efficient O&M expenses for SVPIA (Refer Table 91 of this Study for the same).



- For Engineering & Maintenance departments, the Authority would like to point out that 39 Select employees are already working at SVPIA in this department who would continue serving the Airport till the end of the Deemed Deputation Period. Hence, the need for additional 10 AIAL employees over and above these 39 Select employees is unjustified. Therefore, the Authority decides to maintain its stand as stated at the Consultation stage (Refer Para 5.7.8 (b)), as the Authority had already rationalized the employee headcount, keeping in view the operational requirements of the Airport and in line with the principles laid out in the AERA Guidelines. The reasons for rationalization of these departments have been explained in detail in the Independent Study on Efficient O&M expenses for SVPIA (Refer Table 91 of this Study for the same).
- 5.7.16. **Gross Block ratio:** The Authority has carefully examined the AO's comment and finds merit in the concern raised by the AO and will accordingly adjust the gross block ratio as per the methodology followed for other airports including Mangalore.
- 5.7.17. The Authority has noted the comments of the AO and APAO on Repairs and Maintenance (R&M) expenses and has the following views:
- The Authority has rationalised the R&M expenses, based on the recommendations of the Independent Study on the Efficient O&M expenses for SVPIA, in accordance with the practice consistently followed by the Authority for all other Airports. Further, the Authority would like to point out that on an average, the R&M of other PPP Airports are well within the range of 2%-4% of opening Net Block. Hence, the limit of 6% is fair considering that Airports typically have a mix of new and old assets. Therefore, the Authority decides to maintain its stand as stated by it at the Consultation stage (Refer para 5.7.8(d) of this Tariff Order) with respect to limiting R&M expenses to 6% of the Opening Net block of Aeronautical Assets or as claimed by the AO, whichever is less. This is also in line with the principles laid out in the AERA Guidelines.
 - The Authority would like to state that the AERA Guidelines emphasises about improving the efficiency of operations, as well as economic and viable operations of the Airport. It is further clarified for the information of the AO, that airport tariffs are determined by AERA, airport-wise as provided in the AERA Act, 2008, AERA Guidelines and ICAO principles taking into consideration airport-specific relevant factors such as CAPEX required, efficiency, cost relatedness, traffic, etc. The principles followed by AERA for tariff determination across all Major Airports have worked well over the years and AIAL is no exception.
- 5.7.18. The Authority reviewed the comments of AO with respect to the allocated cost towards in-house legal team under corporate support service cost. As mentioned in the Independent Study on O&M expenses for SVPIA (Refer para 6.1.30 of this Study), the Authority has already allowed the employee expenses towards the inhouse legal team of AIAL and therefore, is of the view that providing additional expenses towards legal department at the Corporate level would result in redundancy. Hence, the Authority sees no reason to change its decision as taken in the Consultation stage (Refer para 5.7.8(e) of this Tariff Order).
- 5.7.19. With respect to other outflow expenses, the Authority has examined the AO's comment and notes that as per the Concession Agreement, the definition of the Terminal building is as follows: *“Terminal Building” means the stand-alone and/ or integrated passenger terminal building with separately identified area for domestic passengers and international passengers on the Site and the land appurtenant thereto, including the kerbside and approach roads and including the existing terminal building, as described and demarcated in the perspective plan set out at Annex II of Schedule A, and/ or the Master Plan, as the case may be*”. Therefore, the expenses pertaining to kerbside must also be accounted for while determining the O&M expenses. However, such expenses cannot be assumed to



be 100% aeronautical. It would be pertinent to note that AIAL has proposed numerous commercial ventures on the landside as part of the passenger amenities such as Cafeteria, Pharmacy and Salon. Therefore, the kerbside not just caters to the aeronautical operations but also enables the conduct for such non-aeronautical activities. Hence, the expenses pertaining to the kerbside should be treated as common and allocated in the appropriate ratio. As per the Independent Study of Efficient O&M expenses for SVPIA, the Authority had bifurcated Security Services from M/s Modern Veer using the ratio of 31.25% (ratio of aero : total employees in the security department) and classified Security Services from M/s G4S Solution as non-aeronautical. Considering that the expenses pertaining to the kerbside are common in nature, the Authority decides to retain its classification of Security Services from M/s Modern Veer and reclassify Security Services from M/s G4S Solution as common. However, the Authority has revised the allocation ratio by making appropriate adjustments to the employee headcount pertaining to the kerbside in the security department.

For Housekeeping Expenses – Appointment of Contractor for landside cleaning work at Ahmedabad Airport, the Authority decides to reclassify this expense as common and bifurcate on the basis of Terminal area ratio, in line with the uniform approach followed at other PPP Airports.

- 5.7.20. Considering the above mentioned decisions and the decision of including salary expenses pertaining to Pre-COD expenses (Refer para 5.4.14), the Authority has recomputed the operational expenses to be reckoned for true up of Second Control Period (post-COD) as given below.

Table 67: Aeronautical O&M expenses as decided by the Authority for true up of SCP (post-COD)

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Payroll expenditure – AAI employees	11.97
Payroll expenditure – AIAL employees	10.19
A&G expense	5.98
CSS expense	6.26
Utilities	6.31
R&M expenditure	7.19
Other outflows	14.41
pre-COD expenses	4.05
Total	66.36

- 5.7.21. The Authority noted that the O&M expenses proposed by it during the consultation stage was INR 60.21 Cr (refer Table 66) and the figure considered post consultation stage is INR 66.36 Cr. The difference of INR 6.15 Cr. is mainly due to the inclusion of pre-COD expenses.

5.8. True up of Non-aeronautical Revenue

- 5.8.1. AIAL's submission for true up of Non-aeronautical Revenue in the Second Control Period (post-COD) is given in the table below.

Table 68: AIAL's submission of Non-aeronautical Revenue for true up of SCP (post-COD)

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Food & beverages	2.32
Ground handling	-
Retail	0.66
Duty free	0.46
ATM/ Forex	-

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Transit hotel	-
Advertising	2.81
Car parking	4.53
Lounge	0.18
Building rent	7.16
Other income	1.98
Master Concessionaire	-
Interest Income	0.49
Total	20.59

Authority's examination and proposal regarding true up of Non-aeronautical Revenue for the Second Control Period from COD till 31st March 2021 at the Consultation stage

- 5.8.2. The Authority noted that AIAL had realised non-aeronautical revenue of INR 20.59 Cr. within a period of five months post COD. For further analysis of non-aeronautical revenue, the Authority scrutinized the various components of "Building rent" and "other income" as provided by AIAL vide mail dated 06th August 2022. The breakup of "other income" is shown in the following table.

Table 69: Breakup of other income as per AIAL

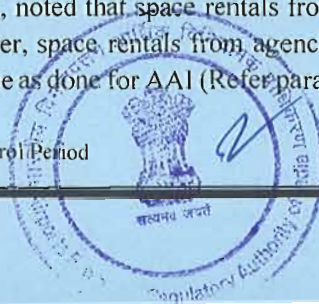
Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Revenue from inflight kitchen	0.50
Revenue share from Forex	0.20
Revenue share from Wi-Fi	0.15
Baby care	0.10
Airport Entry Passes	0.13
Slot Allocation (one-time fees)	0.06
Non-refundable fees received for participation in bids	0.28
Rentals from Gujarat Tourism and Gujarat State Handloom	0.03
Space rentals from Maintenance facilities	0.05
Revenue from F&B	0.15
Various items	0.33
Total	1.98

- 5.8.3. The breakup of "Building rent" is shown in the following table.

Table 70: Breakup of building rent as per AIAL

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia	3.11
Rental from Indian Meteorological Department (IMD)	3.61
Rentals from various other agencies	0.44
Total	7.16

- 5.8.4. The Authority, through its Consultant, noted that space rentals from airlines were included as part of the non-aeronautical revenue. However, space rentals from agencies providing aeronautical services are to be treated as aeronautical revenue as done for AAI (Refer para 4.10.8) and is the standard practice



of AERA. Hence, the Authority proposed to consider "Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia" as aeronautical revenue.

- 5.8.5. Additionally, the Authority, through its Consultant, verified the total revenues with that of the audited financials as submitted by AIAL and observed that they were identical.
- 5.8.6. Hence, the Authority proposed to recompute and consider the non-aeronautical revenue for true up during the Second Control Period post COD as shown in the following table.

Table 71: Non-Aeronautical Revenues proposed by the Authority for true up of Second Control Period post COD

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Food & beverages	2.32
Retail	0.66
Duty free	0.46
ATM/ Forex	-
Transit hotel	-
Advertising	2.81
Car parking	4.53
Lounge	0.18
Building rent	4.05
Other income	1.98
Master Concessionaire	-
Interest Income	0.49
Total (A)	20.59
Adjustment: Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia (B)	3.11
Total (A – B)	17.48

Stakeholders' comments on true-up of NAR for the Second Control Period post-COD

- 5.8.7. During the Stakeholder Consultation Process, the Authority has received comment from a Stakeholder in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to true up of NAR for the Second Control Period. The comment by the Stakeholder is presented below.

AIAL's comments on true-up of NAR for the Second Control Period post-COD

- 5.8.8. With respect to AERA's proposal as per Pare 5.8.4 page 76 of Consultation Paper No. 10/2022-23 relating to True Up of Non-Aeronautical Revenue, AIAL stated that,

- "AERA Act, 2008 and the AERA guidelines do not consider the airline space rental as aeronautical revenues. Further, AERA does not regulate the airline space rental at SVPIA. Thus, the proposal of AERA does not confirm to its Act and guidelines.
- Further, ICAO Doc 9562 Airport Economics Manual clearly states the definition of Revenues from Non-aeronautical sources as: "Revenues from non-aeronautical sources: Any revenues received by an airport in consideration for the various commercial arrangements it makes in relation to the granting of concessions, the rental or leasing of premises and land, and freezone operations, even though such arrangements may in fact apply to activities that may themselves be considered to be of an aeronautical character (for example, concessions granted to oil companies to supply

aviation fuel and lubricants and the rental of terminal building space or premises to aircraft operators). Also intended to be included are the gross revenues, less any sales tax or other taxes, earned by shops or services operated by the airport itself."

Also, it is to be noted that the clause 4.23 of ICAO Doc 9562 Airport Economics Manual states the following under "Revenues from non-aeronautical activities":

4.23 Rentals. Rentals payable by commercial enterprises and other entities for the use of airport-owned building space, land or equipment. Such rentals should include those payable by aircraft operators for airport-owned premises and facilities (e.g., check-in counters, sales counters and administrative offices) other than those already covered under "air traffic operations" above.

We request Authority to consider the recommendation provided by the ICAO Doc 9562 Airport Economic Manual."

Other Stakeholders' comments on true-up of NAR for the Second Control Period post-COD

- 5.8.9. No other Stakeholder comments on true up of NAR were received for the Second Control Period post-COD.

Authority's analysis of Stakeholders' comments on true up of NAR for the Second Control Period post-COD

- 5.8.10. The Authority after careful examination of AIAL's comments, is of the view that revenues realised in any form from Aeronautical service providers are to be treated as Aeronautical and doesn't see any reason to deviate from this decision at this point of time. The treatment of space rentals as Non-Aeronautical Revenue could give the AO opportunities to increase rentals and decrease other Aeronautical charges, which would be detrimental to Airport users by way of higher ARR. Further, AERA would like to point out that in the case of other PPP Airports like Cochin International Airport, BIAL etc space rentals from agencies/airlines providing aeronautical services were treated as Aeronautical Revenue. Therefore, the Authority decides to continue with the treatment of airline space rentals as Aeronautical, consistent with its proposal in Consultation Paper No. 10/2022-23. (Refer para 5.8.4 of this Tariff Order)
- 5.8.11. Considering the above mentioned analysis of the Stakeholders' comments, the Authority decides to consider the NAR consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23. The NAR considered by the Authority for true up of the Second Control Period (post-COD) is given in Table 71.

5.9. True up of Aeronautical Revenue

- 5.9.1. AIAL made the following submission regarding the true up of the Aeronautical Revenue for SCP (Post-COD).

Table 72: AIAL's submission of Aeronautical Revenue for true up of SCP (post-COD)

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Landing revenue	21.37
Parking & housing revenue	1.98
Ground handling charges	6.57
Passenger UDF revenue	9.41
CUTE Revenue	-
CGF rentals	-

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Cargo/Fuel/Other	6.44
Total	45.77

Authority's examination and proposal regarding true up of Aeronautical Revenue for the Second Control Period from COD till 31st March 2021 at the Consultation stage

- 5.9.2. The Authority noted that as per the Decision No. 10a mentioned in the Tariff Order regarding aeronautical revenues, AIAL has considered services related to Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue in their true up submission.
- 5.9.3. The Authority noted that AIAL had realised aeronautical revenue of INR 45.77 Cr. within a period of five months post COD. The Authority, through its Consultant, verified the total revenues with that of the audited financials as submitted by AIAL and observed that they were identical.
- 5.9.4. As observed in Para 5.8.4, the Authority proposes to make certain adjustments to the aeronautical revenue by reclassifying space rentals from airlines as aeronautical revenue. Hence, the Authority proposed to recompute and consider the aeronautical revenue for true up of AIAL for the Second Control Period (post-COD) as shown in the following table.

Table 73: Aeronautical Revenue proposed by the Authority for true up of SCP (post-COD)

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Landing revenue	21.37
Parking & housing revenue	1.98
Ground handling charges	6.57
Passenger UDF revenue	9.41
CUTE Revenue	-
CGF rentals	-
Cargo/Fuel/Other	6.44
Total (A)	45.77
Adjustment: Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia (B)	3.11
Total (A + B)	48.88

Stakeholders' comments on true-up of Aeronautical Revenue for the Second Control Period post-COD

- 5.9.5. There were no Stakeholder comments with respect to true up of Aeronautical Revenue for the Second Control Period.

Authority's analysis of Stakeholders' comments on true up of Aeronautical Revenue for the Second Control Period post-COD

- 5.9.6. No Stakeholder comments were received regarding true up of Aeronautical Revenue for the Second Control Period post-COD. Further, as mentioned in Para 5.8.10, the Authority decides to retain its proposal in considering airline space rentals as Aeronautical. Therefore, the Authority decides to consider the Aeronautical Revenue consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23. The Aeronautical Revenue considered by the Authority for true up of the Second Control Period (post-COD) is given in Table 73.

5.10. True up of Taxation

5.10.1. AIAL has claimed zero tax liability as per their true up submissions.

Authority's examination and proposal regarding true up of Taxation for the Second Control Period from COD till 31st March 2021 at the Consultation stage

5.10.2. AIAL had claimed zero tax liability for FY 2021 (post-COD). Hence, the Authority proposed to consider the aeronautical tax expense for the Second Control Period (post-COD) to be zero based on the actuals submitted by AIAL in its true up proposal.

Stakeholders' comments on true-up of taxation for the Second Control Period post-COD

5.10.3. There were no Stakeholder comments with respect to true up of tax for the Second Control Period post-COD.

Authority's analysis of Stakeholders' comments on true up of taxation for the Second Control Period post COD

5.10.4. No Stakeholder comments were received regarding tax for the Second Control Period post-COD. In this regard, the Authority has decided to consider the tax consistent with its proposal made in this regard in the Consultation Paper No. 10/2022-23. The tax considered by the Authority for true up of the Second Control Period post-COD is as per Para 5.10.2.

5.11. True up of Aggregate Revenue Requirement

5.11.1. Based on the examination of various building blocks for the Second Control Period (post-COD) as discussed in the previous sections and the proposals made therein regarding the same, the Authority proposed ARR as given in the table below for true up of AIAL for the Second Control Period (post-COD) at the Consultation stage.

Table 74: ARR proposed by the Authority for true up of Second Control Period post-COD at the Consultation stage

Particulars (INR Cr.)	Refer	FY 2021 (post-COD)
Average RAB (A)	Table 58	316.10
FRoR (B)	Table 63	5.56%
Return on RAB (C = A × B)		17.58
Depreciation (D)	Table 61	11.69
Operating expenses (E)	Table 66	60.21
Tax (F)	Para 5.10.2	-
ARR (G = sum of C to F)		89.48
Non-aero revenue	Table 71	17.48
Less: 30% NAR (H)		5.24
Net ARR (I = G - H)		84.24
Aero Revenues (J)	Table 73	48.88
Surplus / (Shortfall) (K = J - I)		(35.36)
Present Value Factor as on 31st March 2021 (L)		1.00
PV of Surplus / (Shortfall) of Second Control Period post COD (M = K × L)		(35.36)
Present Value Factor @ 12.21% as on March 31, 2022 (N)		1.12
PV of Surplus / (Shortfall) as on March 31, 2022 (M × N)		(39.68)



- 5.11.2. The Authority, at the Consultation stage, proposed to consider shortfall of INR 39.68 Cr. (as on 31st March 2022) for true up of Airport Operator for the Second Control Period from COD up to 31st March 2021 and readjust the same in the ARR computation of AIAL for the Third Control Period.

Stakeholders' comments on true-up of ARR for the Second Control Period post-COD

- 5.11.3. There were no Stakeholder comments with respect to true up of tax for the Second Control Period post-COD.

Authority's analysis of ARR for the Second Control Period post-COD post Stakeholder Consultation

- 5.11.4. The Authority, after careful analysis and examination of the Stakeholders' comments across various building blocks pertaining to true up of Second Control Period post COD, recomputed the true up of Second Control Period post-COD.
- 5.11.5. The adjustments that were made over and above the true up considered at the time of issuance of Consultation Paper No. 10/2022-23 are as below:
- Re-computation of Gross block which resulted in the impact of INR 0.22 Cr. (Refer Para 5.7.16)
 - Inclusion of pre-COD expenses of INR 4.05 Cr. under O&M expenses (Refer Para 5.7.20)
 - Re-computation of employee ratio due to reclassification of kerbside expenses as common which resulted in the impact of INR 0.25 Cr (Refer para 5.7.19)
 - Re-computation of other outflow expenses due revision in allocation ratios which resulted in the impact of INR 1.63 Cr. (Refer Para 5.7.19)
- 5.11.6. Based on the above, the revised ARR considered by the Authority for true up of Second Control Period post-COD is given below.

Table 75: ARR decided by the Authority for true up of Second Control Period post-COD

Particulars (INR Cr.)	Refer	FY 2021 (post-COD)
Average RAB (A)	Table 58	316.10
FRoR (B)	Table 63	5.56%
Return on RAB (C = A × B)		17.58
Depreciation (D)	Table 61	11.69
Operating expenses (E)	Table 67	66.36
Tax (F)	Para 5.10.4	-
ARR (G = sum of C to F)		95.63
Non-aero revenue	Table 71	17.48
Less: 30% NAR (H)		5.24
Net ARR (I = G - H)		90.39
Aero Revenues (J)	Table 73	48.88
Surplus / (Shortfall) (K = J - I)		(41.51)
Present Value Factor as on 31 st March 2021 (L)		1
PV of Surplus / (Shortfall) of Second Control Period post COD (M = K × L)		(41.51)
Present Value Factor @ 12.21% as on March 31, 2022 (N)		1.12
PV of Surplus / (Shortfall) as on March 31, 2022 (M × N)		(46.58)



5.12. Authority's decisions regarding true up of AIAL for the Second Control Period (post-COD)

Based on the material before it and its analysis, the Authority decides the following with respect to true up of AIAL for the Second Control Period (post-COD):

- 5.12.1. To consider true up of RAB for AIAL for the Second Control Period (post-COD) as per Table 58.
- 5.12.2. To consider true up of Depreciation for AIAL for the Second Control Period (post-COD) as per Table 61.
- 5.12.3. To consider true up of FRoR for AIAL for the Second Control Period (post-COD) as per Table 63.
- 5.12.4. To consider true up of aeronautical O&M expenses for AIAL for the Second Control Period (post-COD) as per Table 67.
- 5.12.5. To consider true up of Non-aeronautical Revenue for AIAL for the Second Control Period (post-COD) as per Table 71.
- 5.12.6. To consider true up of Aeronautical Revenue for AIAL for the Second Control Period (post-COD) as per Table 73.
- 5.12.7. To consider true up of Aeronautical Tax for AIAL for the Second Control Period (post-COD) as detailed in Para 5.10.4.
- 5.12.8. To consider the under recovery of INR 46.58 Cr. for true up of the AO as on 31st March 2022, as per Table 75 for the Second Control Period (post-COD) and readjust the same in the ARR for the Third Control Period.



6. TRAFFIC PROJECTIONS FOR THE THIRD CONTROL PERIOD

6.1. AIAL's submission of Traffic Projections for the Third Control Period

- 6.1.1. AIAL had engaged an independent agency – Centre of Asia Pacific Aviation (CAPA) India in August 2020 for assessing passenger traffic, aircraft movement and cargo traffic for SVPIA. Based on its analysis, CAPA India has provided high, medium and low estimate scenarios of projected traffic for the Third Control Period. The traffic projections submitted by AIAL in Table 76 is adopted from CAPA India's 'high scenario'. Accordingly, the traffic growth rates and traffic forecasts for the Third Control Period (TCP) for SVPIA as submitted by AIAL are as follows:

Passenger Traffic and ATMs:

- 6.1.2. Passenger traffic, ATMs and growth rates submitted by AIAL for TCP are shown below.

Table 76: Passenger traffic, ATMs and growth rates submitted by AIAL for TCP

Passengers (Mn)	FY 2022*	FY 2023	FY 2024	FY 2025	FY 2026	Total
Domestic	5.59	9.49	11.44	13.55	15.79	55.85
Y-o-Y Growth (%)	62.49%	69.88%	20.50%	18.50%	16.50%	
International	0.56	1.96	2.73	3.40	4.07	12.73
Y-o-Y Growth (%)	175.89%	247.41%	39.50%	24.50%	19.50%	
Total	6.15	11.45	14.17	16.96	19.85	68.58
ATM Traffic (No's)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Domestic	53,512	69,356	82,536	96,606	111,183	413,193
Y-o-Y Growth (%)	44.19%	29.61%	19.00%	17.05%	15.09%	
International	4,552	12,606	17,413	21,469	25,408	81,448
Y-o-Y Growth (%)	47.03%	176.93%	38.13%	23.29%	18.35%	
Total	58,064	81,962	99,949	118,075	136,591	494,641

*Adjusted by AIAL based on actual/projected traffic for FY 2022

- 6.1.3. The passenger traffic and ATM projected above had been adjusted by the Airport Operator to account for billable domestic ATMs (other than ATMs with less than 80-seater capacity and those covered under the Regional Connectivity scheme (RCS) scheme initiated by the Government of India) and billable passenger traffic (excluding certain categories of passengers such as infants and transit passengers for whom User Development Fees (UDF) charges are not leviable). The adjusted passenger traffic and ATM submitted by AIAL were as follows:

Table 77: Adjusted Billable PAX traffic and ATM forecasts for SVPIA for TCP submitted by AIAL

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Passengers (In millions)						
Domestic	5.47	9.30	11.21	13.28	15.47	54.73
International	0.55	1.92	2.68	3.34	3.99	12.48
Total	6.03	11.22	13.89	16.62	19.46	67.21
ATM (in No's)						
Domestic	42,810	56,872	70,156	82,115	94,505	346,458
International	4,552	12,606	17,413	21,469	25,408	81,448
Total	47,362	69,478	87,569	103,584	119,913	427,906

Cargo:

6.1.4. Cargo traffic and growth rates forecasted for SVPIA for TCP as submitted by AIAL are shown below.

Table 78: Cargo traffic and growth rates for SVPIA as submitted by AIAL for TCP

Cargo Traffic (MT)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Domestic	59,191	63,931	69,046	74,570	80,311	347,049
Y-o-Y Growth (%)	63.15%	8.01%	8.00%	8.00%	7.70%	
International	23,970	37,818	52,239	62,372	67,809	244,208
Y-o-Y Growth (%)	-2.04%	57.77%	38.13%	19.40%	8.72%	
Total	83,161	101,749	121,285	136,942	148,120	591,257

6.1.5. AIAL had submitted that it expected to process certain cargo volumes out of the total volume at its own cargo facility. The following table summarizes the total cargo volumes to be handled by AIAL itself out of the total cargo traffic at SVPIA during TCP.

Table 79: Cargo volumes to be handled by AIAL itself out of the total cargo traffic during TCP

Cargo Traffic handled by AIAL (MT)	FY 2022*	FY 2023	FY 2024	FY 2025	FY 2026	Total
Domestic	31,916	39,560	47,156	53,243	57,589	229,436
International		11,721	13,972	15,776	17,063	58,533
Express cargo		21,978	26,198	29,579	31,994	
Total by AIAL (A)	31,916	73,259	87,325	98,598	106,646	397,744
Total cargo at SVPIA (B)	90,634	101,749	121,285	136,941	148,120	591,257
AIAL's Share % (A ÷ B)	35%	72%	72%	72%	72%	

* Based on actuals submitted by AIAL vide email dated 06th August 2022

6.2. Authority's examination of AIAL's submission of Traffic for the Third Control Period at the Consultation stage

6.2.1. The Authority noted that AIAL appointed CAPA India as its Consultant who has derived traffic forecast based on Regression forecast methodology, developed through econometric analysis of historical data combined with projections of key demand drivers.

- Projections of Gross Domestic Product (GDP) (Urban area and State level) and population were derived to assess domestic and international passenger forecasts.
- The aircraft movement forecasts for the Airport were derived based on average number of passenger movements per aircraft movement (based on historical data). Further, the data on type of aircraft and load factors achieved have been used to derive aircraft movements.

6.2.2. The Authority noted that SVPIA had assumed the 'high scenario' estimates of traffic forecasts submitted by CAPA India for projecting passenger traffic, ATM and cargo (both domestic and international).

6.2.1. The Authority noted that AIAL had considered only billable ATM, after excluding ATM traffic covered under the RCS scheme and aircrafts with capacity less than 80-seater. AIAL had assumed the share of such ATMs to be approximately 15% to 20% over the Third Control Period based on historical trends. However, the Authority is of the view that RCS scheme is promoted by the Government of India with the objective of making regional air connectivity affordable by supporting airline operators

through concessions offered by Central Government, State Government and the Airport Operators. As this scheme is promoted to encourage small aircrafts, the flights operating under this scheme are not eligible to be claimed as a passthrough/ exemption. The Authority noted that out of the total exempted traffic submitted by the Airport Operator (15% to 20% of the total domestic ATMs), 1.5% to 3% constitutes flights operating under the RCS Scheme and the balance pertains to non-RCS flights. Hence, the Authority had considered the billable ATM traffic after excluding the ATMs that pertain to less than 80-seater capacity non-RCS flights that are exempted from landing charges.

- 6.2.2. Similarly, Government of India has allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/ 2019 read with AIC 20/ 2019. AIAL cannot claim any passthrough regarding UDF on such categories and this is followed by AERA across at all Major Airports. Therefore, there is no reason to consider the billable PAX traffic separately, as the Authority follows a consistent approach across all Major Airports, that naturally accounts for such considerations while projecting aeronautical revenues.

Computation of traffic forecasts by the Authority, considering the impact of COVID-19 pandemic

- 6.2.3. The traffic forecast was computed by the Authority, after taking into account the analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector, apart from the study report provided by CAPA India for SVPIA.
- 6.2.4. **Airports Council International (ACI):** ACI in its report on 28th June 2022 has projected the following air passenger traffic outlook:
- *Global domestic passenger traffic is still expected to reach 2019 levels in late 2023 with full-year 2023 traffic at par with 2019 levels. However, global international passenger traffic will require almost one more year to recover and will reach 2019 levels only by the second half of 2024.*
- 6.2.5. **International Air Transport Association (IATA):** IATA in its report as on 01st March 2022 has reported the following air passenger traffic projection:
- *The International Air Transport Association (IATA) expects overall traveller numbers to reach 4.0 billion in 2024 (counting multi-sector connecting trips as one passenger), exceeding pre-COVID-19 levels (103% of the 2019 total).*
 - *In 2021, international traveller numbers were 27% of 2019 levels. This is expected to improve to 69% in 2022, 82% in 2023, 92% in 2024 and 101% in 2025.*
 - *In 2021, domestic traveller numbers were 61% of 2019 levels. This is expected to improve to 93% in 2022, 103% in 2023, 111% in 2024 and 118% in 2025.*
- 6.2.6. Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority had taken into consideration the forecasted data published by ACI and IATA cited in para 6.2.4 and 6.2.5 for arriving at the revised traffic projections.



- 6.2.7. The Authority also compared the actual traffic recovery to pre-COVID levels (FY 2020 levels) in the first quarter of FY 2023 at Major Airports in India. The comparison is given below.

Table 80: Passenger traffic recovery in FY Q1 of FY 2023 to pre-COVID levels

Passenger Traffic Apr – Jun (No's)	International			Domestic		
	FY 2020	FY 2023	Recovery	FY 2020	FY 2023	Recovery
Formula	A	B	$B \div A$	C	D	$D \div C$
India	16,867,568	1,20,32,575	71.34%	67,672,557	6,44,40,437	95.22%
DIAL	4,279,288	32,28,191	75.44%	11,471,621	1,20,61,811	105.14%
MIAL	3,072,173	21,94,889	71.44%	8,059,909	75,91,784	94.19%
BIAL	1,251,260	7,55,090	60.35%	7,160,008	62,46,695	87.24%
HIAL	1,034,966	7,57,831	73.22%	4,535,422	42,38,266	93.45%
CIAL	1,287,935	9,87,565	76.68%	1,407,947	9,96,945	70.81%
SVPIA	593,390	3,44,140	58.00%	2,217,538	1,777,931	80.18%

Source: AAI Traffic News

- 6.2.8. As can be seen above, the international passenger traffic had recovered to around approximately 58% and the domestic traffic recovery is at approximately 80%. Based on these recent trends in passenger traffic growth, the positive outlook towards GDP growth predicted by the GoI and relatively better revival of the domestic aviation market, the Authority expects that the domestic passenger traffic at SVPIA would recover to pre-COVID levels (of FY 2020) during FY 2023.
- 6.2.9. Further, considering the predictions done by the above agencies (as cited in para 6.2.4 and 6.2.5), the Authority is of the view that international passenger traffic and ATM will revert to pre-COVID levels (of FY 2020) by FY 2024.
- 6.2.10. The Authority noted that the traffic forecasts provided by the Airport Operator (based on CAPA India Study report) corresponds to the above views of the Authority that the domestic and international passenger traffic will reach pre-COVID levels of FY 2020 by FY 2023 and FY 2024, respectively.
- 6.2.11. The Authority has noted the actual passenger traffic and ATM data for FY 2022 from AAI's website and the same has been considered while estimating traffic for the Third Control Period. Considering the positive outlook provided by the Expert Agencies and the recent trends in traffic recovery, the Authority proposes to consider the passenger traffic and ATM proposed by the Airport Operator for FY 2023 to FY 2026.
- 6.2.12. With respect to cargo traffic, since the actual traffic data for FY 2022 is now available, the Authority compared the actual traffic from the AAI website against the projections submitted by AIAL as part of the MYTP. The comparison is given in the table below.

Table 81: Comparison of actual cargo traffic in FY 2022 at SVPIA vs the projection of AIAL

Cargo (MT)	FY 2022 (AIAL's MYTP)	FY 2022 (Actuals) ⁵	% Change (Actuals vs MYTP)
Formula	A	B	$(B - A) \div A$
Domestic	59,191	41,794	-29.39%
International	23,970	48,840	103.75%
Total	83,161	90,634	8.99%

- 6.2.13. It was observed from the above table that the actual domestic cargo at SVPIA is lower than the projections as per the MYTP submission by approximately 29%. However, at the international level, the actual cargo at SVPIA exceeds the projections as per the MYTP submission by approximately

⁵ AAI Traffic News

104%. Even at an overall level, the actual cargo at SVPIA is higher than the projections as per the MYTP submission by approximately 9%. Hence, the recovery in domestic cargo traffic has been slower than expected by AIAL, whereas the recovery in international cargo traffic has exceeded expectations significantly.

Table 82: Recovery of cargo traffic in first quarter of FY 2023

Q1 Cargo Traffic (MT)	International			Domestic		
	FY 2020	FY 2023	Recovery	FY 2020	FY 2023	Recovery
SVPIA	13203	12153	92%	14472	11,090	77%

- 6.2.14. The Authority noted that the domestic cargo traffic in the first quarter of FY 2023 (April to June) is already at approximately 77% of that in the first quarter of FY 2020. Going by the recent trends, the Authority is of the view that the domestic cargo traffic would recover to pre-COVID levels in FY 2023. The Authority notes that the domestic cargo traffic forecasts provided by the Airport Operator (based on CAPA India Study report) corresponds to the above views of the Authority that the domestic cargo traffic will reach pre-COVID levels of FY 2020 by FY 2023. Hence, the Authority had considered the domestic cargo traffic projections for FY 2023 to FY 2026 as submitted by the Airport Operator.
- 6.2.15. The Authority noted that the international cargo traffic has already surpassed the pre-COVID levels (FY 2020 levels). Based on the recent trends observed, the international cargo traffic projections made by AIAL appeared to be quite conservative. Hence, the Authority considered the international cargo traffic to grow at the historic growth rate of 10.15% (CAGR between FY 2015-20) from FY 2023-26. Accordingly, the Authority proposed the following cargo traffic for SVPIA for the Third Control Period:

Table 83: Cargo traffic at SVPIA for the Third Control Period proposed by the Authority

Cargo Traffic (MT)	FY 2020	FY 2022*	FY 2023	FY 2024	FY 2025	FY 2026	Total for TCP
Domestic	57674	41794	63,931	69046	74570	80311	329652
Y-o-Y Growth (%)		15.2%	53.0%	8.0%	8.0%	7.7%	
International	46067	48840	53795	59253	65265	71887	299040
Y-o-Y Growth (%)		99.6%	10.1%	10.1%	10.1%	10.1%	
Total	103741	90634	117726	128299	139835	152198	628692

* Actuals (Source: AAI Traffic News)

- 6.2.16. In order to estimate the share of cargo handled by AIAL in FY 2023 to FY 2026, the Authority had considered the market share of 72% proposed by AIAL (which is composed of 54% Domestic, 16% International and 30% Express Cargo).
- 6.2.17. Based on its analysis of Passenger, ATM and Air Cargo Traffic, the Authority proposed the traffic for SVPIA for the Third Control Period as given in the table below and true up the same based on actuals, at the time of determination of tariffs for the Fourth Control Period.

Table 84: Traffic proposed by the Authority for TCP at the Consultation stage

Domestic Passengers (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
Domestic Passenger Traffic		5.59	9.49	11.44	13.55	15.79	55.85
Recovery to FY 2020 levels (%)		61%	104%	126%	149%	173%	
Proposed by the Authority:							
Domestic Passenger Traffic		9.14	9.49	11.44	13.55	15.79	55.31
Recovery to FY 2020 levels (%)		55%	104%	126%	149%	173%	

International Passengers (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
International Passenger Traffic		0.56	1.96	2.73	3.40	4.07	12.73
Recovery to FY 2020 levels (%)		24%	84%	118%	147%	175%	
Proposed by the Authority:							
International Passenger Traffic	2.32	0.63	1.96	2.73	3.40	4.07	12.79
Recovery to FY 2020 levels (%)		27%	84%	118%	147%	175%	
Total Passengers (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
Total Passenger Traffic		6.15	11.45	14.17	16.96	19.85	68.58
Recovery to FY 2020 levels (%)		54%	100%	124%	148%	174%	
Proposed by the Authority:							
Total Passenger Traffic	11.43	5.67	11.45	14.17	16.96	19.85	68.10
Recovery to FY 2020 levels (%)		50%	100%	124%	148%	174%	
Domestic ATM (No's)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
Domestic ATM Traffic		53,512	69,356	82,536	96,606	111,183	413,193
Recovery to FY 2020 levels (%)		77%	100%	119%	140%	161%	
Proposed by the Authority:							
Domestic ATM Traffic (A)	69,190	45,623	69,356	82,536	96,606	111,183	405,304
Recovery to FY 2020 levels (%)		66%	100%	119%	140%	161%	
Domestic Exempted ATM (%)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Avg. in TCP
Submitted by AIAL		20%	18%	15%	15%	15%	17%
As per the Authority** (B)		17%	16%	14%	14%	14%	15%
Domestic Billable ATM (No's)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL		42,810	56,872	70,156	82,115	94,506	346,458
As per the Authority (C = A × B)		37,867	58,259	71,394	83,564	96,173	347,257
International ATM (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
International ATM Traffic		4,552	12,606	17,413	21,469	25,408	81,448
Recovery to FY 2020 levels (%)		30%	82%	113%	140%	165%	
Proposed by the Authority:							
International ATM Traffic (D)	15,387	5,525	12,606	17,413	21,469	25,408	82,421
Recovery to FY 2020 levels (%)		36%	82%	113%	140%	165%	
Total ATM (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
Total ATM Traffic		58,064	81,962	99,949	118,075	136,591	494,641
Recovery to FY 2020 levels (%)		69%	97%	118%	140%	161%	
Proposed by the Authority:							
Total ATM Traffic (A + D)	84,577	51,148	81,962	99,949	118,075	136,591	487,725
Recovery to FY 2020 levels (%)		60%	97%	118%	140%	161%	
Total Billable ATM (No's)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL		47,362	69,478	87,569	103,584	119,914	427,906
As per the Authority (C + D)		43,392	70,865	88,807	105,033	121,581	429,678

Cargo Traffic (MT)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Total cargo volume:							
Submitted by AIAL:							
Domestic		59,191	63,931	69,046	74,570	80,311	347,049
International		23,970	37,818	52,239	62,372	67,809	244,208
Total cargo		83,161	101,749	121,285	136,942	148,120	591,257
Proposed by the Authority:							
Domestic	57,674	41,794	63,931	69,046	74,570	80,311	329,652
International	46,067	48,840	53,795	59,253	65,265	71,887	299,040
Total cargo	1,03,741	90,634	117,726	128,299	139,835	152,198	628,692
AIAL's cargo share:							
Submitted by AIAL							
Domestic cargo		31,916	39,560	47,156	53,243	57,589	229,463
International cargo			11,721	13,972	15,776	17,063	58,533
Express cargo			21,978	26,198	29,579	31,994	109,749
Total cargo		31,916	73,259	87,325	98,598	106,646	397,744
Market share of AIAL (in %)		35%	72%	72%	72%	72%	
Proposed by the Authority:							
Domestic cargo		31,916*	45,772	49,883	54,368	59,174	241,113
International cargo			13,562	14,780	16,109	17,533	61,984
Express cargo			25,429	27,713	30,204	32,875	116,221
Total cargo		31,916	84,763	92,375	100,681	109,582	419,318

*Actuals as submitted by AIAL.

**The present estimates for ATM traffic with respect to less than 80-seater flights (non-RCS) are provided by the AO. The same will be verified on actual basis and appropriate changes will be carried out before issuing the Tariff Order.

Note: Total cargo volume for FY 2020 and FY 2022 are as per AAI website

- 6.2.18. The Authority had considered the traffic proposed above to assess the need for the capital expenditure proposed by the Airport Operator for the Third Control Period at SVPIA.

6.3. Stakeholders' comments on Traffic for the Third Control Period

- 6.3.1. During the Stakeholder consultation process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to Traffic for the Third Control Period. The comments by Stakeholders are presented below.

AIAL's comments on Traffic for the Third Control Period:

- 6.3.2. With respect to AERA's proposal as per Para 6.2.1 page 81 of CP relating to Exempted Traffic, AIAL's comment is as follows:

- "We would like to reproduce the relevant extract from the MYTP submission as follows:

4.6. AIAL appreciate the RCS scheme initiated by government to boost the regional connectivity whereby no landing charges are charged to Airlines and also no UDF is charged to the departing passenger. Secondly ATMs having less than 80-seater capacity are also exempted from landing charges. Lastly, there are certain categories of passengers which are exempted from user charges being infant, transit etc.

4.7. Therefore, while calculating the revised aeronautical charges, the ATM and Passenger traffic is suitably adjusted to account for only billable ATMs and billable Passengers."

- It is to be noted that AO has done adjustment in ATMs (RCS and less than 80 seater) and Passengers to calculate only the billable traffic. The adjustment is necessitated to project the correct Aeronautical revenues.
- We would like to draw the attention of Authority on the Tariff order for Bangalore Airport for Third Control Period order no. 11/2021-22 dated para 4.5.9 onwards.

Transfer passengers at Bangalore Airport

4.5.9 The Authority noted BIAL's submission related to transit/ transfer passengers at Bengaluru airport. The Authority noted from the Second Control Period order for BIAL that the transit/transfer passengers transiting upto 24 hours are exempted from levy of UDF. The relevant extract is produced below:

"Transit/transfer passengers (this exemption may be granted to all the passengers transiting upto 24 hours. "A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger")."

4.5.10 The Authority noted that BIAL has revised its projections of the share of the transit/ transfer passenger in the total passenger based on the actual transit/ transfer passenger share of FY21. The same are produced below:

Table 67: Forecast of share of transit/ transfer passenger in total passenger as per BIAL's MYTP for the Third Control Period

% of Exempt passengers	FY2022	FY2023	FY2024	FY2025	FY2026
Domestic Pax	13%	13%	13%	13%	13%
International Pax	5%	5%	5%	5%	5%

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Table 68: Forecast of share of transit/ transfer passenger in total passenger as per BIAL's ATP for the Third Control Period

% of Exempt passengers	FY2022	FY2023	FY2024	FY2025	FY2026
Domestic Pax	25.75%	17.45%	17.45%	17.45%	17.45%
International Pax	16.07%	11.11%	11.11%	11.11%	11.11%

4.5.11 The Authority examined the submissions made by BIAL related to the transit passengers in its ATP. The Authority is of the view that the increase in the transit passengers during FY21 is on account of the COVID-19 pandemic and thus, it is a short term trend and not likely to sustain in the future. Further, the Authority will be trueing up the aeronautical revenues for the TCP based on actuals which will take into the actual transit passengers at BIAL. Therefore, the Authority decides that the share of transit passengers proposed by BIAL as part of its MYTP seem reasonable for the Third Control Period.

4.6 Authority's decisions regarding traffic projections for the Third Control Period

Based on the material before it and based on its analysis, the Authority has decided the following with regards to traffic projections for the Third Control Period:

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

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

- In the Bangalore Tariff order, AERA has accepted the contention that transit passengers are exempted from UDF and the percentage share of transit passenger assumed by Bangalore seems reasonable.
- In AERA Order No. 46/2015-16, in respect of Metro Development Fees approval determination of Metro Connectivity Project for Mumbai Airport, AERA has suitably adjusted the billable passengers after deducting the exempted Passengers. The relevant extract from Order is provided as follows : -
- Decision 5.b - To estimate the future billable passengers for both domestic and international passengers, as considered in Table 5.

Table 5: Estimated Billable Embarking Passengers for FY 2015-16 to FY 2023-24

Particulars (in millions)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Total domestic passengers (A)	27.15	29.25	31.51	33.95	36.57	36.57	36.57	36.57	36.57
Total international passengers (B)	12.20	13.03	13.91	14.86	15.86	15.86	15.86	15.86	15.86

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Embarking Domestic Passengers (C) = (50% of A)	13.58	14.63	15.76	16.98	18.29	18.29	18.29	18.29	18.29
Embarking International Passengers (D) = (80% of B)	9.76	10.42	11.13	11.89	12.69	12.69	12.69	12.69	12.69
Billable domestic passengers (E) = (80% of C)	10.86	11.70	12.60	13.58	14.63	14.63	14.63	14.63	14.63
Billable international passengers (F) = (80% of D)	7.81	8.34	8.90	9.51	10.15	10.15	10.15	10.15	10.15

- As can be seen from above, Authority has been consistently recognizing the exempted traffic and its impact in collection.
- We, therefore, request Authority to consider deduction of exempted ATM and Passenger flights while determining billable traffic for projection of aeronautical revenues. Accordingly, AIAL has prepared its ATP after considering only billable traffic. If we do not reduce the traffic which is not billable, the same will result in a known under-recovery since inception as projected ARR will not match with correct projected revenue”

Other Stakeholders' comments on Traffic for the Third Control Period:

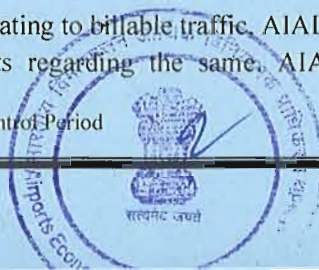
- 6.3.3. FIA stated the following, “It is submitted, that FIA is not in agreement with the proposal of AERA to consider the billable ATM traffic after excluding the ATMs that pertain to less than 80-seater capacity for non-RCS flights that are exempted from landing charges as the same is without any basis. It may be noted that it will not be a true indicator of the traffic projections at the Ahmedabad airport and any deductions from billable traffic will adversely impact the computation of non-aeronautical revenue We request the AERA to reconsider the same, in line with the AERA's proposal in the recent consultation paper number 10/2022-23 dated 20th October 2022 (ref 6.2.3 of the consultation paper number 10/2022-23), which is a consistent approach followed by the AERA in this regard in line with all Major

Airports. In view of the above, we propose that the exempted billable ATM/passenger traffic as proposed by AERA in their tariff card) should not be accepted.”

- 6.3.4. DIAL stated the following, “In para 6.2.1 and 6.2.2 of the Consultation Paper No. 10/ 2022-23, AERA had proposed the following: The Authority notes that AIAL has considered only billable ATM, after excluding ATM traffic covered under the RCS scheme and aircrafts with capacity less than 80-seater. AIAL has assumed the share of such ATMs to be approximately 15% to 20% over the Third Control Period based on historical trends. However, the Authority is of the view that RCS scheme is promoted by the Government of India with the objective of making regional air connectivity affordable by supporting airline operators through concessions offered by Central Government, State Government and the Airport Operators. As this scheme is promoted to encourage small aircrafts, the flights operating under this scheme are not eligible to be claimed as a passthrough/ exemption. The Authority notes that out of the total exempted traffic submitted by the Airport Operator (15% to 20% of the total domestic ATMs), 1.5% to 3% constitutes flights operating under the RCS Scheme and the balance pertains to non-RCS flights. Hence, the Authority has considered the billable ATM traffic after excluding the ATMs that pertain to less than 80-seater capacity non-RCS flights that are exempted from landing charges”. “Similarly, Government of India has allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/ 2019 read with AIC 20/ 2019. AIAL cannot claim any passthrough regarding UDF on such categories and this is followed by AERA across at all Major Airports. Therefore, there is no reason to consider the billable PAX traffic separately, as the Authority follows a consistent approach across all Major Airports, that naturally accounts for such considerations while projecting aeronautical revenues. **In this regard we would like to highlight that this approach of AERA is not in line with expected principle of Regulatory which ensures timely and complete recovery of approved ARR. This approach of AERA will result into reduction in UDF and consequently not allowing Airport Operator to timely recover its approved ARR. Further, shortfall in ARR recovery will also carry opportunity cost which also is not in public interest.**”

6.4. AIAL’s responses to Stakeholders’ comments regarding Traffic for the Third Control Period

- 6.4.1. AIAL’s response to the various Stakeholders’ comments with respect to Traffic for the Third Control Period is presented below.
- 6.4.2. With respect to FIA’s comment, AIAL has stated that - “It is submitted that as per current and likely future mix of ATMs, out of the total exempted traffic submitted by the Airport Operator (15% to 20% of the total domestic ATMs), 1.5% to 3% constitutes flights operating under the RCS Scheme and the balance pertains to non-RCS flights (i.e. less than 80-seater aircrafts which are exempted from landing charges as per GoI/MoCA guidelines). Similarly, there are certain categories of passengers who are exempt from payment of UDF charges. It is to be noted that AO has done the adjustment in ATMs/Passengers to calculate only the billable ATMs/Passengers as the same is necessitated to project the correct aeronautical revenues. AERA has partially removed the exempted ATMs. However, AERA has only reduced non-RCS category ATMs. We would like to highlight that this approach of AERA, of not reducing RCS ATMs and exempted Passengers, is not in line with expected principle of regulatory framework which ensures timely and complete recovery of approved ARR by matching the expected revenue with ARR. If the exempted revenues are not taken into account by AERA, the same will result in lower recovery from landing charges and UDF and consequently lead to mismatch of ARR and revenue from day one. Kindly refer detailed response in point 3.1 in the stakeholders’ comments submitted by AIAL.”
- 6.4.3. With respect to DIAL’s comment relating to billable traffic, AIAL has stated that DIAL has supported AIAL’s submissions and comments regarding the same. AIAL has also submitted its detailed



explanations and justifications on all the matters as part of its response to the Consultation Paper. Further, AIAL requests the Authority to consider the well-reasoned comments provided by AIAL which are duly supported by the aforementioned Stakeholder.

6.5. Authority's analysis of Stakeholders' comments on Traffic for the Third Control Period

- 6.5.1. The Authority has carefully noted the comments of AO, FIA, DIAL and responses of AO and states that as per the Table 84 of this Tariff Order, AERA had mentioned that the present estimates for ATM traffic with respect to less than 80-seater flights (non-RCS) were provided by the AO and the same would be verified on actual basis and appropriate changes would be carried out before issuing the Tariff Order. Accordingly, the Authority has made appropriate adjustments to the domestic billable ATM after considering the following:

The Authority notes that the Airport Operator has considered only billable ATM, after excluding ATM traffic that are exempted from landing charges. However, the Authority once again reiterates that RCS scheme is promoted by the GoI with the objective of making regional air connectivity affordable by supporting airline operators through concessions offered from time to time by Central Government, State Government and the Airport Operators. As this scheme is promoted to encourage small aircrafts, therefore the flights operating under this scheme are not eligible to be claimed as a passthrough/exemption. The AO had submitted that out of the total domestic ATMs, 15% to 20% would be of the exempted category of which 1.5% to 3% constitutes flights operating under the RCS Scheme and the balance pertains to non-RCS flights. The table given below shows the data provided by AAI regarding the domestic ATMs (less than 80-seater flights)

Table 85: Domestic ATMs as provided by AAI for SVPIA for the period FY 2017 to FY 2020

Particulars	FY 2017	FY 2018	FY 2019	FY 2020
Total flights (in No.)	28192	33602	41089	44204
Less than 80-seater (in No.)	2888	2926	4244	6995
Less than 80-seater as a % of total flights	10%	9%	10%	16%

The Authority noted that less than 80-seater flights, on average, constitute about 11% of the total domestic ATMs, as shown in the table above. Accordingly, the Authority has revised the traffic estimates for ATM for the Third Control Period after excluding exempt traffic as shown in the above table.

With respect to FIA's comment, the Authority would like to state that it would not be right to project aeronautical revenue based on total traffic at the airport as it would not reflect the true revenue potential of the airport. Further, the Authority would like to clarify that the consideration of billable traffic is only for the computation of aeronautical revenue and not for the projection of non-aeronautical revenue. The Authority had finalised its projections of NAR based on the total traffic at the airport.

- 6.5.2. Based on the revision in exempt domestic ATM as discussed above, the recomputed traffic estimates decided by the Authority for tariff determination for the Third Control Period is shown in the table below.

Table 86: Traffic decided by the Authority for the Third Control Period

Domestic Passengers (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
Domestic Passenger Traffic	5.59	9.49	11.44	13.55	15.79	55.85	
Recovery to FY 2020 levels (%)	61%	104%	126%	149%	173%		

Proposed by the Authority:							
Domestic Passenger Traffic	9.11	5.05	9.49	11.44	13.55	15.79	55.31
Recovery to FY 2020 levels (%)		55%	104%	126%	149%	173%	
International Passengers (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
International Passenger Traffic		0.56	1.96	2.73	3.40	4.07	12.73
Recovery to FY 2020 levels (%)		24%	84%	118%	147%	175%	
Proposed by the Authority:							
International Passenger Traffic	2.32	0.63	1.96	2.73	3.40	4.07	12.79
Recovery to FY 2020 levels (%)		27%	84%	118%	147%	175%	
Total Passengers (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
Total Passenger Traffic		6.15	11.45	14.17	16.96	19.85	68.58
Recovery to FY 2020 levels (%)		54%	100%	124%	148%	174%	
Proposed by the Authority:							
Total Passenger Traffic	11.43	5.67	11.45	14.17	16.96	19.85	68.10
Recovery to FY 2020 levels (%)		50%	100%	124%	148%	174%	
Domestic ATM (No's)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
Domestic ATM Traffic		53,512	69,356	82,536	96,606	111,183	413,193
Recovery to FY 2020 levels (%)		77%	100%	119%	140%	161%	
Proposed by the Authority:							
Domestic ATM Traffic (A)	69,190	45,623	69,356	82,536	96,606	111,183	405,304
Recovery to FY 2020 levels (%)		66%	100%	119%	140%	161%	
Domestic Exempted ATM (%)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Avg. in TCP
Submitted by AIAL		20%	18%	15%	15%	15%	17%
As per the Authority** (B)		11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Domestic Billable ATM (No's)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL		42,810	56,872	70,156	82,115	94,506	346,458
As per the Authority C = A × (1 - B)		40,604	61,727	73,457	85,979	98,953	360,721
International ATM (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
International ATM Traffic		4,552	12,606	17,413	21,469	25,408	81,448
Recovery to FY 2020 levels (%)		30%	82%	113%	140%	165%	
Proposed by the Authority:							
International ATM Traffic (D)	15,387	5525	12,606	17,413	21,469	25,408	82,421
Recovery to FY 2020 levels (%)		36%	82%	113%	140%	165%	
Total ATM (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
Total ATM Traffic		58,064	81,962	99,949	118,075	136,591	494,641
Recovery to FY 2020 levels (%)		69%	97%	118%	140%	161%	
Proposed by the Authority:							
Total ATM Traffic (A + D)	84,577	51,148	81,962	99,949	118,075	136,591	487,725
Recovery to FY 2020 levels (%)		60%	97%	118%	140%	161%	

Total Billable ATM (No's)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL		47,362	69,478	87,569	103,584	119,914	427,906
As per the Authority (C + D)		46,129	74,333	90,870	107,448	124,361	443,142
Cargo Traffic (MT)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Total cargo volume:							
Submitted by AIAL:							
Domestic		59,191	63,931	69,046	74,570	80,311	347,049
International		23,970	37,818	52,239	62,372	67,809	244,208
Total cargo		83,161	101,749	121,285	136,942	148,120	591,257
Proposed by the Authority:							
Domestic	57,674	41,794	63,931	69,046	74,570	80,311	329,652
International	46,067	48,840	53,795	59,253	65,265	71,887	299,040
Total cargo	1,03,741	90,634	117,726	128,299	139,835	152,198	628,692
AIAL's cargo share:							
Submitted by AIAL							
Domestic cargo		31,916	39,560	47,156	53,243	57,589	229,463
International cargo			11,721	13,972	15,776	17,063	58,533
Express cargo			21,978	26,198	29,579	31,994	109,749
Total cargo		31,916	73,259	87,325	98,598	106,646	397,744
Market share of AIAL (in %)		35%	72%	72%	72%	72%	
Proposed by the Authority:							
Domestic cargo		31,916*	45,772	49,883	54,368	59,174	241,113
International cargo			13,562	14,780	16,109	17,533	61,984
Express cargo			25,429	27,713	30,204	32,875	116,221
Total cargo		31,916	84,763	92,375	100,681	109,582	419,318

*Actuals as submitted by AIAL

**As per the revised exempt Domestic ATM (in %) considered by the Authority on the basis of the data provided by AAI

Note: Total cargo volume for FY 2020 and FY 2022 are as per AAI website

6.6. Authority's decisions regarding Traffic for the Third Control Period

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

- 6.6.1. To consider the ATM, Passenger traffic and Cargo traffic for the Third Control Period for SVPIA as per Table 86.
- 6.6.2. To true up the traffic volume (ATM, Passengers and Cargo) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.



7. CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE FOR THE THIRD CONTROL PERIOD

7.1. Background

- 7.1.1. RAB is an essential element in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an Airport Operator. To encourage the participation of the private sector in airport development and operations, investors must be fairly compensated for the capital 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 provided solely on the assets related to the core operations (i.e., aeronautical services) of the airport and put to use by the Airport Users.
- 7.1.2. The Authority noted that as per the Concession Agreement (CA), the AO had proposed to plan and develop SVPIA in a phased manner during the Concession Period, as well as cater to the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per its demand projections. Further, development of the airport includes construction and procurement of various assets as described in Schedule B to the CA such as:
- i. Runways, taxiways, apron, aircraft parking bays, air traffic control tower, cargo facilities, parking, flight kitchens, MRO facilities, warehousing facilities, airline offices, administrative offices, and associated facilities
 - ii. Construction and procurement of Terminal Building and facilities and
 - iii. Construction of required approach roads.
- 7.1.3. The Authority also noted that the AO is mandated to develop an integrated terminal building which is efficiently planned, flexible for phase-wise development, sustainable and economical, as stipulated in Schedule B of Annex I of the CA (Refer Para 18.4.10). Further, as per Clause 23.7.1 of the CA (Refer Para 18.4.8 in Annexure 4 of Chapter 18)- *"The Concessionaire shall participate in the user survey of ASQ undertaken by AAI or any substitute thereof, conducted every quarter and ensure that the Airport achieves and maintains a rating of at least 4.5 out of 5.0 and/ or shall appear within top 20 percentile of all airports, in its category in the World in such survey within five (5) years from the COD and maintain the same throughout the rest of the Concession Period."*
- 7.1.4. The Authority understood that as part of the Concession Agreement (CA), the AO shall be liable to pay to AAI amounts incurred by AAI as on the COD in respect of works-in-progress as set forth in Schedule T (Refer Para 18.4.14 in Annexure 4 of Chapter 18) of the CA. The Concessionaire was also responsible to incur any additional cost towards completion of such work-in-progress assets after COD. Upon reimbursement to AAI and completion of such works-in-progress by the Concessionaire, such works-in-progress assets shall form part of the Airport. The AO was also required to give due regard to the works proposed to be implemented by AAI as on the date of signing of the Concession Agreement as set forth in Schedule U of the CA (Refer Para 18.4.11 in Annexure 4 of Chapter 18).
- 7.1.5. The Independent Consultant appointed by the Authority had performed an in-depth analysis of the submissions made by the Airport Operator towards Aeronautical Capital Additions, Depreciation and RAB. In this respect, the Independent Consultant had performed the following functions:
- Conducted site visit on 25th May 2022 to witness the physical progress of the projects.
 - Sought and verified various technical study reports of the Consultants appointed by the AO, Drawings & Plans, BOQs, Cost Estimates & Break-up, detailed justification & explanation,

Deviation Statements, Demand vs Requirement Statements, copies of Letter of Intent (LOIs), Letter of Award (LOAs), Purchase Orders and Work Orders, etc., and

- Sought documentary evidences and verified the process of approval of capital addition projects including competitive bidding process for award of various work orders to the contractors for such projects.

7.1.6. Based on the review of documents as stated above, the Authority rationalized the capital expenditure projects submitted by the Airport Operator based on the essentiality, necessity for Airport operations and reasonableness of the proposed cost. In certain cases, the projects were deferred to the next Control Period for the reasons given in the relevant paras.

7.1.7. In the background of the facts stated above, the Authority examined the capital expenditure proposed by the Airport Operator for SVPIA, considering the historical traffic trends and future traffic estimates such that only essential, reasonable and efficient CAPEX is considered as part of RAB for the Third Control Period with a view to encourage the investors and maintain a balanced approach between the sustainable operations of the Airport and the interest of the airport users. Further, the Authority took cognizance of the fact that, if any excessive CAPEX was 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.

7.1.8. At the Consultation stage, the Authority had examined in detail the Capital Expenditure and RAB submitted by the Airport Operator and had presented its views in the following sequence:

- i. Capital projects transferred to AO from AAI as on COD (Discussed as item B7 in the subsequent section)
- ii. Capital expenditure proposed by the AO for the Third Control Period
- iii. Aeronautical allocation of capital expenditure for the Third Control Period
- iv. Aeronautical Depreciation for the Third Control Period
- v. Regulatory Asset Base for the Third Control Period

7.1.9. While analysing the MYTP regarding capitalization of expenditure for the Third Control Period, the Authority considered the appropriate adjustments to traffic in the context of the COVID-19 pandemic and the resultant stress on the financials of all the Stakeholders of civil aviation sector. In this background, the Authority had sought and examined the Airport Operator's submission based on the following details/ criteria:

- Nature of the expenditure
- Necessity / requirement of the expenditure
- Business plan and Master plan for all projects
- Number of PAX both at present and projected for the Third Control Period
- Terminal Capacity both at present and projected for the Third Control Period
- Other short-term and long-term plans of the Airport Operator
- Sustainability of airport operations
- Passenger consideration
- Safety and security of the airport



- Process of approval and sanction for various work orders / purchase orders
- Site visit conducted through the Authority's Independent Consultant to witness the physical progress (on 25th May 2022).

7.1.10. Based on the above, the Authority rationalized the capital expenditure for all the projects and accordingly proposed capital additions for the Third Control Period.

7.2. AIAL's submission of Capital Expenditure proposed for the Third Control Period

7.2.1. AIAL had submitted Aeronautical Capital Expenditure of INR 10,545.64 Cr. (inclusive of Financing Allowance, cost towards technical services, preliminaries, pre-operatives, insurance/statutory payments, contingencies etc.) in the MYTP dated 04th February 2022, for the Third Control period as given below:

Table 87: Asset-wise capital additions submitted by the Airport Operator for TCP as part of the MYTP

Particulars (INR Cr.)	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Terminal Building (Aero)	44.01	990.02	70.92	222.57	4,016.09	5,343.61
Runway, Taxiway and Apron	10.61	648.39	458.41	4.43	444.86	1,566.70
Cargo building	0.00	0.00	323.39	0.00	0.00	323.39
Cargo Equipment	6.47	0.00	102.07	0.00	0.00	108.54
Boundary wall	0.00	24.63	1.63	1.17	7.46	34.89
IT equipment	5.02	13.14	7.96	4.50	3.91	34.53
Security equipment	8.55	17.18	0.93	0.89	1.59	29.14
Plant and Machinery	29.28	64.92	41.45	124.34	179.34	439.33
Other Buildings	9.95	10.96	201.85	817.95	19.21	1,059.93
Access Road	1.59	14.83	6.61	22.62	376.49	422.13
Terminal Building (Non-Aero)	2.39	53.69	3.85	12.07	217.81	289.81
Vehicles	0.00	2.28	0.00	0.41	0.00	2.69
Fuel Farm	-	32.40	75.94	-	59.88	168.23
Total	117.86	1,872.44	1,295.01	1,210.95	5,326.64	9,822.91
Add: Financing Allowance (FA)	8.98	117.10	98.65	92.25	405.77	722.74
Total CAPEX including FA	126.84	1,989.54	1,393.66	1,303.20	5,732.41	10,545.64

7.2.2. The Authority, as part of its examination of the Capital Expenditure submitted by the Airport Operator for the Third Control Period, had raised queries and sought clarification on the essentiality of the capital expenditure and enquired for necessary documents such as project cost estimates, Technical Consultants' reports, design, drawings, plans, inspection report issued by various authorities etc., substantiating the capital expenditure proposed by the Airport Operator in the MYTP. However, the information shared by the AO was on a piecemeal basis. Further, the information furnished was not complete and required follow ups by the Authority to address the gaps. The Consultation Process is an exhaustive exercise and involves the analysis of significant data, reaching conclusions and recording the resultant proposals keeping in mind the interest of all Stakeholders. This exercise took considerable time, and the Authority could not afford to let it be an open-ended process. The Authority had accordingly relied on the information made available by the AO within reasonable timelines and made appropriate analysis and made changes wherever necessary.

7.2.3. In the course of responding to the queries of the Authority, the Airport Operator revised its initial submission of capital expenditure (including addition/removal of projects and revision of project costs) vide email dated 21st July 2022.

- 7.2.4. Upon review of all the necessary details and documents, the Authority had convened a virtual meeting on 22nd July 2022 with the representatives of the Airport Operator along with AERA's Consultant to obtain clarification regarding its queries on the ongoing and new projects proposed by the Airport Operator.
- 7.2.5. The Airport Operator had submitted multiple roadways and drain related projects under different heads. The Airport Operator has clarified vide email dated 13th October 2022 that there was no duplication of items between these projects and that these are separate items. The Authority had discussed its examination of these projects individually under the relevant heads. A brief summary is provided below.

Table 88: Summary of Projects related to Road and Drains submitted by AO

S. No.	Project Description	Reference
	Roadway systems:	
A.2	Construction of Roadway System New Integrated Passenger Terminal	Para 7.3.20
C.1	Landside Road Network	Para 7.3.60
C.2	Construction of temporary roads	Para 7.3.64
C.3	Airside Roads	Para 7.3.66
C.4	Minor Works – Roads	Para 7.3.68
D.2	Multi modal transport hub (MMTH) – Landside Roads	Para 7.3.70
	Stormwater drains:	
B.1	Major Rehabilitation of RWY - Drains	Para 7.3.40
F.2	Landside drainage	Para 7.3.85
F.3	Airside Drainage & Ducting System	Para 7.3.88

- 7.2.6. In its initial submissions, AIAL had not provided the item-wise break-up of the various Minor Projects/Works (individually below INR 15 Cr. value) included under multiple project heads. The Airport Operator was asked to share the details of the same vide email dated 24th June 2022. AIAL shared the details requested vide email dated 16th July 2022. On 30th July 2022 AIAL shared a revised list of minor projects with descriptions and break-up of costs. However, gaps were still persistent in the information submitted by AIAL and the Authority during its examination sought clarifications from time to time from AIAL.
- 7.2.7. A comparison of capital expenditure submitted by the Airport Operator during different time periods, namely, the original MYTP as on 04th February 2022 and the revised capital expenditure submission as on 21st July 2022, is shown below:

Table 89: Comparison on capital expenditure and revision submitted by AO

Capital Expenditure as per (INR Cr.)	MYTP as on 04 th February 2022	Revised submission on 21 st July 2022
Capital Expenditure	9,822.91	10,586.50
Financing Allowance	722.74	779.89*
Total	10545.64	11,366.39

*also including Interest During Construction

- 7.2.8. Post 21st July 2022, AIAL had dropped certain projects from time to time in response to queries from the Authority seeking supporting information, documents and updated capital expenditure proposed by the Airport Operator is INR 11,107.43 Cr. (including indexation, soft costs, Interest During Construction and Financing Allowance).

7.3. Authority's examination of Capital Expenditure for the Third Control Period at the Consultation stage

7.3.1. The item-wise break-up of the capital expenditure proposed by the Airport Operator for the Third Control Period is given below:

Table 90: Capital Expenditure proposed by the Airport Operator for TCP

S. No.	Particulars (INR Cr.)	FY of Capitalisation	Cost Proposed (INR Cr.)		
			Base cost*	including indexation	Including soft costs**
A	Terminal Buildings				
A.1	Construction of New Integrated Terminal Building	2026	3,130.63	3,524.55	4,115.30
A.2	Construction of Roadway System New Integrated Passenger Terminal	2026	201.01	230.87	269.57
A.3	Substation (RSS/DSS) Building	2025, 2026	72.86	82.78	96.66
A.4	Upgradation / Modification in existing Terminal Building	2023	907.43	936.47	1,094.47
A.5	VIP /CIP Terminal	2024	31.37	33.67	39.32
A.6	Minor Works – Terminal Buildings	2022-26	22.21	22.21	25.93
	Subtotal - Terminal Buildings		4,365.51	4,830.55	5,641.25
B	Runways, Taxiways & Aprons				
B.1	Major Rehabilitation of RWY	2023	367.60	367.60	429.46
B.2	Apron Improvement Works	2023, 2024, 2026	380.34	422.67	493.60
B.3	Taxiway Improvement Works	2024, 2026	195.67	208.17	243.21
B.4	Improvements to AGL System	2024, 2026	37.03	40.05	46.77
B.5	Isolation Bay	2024	23.58	25.11	29.33
B.6	Minor Works – Runway & Taxiway	2022, 2023, 2025, 2026	21.67	22.81	26.64
B.7	CWIP from AAI	2022	1.94	1.94	1.94
	Subtotal - Runways, Taxiways & Aprons		1,027.83	1,088.36	1,270.94
C	Roads				
C.1	Landside Road Network	2024-26	41.81	47.83	55.85
C.2	Construction of temporary roads	2023, 2026	41.46	46.46	54.24
C.3	Airside Roads	2023, 2026	25.26	28.46	33.23
C.4	Minor Works – Roads	2022-26	17.96	17.96	20.98
	Subtotal - Roads		126.49	140.71	164.30
D	Metro Link & MMTH				
D.1	Metro Station and Metro Corridor	2025	418.50	458.15	534.94
D.2	Multi modal transport hub (MMTH)	2023, 2026	167.93	187.56	219.05
	Subtotal - Metro Link & MMTH		586.43	645.71	753.99
E	Hangars				
E.1	HANGAR 1	2024	48.53	51.48	60.15
E.2	Other Hangars	2024	208.45	219.85	256.91
	Subtotal - Hangars		256.98	271.33	317.06
F	Utilities, Drains and External Works				
F.1	Distribution network for all Utilities	2023, 2026	87.23	94.55	110.37
F.2	Landside drainage	2023, 2026	108.05	111.72	130.40
F.3	Airside Drainage & Ducting System	2023, 2024	71.25	76.81	89.69

S. No.	Particulars (INR Cr.)	FY of Capitalisation	Cost Proposed (INR Cr.)		
			Base cost*	including indexation	Including soft costs**
F.4	STP, Storage Tanks, Pump House etc.	2023, 2026	79.37	90.55	105.74
F.5	Boundary wall improvements including PIDS	2023-26	20.64	22.37	26.12
F.6	Minor Works – Boundary wall	2023-25	4.29	4.34	5.07
F.7	External Landscape & Horticulture	2023, 2026	17.01	19.25	22.48
F.8	Oil Water Separator	2024	15.50	16.73	19.54
F.9	T1 Utility Complex	2025-26	11.08	13.10	15.29
	Subtotal - Utilities, Drains and External Works		414.41	449.42	524.70
G	Equipment & Machinery				
G.1	IT Equipment	2022-26	29.54	29.54	34.49
G.2	Security Equipment	2022-26	24.71	24.71	28.88
G.3	DARK (Disabled Aircraft Removal Kit)	2023	20.00	20.00	23.38
G.4	Minor Projects – Plant & Machinery	2022-26	62.65	65.50	76.48
	Subtotal - Equipment & Machinery		136.90	139.75	163.23
H	Other Buildings				
H.1	CISF Barracks And Officers' Quarters	2025	192.72	213.87	249.71
H.2	ATC Technical Block with ATC Tower in AAI Colony	2025	183.13	198.92	232.26
H.3	IMD/MET Facility	2024	41.40	44.78	52.29
H.4	ARFF Building	2024	19.15	20.19	23.60
H.5	Airport Health Office (AHO)	2025	17.44	18.13	21.20
H.6	GSE Maintenance Facility	2025	15.50	17.44	20.36
H.7	AAI Cargo Warehouse	2026	69.85	76.61	89.45
H.8	Minor Works – Other Buildings	2022-26	21.96	22.99	26.85
	Subtotal - Other Buildings		561.15	612.93	715.72
I	Vehicles				
I.1	Minor Projects – Vehicles	2023, 2025	2.30	2.30	2.69
J	Cargo				
J.1	New Cargo Complex - Phase 1 & 2	2024	233.92	250.12	292.16
J.2	Cargo Equipment	2022, 2024	106.59	115.02	134.29
J.3	Minor Works – Cargo Building	2024	12.62	13.22	15.44
J.4	Minor Works – Misc. Cargo Equipment	2022-2024	6.17	6.50	7.58
	Subtotal - Cargo		359.30	384.86	449.47
K	Fuel Farm				
K.1	New Fuel Farm facility	2024	218.70	246.50	287.82
K.2	Fuel Farm Equipment	2023	32.68	32.68	32.68
K.3	Minor Projects – Fuel Farm	2023, 2026	2.80	3.16	3.68
	Subtotal - Fuel Farm		254.18	282.34	324.18
	Grand total (M=A+B+C+D+E+F+G+H+I+J+K)		8,091.48	8,848.26	10,327.53
	IDC + FA (N)				779.89
	Grand total including IDC & FA (M + N)		8,091.48	8,848.26	11,107.43

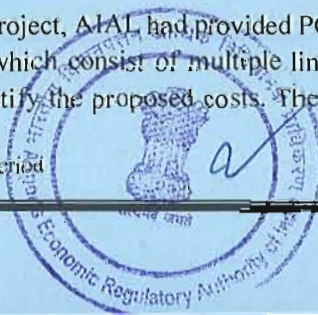
* as in FY 2022

** Soft costs include costs towards Technical Service Fee, Preliminaries, Insurance, Statutory Payments, Pre-operatives, Contingencies etc.



- 7.3.2. As per the AERA Guidelines 2011 (Terms and Conditions for Determination of Tariffs for Airport Operators) dated 28th February 2011, the Authority determined the opening and closing RAB for each Tariff Year in a Control Period on the basis of the forecasted RAB. The Authority's judgements in this regard was also informed by the periodic update reports of the Airport User Consultative Committee (AUCC). In the context, the Authority examined the submission of the Airport Operator regarding forecasted capital expenditure in the following paragraphs.
- 7.3.3. The Authority noted that the Airport Operator conducted its first Airport User Consultation Committee (AUCC) Meeting on 21st January 2022 with the Stakeholders and discussed about the capital expenditure proposed to be undertaken at SVPIA during the Third Control Period from FY 2022 to FY 2026. The meeting was attended by various airport Stakeholders such as International Air Traffic Association (IATA), Federation of Indian Airlines (FIA), Indigo, Air India, Vistara, Fly Dubai, Emirates, SpiceJet, Qatar Airways, Singapore Airlines, Go Air, Kuwait Airways, BlueDart, DHL Express, AAI, Association of Private Airport Operators (APAO), BCAS, TAAI and Immigration. As per the 'minutes' of the meeting, the Authority observed that the Airport Operator had broadly discussed the following points with the Stakeholders:
- i. Historic, current, and future growth forecast of passenger traffic at AIAL.
 - ii. Presentation on Master plan for the Airport covering 50 years of the Concession period and planned to be executed in four phases with Phase 1 and 2 being undertaken in the Third Control period.
 - iii. Existing challenges in AIAL pertaining to its location, topography, weather conditions, limited availability of land, etc.
 - iv. Projects planned to be implemented in the Third Control Period
- 7.3.4. The Authority also noted, from the Minutes of the AUCC meeting, that various observations were made by some of the Stakeholders relating to the aspects of normative costing, cost estimates projected for the capex projects, plans to procure a Disabled Aircraft Removal Kit (DARK), construction and commissioning of new ARFF building, ATS block with certain CNS equipment, timelines for the respective phases of the master plan etc.
- 7.3.5. The Authority noted that the Airport Operator was mandated to plan and develop Phase I of the Airport in the manner set out in the Concession Agreement as well as cater to the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per its demand projections (as mentioned in Para 7.1.2). In this background, the Authority examined the new capital expenditure projects submitted by the Airport Operator and rationalized it based on traffic forecasts, present and future designed capacity of the Airport and with the perspective of keeping the tariff rates at a reasonable level.
- 7.3.6. The Authority observed that the AO had submitted various Minor Projects/Works under different heads consisting of numerous sub-projects/procurements planned to be carried out over the Third Control Period (each individually below INR 15.00 Cr.). AIAL had not provided the detailed break-up of these projects as part of its MYTP submission, instead the AO had submitted lumpsum amounts for each head. The Authority vide email dated 24th June 2022 asked AIAL to share the detailed break-up along with the basis for the costs being estimated. AIAL, vide email dated 16th July 2022 shared the list of minor works/procurements planned to be carried out.

The Authority noted that for each Minor Project, AIAL had provided POs and BOQs for only a portion of the cost. For the remaining amounts which consist of multiple line items, no documents or cost estimates were submitted by AIAL to justify the proposed costs. The Authority noted that these are



budgets for various procurements and minor works over the Third Control Period, therefore, detailed estimates and POs may not be available at this stage. In the absence of such details, it was not possible to assess the reasonableness of these expenses. Therefore, the Authority proposed to rationalise the amount for such projects/items at this stage. In the event that such projects are necessary and critical to airport operations, the Airport Operator may incur the remaining amounts and the same would be taken into due consideration by the Authority for true up at the time of determination of tariffs for the Fourth Control Period subject to cost efficiency and reasonableness.

The Authority also examined the individual line items under each Minor Project and classified them based on the nature of the project into aeronautical, non-aeronautical and common. The common assets were further bifurcated using the Terminal Area Ratio. Accordingly, only the aeronautical portion of the cost was considered as part of aeronautical capital expenditure. The Authority detailed its examination of the respective Minor Projects under the relevant heads.

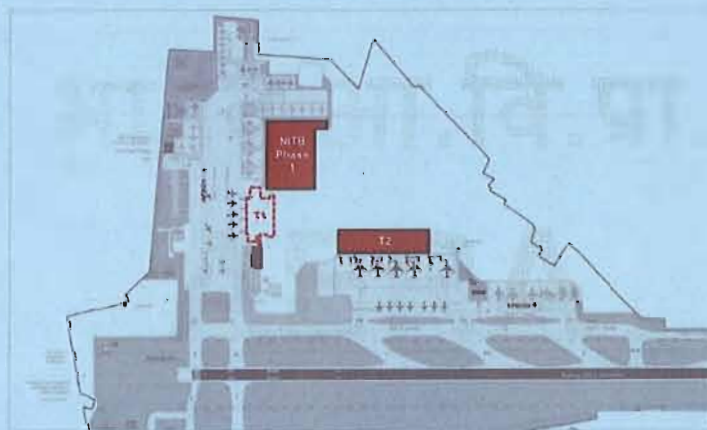
- 7.3.7. The Authority's examination of the projects proposed by the Airport Operator (Refer Table 90) at the Consultation stage is given project-wise in the following paragraphs. The costs mentioned below are as submitted by the Airport Operator as in FY 2022 and does not include cost indexation and soft costs.

A. Terminal Buildings

A.1 New Integrated Terminal Building (NITB) Phase – 1

- 7.3.8. As part of the capital expenditure for the Third Control Period, AIAL had proposed the commissioning of New Integrated Terminal Building in two phases. Phase 1 of the NITB is proposed to be commissioned in February 2026 at an estimated cost of INR 3,130.63 Cr. (without indexation and soft costs) with a planned capacity of 20 MPPA (2,14,000 SQM). The project was presented to the users at the AUCC meeting held on 21st January 2022. AIAL submitted that the NITB is planned to be a multi-level terminal with main departure level at 13 m, arrival mezzanine at 6m and arrival level at 0.0 m. The terminal would be well connected on the landside with elevated departure road and at-grade road network at arrival level. The location of Phase 1 of the proposed NITB is shown below.

Figure 3: Location of proposed NITB Phase 1



- 7.3.9. As per AIAL, the present terminals have a combined capacity of 7.5 MPPA (T1 - 5 MPPA and T2 – 2.5 MPPA). AIAL proposed the modification, refurbishment, and expansion of the existing terminals to augment the capacity to 16.8 MPPA (T1 – 8.0 MPPA and T2 – 8.8 MPPA). However, the traffic expected in FY 2026 is 19.85 million which is significantly higher than the capacity of the existing terminals even after expansion. AIAL also submitted the Peak Hour Passenger (PHP) projections for the Third Control Period which also suggested that the existing terminals would not be able to handle

the projected traffic in FY 2026. The Authority compared the area requirement and PHP projections and found AIAL's claims to be reasonable. The PHP capacity submitted by AIAL is given below.

Table 91: PHP capacity submitted by AIAL

Terminal	Type	Current Status			Post modification of terminals		
		Area (SQM)	Capacity (MPPA)	PHP*	Area (SQM)	Capacity (MPPA)	PHP
T1	Domestic	34,158	5.0	800	40,934	8.0	2,265
T2	Domestic					5.7	1,731
	International					3.1	1,064
	Combined	45,462	2.5	700	54,474	8.8	2,795
Total		79,620	7.5		95,408	16.8	5,060

*One way traffic

7.3.10. The PHP projections submitted by AIAL is given below.

Table 92: PHP projections submitted by AIAL for the Third Control Period

PHP Demand	2020	2021	2022	2023	2024	2025	2026
Domestic:							
Arrival	1,461	387	914	1,351	1,560	1,585	1,610
Departure	1,489	395	930	1,375	1,587	1,612	1,637
Total	2,950	782	1,844	2,726	3,147	3,197	3,247
International:							
Arrival	737	68	313	505	688	837	976
Departure	869	80	365	586	796	963	1,118
Total	1,606	148	678	1,091	1,484	1,800	2,094
Total PHP*	4,556	930	2,522	3,817	4,631	4,997	5,341

Note: The figures for FY 2020 are as per actuals and the figures from FY 2021-2026 are projections made by the AO.

*One way traffic

7.3.11. The Authority observed that the PHP projections submitted by the Airport Operator indicated the need for a significant increase in terminal capacity. It needs to be ensured that the airside capacity does not become a constraint in achieving the projected passenger traffic. In order to validate the balance of capacity in the terminals and the airside facilities, the Authority directed the Airport Operator to carry out a study regarding airside constraints. Based on the Authority's direction, the AO engaged National Air Traffic Services (NATS) to Study the following:

- Runway capacity
- Stand capacity
- Taxiway infrastructure
- Airspace infrastructure

The Airport Operator submitted the study (Ahmedabad Airport Master Plan NATS Review) carried out by (NATS) vide email dated 15th September 2022 (The conclusion of the report is provided in Para 18.6.19 of Annexure 6 in Chapter 18, detailed report is available on the AERA website)

7.3.12. The Authority noted that as per the NATS Study, no airside capacity constraints are expected in the Third Control Period. However, it was observed that the traffic projections considered in the NATS Study were different from those considered by the Airport Operator in the MYTP. The Airport Operator



was asked to clarify this difference, to which AIAL responded vide email dated 08th September 2022 that the CAPA Traffic Study had three scenarios, out of which the medium scenario was considered for long term master planning, whereas the high scenario was considered in the MYTP based on short term trends.

- 7.3.13. The Authority found that the NATS Study had recommended the expansion of the current planned balance-length parallel taxiway to Code E compliant by 2030. This would help in increasing the runway capacity by 2-5 movements per hour. The Authority understood that the current planned taxiway is Code C compliant considering land availability constraints. However, the Authority inferred from the NATS Study Report that Parallel Taxiway for Code C would be sufficient for the Third Control Period. The Authority shared a copy of the NATS Study Report with ANS Operator (i.e., AAI as provided in the Concession Agreement) for necessary action/update appropriately. Further, the Airport Operator was directed to ensure the availability of land required for future expansion in a timely manner.
- 7.3.14. The Authority found that the construction of the NITB Phase 1 was also envisaged by AAI as per Schedule U of the Concession Agreement (Refer Para 18.4.11 in Annexure 4 of Chapter 18). However, it would be pertinent to note that the total passenger handling capacity at the end of FY 2026 would be 36.6 MPPA with the commissioning of the NITB Phase 1, whereas the projected traffic is 19.85 million. The Authority was of the view that there was a gap in capacity planning, whereas the Concession Agreement required that the planning effort of the Airport Operator must result in a scheme that remains flexible while also definitely establishing a coordinated plan for the incremental growth of specific elements of the Airport as per Clause 2 of Schedule B of the Concession Agreement (Refer Para 18.4.15 Annexure 4 of Chapter 18). Hence, the Airport Operator was expected to proceed with expansion and development of the Airport in a modular fashion, in order to avoid undue stress on Airport Users. The cost proposed by the Airport Operator towards construction of NITB Phase 1 is given in the table below.

Table 93: Cost towards NITB Phase 1 proposed by the Airport Operator

S. No.	Particulars	Unit	Unit Rate (INR)	Quantity	Amount (INR Cr.)
1	Construction of NITB	SQM	1,46,000	2,14,000	3,124.40
2	Demolition Works -				
2.a	Demolition of Flexible Pavement	SQM	730	25,742	1.88
2.b	Demolition of Existing Structure	SQM	3,300	13,041	4.30
2.c	Demolition of Existing Boundary wall	RMT	2,100	208	0.04
	Total				3,130.63

- 7.3.15. The Authority examined the cost proposed by AIAL towards construction of the NITB Phase 1 and found the cost to be higher when compared to inflation adjusted normative benchmarks. The Authority asked AIAL to clarify the reasons for the same. AIAL vide email dated 28th June 2022 shared a note regarding normative benchmark for terminal building. As per the note shared, AIAL had referred various orders with respect to different airports for determining normative benchmark for construction of terminal building ranging between INR 0.95 lacs to INR 1.25 lacs per SQM.
- 7.3.16. AIAL proposed a new composite index, based on their experience, for determining the normative cost for each year from FY 2022 to FY 2026. The composite index comprised of indices of material and labour used in construction of terminal building. The table below shows the composition of the index along with index value for material and labour for FY 2018 and FY 2022. As per AIAL, WPI Index



value is used for various components from FY 2018 to FY 2022. For FY 2023 and onwards, AIAL has assumed a 5% Y-o-Y growth to arrive at the inflation adjusted normative cost.

Table 94: Composition of composite index for terminal building proposed by Airport Operator

Composition	Proportion	Contribution (INR)	FY 2018	FY 2022
Manufacture of electrical equipment	28%	28,000	109.6	122.3
HSD	12%	12,000	84.4	128.2
Angles, Channels, Sections, steel (coated/not)	20%	20,000	96.4	143.4
Mild Steel -Long Products	12%	12,000	95.6	137.4
Ordinary Portland cement	8%	8,000	111.4	125.4
Labour	20%	20,000	104.8	123.6
Weighted average	100%	1,00,000	101.45	129.55
Normative cost (INR per SQM)			1,00,000	1,28,410

7.3.17. Based on the above index, the inflation adjusted normative cost proposed by the Airport Operator for Terminal Building for FY 2022 is INR 1,28,410 per SQM.

7.3.18. The Authority was of view that the composition of steel considered in the cost of construction of terminal building by AIAL is higher than typically expected for a terminal building. Considering a different approach in the case of individual airports would result in non-uniformity of cost rationalisation, which would not be a fair approach. Further, AIAL had assumed the unit cost as INR 1,00,000 per SQM for FY 2018, whereas the Authority had considered the same with respect to FY 2021 for certain airports. Therefore, the Authority did not find merit in the submission of AIAL regarding the normative cost for terminal building. Therefore, the Authority recomputed the inflation adjusted normative cost for Terminal Building considering a base cost of INR 1,00,000 per SQM in FY 2021 as given in the table below.

Table 95: Inflation adjusted normative cost proposed by the Authority

Normative Cost (INR per SQM)	FY 2021	FY 2022
Terminal Building (A)		
WPI Index* (B)	123.40	139.40
Inflation adjusted cost (C = A × B / 123.40)	1,00,000	1,12,966

*<https://eqindustry.nic.in/>

7.3.19. Accordingly, the Authority proposed to limit the allowable cost for NITB Phase I based on the inflation adjusted normative cost as given in the table below.

Table 96: Cost proposed by the Authority towards construction of NITB Phase 1 at Consultation stage

Normative Cost Calculation	Unit Rate (INR per SQM)	Quantity (SQM)	Amount (INR Cr.)
A.1 NITB Phase – 1			
Cost submitted by AIAL (A)			3,130.63
Exclusions from normative limit			
Less: Demolition cost (B)			6.23
Less: GST on above items (C)			476.60
Net Amount (D = A – B – C)	1,23,728	2,14,000	2,647.80
Cost proposed by the Authority:			
Cost based on normative limit (E)	1,12,966*	2,14,000	2,417
Add: GST on NITB Phase – 1 (F = E × 18%)			435.14

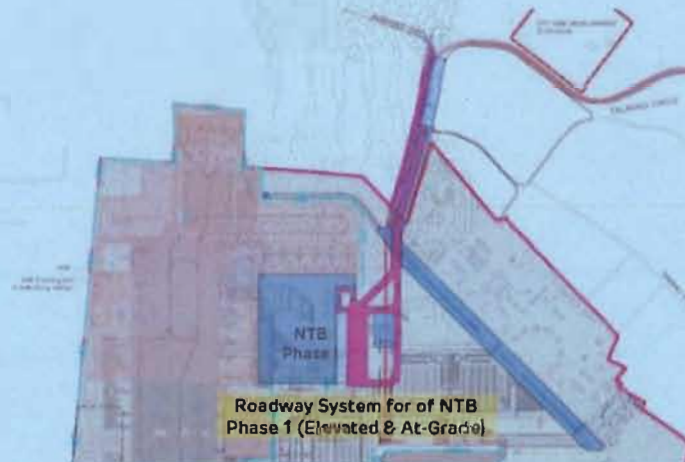
Normative Cost Calculation	Unit Rate (INR per SQM)	Quantity (SQM)	Amount (INR Cr.)
Add: Demolition Cost (B)			6.23
Cost proposed by the Authority (G = E + F + B)			2,858.84
Difference (A – G)			271.78

*As per Order No. 07/2016-17 dated 06th June 2016 regarding normative approach to regulatory building blocks (capital costs reg.)

A.2 Construction of roadway system for New Integrated Passenger Terminal

- 7.3.20. Along with the construction of the NITB Phase I, AIAL also proposed the construction of a multi-level roadway system of elevated and at-grade roads connecting to the terminal's kerbs. All the terminal roadway system (3 lanes in each direction) - elevated and at-grade shall be unidirectional near the terminal to avoid conflict of vehicle flows and provide direct guidance to incoming and out-going traffic of NITB Phase I. The proposed elevated and at-grade road system of the terminal shall lead to departure kerbs, arrivals kerbs and also provide access to MMTH, VIP parking, etc.

Figure 4: Roadway system for NITB Phase – 1



- 7.3.21. The length of elevated road to be constructed is 1,364 m (including ramps), while length of the new terminal related at-grade roads is approximately 858 m.
- 7.3.22. The cost proposed by the Airport Operator towards construction of Roadway System for New Integrated Passenger Terminal is given in the table below.

Table 97: Cost towards Roadway System for NITB Phase – 1 proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
A.2	Construction of Roadway System for Phase 1 of NITB			
	Cost submitted by AIAL:			
1	At Grade - NTB Phase I Arrival Road	4,500	17,998	8.10
2	Elevated - NTB Phase I Departure Road	83,900	20,879	175.17
3	NTB Phase I Departure Ramp	26,400	4,953	13.08
4	Ramp from Departure kerb to Arrival kerb	26,400	1,767	4.66
	Total (A)			201.01
	Cost proposed by the Authority (B)			201.01
	Difference (A – B)			-

- 7.3.23. The Authority noted that AIAL has submitted the designs for this roadway system along with the cost estimates based on the CPWD DSR 2021 and traffic simulations. The Authority proposed to consider the cost towards NITB roadway system as submitted by AIAL (as given in the table above) given that the roadway system would be integral to the NITB Phase 1.

A.3 Substation (RSS/DSS) building

- 7.3.24. AIAL proposed the commissioning of a new Substation building in FY 2026 at an estimated base cost of INR 72.86 Cr. The Authority noted that the proposed sub-station is to cater to the increased power demand of the airport. In this regard, AIAL shared a note vide email dated 16th July 2022, which stated that there is an expected increase in demand for power at the airport from 11444 KVA to 26555 KVA due to increase in the capacity of the airport and other developments planned.
- 7.3.25. The Authority analysed the traffic projections, increase in terminal area and corresponding increase in power demand and found the estimates on power demand shared by AIAL for the Third Control Period based on the increased need for capacity to be justified. It would be pertinent to note that, in the Third Control Period, the total terminal area is expected to increase from 79,620 SQM in FY 2022 to 95408 SQM in FY 2024 with expansion of the existing terminals and subsequently to 3,09,408 SQM by the end of FY 2026 with the commissioning of the NITB Phase 1.
- 7.3.26. AIAL had provided the cost estimate based on CPWD PAR 2021 and the detailed break-up of cost estimate for additional cables and accessories was shared by AIAL vide email dated 04th Sep 2022, based on the quotation received for the same (Refer Para 18.6.20 of Annexure 6 in Chapter 18). The Authority noted that the cost proposed by the Airport Operator matched with the quotation from a vendor shared by the AO. However, in the absence of comparable benchmarks for the cost considered towards additional cables, it was not possible to assess the reasonableness of the same at this stage. Therefore, the Authority proposed to allow 50% of the cost as per the quotation shared by AO for Additional cable and other associated accessories at this stage and true up the same at the time of determination of tariffs for the Fourth Control Period. Accordingly, the Authority proposed to consider the cost towards substation as given in the table below.

Table 98: Cost towards Substation as proposed by the Authority at the Consultation stage

S. No.	Description of Item	Unit	Rate (INR)	Quantity	Amount as per (INR Cr.)	
					AIAL	Authority
A.3	Substation (RSS/DSS) Building				A	B
1	Substation Building- RSS	Sqm	45,300	3,065	13.89	13.89
2	RSS & DSS Electrical Substation Equipment	KVA	10,500	40,000	42.00	42.00
3	Additional cable and other associated accessories for 66/33 kV*	LS			16.44	8.22
4	Access & Circulation Area/ Site	Sqm	4,400	1,215	0.53	0.53
	Total				72.86	64.64
	Difference (A – B)					8.22

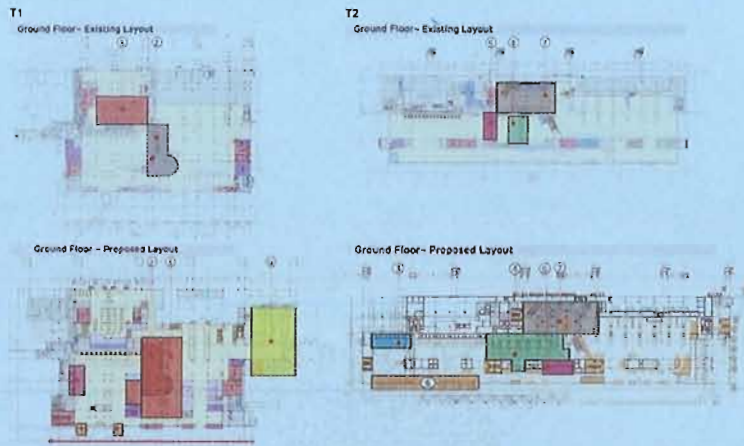
*50% of the proposed cost is considered for Additional cable and other associated accessories based on the Quotation shared by AO

A.4 Expansion and modification of existing terminal buildings:

- 7.3.27. To maximize the utilization of T1&T2, resolve current bottlenecks and to improve the Level of Service, AIAL proposed some modifications and expansions in the existing terminals. The existing combined area for Terminal T1 and T2 is 79,620 SQM which is expected to increase by 15,788 SQM to a total area of 95,408 SQM. As per AIAL, the proposed changes would increase the capacity of T1 from the

existing 5 MPPA to 8 MPPA and the capacity of T2 from the existing 2.5 MPPA to 8.8 MPPA, resulting in a total increase in the passenger capacity from 7.5 MPPA to 16.8 MPPA.

Figure 5: Proposed modifications to T1 and T2



7.3.28. The Airport Operator submitted that the existing terminals are in need of extensive refurbishment since there are multiple issues such as deteriorating ceiling, sections of cracked flooring in many places, inadequate seating, suboptimal passenger flows etc. Hence, the AO proposed the replacement of Terminal flooring, landscaping, treatment of Terminal walls and columns to improve passenger experience, replacement of signages to cater to new passenger flow, improvement of look and feel through for creation of sense of place and addition and upgradation of washrooms. Apart from these changes, the following modifications were proposed in the existing terminals:

In T1:

- Relocation and enhancement of Security screening lanes with all associated services (6 Existing + 5 New)
- Additional 900 SQM of SHA area to accommodate 2 additional gates and seating capacity
- Additional building construction of approx. 2200 SQM to accommodate relocation of 1 and addition of 1 baggage reclaim carousel.
- Additional shade construction of approx. 2000 SQM to accommodate Baggage Reclaim & BHS System.
- Addition of 4 Check-in counters, 4 SBDs and associated ILBS BHS system
- Reconfiguration of Arrivals hall for better passenger experience by adding passenger amenities like travel services etc. and extended areas for Seating.
- BHS System Improvement

In T2:

- Conversion from International to Integrated Terminal and creation of additional area to accommodate Domestic and International functions.
- Reorientation of International PAX flows and adding domestic passenger processors and flows ensuring clear demarcation between Intl. and Dom. flows.



- Addition of 24 Check-in counters (including 2 SBDs) with all associated BHS system. Enhancement of Departure BHS including introducing level 2B screening and makeup carousel in BMA & Airline Offices.
- Enhancement & reorientation of Security screening with all associated services (4 existing + 6 new + 4 future lanes)
- Relocation of Immigration area with 19 Counters.
- Addition of 3 Domestic Departures Bus gates and relocation of International Departure bus gates.
- Optimization of baggage reclaim carousels by adding swing partition and provision of adding 1 new carousel.
- Relocation of current Intl. arrivals and Immigration and addition of Bus Gates (Dom & Int). Addition of 24 Immigration counters with Intl. Bus gate arrival.
- Addition of 12 Terminal entry points with fast-track entry and improvements in Departure & Arrival Kerb.
- Addition of 4 FLBs & 4 PBB.
- In Extended areas accommodate with Boarding Gate, Seating areas, Passenger Lounge, Toilets & Duty-Free store.
- Addition of Domestic arrival route by demolishing of 1 staircase & Elevator and adding new vertical core (1 escalator, 1 elevator & 1 staircase) as per improved layout.
- Relocation of stakeholder offices and other non-passenger function to other BOH areas.
- In Extended areas accommodate with International Arrival, D-I & I-I Transfer, stores, Passenger Lounge and adding new vertical core (2 escalator, 1 elevator & 1 staircase) as per improved layout

7.3.29. The break-up of the estimated cost submitted by the Airport Operator is given below.

Table 99: Cost towards T1 and T2 modification submitted by the Airport Operator

Particulars (INR Cr.)	Basic Cost	Incl. GST	Incl. expected variations
T1 Refurbishment Works	100.51	118.60	132.07
T2 Refurbishment Works	324.28	382.65	426.09
T2 Refurbishment Works - Additions			91.98
Passenger Amenities at Landside			164.47
Art works			42.30
Signages			6.00
IT systems (SBDs, E-gates, Kiosk)			12.00
Security systems			4.00
BHS			14.43
New CTX			14.10
Total			907.43

7.3.30. The Authority noted that AIAL had provisioned an additional ~11% of the cost of T1 and T2 refurbishment to account for expected variations. It was understood from the Airport Operator that the cost proposed for T2 refurbishment is expected to undergo a change due to change in scope of work. The Airport Operator had included an amount of INR 91.98 Cr. in the estimate to account for the

change in scope. Therefore, the provision of an additional 11% of the costs as contingency appeared to unreasonably high, whereas CPWD norms suggest a provision of 3%. Further it was also observed that over the base cost submitted in the table above, AIAL had also claimed soft costs that also include contingency. Therefore, the Authority was of the view that there is a double counting of allowance for contingency in the estimate submitted by AIAL, therefore, the Authority proposed to exclude any allowance for contingency at this stage and consider the same while examining in the soft costs (Refer Para 7.3.173).

- 7.3.31. Based on the above and the estimated break-up of the expenses between refurbishment and capacity enhancement shared by AIAL vide email dated 23rd July 2022, the Authority considered the cost towards refurbishment of T1 and T2 for further analysis as given below. The detailed list of BOQ for T1 and T2 Refurbishment works is provided in Para 18.6.14 of Annexure 6 in Chapter 18.

Table 100: Cost towards T1&T2 refurbishment proposed by Authority for further analysis at Consultation stage

Particulars (INR Cr.)	Expansion	Refurbishment	Total
T1 Refurbishment Works*	77.84	69.29	147.13
T2 Refurbishment Works**	153.58	321.05	474.63
Sub total			621.76
Artworks, signages, IT & Security Systems			64.30
Passenger amenities at landside			164.47
Total			850.53

* including GST, BH& and CTX

** including GST and additions

- 7.3.32. The Authority noted from the BOQ shared by the AO that the costs for certain items also included the cost towards comprehensive maintenance and additional warranty. The Authority, vide email dated 07th October 2022, requested the AO to clarify whether the maintenance costs are paid upfront or in annual/monthly instalments. In its clarification vide email dated 13th October 2022, AIAL stated that – “For equipment with AICMC, the cost includes AMC for 2 years DLP + 5 years. Once testing and commissioning is completed for the equipment, the entire amount shall be released on submission of Bank guarantees.”

The Authority examined the above matter and noted that for certain items in the BOQ towards expansion/modification of T1&T2, the cost included “AICMC & O&M for 7 Years including 2 years DLP”. Whereas generally other Airport Operators do not include the cost of AICMC in their upfront CAPEX but the same would be reflected in subsequent years in O&M expenses. The Authority’s proposal in the Consultation Paper No. 10/2022-23 is based on the submissions made by the AO as per Para 7.3.29. In this regard, the Authority would take a final decision based on Consultation Process after considering the views and comments of the Stakeholders on this proposal.

- 7.3.33. The Authority observed that the cost of expansion of T1 and T2 was beyond the inflation adjusted normative limits, hence the Authority limited the allowable cost based on the normative limits as given in the table below.

Table 101: Normative adjustment by the Authority to cost towards expansion of T1 and T2 at Consultation stage

Particulars	UOM	T1 Expansion Works	T2 Expansion Works
Cost towards expansion (A)	INR Cr.	77.84	153.58
Cost excluding GST (B = A × 100 ÷ 118)		69.97	130.15
Additional area (SQM) (C)	SQM	6,776.00	9,012.00

Particulars	UOM	T1 Expansion Works	T2 Expansion Works
Cost per SQM ($D = B \div C$)	INR/SQM	97,356.31	1,44,422.78
Normative cost in FY 2022 (E)		1,12,966	1,12,966
Cost per SQM to be considered [$F = \text{Min} (D, E)$]		97,356.31	1,12,965.96
Allowable cost including GST ($F \times C \times 1.18$)	INR Cr.	77.84	120.13
Total			197.97

7.3.34. AIAL had also proposed INR 64.30 Cr. towards artworks, Signages, Security Systems and IT Systems. However, AIAL had not provided the basis for these estimates. Further, AIAL had separately proposed capital expenditure towards Security and IT Systems. Vide email dated 18th August 2022, AIAL shared a quotation received regarding artworks amounting to INR 22.73 Cr. showing the detailed list of the artworks to be carried out. Hence, the Authority has considered only the amount of INR 22.73 Cr. at this stage as against the amount of INR 64.30 Cr. proposed by the AO.

7.3.35. Based on the above, the Authority proposed to consider the cost towards refurbishment of T1 and T2 as given below.

Table 102: Cost towards refurbishment and modification of T1 & T2 proposed by the Authority at Consultation stage

Particulars (INR Cr.)	As per AIAL (A)	As per the Authority		
		Expansion	Refurbishment	Total (B)
A.4 Expansion and modification of existing terminal buildings				
T1 Refurbishment Works*	160.60	77.84	69.29	147.13
T2 Refurbishment Works**	518.07	120.13	321.05	441.18
Sub total	678.66	197.97	390.33	588.31
Artworks, signages, IT & Security Systems	64.30			22.73
Passenger amenities at landside ⁶	164.47			164.47***
Total	907.43			775.51
Difference (A – B)				131.92

* including GST, BHX and CTX

** including GST and additions

*** only 50% is considered as aeronautical (Refer Para 7.5.4)

A.5 VIP /CIP Terminal

Figure 6: Proposed site for new GA Terminal



⁶ As per the LoI dated 22nd July 2022 shared by AIAL, out of the estimated cost of 164.47 Cr., work amounting to INR 152.33 Cr. was awarded (Refer Para 18.6.16).

7.3.36. In its submission, AIAL stated the following – “the present Ceremonial Lounge at SVPIA comes in the footprint of Phase 1 of proposed New Integrated Terminal and shall be decommissioned / demolished in Phase 2. Therefore, AIAL has proposed a new VIP Terminal as part of SVPIA Master Plan”.

7.3.37. The Authority examined and compared the costs proposed by AIAL with inflation adjusted normative costs and found them to be within the normative limits. Therefore, the Authority considered the cost for the VIP/CIP terminal as submitted by AIAL in the table below.

Table 103: Cost towards construction of VIP /CIP Terminal proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
A.5	VIP /CIP Terminal			
	Cost submitted by Airport Operator:			
1	Access & Circulation Area/ Site Development	4,400.00	5,838	2.57
2	Construction of VIP / CIP Terminal	1,20,000.00	2,400	28.80
	Total (A)			31.37
	Cost proposed by the Authority (B)			31.37
	Difference (B – A)			-

A.6 Minor Works – Terminal Buildings

7.3.38. AIAL has proposed various procurements and works (individually under 15 Cr.) amounting to INR 97.3 Cr. under the head Minor Projects – Terminal Building. AIAL, vide email dated 30th July 2022 dropped projects worth INR 75.1 Cr. The break-up of this expense provided by AIAL vide email dated 16th July 2022 is given in the table below.

Table 104: Cost towards Minor Works - Terminal Buildings proposed by the Airport Operator

S. No.	Type of CAPEX	Asset Description	Amount (INR Cr.)
1.	General Aviation Terminal	Conversion of existing Ceremonial Lounge into GA Terminal	11.56
2.	E&M	Waterproofing work at T1, T3 & T4	0.60
3.	E&M	Light Motion Sensor 300 Nos	0.05
4.	E&M	Terminal -2 Roof modification to avoid leakage waterproofing issues	10.00
	Total		22.21

Note: The break-up of the above-mentioned item is provided in Para 18.6.1 of Annexure 6 in Chapter 18

7.3.39. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works - Terminal Buildings is given in Para 18.6.1 and in the table below.

Table 105: Cost towards Minor Projects – Terminal Building proposed by the Authority

S. No.	Asset Description	Cost proposed by (INR Cr.)		Difference
		AIAL	Authority	
A.6	Minor Projects – Terminal Building			
1.	Conversion of existing Ceremonial Lounge into GA Terminal	11.56	9.40	2.16
2.	Waterproofing work at T1, T3 & T4	0.60	0.21	0.39
3.	Light Motion Sensor 300 Nos	0.05	0.01	0.03
4.	Terminal -2 Roof modification to avoid leakage waterproofing issues	10.00	8.31	1.69

S. No.	Asset Description	Cost proposed by (INR Cr.)		Difference
		AIAL	Authority	
	Total	22.21	17.94	4.27

B. Runways, Taxiways & Aprons

B.1 Major rehabilitation of runway

7.3.40. As per the DGCA report on surveillance inspection, the following is observed – “surface texture at various location on runway found bad and also FOD being generated on Runway and Taxiway. On runway Surface Fines were observed removed at number of locations. Though Runway recarpeting proposal submitted to DGCA, however immediate mitigation for the above to be taken by Aerodrome for safe aircraft operation”. In light of the DGCA observation, AIAL undertook major rehabilitation work. AIAL submitted that certain other works were also part of this project such as AGL works (including provisions for centerline lighting), Drainage, Stubs, Strengthening, Land Stabilisation for RESA at Runway 05 (partial up to 130m) and Land Stabilisation for Runway 23 (up to 240 m). AIAL had also provided the LoA for the work already completed showing the break-up of costs. Based on the break-up provided, the cost proposed by AIAL appeared to be reasonable.

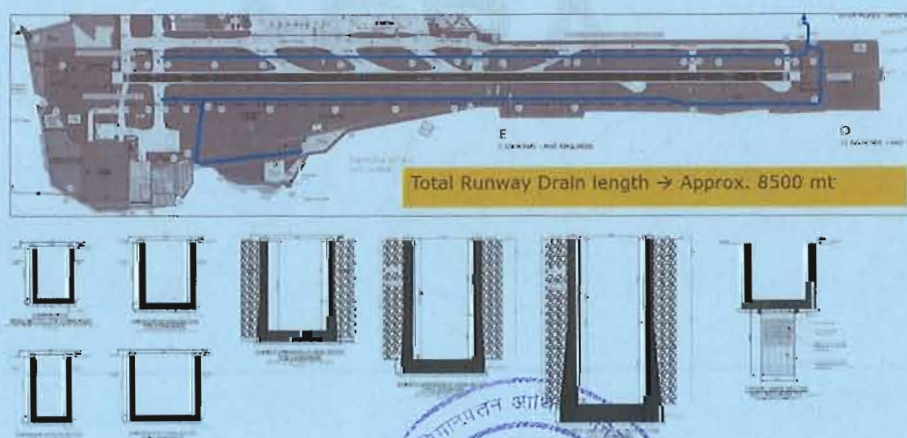
7.3.41. The cost proposed by the Airport Operator towards major rehabilitation of runway is given in the table below.

Table 106: Cost towards major rehabilitation of runway proposed by the Airport Operator

S. No.	Description	Amount (INR Cr.) incl. GST
B.1	Major rehabilitation of runway	
	As per AIAL:	
1	Runway	178.14
2	AGL	2.64
3	Stubs	44.47
4	Drains	103.89
5	Misc.	1.56
6	Additional AGL works*	16.04
7	Taxiway Overlay	20.86
	Total base cost (A)	367.60

*The AO clarified that this includes provisions for centreline lighting such as cabling, piping etc carried out along with the rehabilitation of runway.

Figure 7: Runway Drain



- 7.3.42. The Authority noted that a considerable amount was spent on drainage and the cost seemed to be on the higher side. The Authority sought clarification from the AO regarding the same and the AO clarified that the total drain work being constructed on the airside is of RCC, with a total length of 8500 m. Hence, the cost proposed by the AO towards drains is justified.
- 7.3.43. As per AERA Order No. 35/2017-18 dated 12th January 2018, *"the cost of resurfacing & runway leading to restoration of original PCN value would be amortized over 05 years for the purpose of Tariff computations"*. However, from the reports shared by AIAL, it was noted that there was considerable increase in the Pavement Classification Number (PCN) value to 100/F/B/W/T post rehabilitation. The original PCN value prior to rehabilitation was 83/R/B/W/T for the rigid portion and 94/F/B/W/T for the flexible portion of the runway. Therefore, the Airport Operator may capitalise these expenses on account of the significant strengthening of the runway.

Accordingly, the Authority considered the cost of runway recarpeting as per the LoA submitted by AIAL. However, it was observed that AIAL had calculated an additional 17% for soft costs on the LoA amount, whereas this work was already completed. Therefore, the Authority considered the total project cost based on the LoA submitted by AIAL as given in Table 106.

B.2 Apron improvement works

- 7.3.44. AIAL had proposed the realignment of the existing aprons and construction of new aprons for the NITB Phase I, Cargo Complex and General Aviation. AIAL had submitted the design and concept reports along with the LoA for works that have already been awarded. AIAL had also submitted the drawings and cost estimates towards the proposed projects. The Authority noted that these works were necessary to meet the operational requirements for the upcoming facilities at SVPIA.

Figure 8: Expansion of T1&T2 apron and construction of cargo apron

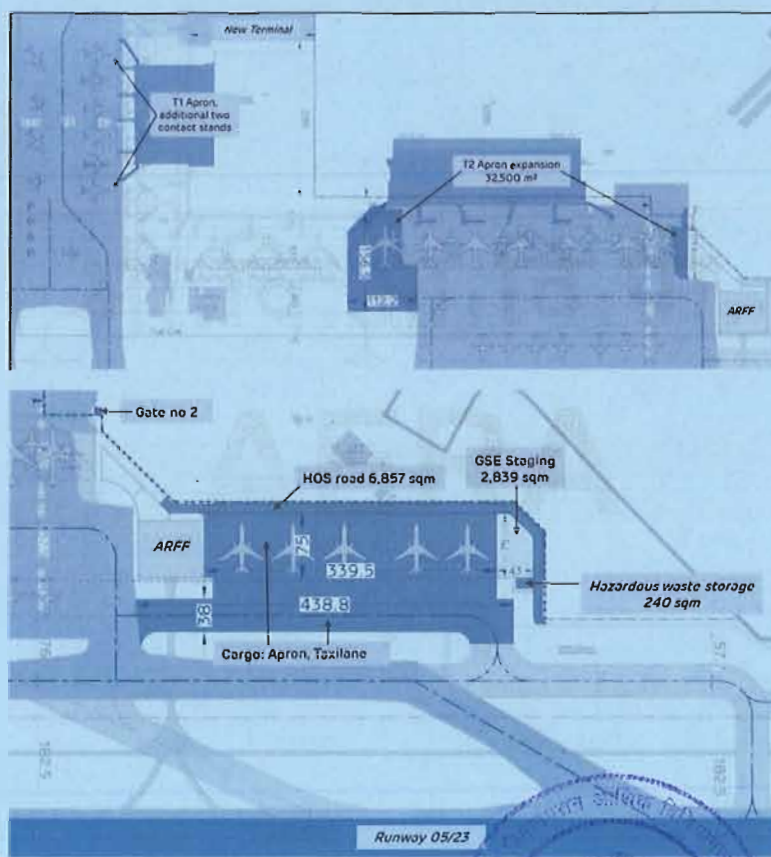


Figure 9: NITB Apron and GA Apron



- 7.3.45. The Authority examined the cost estimate submitted by AIAL and noticed that AIAL has included a 15% mark-up on the costs citing airside operational constraints. The Authority was of the view that the provision made by AIAL was quite high and therefore revised the allowance for airside operational constraint to 5%.
- 7.3.46. AIAL, vide email dated 19th July 2022, submitted a note on normative costs for runways, taxiways and aprons, detailing their methodology of computation of the inflation adjusted normative costs for aprons using a composite index. The proportion of various components considered by AIAL in the composite index is given in the table below.

Table 107: Components considered by AIAL in composite index for normative cost of apron

Composition	Proportion	Contribution (INR)	March 2016	March 2022
Bitumen	50%	2,350	57.8	104.0
P&M	20%	940	108.5	122.7
Aggregates	20%	940	117.5	111.2
Labour	10%	470	100.0	126.0
Normative cost (INR per SQM)	100%	4,700	4,700	6,775

- 7.3.47. The Authority noted that AIAL had assumed 80% growth in the price of Bitumen and considered the WPI index for the remaining components. The Authority observed that in the case of apron, AIAL had followed a different methodology for inflation adjustment when compared to the note submitted by AIAL on normative cost for terminal building. In the case of terminal building, AIAL had compared the indices of FY 2016 against FY 2022, whereas in the case of apron AIAL has compared the indices of March 2016 against those of March 2022. The Authority was of the view that the methodologies used by AIAL to arrive at the inflation adjusted normative costs were inconsistent and lacked merit. Therefore, the Authority recomputed the inflation adjusted normative costs for apron as given in the table below.

Table 108: Inflation adjusted normative cost for apron as computed by the Authority

Normative Cost (INR per SQM)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Apron (A)	4,700						
WPI Index (B)*	109.70	111.60	114.90	119.80	121.80	121.40	139.40
Inflation adjusted cost (C = A × B / 109.70)	4,700	4,781	4,923	5,133	5,218	5,287	5,972

* <https://eaindstry.nic.in/default.asp>

- 7.3.48. Accordingly, the Authority compared the costs towards apron improvement proposed by AIAL and made necessary adjustments as given in the table below.

Table 109: Normative cost adjustment of apron improvement works proposed by the Authority

Project	Area (SQM)	Cost (INR Cr.)				
		normative incl. GST	Exclusions	Total	As per AIAL	As per the Authority
Formula	A	$B = A \times \text{norm cost incl. GST}$	C*	$D = B + C$	E	$F = \text{Min}(D, E)$
B.2 Apron improvement works						
Expansion & realignment of Apron 1 & 2 aircraft stands	26,663	18.79	11.98	30.77	28.74	28.74
Cargo Apron	69,769	49.17	29.55	78.72	72.51	72.51
Apron associated with NITB Phase I	1,43,429	101.08	48.77	149.85	161.94	149.85
West Apron for remote stands	51,705	36.44	15.99	52.43	52.57	52.43
GA Apron	26,303	18.54	10.15	28.69	28.14	28.14
Demolition Works	1,61,597				36.44	36.44
Total	4,79,465				380.34	368.12
Difference (E – F)						12.22

* As submitted by AIAL post adjustment of airside operational constraints to 5% from 15%. Includes earthwork, drainage, and AGL works.

B.3 Taxiway Improvement Works

- 7.3.49. As part of the capital expenditure for the Third Control Period, AIAL had proposed Taxiway Improvement Works at an estimated base cost of INR 195.67 Cr. Taxiway Improvement Works comprises of Construction of balance-length Code C parallel taxiway, construction of Cargo Apron associated taxiway, Construction of new Rapid Exit Taxiway - RET 23, Construction of connecting taxiways to new GA Hangar, Aprons, Runup Bay, Isolation Bay, IAF Apron along with the corresponding Taxiway Overlay Works and Demolition work. The Authority noted that these were operational requirements because of the developments planned on the airside in tandem with the passenger handling capacity.
- 7.3.50. The Authority compared the cost estimate share by AIAL against the inflation adjusted normative benchmarks (Para 7.3.47) and found the costs proposed by AIAL to be high in certain cases. Therefore, the Authority had revised the costs in line with the inflation adjusted normative benchmarks as given in the table below.

Table 110: Cost towards taxiway improvement works proposed by the Authority

Project	Area (SQM)	Cost (INR Cr.)				
		Normative incl. GST	Exclusions	Total	As per AIAL	As per the Authority
Formula	A	$B = A \times \text{norm cost incl. GST}$	C*	$D = B + C$	E	$F = \text{Min}(D, E)$
B.3 Taxiway improvement works						
Balance-length CODE C Parallel Taxiway and associated RETs	58,425	41.18	23.95	65.12	54.78	54.78
Cargo Apron associated Taxiway	33,533	23.63	16.48	40.11	34.73	34.73
New Rapid Exit Taxiways - RET 23	23,938	16.87	11.94	28.81	25.00	25.00
Connecting Taxiways to new GA Hangar, Runup Bay and Isolation Bay and IAF Apron	15,512	10.93	13.79	24.73	15.72	15.72

Project	Area (SQM)	Cost (INR Cr.)				
		Normative incl. GST	Exclusions	Total	As per AIAL	As per the Authority
Taxiway Overlay Works (Refurbishment)	46,266	32.61	10.47	43.08	51.82	43.08
Demolition Works	71,797				13.62	13.62
Total					195.67	186.92
Difference (E – F)						8.74

* As submitted by AIAL post adjustment of airside operational constraints to 5% from 15%. Includes earthwork, drainage, AGL works.

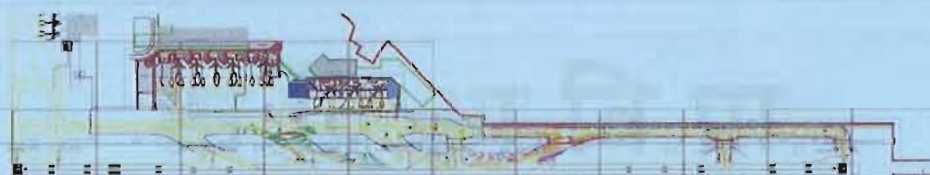
B.4 Improvements to AGL System

7.3.51. AIAL had proposed the replacement of existing lights with LED lights and also the installation of centreline and touchdown zone lights. AIAL had shared the detailed design report for AGL works along with the cost estimates for the same. AIAL also submitted that during the runway rehabilitation that was carried out in FY 2022, certain forward-looking enhancements were carried out to improve operational efficiency. AIAL had proposed to carry out the following balance works related to AGL improvement.

7.3.52. The balance works that were proposed to be carried out by AIAL included:

- Provisions of Duct & Pit system primary ducting matching with new CCR location. This will improve the maintenance capability of overall AGL system.
- Transition from old CCR which is in depleted condition to new CCR's on 05 & 23 side (05-CCR side will be done in near future, but CCR on 23 side can be taken up only after land availability).
- Replace existing lights with LED lights for better efficiency.
- Installation & commissioning of centre line lights & touch down zone lights, which will improve Runway efficiency. ALCMS & ILCMS for better control & monitoring.

Figure 10: Overall AGL Layout at SVPIA



7.3.53. The cost estimate submitted by AIAL is based on CPWD DSR 2021 and appears to be reasonable. Therefore, the Authority proposed to consider the cost towards improvements to AGL system as submitted by AIAL as given in the table below.

Table 111: Cost towards improvements to AGL System proposed by the Airport Operator

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
B.4	Improvements to AGL System	37.03	37.03	-

B.5 Isolation Bay

7.3.54. In its PIF submission, AIAL stated the following – *“the south-western part of airport land is presently underutilised while on the other hand, SVPIA is deficient in space and infrastructure for Runup Bay, General Aviation apron & hangars, etc. Therefore, relocation of some of the existing airport facilities*

/ infrastructure, like Isolation Pad/Bay on airside is essential to create space for required new airport facilities, and also to retain balance between functionality of proposed as well as existing airfield facilities. In view of this rearrangement of the existing Isolation Bay for Code E aircraft is required, wherein new Isolation Pad/Bay needs to be constructed on location opposite to its current location."

- 7.3.55. Therefore, as part of capacity enhancement of the airport, AIAL had proposed that the current isolation bay would be relocated to a different location to make way for development of taxiway for GA Apron.

Figure 11: Isolation bay



- 7.3.56. The cost proposed by the Airport Operator towards construction of Isolation Bay is given in the table below.

Table 112: Cost towards construction of Isolation Bay proposed by the Airport Operator

S. No.	Description of Item	Unit	Rate (INR)	Quantity	Amount (INR Cr.)
B.5	Isolation Bay				
1.	Demolition of Flexible Pavement	SQM	730	2,190	0.16
2.	Isolation Pad / Isolation Bay	SQM	11,300	10,295	11.63
3.	Passenger Holding Area (Flexible Pavement)		9,200	200	0.18
4.	Code E Runup Bay		11,300	8,000	9.04
5.	Runup Bay Blast Fence	RMT	2,56,000	100	2.56
	Total				23.58

- 7.3.57. The Authority compared the costs proposed by AIAL based on inflation adjusted normative benchmarks and inferred the proposed cost to be high. Hence, the Authority had limited the allowable cost based on inflation adjusted normative benchmarks as given in the table below.

Table 113: Cost proposed by the Authority based on normative limits for construction of Isolation Bay

Particulars	Unit	Value
B.5 Isolation Bay		
As per AIAL:		
Isolation Bay	INR Cr.	11.63
Passenger Holding Area (Flexible Pavement)		0.18
Code E Runup Bay		9.04
Subtotal		20.86
Less: Drains, AGL and airside operational constraint		5.41
Subtotal (excluding drains, AGL and constraints)		15.45
Less: GST		2.36

Particulars	Unit	Value
Subtotal (excluding drains, AGL, constraints and GST)	INR Cr.	13.09
Area (A)	SQM	18,495
Cost per SQM		7,079
As per the Authority:	INR per SQM	
Normative cost (Refer Para 7.3.47) (B)		5,972
Cost based on normative (A × B)		11.05
Add: AGL, drains, airside constraints and GST	INR Cr.	6.55
Add: Demolition of Existing Pavement (Refer Table 112)		0.16
Add: Runup Bay Blast Fence (Refer Table 112)		2.56
Total allowable base cost (C)	INR Cr.	20.32
As per AIAL (Refer Table 112) (D)		23.58
Difference (D – C)		3.26

B.6 Minor Works – Runway & Taxiway

- 7.3.58. AIAL had proposed various works amounting to INR 21.67 Cr. under the head Minor Projects – Runway & Taxiway. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works – Runway & Taxiway is given in the table below.

Table 114: Cost towards Minor Works – Runway & Taxiway proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
B.6	Minor Works – Runway & Taxiway	21.67	0.15	21.53

Note: The break-up of the above-mentioned item is provided in Para 18.6.2 in Annexure 6 of Chapter 18

B.7 CWIP from AAI

- 7.3.59. The capital expenditure proposed by AIAL included an amount of INR 1.94 Cr capitalised in FY 2022 which was the balance portion of CWIP received from AAI towards “Domestic Apron, Link Taxi Track Extension”. Considering that the work was initiated by AAI and has already been completed and capitalised, the Authority had considered the same as part of the Capital Expenditure for the Third Control Period.

Table 115: CWIP from AAI proposed by the Airport Operator

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
B.6	Minor Works – Runway & Taxiway	1.94	1.94	-

C. Roads

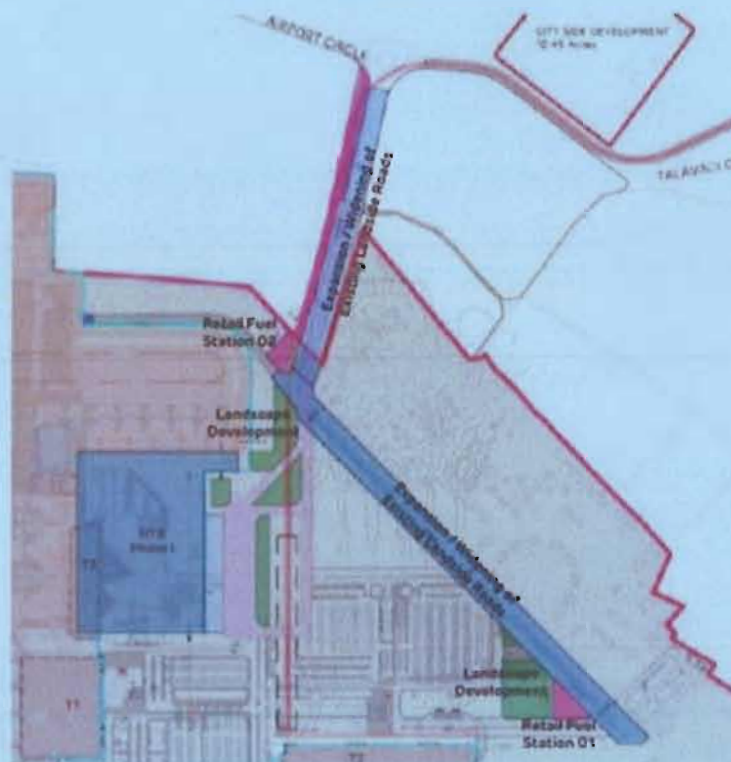
C.1 Landside Road Network

- 7.3.60. In view of the increase in passenger traffic footfall projected for the Third Control Period, AIAL had proposed that the existing roads need to be expanded/widened with additional lanes to serve the demand, along with utility corridor, storm water drains and landscape. One such key project was expansion/widening of main Airport Road section to minimum 5+5 lanes with additional corridor for metro rail connectivity to airport, and underground corridor for airport utilities like power cables and ATF fuel supply pipeline.



- 7.3.61. AIAL had also submitted the vehicular traffic projections as part of the Master Plan. Considering the growing traffic at SVPIA, the Authority had included the cost towards Landside Road network under the capital expenditure considered for the Third Control Period.

Figure 12: Landside road network



- 7.3.62. The cost proposed by the Airport Operator towards Landside Road Network based on CPWD PAR 2021 is given in the table below.

Table 116: Cost towards Landside Road Network proposed by the Airport Operator

S. No.	Description of Item	Unit	Rate (INR)	Quantity	Amount (INR Cr.)
C.1	Landside road network				
1	Demolition of Flexible Pavement	SQM	730	34,695	2.53
2	Existing MAR starting from Airport Circle		4,500	18,379	8.27
3	Existing Road along AAI quarters till Integrated Cargo Complex		4,500	32,853	14.78
4	From Main Access Road (SVP Statue Junction) to Airside Security Gate No. 1		4,500	8,400	3.78
5	From AAI Road along New IMD Plot		4,500	2,826	1.27
6	From T2 Main Departure Road to Airside Security Gate No.2		4,500	1,622	0.72
7	Duct for BHS from Metro Station to Terminal	RMT	373,000	280	10.44
	Total base cost				41.81

- 7.3.63. The Authority noted that a portion of the project, "Existing Main Access Road from Airport Circle" was subjected to land availability. AIAL has clarified that they have submitted a request letter for joint survey to Cantonment Board. However, this proposal with the Cantonment Board was not finalised. Considering this uncertainty regarding availability of land, the portion of the cost towards the Main Access Road had been excluded from the proposed CAPEX for TCP. Further, it was also observed that a portion of the cost was towards duct for BHS from terminal to Metro Station. Since the design of the

metro corridor was yet to be finalised and considering the low likelihood of the commissioning of the metro link in TCP (Refer Para 7.3.69), the Authority had excluded the cost towards the duct to the metro station from the capex considered for TCP.

Table 117: Cost towards Landside Road Network proposed by the Authority

S. No.	Description of Item	Cost as per (INR Cr.)	
		AIAL	Authority
C.1	Landside road network	A	B
1	Demolition of Flexible Pavement	2.53	2.53
2	Existing MAR starting from Airport Circle	8.27	
3	Existing Road along AAI quarters till Integrated Cargo Complex	14.78	14.78
4	From Main Access Road (SVP Statue Junction) to Airside Security Gate No. 1	3.78	3.78
5	From AAI Road along New IMD Plot	1.27	1.27
6	From T2 Main Departure Road to Airside Security Gate No.2	0.72	0.72
7	Duct for BHS from Metro Station to Terminal	10.44	
	Total base cost	41.81	23.10
	Difference (A – B)		18.71

C.2 Construction of temporary roads

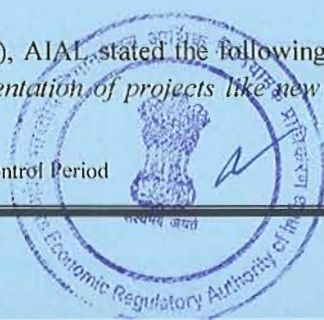
- 7.3.64. As per the submission of AIAL, the purpose of the construction of temporary roads are for diversion of traffic, temporary barricading, signages, removal & relocation of existing utilities etc. The Authority understood that this was an enabling project for development of the landside road network.
- 7.3.65. The Authority noted that AIAL had estimated the cost towards the construction of temporary roads as 5% of the cost expected towards the road projects. However, it was observed that AIAL had also included the cost towards temporary roads for Metro Station and MMTH. Since the likelihood of completion of the Metro link and resultantly the MMTH in the Third Control Period were low (Refer Para 7.3.69 and Para 7.3.71), the Authority had excluded the cost towards the temporary roads for Metro Station and MMTH from the CAPEX considered for the Third Control Period. Accordingly, the cost proposed by the Authority towards the construction of temporary roads is given in the table below.

Table 118: Cost towards construction of temporary roads proposed by the Authority

S. No.	Description of Item	Cost as per (INR Cr.)	
		AIAL	Authority
C.2	Construction of temporary roads	A	B
1.	Demolition for Roads	2.53	2.53
2.	Landside Road Network	39.28	23.10
3.	Construction of Roadway System for Phase 1 of NITB	201.00	201.00
4.	Metro Station and Metro Corridor	418.49	
5.	Multi-Modal Transport Hub	167.93	
	Total	829.25	226.64
	Base cost towards temporary roads (5% of above cost)	41.46	11.33
	Difference (A – B)		30.13

C.3 Airside Roads

- 7.3.66. In its Project Information File (PIF), AIAL stated the following – “in view of proposed changes to SVPIA airside area due to implementation of projects like new Code C parallel taxiway with land



acquisition along northwest-edge of existing airport site, development of full RESA-05 on eastern end post land acquisition, development of GA, Bomb Cooling Pit and other facilities on south-western edge of existing airside boundary; some of the existing airside roads need to be re-constructed, and new airside roads need to be built at appropriate locations, to create required airside road network for smooth and safe airside operations. The development of Code C parallel taxiway (post land acquisition in Phase 1) along north-western edge of existing airport site, requires existing perimeter road at this location to be relocated along the new perimeter boundary wall. Therefore, new airside road of 8m width and 1,752 m length, and of approx. 13,910 sqm of pavement will be constructed in Phase 2 of SVPIA Master Plan development, in the Third Control Period."

Figure 13: Airside roads

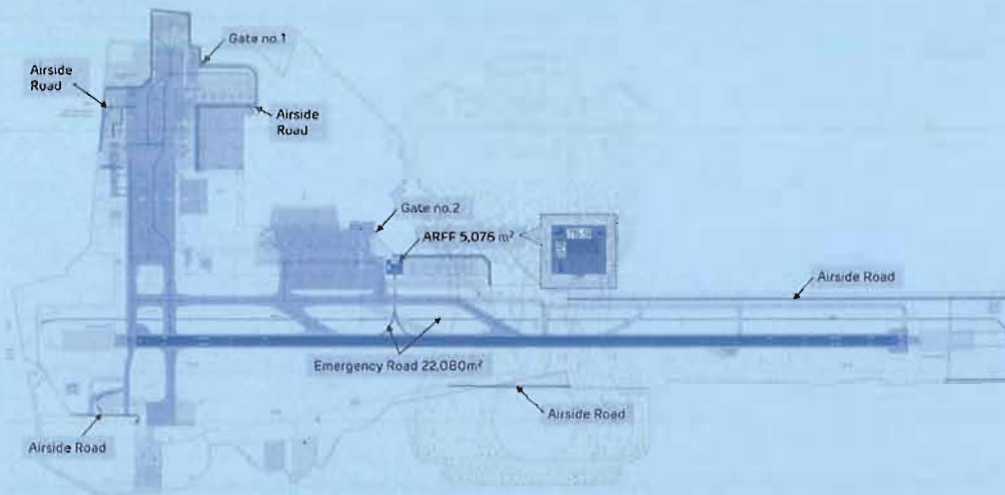


Table 119: Cost towards Construction of Airside roads proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
C.3	Airside roads			
	Cost submitted by Airport Operator:			
1	Demolition of flexible pavement	730.00	10,037	0.73
2	Airside perimeter & service road	3,500.00	32,450	11.35
3	Airside road along new CODE C parallel Taxiway and around RESA 05	3,500.00	15,535	5.43
4	Emergency access road	3,500.00	22,080	7.72
	Total (A)			25.26
	Cost proposed by the Authority (B)			25.26
	Difference (A-B)			-

- 7.3.67. The Authority noted that the construction of the airside roads would be an operational requirement. Hence, the Authority proposed to consider the cost towards airside roads as submitted by the Airport Operator based on CPWD PAR 2021 as given in the table above.

C.4 Minor Works – Roads

- 7.3.68. AIAL had proposed various procurements and works amounting to INR 17.96 Cr. under the head Minor Projects – Roads. The Authority examined the items proposed by AIAL as per the methodology



detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works – Roads is given in the table below.

Table 120: Cost towards Minor Works – Roads proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
C.4	Minor Works – Roads	17.96	13.71	4.25

Note: The break-up of the above-mentioned item is provided in Para 18.6.3 in Annexure 6 of Chapter 18

D. Metro Link & MMTH

D.1 Metro Station and Metro Corridor

Figure 14: Metro Station and Metro Corridor



7.3.69. The Airport Operator had proposed the capitalization of the metro station and corridor in FY 2025. The Authority was of the view that if the same needed to be achieved, the requisite approvals, land acquisition, and DPRs should have been completed by then. It was understood from the Airport Operator that the project was still in the planning stage and discussions were ongoing between the Airport Operator, GMRC and other Stakeholders. Further, Phase 2 of Ahmedabad Metro would be an enabling project for the airport link, which was still underway. Therefore, the Authority felt that currently the timeline of this project is uncertain, and the year of capitalization proposed by AIAL was quite optimistic when compared to the timeline of completion of other metro projects in the country. Even the Master Plan submitted by AIAL mentioned 2030 as the expected year of operationalization of the metro link. Therefore, it was highly unlikely that the metro station would be commissioned in the TCP. Hence, it would not be fair to charge Users for assets that were not available and put to use. The Authority noted that the proposed cost was based on broad estimates as detailed studies were yet to be carried out. Therefore, the Authority had excluded the cost of metro station and corridor from the proposed capital expenditure at this stage. In the event that the project is commissioned in the Third Control Period, the actual cost incurred towards the same would be considered as part of true up at the time of determination of tariffs for the Fourth Control Period subject to the factors listed below:

- There is ring fencing of assets and assets are within the boundary of the airport.
- The assets are capitalized in the books of AIAL and put to use in accordance with the extant rules and regulation of the AERA
- The metro stations cater only to the airport. To clarify, metro stations for city side, aero city, or any non-aeronautical services would not be considered as part of RAB.



Table 121: Cost towards Metro Station and Metro Corridor proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
D.1	Metro Station and Metro Corridor	418.50	-	418.50

D.2 Multi Modal Transport Hub (MMTH)

- 7.3.70. As part of the capital expenditure in the Third Control Period, AIAL had proposed a multi-modal transport hub adjacent to the NITB Phase 1 which integrated the bus station, car park, metro station, city side check-in and self-bag drop (SBD) facility, and the kerb-side facilities.

Figure 15: Multi Modal Transport Hub (Plan)

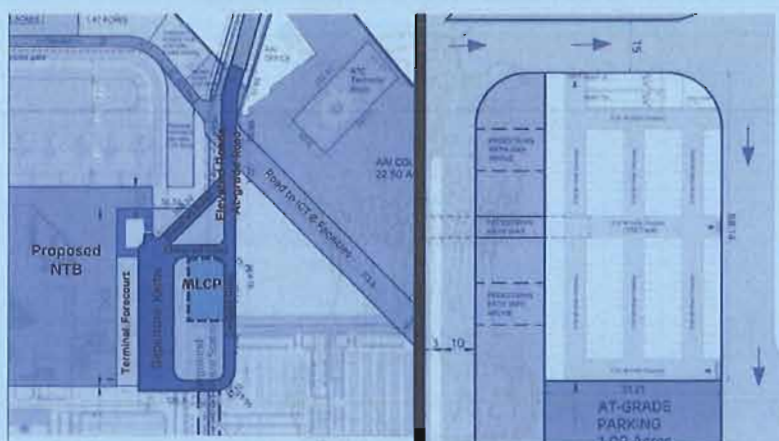
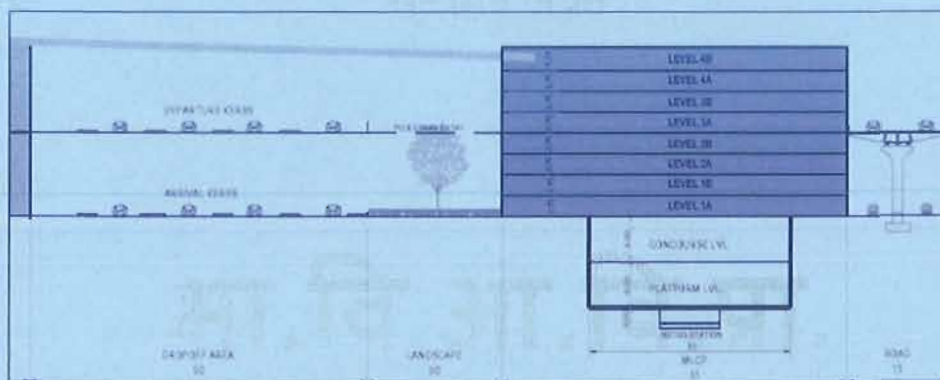


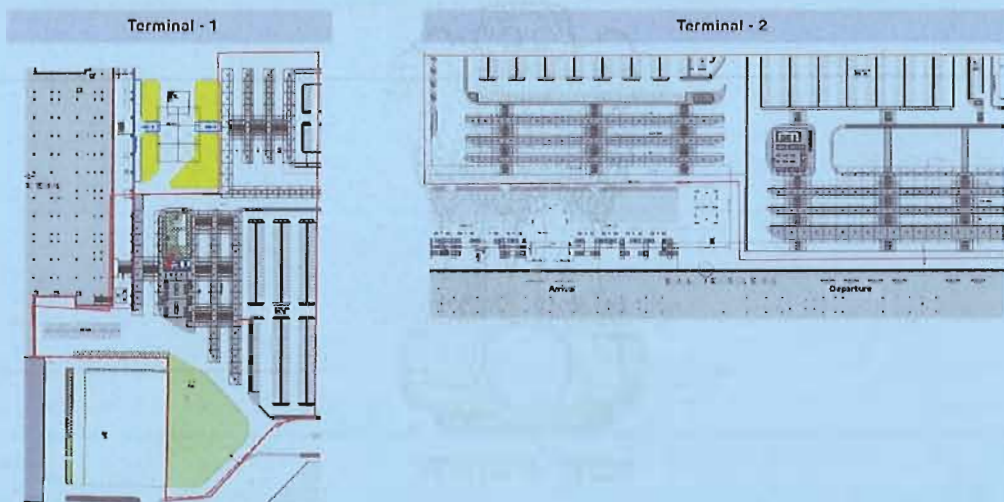
Figure 16: Multi Modal Transport Hub (Elevation)



- 7.3.71. As per the submission of AIAL, MMTH shall be built above the northern part of the metro station in Phase 2 of SVPIA development. Since the commissioning of the airport metro link and station in the TCP is uncertain, it was likely that MMTH would not be operational in the TCP.
- 7.3.72. The Authority noted that the MMTH has both aeronautical and non-aeronautical components and proposes to bifurcate the MMTH cost into aeronautical and non-aeronautical components based on the floor-wise area usage for both aeronautical and non-aeronautical activities. However, AIAL had not shared the floor plans of the same since the MMTH is currently under planning stage. Therefore, it is not possible to ascertain what portion of the costs need to be allocated towards non-aeronautical activities. Further, from the submissions of AIAL, it appeared that Phase-1 of the MMTH largely consists of car parking facilities which is a non-aeronautical activity.

- 7.3.73. The MMTH would also provide direct access to the departure and arrival areas of the NITB Phase 1, therefore, certain aspects of the MMTH project were also dependent on the commissioning of the NITB Phase 1.
- 7.3.74. Based on the above, the Authority was of the view that it is likely that the MMTH may not be entirely operational in the Third Control Period, and it would not be fair to charge the passengers for assets that are not put to use and accessible to users. Therefore, the Authority proposed to exclude the cost of MMTH from the capital expenditure considered for TCP at this stage and true up the same based on actual cost incurred and the actual area allocation towards aeronautical, non-aeronautical and non-aviation activities at the time of determination of tariffs for the Fourth Control Period subject to cost efficiency and actual asset allocation.

Figure 17: MMTH - Landside roads



- 7.3.75. However, the Authority noted that T1 and T2 landside road works were also included under this project. Since the contract for this work had already been awarded and since these works may be carried out independently, the Authority had considered the cost towards the same as part of the capital expenditure for the TCP based on the LoA submitted by AIAL (after allowing for GST and BOCW). The detailed break-up of the above-mentioned LoA is provided in Para 18.6.18 in Annexure 6 of Chapter 18.
- 7.3.76. Based on the above, the cost proposed by the Authority towards construction of MMTH is given in the table below.

Table 122: Cost towards MMTH proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
D.2	MMTH			
	MMTH – Landside roads	167.93	55.80	112.13

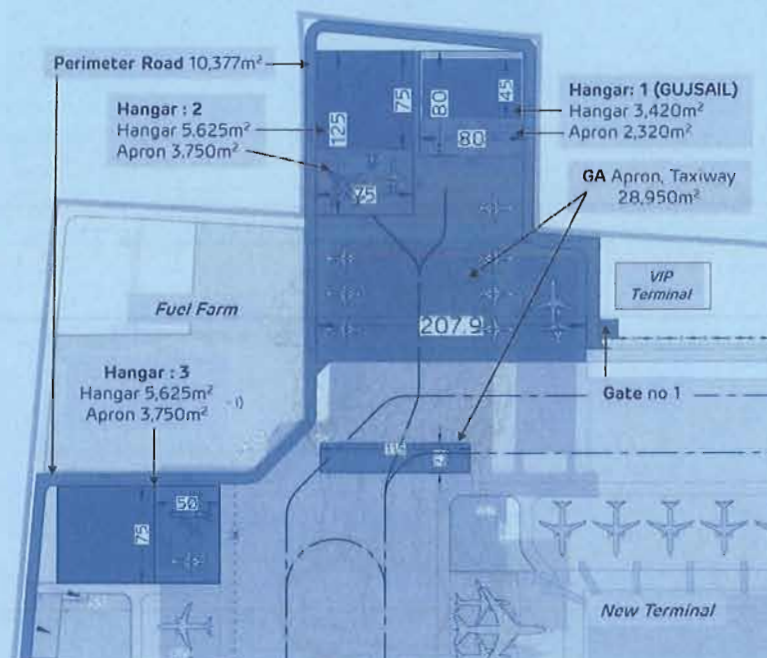
E. Hangars

E.1 Hangar 1

- 7.3.77. In its submission, AIAL stated the following– “the existing Hangar / GA facility of GUJSAIL Hangar & its apron comes in the footprint of Phase 1 of proposed new Integrated Passenger Terminal development. In view of this, it needs to be relocated as part of overall GA development of SVPIA, on the north-western part of airport site. The proposed new GUJSAIL facility shall be built on equivalent total site area (as existing) of 6400 sqm. The proposed apron of new GUJSAIL facility shall be 2,320

sqm, slightly more than its existing apron area of 2207 Sqm. Their proposed Office / Annex Building is planned to be a G+2 Structure (as existing) with BUA of 2780 Sqm and BUA of Hangar shall be 2500 Sqm. The total proposed BUA of GUJ SAIL Facility shall be 5284 Sqm against existing BUA of 4992 Sqm on site area of 3,428 sqm (928 + 2500)."

Figure 18: Hangars proposed by AIAL



7.3.78. The Authority noted that this was an enabling project for NITB. Hence, the Authority had considered the cost towards this project part of the capital expenditure for the Third Control Period. However, there was no basis for the cost estimated for the "Annex building" at a rate of INR 93,750 per SQM. Therefore, the Authority had recalculated the same considering a cost of INR 47,300 per SQM on the basis of the cost considered for the GSE Maintenance facility. Further, the Authority observed that the cost proposed by the AO towards the main pavement is beyond the inflation adjusted normative cost. Therefore, the Authority recomputed the cost towards main pavement based on the inflation adjusted normative cost after making appropriate provisions for the GST and other items such as AGL ducts & reconfigurations, drain connections and airside operational constraints. Accordingly, the Authority had revised the proposed cost for Hangar 1 as given in the table below.

Table 123: Cost towards Hangar 1 proposed by the Authority

Particulars	Cost as per AIAL (INR Cr.)	As per the Authority		
		Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
E.1 Hangar 1 - As enabling work for NTB	A	B	C	D = B×C
Annexe Building	29.03	47,300	3,096	14.64
Hangar steel structure	17.02	55,400	3,072	17.02
Apron - Main Pavement (Rigid Pavement)	2.48	9619.86*	2,325	2.24
Total	48.53			33.90
Difference (A – D)				14.63

*Normative cost in FY 2022 adjusted for AGL ducts & reconfigurations, drain connections and airside operational constraints and GST at the Consultation stage

E.2 Other Hangars

- 7.3.79. As per its submissions, AIAL had stated that approximately 50% of the GA aircrafts needs to be parked at other than GA apron (i.e., either T1 Apron or T2 Apron) in order to accommodate the existing demand of around 25 to 30 stands against limited capacity of 12 stands in current GA Apron. The traffic details regarding the proportion of GA flights that were allotted on T1/T2 Apron due to space constraint at GA Apron shared vide email dated 14th July 2022 is given below.

Table 124: % of GA traffic accommodated on T1/T2 Apron as submitted by AIAL

Month	% of GA flight allocated on T1/T2 Apron
Apr-21	47%
May-21	46%
Jun-21	60%
Jul-21	56%
Aug-21	53%
Sep-21	66%
Oct-21	54%
Nov-21	48%
Dec-21	48%
Jan-22	50%
Feb-22	43%
Mar-22	48%
Apr-22	46%
May-22	49%

- 7.3.80. AIAL also shared a note on GA Hangers demand vide email dated 19th July 2022 stating the strong demand and interest from businesses houses and NSOPs to provide Hangar space at the Airport. AIAL has also submitted the MoUs signed with customers in this regard. Further, as per AIAL, the GA Traffic was expected to be 5-6% of overall ATM traffic, which was expected to grow significantly. Hence based on such robust demand from the market, as per AIAL, the requirement for Hangar was more than 10. However, due to limitation in land, AIAL had proposed to build 5 hangars in the Master Plan.

The Authority sought clarification regarding the purpose of Annexe buildings. AIAL, vide email dated 14th October 2022, shared a note on the same, stating that – “As Hangar shall be airside facility in which Checks A-C could be performed on large business jets, including Gulfstream, Bombardier-CX and larger Cessna and Dassault aircraft. A-checks could be performed on airliner class business jets such as the Boeing BBJ, Airbus ACJ or Embraer E-Jets” For these operations, AIAL had submitted that operations facility should have the following supplementary spaces such as expanded inventory and tooling stores, airframe structures shop, machine shop, battery shop etc.

- 7.3.81. Based on the examination by the Authority, the cost proposed by AIAL for the hangars appears to be reasonable, however, there was no basis for the cost estimated towards “Annex buildings” at a rate of INR 93,750 per SQM. Since there is no basis for arriving at such a figure, the Authority has revised the cost towards “Annex buildings” based on the rate considered for GSE Maintenance Facility i.e., INR 47,300 per SQM as done in the case of Hangar 1. Subsequently, the cost towards the main pavement was rationalised using the inflation adjusted normative costs as done in the case of Hangar



1 (Refer Para 7.3.78). Accordingly, the Authority had recalculated the cost towards Hangers for the Third Control Period as given in the table below.

Table 125: Cost towards Other Hangars proposed by the Authority

Particulars	Cost as per AIAL (INR Cr.)	As per the Authority		
		Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
E.2 Other Hangars	A	B	C	D = B×C
Hanger 2:				
Demolition of Flexible Pavement	0.07	730	924	0.07
Demolition of Existing Structure	0.05	3,300	150	0.05
Annexe Building	35.77	47,300	3,815	18.04
Hangar steel structure	25.00	55,400	4,513	25.00
Apron - Main Pavement (Rigid Pavement)	4.01	9619.86*	3,750	3.61
Total (E)	64.90			46.77
Hanger 3:				
Demolition of Flexible Pavement	0.01	730	125	0.01
Annexe Building	15.00	47,300	1,600	7.57
Hangar steel structure	27.90	55,400	5,037	27.90
Apron - Main Pavement (Rigid Pavement)	3.46	9619.86	3,235	3.11
Total (F)	46.38			38.59
Hanger 4&5 – Code C:				
Annexe Building	37.50	47,300	4,000	18.92
Hangar steel structure	44.32	55,400	8,000	44.32
Apron 2 code C / 1 Code E- Main Pavement (Rigid Pavement)	15.35	9619.86	14,350	13.80
Total (G)	97.17			77.04
Total (E + F + G)	208.45			162.41
Difference (A – D)				46.04

*Normative cost in FY 2022 adjusted for AGL ducts & reconfigurations, drain connections and airside operational constraints and GST at the Consultation stage

- 7.3.82. The Authority noted that in total AIAL had proposed the construction of 5 Hangars along with “Annex buildings” in the Third Control Period. The Authority was of the view that the creation of these assets would lead to the generation of additional aeronautical revenues. Accordingly, the estimates of the same would be taken into due consideration by the Authority while determining the aeronautical tariffs for the Third Control Period. The Airport Operator was directed to submit the revenue projections from the Hangars and Annex Buildings along with the Annual Tariff Proposal.



F. Utilities, Drains and External Works

Figure 19: Utility improvements



F.1 Distribution network for all Utilities

- 7.3.83. As per the cost estimates shared by AIAL, the AO had assumed the cost towards distribution network to be 25% of the cost of all utility projects. However, the Authority could not ascertain any such practice prevalent for the construction of Airport projects. The Authority was of the view that the actual costs would depend on the specification of the components used and the quantities required depending on the location of various facilities and the routing of the utility network.
- 7.3.84. Therefore, in the absence of a reliable estimate from the Airport Operator, the Authority had considered "Electrical external service connections" (3.75%) and "Civil external service connections" (1.25%), as per Plinth Area Rates (PAR) 2021 to derive an estimate for the distribution network for utilities. Accordingly, 5% of all the utility project costs had been considered towards the cost for distribution network for all the utility projects. The cost considered by the Authority towards distribution network for utilities is given in the table below.

Table 126: Cost towards distribution network for all utilities proposed by the Authority

S. No.	Description of Item	Cost as per (INR Cr.)	
		AIAL	Authority
F.1	Distribution network for all utilities	A	B
1.	Fresh Water tank with Pump House	43.14	43.14
2.	STP & Storage Tanks, Pump House associated Buildings	36.23	36.23
3.	Terminal 1 Utility Complex (HVAC Plant, and other associated Buildings etc.).	11.08*	11.08
4.	Substation (RSS/DSS) Building	72.86	72.86
5.	Triturator	5.18	5.18
6.	Hazardous Waste Storage	0.38	0.38
7.	Development of Rainwater Harvesting Pond	0.76	0.76
8.	Airside Drainage & Ducting System	71.25	71.25
9.	Landside drainage	108.05	108.05
	Total	348.91	340.69
	Base cost towards utility projects (5% of above cost)	87.23	17.03

S. No.	Description of Item	Cost as per (INR Cr.)	
		AIAL	Authority
	Difference (A – B)		70.19

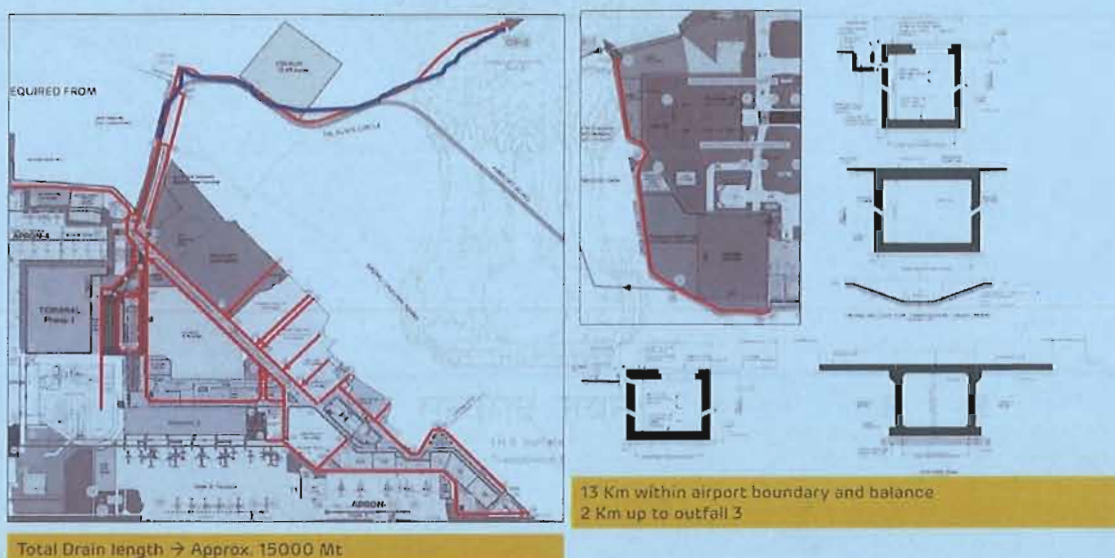
* 25% in AIAL's submission

Note: INR 99.08 as per initial submission, later revised to 11.08 by AIAL

F.2 Landside drainage

- 7.3.85. AIAL had proposed landside drainage work amounting to INR 108.05 Cr in the Third Control Period. AIAL has shared the LOI (INR 11.65 Cr.) vide email dated 06th August 2022, for a portion of the project related to South Outfall which connects the stormwater drainage network to Sabarmati River for which the work is in progress. AIAL had clarified that the remaining work is currently at design stage. AIAL had also submitted the cost estimate for the balance work based on Plinth Area Rates.

Figure 20: Landside drainage



- 7.3.86. The Authority noted that the project is required to prevent waterlogging during heavy rainfall and ensure continued operations on landside. Hence, the Authority has considered the cost of proposed project in the capital expenditure for Third Control Period. The cost estimate submitted by AIAL appeared to be reasonable. However, the Authority noticed that a portion of this cost would need to be incurred on land outside the airport boundary. The Authority enquired about such costs that would be incurred outside the Airport boundary. The AO clarified that the entire cost proposed by AIAL is to be incurred within the Airport boundary (approx. 13 km). The cost towards the portion of the drain outside the airport land would be borne by the Ahmedabad Municipal Corporation (approx. 2km). The portion to be constructed by the Municipal Corporation is indicated in the picture above in blue colour.
- 7.3.87. Based on the above, the Authority proposed to consider the cost as proposed by the Airport Operator.

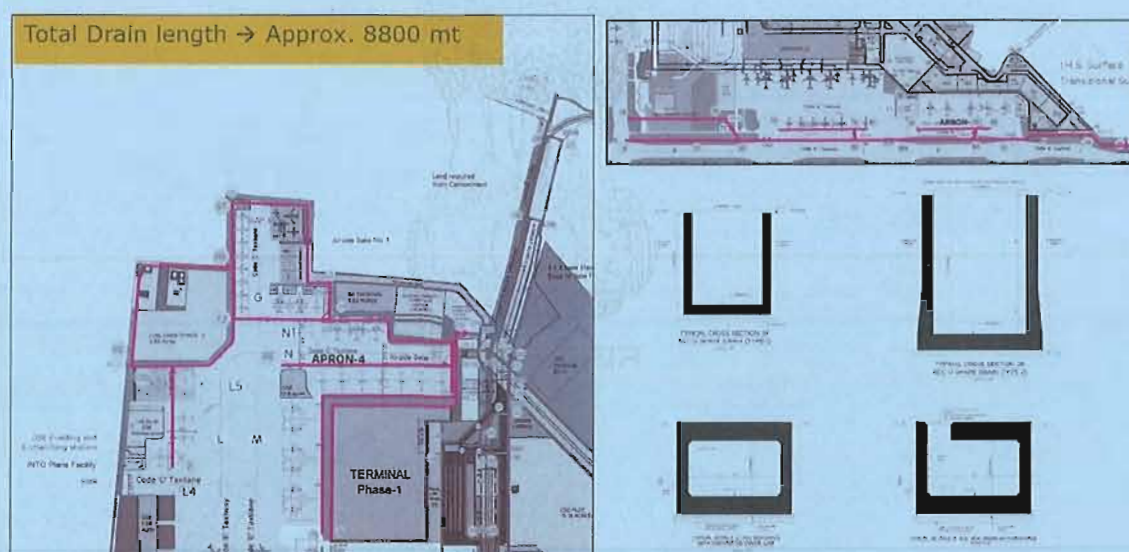
Table 127: Cost towards landside drainage proposed the Airport Operator

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
F.2	Landside drainage	108.05	108.05	-

F.3 Airside Drainage & Ducting System

- 7.3.88. As per the capital expenditure proposed by AIAL for the Third Control Period, the base cost of Airside Drainage & Ducting System works amounts to INR 71.25 Cr. The Master Plan submitted by AIAL mentioned the following regarding airside drainage – “considering the airside grading plan, operational and functional requirements, drainage networks are planned to comply with the DGCA guidelines. There is no defined external natural drain that exists around the airport area and there isn’t much scope for development due to habitations adjoining the airport boundary and the narrow roads. Also, the existing RCC pipe drain laid by AMC authority inside Cantonment board Defense area is not having much of spare capacity to cater for discharging the runoff from airport area. Hence, it is planned to reverse the drain bed slope and divert major quantity of the runoff water generated from airport area on Airside towards OF - 2. The runoff from landside areas and portion of airside (apron & aircraft hangar area) areas shall be diverted towards OF - 3. Only small quantity allowed to percolate in recharge pits and excess diverted towards OF - 1.”

Figure 21: Airside drainage



- 7.3.89. The Authority noted that the project was required to prevent waterlogging during heavy rainfall and ensure continued operations. AIAL had submitted the cost estimates based on CPWD PAR 2021. The Authority found the cost estimates submitted by AIAL to be reasonable. Hence, the Authority had considered the cost of towards airside drainage and ducting system as submitted by AIAL as given in the table below.

Table 128: Cost towards Airside Drainage & Ducting proposed by the Airport Operator

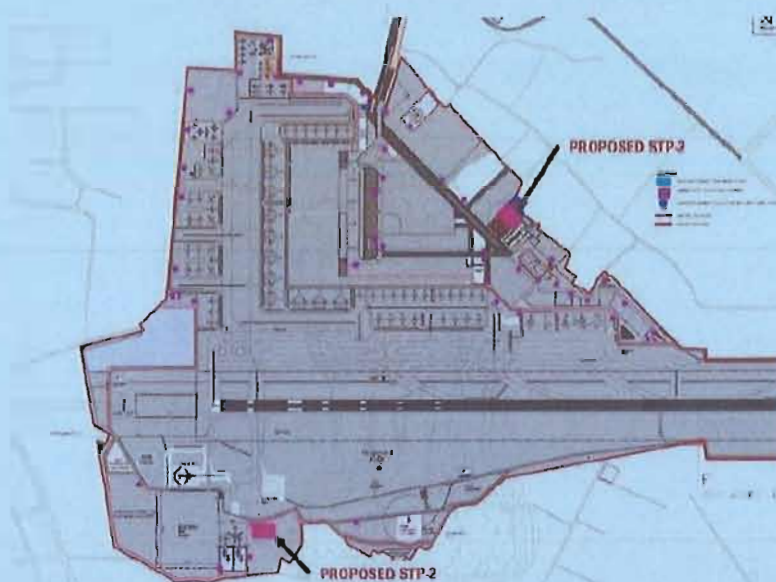
Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
F.3	Airside drainage & ducting system	71.25	71.25	-

F.4 STP, Storage Tanks and Pump House

- 7.3.90. AIAL, in its submission stated the following – “the sewerage generation at SVPIA shall increase to 4.16 MLD in Phase 2 of SVPIA development, in the Third Control Period. Current STP capacity is very limited. This needs to be urgently enhanced to ensure compliance with environment regulations, to provide required sewerage treatment facility and to recycle wastewater. Therefore, STP of 2.0 MLD capacity with recycled water storage tank of 1520 KL capacity, Hydropneumatics system of 3170 LPM,

pumphouse of 56 Sqm & sewage networks & recycled water supply network is proposed in Phase 1. In Phase 2, the capacity of STP shall be increased by 2.25 MLD, along with increase in recycled water storage tank capacity to 1950 KL, hydropneumatics system of 4062 LPM, pumphouse of 56 sqm, and extension of sewage network & recycled water supply network. Treated water from STP will be fully utilized for non-potable purposes like non-potable purposes like flushing, gardening & HVAC, to achieve zero discharge from STP as per GPCB norms."

Figure 22: Proposed STP facility location



- 7.3.91. The Authority noted that this project was also presented at the AUCC meeting held on 21st January 2021. AIAL also clarified that the "existing STP is having capacity of 0.5 MLD catering for airport sewage mainly serving for T1 & T2 which is not sufficient during peak hours flow. New STP 2MLD and its storage tanks are planned for increased traffic of T1 & T2 and to cater the NITB and other airport buildings. After commissioning of this facility and existing STP will be dismantled since water quality output does not meet the requirement for HVAC make-up water & flushing and also due to space constraint for future expansion." The Authority examined the traffic projections and found that the increased need for capacity was justified. Further, the Authority compared the cost proposed towards STP against the cost incurred at other airports and prevailing market rates and found the same to be reasonable. Therefore, based on the above, the Authority had considered the cost towards the STP and related projects as part of the capital expenditure for TCP based on the cost estimate submitted by AIAL. The detailed break-up of the BOQ is provided in Para 18.6.21 in Annexure 6 of Chapter 18 of this Tariff Order.

Table 129: Cost towards STP, Storage Tanks and Pumphouse proposed by the Airport Operator

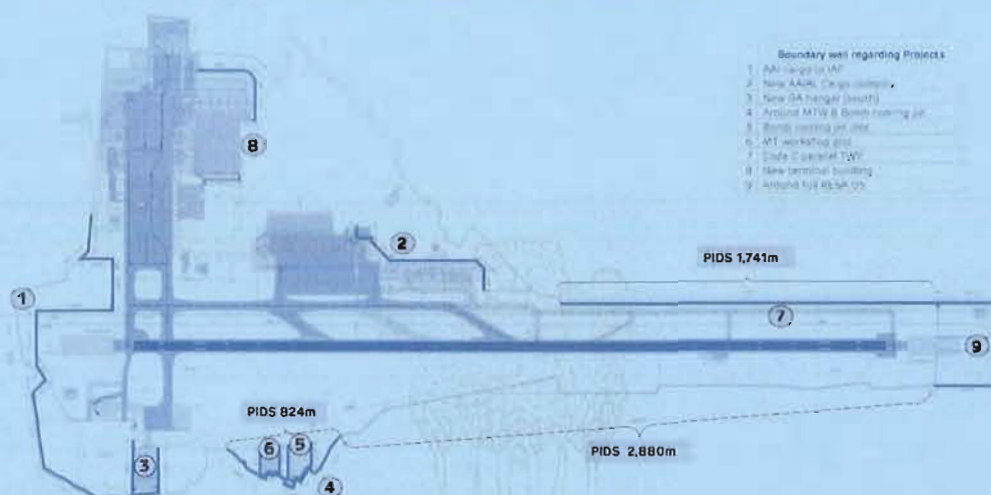
Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
F.4	STP, Storage Tanks and Pump House	79.37	79.37	-

F.5 Boundary wall improvements including PIDS

- 7.3.92. AIAL, in its submissions, stated the following – "SVPIA presently does not have PIDS along / on its airside boundary wall. However, in view of security considerations, SVPIA requires PIDS as part of its airport security infrastructure. Therefore, installation of PIDS is proposed, to be implemented in phases." AIAL had also proposed the re-construction of existing airside boundary wall in view of the

proposed land acquisition for implementation of projects like new Code C parallel taxiway, full RESA-05 on eastern end of the runway, etc. The Authority understood that the project was crucial from an airport safety and security perspective.

Figure 23: Boundary wall including PIDS



7.3.93. The Authority compared the rates submitted by AIAL with the quotations received for PIDS at Lucknow airport (LKO) and found the unit rate considered by AIAL to be reasonable. Further, the Boundary wall needed to be reconstructed as per the recent land survey and Code C mandate as part of Bureau of Civil Aviation Security (BCAS) requirement. Therefore, the Authority, had considered the cost towards Boundary wall and PIDS as submitted by AIAL, as given in the table below.

Table 130: Cost towards boundary wall improvements including PIDS proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	As per the Authority	
			Quantity (RMT)	Amount (INR)
F.5	Boundary wall improvements including PIDS	A	B	C = A×B
	Cost submitted by Airport Operator:			
1	Airport Boundary Wall	10,900	3,301	3.60
2	Airside Boundary wall along new CODE C parallel Taxiway & around RESA 05	10,900	2,716	2.96
3	Perimeter Intrusion Detection System (PIDS)	10,700	13,160	14.08
	Total (D)			20.64
	Cost proposed by the Authority (E)			20.64
	Difference (D – E)			-

F.6 Minor Works – Boundary wall

7.3.94. As per MYTP, AIAL had proposed the construction of landside boundary wall at locations where the height is low and to install monkey fencing to address BCAS observations. Further, watch towers, based on CISF requirements are also planned at appropriate locations. AIAL had proposed such Boundary wall related work amounting to INR 4.29 Cr. (excluding indexation and soft costs) under the head Minor Projects – Boundary wall. The Authority examined the items proposed by AIAL as per

the methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works – Boundary Wall is given in the table below.

Table 131: Cost towards Minor Works – Boundary wall proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
F.6	Minor Works – Boundary wall	4.29	0.44	3.85

Note: The break-up of the above-mentioned item is provided in Para 18.6.4 in Annexure 6 of Chapter 18

F.7 External Landscape & Horticulture

- 7.3.95. As per its PIF, AIAL had proposed landscaping and horticulture activities as part of its environmental and sustainability measures as well to enhance the airport ambience. The Authority was of the view that although landscaping enhances passenger experience, it is not integral to airport operations in general and hence proposed to be treated as common. All building blocks pertaining to landscaping is proposed to be treated as common for purpose of tariff determination of the consultation Paper No. 10/2022-23
- 7.3.96. AIAL had proposed for the External Landscape & Horticulture work at a cost of INR 17.01 Cr (excluding indexation and soft costs) and had shared the block cost estimates vide email dated 21st July 2022.

Figure 24: Proposed Landscape Area



- 7.3.97. The Authority observed that there was no basis for the cost estimated for the New Tree Plantation, Transplantation of Trees, and Removal of Trees. Vide email dated 07th September 2022, AIAL shared various quotations received from vendors. The Authority, through their Consultant, examined the quotes and found that the cost proposed by AIAL was lower than the cost in any of the quotes with respect to Transplantation of Trees and Removal of Trees. Hence, the Authority proposed to consider the cost as per AO's proposal. However, no quotations or supporting documents were received with respect to plantation of new trees. Hence, the Authority proposed to exclude the cost towards the same at this stage and true up the same at the time of tariff determination for the Fourth Control Period.



Accordingly, the Authority proposed to consider the cost towards External Landscape and Horticulture as given in the table below.

Table 132: Cost towards External Landscape & Horticulture proposed by the Authority

S. No.	Description of Item	Unit	Quantity	As per AIAL		As per AERA	
				Rate (INR)	Amount (INR Cr.)	Rates (INR)	Amount (INR Cr.)
F.7	External Landscape & Horticulture		B	A	$C = A \times B$	D	$E = B \times D$
1	External Landscape & Horticulture with Irrigation system	SQM	30,000	2,400	7.20	2400	7.20
2	New Plantation Trees	Each	4,000	15,000	6.00	-	-
3	Transplantation of trees		1,000	26,710	2.67	6372	0.64
4	Removal of trees		1,000	11,407	1.14	11,407	1.14
	Total				17.01		8.98
	Difference (C – E)						8.03

F.8 Oil Water Separator

- 7.3.98. As per its submissions, AIAL stated the following – “wastewater from aprons, hangars, cargo facilities, GA & GSE workshop, etc contains floating oil along with suspended solids. These need to be separated from the water through screens, oil water separator, and Grit Chamber. After removal of floating oil and suspended solids, the wastewater is to be treated in STP. This is important for environmental compliance.”
- 7.3.99. AIAL had proposed the commissioning of Oil Water Separator/s at a cost of INR 15.50 Cr and has submitted the cost estimates vide email dated 21st July 2022 based on CPWD PAR 2021. However, there was no basis for the cost estimated for Supply, Installation, Testing, and Commissioning of Oil Water Separator.
- 7.3.100. AIAL was requested to provide the details regarding the cost of Supply, Installation, Testing and Commissioning of Oil Water Separator via email dated 18th August 2022. AIAL had shared a quotation for Oil Water Separator containing details for the same vide email dated 19th August 2022. The Authority noted that the cost proposed by the Airport Operator is ~22% lower than the quotation. Therefore, the Authority proposed to consider the cost towards Oil Water Separator as submitted by AIAL at this stage, as given in the table below.

Table 133: Cost towards Oil Water Separator proposed by the Airport Operator

S. No.	Particulars	Amount (INR Cr.)
	Cost submitted by Airport Operator:	
F.8	Oil Water Separator	15.50
	Total (A)	15.50
	Cost proposed by the Authority (B)	15.50
	Difference (A – B)	-

F.9 Terminal 1 Utility Complex

- 7.3.101. As per its PIF, AIAL had stated that the existing Torrent Power Receiving Sub-Station (RSS) was based on Air Insulated Switchgear (AIS) system and is located on a large site area of SVPIA. The power demand of SVPIA shall increase to 25 to 30 MW in future. In view of this, a new RSS with Gas Insulated Switchgear (GIS) technology is proposed to be developed at the current location of Torrent Sub-Station on an optimised land area.

- 7.3.102. In this regard AIAL had shared a note vide email dated 16th July 2022, which states that there is an expected increase in demand for power at the airport from 11444 KVA to 26555 KVA due to increase in the capacity of the airport and other developments planned.
- 7.3.103. AIAL had proposed the commissioning of Terminal 1 utility complex at a cost of INR 99.08 Cr and has submitted the cost estimates vide email dated 21st July 2022 based on CPWD PAR 2021. However, vide email dated 06th August 2022, AIAL submitted the following – “As per latest discussion with Torrent, this project may not happen during the current control period.” Therefore, the Authority has excluded the cost associated with Relocation of Torrent Power Station / Construction of New Power Station from the project cost.
- 7.3.104. Based on the above, the cost proposed by the Authority towards Terminal 1 Utility Complex is given in the table below.

Table 134: Cost towards Terminal 1 Utility Complex proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
F.9	Terminal 1 Utility Complex	A	B	C = A × B
	Cost submitted by Airport Operator:			
1	Demolition of Flexible Pavement	730	2,384	0.17
2	Relocation of Torrent Power Station / Construction of New Power Station*			-
3	New Terminal 1 Utility Complex (HVAC Area)	28,300	1,800	5.09
4	Access & Circulation Area/ Site	4,400	3,927	1.73
5	Tunnel / utility duct from NTB Phase I -Terminal to Utility Complex (5M x 5M)	3,40,000	120	4.08
	Total (D)			11.08
	Cost proposed by the Authority (E)			11.08
	Difference (D – E)			-

*This project worth INR 88.00 Cr has been dropped by AIAL. The detailed list of projects dropped by AO is provided in Para 18.6.17 in Annexure 6 of Chapter 18

G. Equipment and Machinery

G.1 IT Equipment

- 7.3.105. AIAL had proposed various procurements and works amounting to INR 29.54 Cr. (excluding indexation and soft costs) under the head Minor Projects – IT Equipment including Security related IT Infra. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the aeronautical cost proposed by the Authority towards IT Equipment is given below.

Table 135: Cost towards IT Equipment proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
G.1	IT Equipment	29.54	8.49	21.05

Note: The break-up of the above-mentioned item is given in Para 18.6.5 in Annex. 6 of Chapter 18

G.2 Security Equipment

- 7.3.106. AIAL had proposed various procurements and works amounting to INR 24.71 Cr. under the head Minor Projects – Security Equipment. The Authority examined the items proposed by AIAL as per the

methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Security Equipment is given in the table below.

Table 136: Cost towards Security Equipment proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
G.2	Security Equipment	24.71	8.13	16.58

Note: The break-up of the above-mentioned item is provided in Para 18.6.6 in Annexure 6 of Chapter 18

G.3 Disabled Aircraft Removal Kit (DARK)

- 7.3.107. AIAL had submitted a note on DARK which stated the following – “as per latest traffic forecast, it is likely that the Airport will serve traffic of over 20 MPPA and ATM of approx. 140,000 by FY25-26. This translates into daily Pax and ATM of approx. over 50,000 and over 380 respectively. Lastly, Ahmedabad is a single runway Airport. Any disturbance on the runway will lead to closure of Airport. This will impact the overall aviation ecosystem at the Airport including but not limited to Airlines, Cargo movement, airport, concessionaires, tourism bodies, first and last mile operators etc. AIAL has evaluated the option to tie up with nearest Airport which has Disabled Aircraft Recovery Kit (DARK) and then deploy the same in case of any incident at the Airport. The nearest sizeable Airport which has DARK is Mumbai Airport which is at distance of more than 500 Kms from Ahmedabad Airport. In case the aircraft is disabled on the Runway at Ahmedabad, the Runway cannot be used and therefore the aircraft recovery kit from the other airport will have to be brought to Ahmedabad by Road only. Since the distance between Mumbai and Ahmedabad is more than 500 kms, it will take more than a day to get the kit from Mumbai to Ahmedabad in case of requirement. During this time the airport will be completely closed, and this will have both financial and economic impact on the ecosystem and inconvenience to the travelling public. Considering all the above factors, AIAL has decided to purchase the Disabled Aircraft Recovery Kit (DARK).”
- 7.3.108. The Authority noted that AIAL had proposed to acquire DARK in order to address the guidelines of regulatory agencies such as DGCA and BCAS. This project was also presented at the AUCC meeting held on 21st January 2021. Further, vide email dated 20th July, AIAL shared a cost estimate based on the quotation received for CSMIA.
- 7.3.109. The Authority enquired about the precedence of such events at SVPIA that led to the deployment of DARK. The Airport Operator, in its response, did not mention any such historic precedents at SVPIA. The Authority notes that, given the proximity of SVPIA to CSMIA, SVPIA may rely on the equipment available at CSMIA which is at a distance of ~500 km from SVPIA, in the event that such a circumstance arises. Though SVPIA is single runway airport, the Airport Operator had not furnished any analysis comparing alternate scenarios that would justify the benefits of incurring the cost towards procurement of DARK. Given the prevailing market conditions, the Authority was of the view that currently only those projects which were critically required for safety, security, operations, and customer experience may be initiated.

Accordingly, the Authority proposed to exclude the cost towards Disabled Aircraft Removal Kit from the capital expenditure for the Third Control Period.

Table 137: Cost towards Disabled Aircraft Removal Kit proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
G.2	Disabled Aircraft Removal Kit (DARK)	20.0	-	20.0

G.4 Minor Projects – Plant & Machinery

7.3.110. AIAL had proposed various procurements and works amounting to INR 62.65 Cr. under the head Minor Projects – Plant and Machinery. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works – Plant and Machinery is given in the table below.

Table 138: Cost towards Minor Works – Plant and Machinery proposed by the Authority

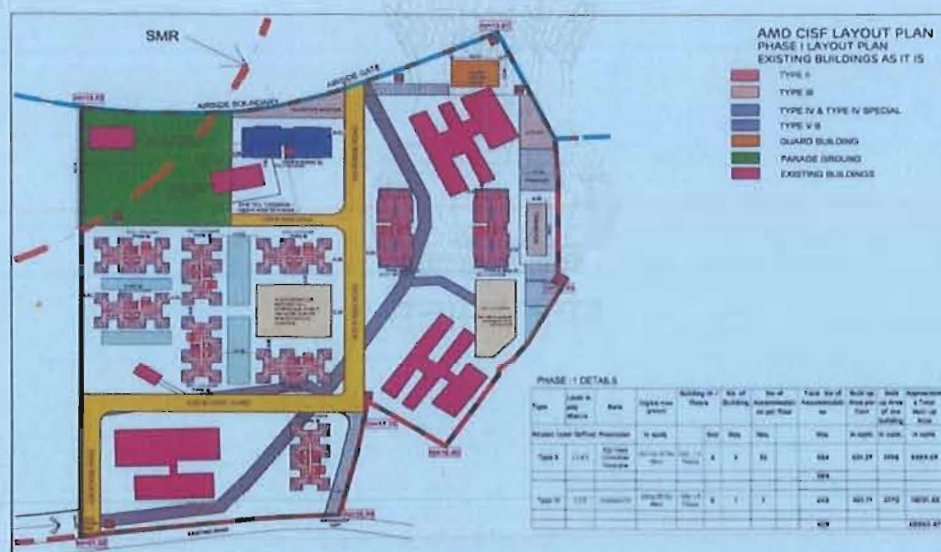
Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
G.4	Minor Works – Plant and Machinery	62.65	13.28	49.37

Note: The break-up of the above-mentioned item is provided in Para 18.6.7 of Annexure 6 in Chapter 18

H. Other Buildings

II.1 CISF Barracks And Officers' Quarters

Figure 25: CISF Layout Plan



7.3.111. As a part of the CAPEX in TCP, AIAL had proposed that the existing CISF bachelor's accommodation will have to be increased on an optimised site area of 4.25 Ha (10.50 acres) in Phase 1 of this project. As per AIAL's submission, an additional 629 CISF Bachelors accommodation along with required support facilities shall be developed subject to approval of AERA for this project. However, family quarters shall not be part of this project.

7.3.112. AIAL vide email dated 18th August 2022 submitted a note on the CISF Barracks which stated the need for the construction of the same. It stated the following – *“considering the various expansion projects at the airport (including cargo complex, Terminal Refurbishment, construction of new airside security gates, additional terminal entry gates & security check counters), the CISF staff requirement at AMD is projected to increase to 1500 by FY 2026 and subsequently it would reach to 1800 by FY 2028”* and *“Also, we have analysed other Airports serving traffic of 20 MPPA like Hyderabad and Chennai and we have found that they have CISF deployment of approx. 1,500 which corroborates with the Ahmedabad CISF deployment plan for FY2026.”* It further stated, *“As per CISF accommodation norms, they are eligible for bachelor accommodation for 55% of total strength which in our case works out to be 554 accommodation requirements at present approved strength and 990 accommodation requirements in 2028. Currently, there are 360 existing bachelor accommodations. So additional 630*

accommodations are needed. In view of the above, AIAL has planned to construct additional 629 barrack accommodations for CISF staff. Also, to clarify that currently there are no rented facilities arranged by AIAL for CISF staff."

- 7.3.113. In the above mentioned note, AIAL also stated that they had also initiated few discussions with real estate consultants from where they could understand that such facility at one single location was not readily available in market and the same can be made available only on make-to-order basis. AIAL stated that they received an offer from a reputed builder for providing such facility on long term lease basis. Based on the said offer, AIAL carried out a detailed cost-benefit analysis and observed that initially for first 3 years the cost under "Own construction model" is higher but after 3 years, the costs under "Own construction model" goes down with reduction in RAB values.
- 7.3.114. Additionally, AIAL had also submitted a letter from CISF requesting to provide family/barrack accommodation for CISF ASG Ahmedabad personnel. The letter stated that there are 395 families deficient of CISF accommodation and 198 bachelor accommodation required.
- 7.3.115. AIAL had put forward that they were unable to find suitable location near the airport to arrange rented facilities which complies with the requirements of CISF. Therefore, AIAL had proposed the construction of CISF Barracks at the Airport on an optimised location.
- 7.3.116. The cost proposed by the Airport Operator towards the construction of CISF Barracks is given in the table below.

Table 139: Cost towards Construction of CISF Barracks proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
	CISF Barracks and Officers' Quarters			
1	Access & Circulation Area/ Site Development	4,400	11,648	5.12
2	Construction of additional CISF Quarters	65,000	28,861	187.59
	Total			192.72

- 7.3.117. The Authority noted that AIAL had considered a unit rate of 65,000 per SQM for construction of CISF Quarters with no detailed break-up showing unit rates considered. For further analysis, the Authority compared the cost proposed by AIAL against the cost incurred at other airports and observed that the cost proposed by AIAL appeared to be quite high when compared to the cost being incurred at Kolkata Airport. Therefore, in the absence of a detailed estimate from the Airport Operator, the Authority proposed to revise the estimate based on the cost incurred at Kolkata (INR 48,000 per SQM).
- 7.3.118. Based on the above, the cost proposed by the Authority towards CISF Barracks is given in the table below.

Table 140: Cost towards CISF Barracks proposed by the Authority

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
H.1	CISF Barracks and Officers' Quarters			
	Cost proposed by the Authority:			
1	Access & Circulation Area/ Site Development	4,400.00	11,648	5.12
2	Construction of additional CISF Quarters	48,000	28,861	138.53
	Total (A)			143.66
	Cost submitted by AIAL (B)			192.72
	Difference (B – A)			49.06



H.2 ATC Technical Block with ATC Tower in AAI Colony

- 7.3.119. As part of the Phase 2 of SVPIA Master Plan development, AIAL had proposed that the existing ATC Block & ATC Tower be relocated in AAI Colony. A new ATC Tower & Technical Block shall be constructed in TCP at the proposed location, and once these are commissioned, the existing Block & Tower shall be decommissioned. This project was originally proposed by AAI and AIAL shall implement the same with required updates to design of the proposed facility. The area earmarked for the proposed new Air Traffic Control (ATC) Tower & Technical Block is about 9,840 SQM and its BUA is about 13,570 SQM.
- 7.3.120. The Authority noted that this project was also proposed by AAI as part of Schedule U of the Concession Agreement. It was observed that AIAL had considered the cost by applying a 10% escalation on the costs proposed by AAI in Schedule U of the Concession Agreement, which was also accorded by the AAI Board on 20th June 2018. For further analysis, the Authority had compared the cost proposed by AIAL to that incurred at other airports such as Kolkata and Delhi Airport and found the costs proposed by AIAL appeared to be reasonable.
- 7.3.121. As per the submissions of AIAL, the existing tower also came in the footprint of the proposed NITB Phase 2.

Figure 26: Location of ATC Block and Tower in AAI Colony



- 7.3.122. The cost proposed by the Airport Operator and considered by the Authority towards ATC Tower & Technical Block is given in the table below.

Table 141: Cost towards ATC Tower & Technical Block proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
H.2	ATC Block & Tower in AAI Colony			
	Cost submitted by Airport Operator:			
1	Demolition of Flexible Pavement	730.00	135	0.98
2	Access & Circulation Area/ Site Development		8,017	183.11
3	ATC Technical Block with ATC Tower		13,570	
	Total (A)			183.13
	Cost proposed by the Authority (B)			183.13

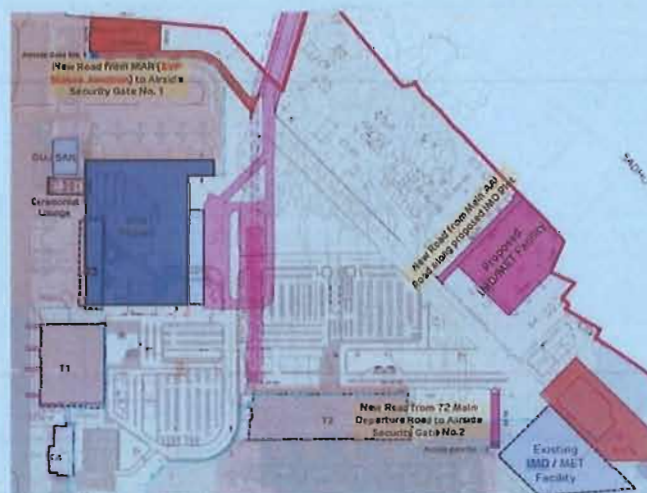


S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
	Difference (B – A)			-

H.3 IMD/MET Facility

- 7.3.123. As per the MYTP submission of AIAL, this project amounting to INR 41.40 Cr (excluding soft cost and indexation) was proposed by AIAL because the land under existing IMD/MET Facility was required for future expansion of New Cargo Complex Development. The existing MET / IMD facility was proposed to be relocated/reconstructed on plot of land in AAI Colony (to be handed over to AIAL).

Figure 27: Proposed location of IMD/MET Facility



- 7.3.124. From the PIF presented in the AUCC meeting held on 21st January 2021, the following is observed –
“the site for new IMD/Met facility will be on equivalent area of 24,123 sqm, on part of land of AAI Colony to be vacated by AAI. The project shall be implemented in Phase 3, in the Fourth Control Period in after 2026. The proposed facility shall include required spaces and infrastructure for IMD/MET operations like Hydrogen Balloon Shed, Observatory, Automatic Weather Station, laboratory, Admin office, workshop/store, parking, entrance, etc. IMD shall relocate its radars and any new equipment that they have planned, to this new facility. The proposed total BUA shall be approx. 3000sqm. The existing IMD/MET facilities will be developed and constructed first on the new premises, without disturbing current operations of IMD to facilitate smooth transition with no effect on services of IMD. Operations at the new facility shall commence after 2026.”
- 7.3.125. Further, no MoU had been signed between AAI and the AO regarding the right of use of the land area at the proposed site in the AAI Colony. Considering the uncertainty regarding the availability of land, the Authority was of the view that this facility would not be operational in the Third Control Period. Therefore, the same may be deferred to the next control period. Accordingly, the cost proposed by the Authority towards IMD/MET Facility is given in the table below.

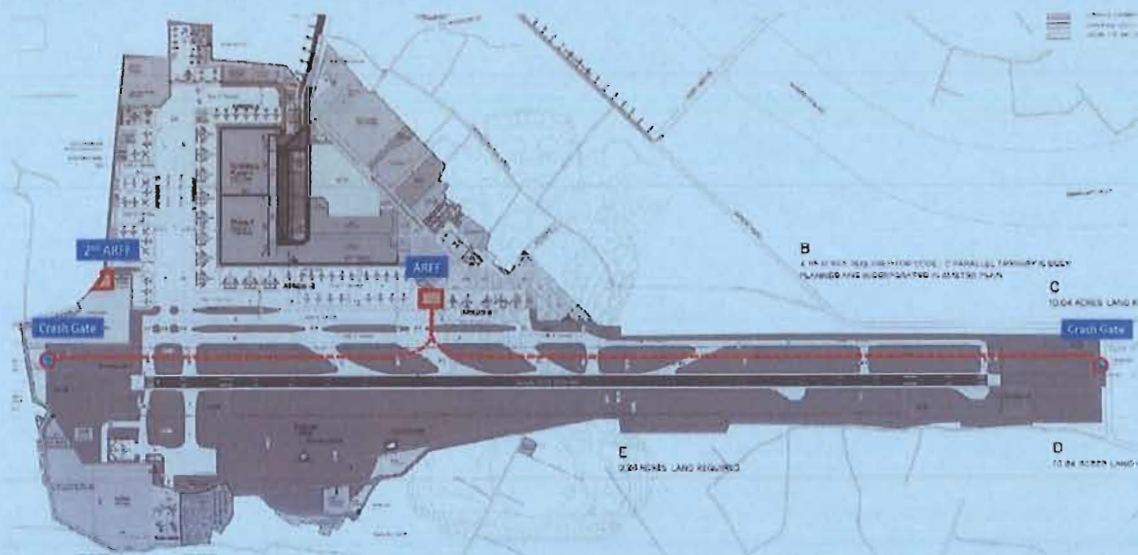
Table 142: Cost towards IMD/MET Facility proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
H3	IMD/MET Facility	41.40	-	41.40

H.4 ARFF Building

- 7.3.126. As per the PIF submission of the Airport operator, the ARFF building and the area around it is required for development of new AIAL Cargo Complex and its apron, and therefore the existing ARFF needed to be relocated. In view of this, a new ARFF facility with built up area of approximately 2,492 SQM including the Fire Station and Employee Canteen (lunch/dinner area for operations on-duty staff) was proposed to be constructed on airside of SVPIA located between new Cargo Complex and Terminal T2 apron on site area of 5,076 SQM.

Figure 28: Proposed location of ARFF facility



- 7.3.127. The Authority noted that this project was also presented at the AUCC meeting held on 21st January 2021. The Authority further noted that the base cost estimated for the construction of new ARFF Facilities by AIAL was INR 19.15 Cr. Vide email dated 05th September 2022, AIAL shared the combined LoA for ARFF building and Airport Health Office (AHO). The Authority revised the cost towards ARFF building based on the LoA submitted by AIAL by bifurcating the cost between ARFF building and AHO in the ratio of their built-up area details shared by AIAL.
- 7.3.128. Accordingly, the cost proposed by the Authority towards ARFF building is given in the table below.

Table 143: Cost towards ARFF building proposed by the Authority

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
H.4	ARFF building			
	As per AIAL:			
	ARFF Facilities (A)	92,500	2070	19.15
	As per Authority (determined from LoA):			
	ARFF Facilities (B)		2070	19.02
	Difference (A – B)			0.13

H.5 Airport Health Office (AHO)

- 7.3.129. AIAL had stated that the project was needed for creating a facility for coordination of activities and containment of Public Health Emergencies, hence forming part of critical Health Infrastructure at the airport. AIAL further claimed the AHO is for the benefit of passengers and Airport Users and that this requirement has to be fulfilled as per Clause 2.3.2 of the CA (Refer Para 18.4.13) and Schedule R of

the Concession Agreement. As per AIAL, this facility would be run by central government as similar to other airports.

Figure 29: AHO proposed location



- 7.3.130. AIAL had proposed for the construction of Airport Health Office at a base cost of INR 17.44 Cr and has shared the block cost estimates vide email dated 21st July 2022.
- 7.3.131. Vide email dated 05th September 2022 AIAL shared the combined LoA for ARFF building and Airport Health Office (AHO). The Authority revised the cost towards AHO based on the LoA submitted by AIAL by bifurcating the cost between ARFF building and AHO in the ratio of their built-up area details shared by AIAL.
- 7.3.132. Accordingly, the Authority has recalculated the cost towards AHO Facilities for the Third Control Period as given in the table below.

Table 144: Cost towards Airport Health Office proposed by the Authority

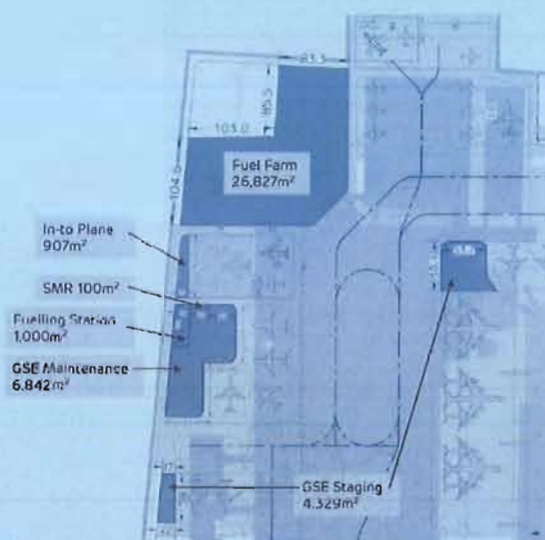
S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
H.4	Airport Health Office			
	As per AIAL:			
	Airport Health Office (A)	95,625	1,824	17.44
	As per the Authority (from LoA):			
	Airport Health Office (B)		1,824	16.76
	Difference (A – B)			0.68

H.6 GSE Maintenance Facility

- 7.3.133. As per its submissions, AIAL had stated that currently there was no GSE maintenance facility available at SVPIA. Considering operational requirement of a dedicated maintenance facility for ground support equipment and vehicles, GSE Maintenance Facility was proposed on airside to avoid movement of GSE equipment & vehicles from airside to landside to ensure operational efficiency and safety. AIAL had proposed for the construction of GSE Maintenance Facility at a cost of INR 15.50 Cr (excluding indexation and soft costs) and had submitted the cost estimates based on CPWD PAR 2021, shared vide email dated 21st July 2022.



Figure 30: Proposed location for GSE Maintenance Facility



7.3.134. The Authority in its examination found the cost estimates submitted by AIAL to be reasonable. Hence, the Authority had considered the cost of towards GSE maintenance facility as submitted by AIAL as given in the table below.

Table 145: Cost towards GSE Maintenance Facility proposed by the Airport Operator

S. No.	Description of Item	UNIT	Rate (INR)	Quantity	Amount (INR Cr.)
H.6	GSE Maintenance Facility				
	Cost submitted by AIAL:				
1	Demolition of Flexible Pavement	SQM	730	475	0.03
2	Demolition of Existing Boundary wall	RMT	2,100	85	0.02
3	GSE Maintenance Facility	SQM	47,300	3,000	14.19
4	Access & Circulation Area/ Site Development		4,400	2,868	1.26
	Total (A)				15.50
	Cost proposed by the Authority (B)				15.50
	Difference (B – A)				-

7.3.135. The Authority noted that there would be incidental revenues as a result of the creation of this asset. The Authority proposed to consider revenue projections from the GSE Maintenance Facility as aeronautical revenue at the time of finalisation of tariffs for the Third Control Period. The Airport Operator was directed to provide the projections of such aeronautical revenues along with the Annual Tariff Proposal.

H.7 AAI Cargo Warehouse including Landside Area Development:

7.3.136. As per the terms of Concession Agreement, the existing cargo complex land area of 7 hectares (17.5 acres) operated by AAICLAS is a Carved-Out Asset and had been retained by AAI. AIAL had submitted that, as part of the NITB development, its associated remote apron along the north-western boundary of airport, partly on the said Carved Out land is essential for development of remote Code C parking stands. Therefore, AIAL had proposed shifting of the location of Carved-Out land further south-west of its current location, with equivalent land area. This shall affect existing old structures located in currently demarcated Carved Out land area and will have to be re-built for AAI.

Figure 31: Location of AAI Cargo Warehouses



7.3.137. The Authority noted that the land and the assets therein are owned and operated by AAICLAS. Therefore, this project is subject to approval from the said entities. AIAL had clarified that they are in discussions with AAICLAS, however no MoU has been signed till date. In the absence of any information on the progress of the discussions, the viability of the project in this control period was not certain. Hence, the cost towards this project had been excluded from the CAPEX considered for TCP. However, if the project was completed within the Third Control Period, the same would be considered as part of true up at the time of determination of tariffs of the Fourth Control Period subject to efficiency of costs and reasonableness.

Table 146: Cost towards AAI Cargo Warehouse including Landside Area Development proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
H.7	AAI Cargo Warehouse including Landside Area Development	69.85	-	69.85

H.8 Minor Works – Other Buildings

7.3.138. AIAL had proposed various procurements and works amounting to INR 21.96 Cr. (excluding indexation and soft costs) under the head Minor Projects – Other buildings. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the aeronautical base cost proposed by the Authority towards Minor Works – Other Buildings is given in the table below.

Table 147: Cost towards Minor Works – Other Buildings proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
H.8	Minor Works – Other Buildings	21.96	9.10	12.86

Note: The break-up of the above-mentioned item is provided in Para 18.6.8 of Annexure 6 in Chapter 18

I. Vehicles

I.1 Minor Projects – Vehicles

- 7.3.139. AIAL had proposed the procurement of Airside Operation Vehicles, Vehicle Recovery Van, Follow ME Vehicles, Ambulances and Mini Road Roller for airside operations. amounting to INR 2.30 Cr. (excluding indexation and soft costs), under the head Minor Projects – Vehicle.
- 7.3.140. The Authority examined this minor project as detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works – Vehicles is given in the table below.

Table 148: Cost towards Minor Works – Vehicles proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
G.4	Minor Works – Vehicles	2.30	0.79	1.51

Note: The break-up of the above-mentioned item is provided in Para 18.6.9 of Annexure 6 in Chapter 18

J. Cargo

J.1 New Cargo Complex - Phase 1

- 7.3.141. As per the terms of the Concession Agreement, the land area of existing cargo complex measuring 7.08 hectares (17.5 acres) on south-western part of the site near Runway 23 end, operated by AAICLAS, is a Carved-Out Asset and had been retained by AAI with itself, necessitating development of new cargo facility for AIAL. In view of this, AIAL had commenced its cargo operations from existing Terminal T3, which was decommissioned earlier for passenger operations by AAI. However, the said interim cargo facility at Terminal T3 comes in the footprint of Phase 1 construction of new Integrated Passenger Terminal.
- 7.3.142. In view of the above, AIAL had proposed and initiated the construction of a New Cargo Complex on land area of approximately 12.14 hectares (30. acres excluding approx. 18.44 acres of cargo apron area) located on north-eastern part of airport.
- 7.3.143. The first phase of the New Cargo Complex that was planned to be commissioned in the Third Control Period and is expected to have a capacity of 1,80,000 MT. Upon completion of the second phase, an additional capacity of 96,000 MT would be created, however, this expansion was not planned in the current control period. AIAL had submitted that Phase 1 would house international operations for export and import shipments with a dedicated cold zone for pharma and perishable cargo handling. Phase 2 would house the Domestic operations for outbound and inbound shipments, with a zone for express cargo.

Figure 32: Existing cargo facility within the former T3 Terminal building

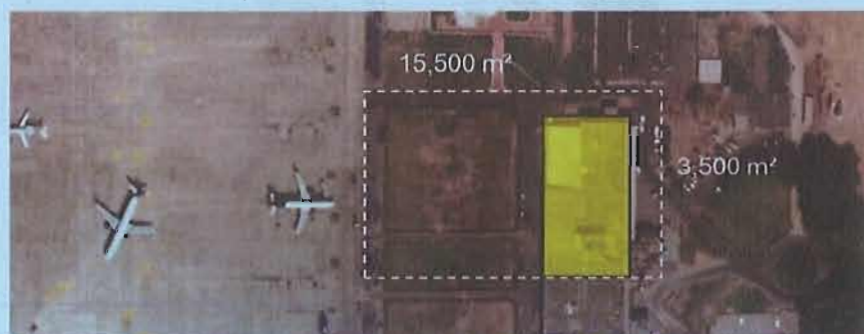


Figure 33: Existing Cargo Facilities located southwest part of the airport Premises

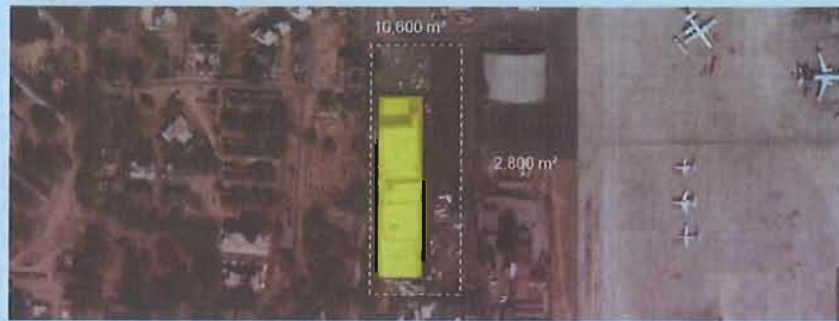


Figure 34: AIAL Cargo phase plan



- 7.3.144. The Authority noted that this project was also proposed by AAI as part of Schedule U of the Concession Agreement. The project was also presented in the AUCC meeting held on 21st January 2021.
- 7.3.145. The Authority examined the traffic estimates provided by AIAL and observed that the cargo traffic in FY 2020 was 1,03,741 MT at SVPIA. AIAL expects the traffic to grow to 1,48,120 MT by FY 2026 out of which AIAL projects that it will handle 1,04,232 MT of cargo at its own facility. Therefore, the proposed capacity of 1,80,000 MT for the Phase 1 of the Integrated Cargo Terminal (ICT) would be sufficient to handle the forecasted the projected cargo traffic in the Third Control Period.
- 7.3.146. The break-up of the cost proposed by the Airport Operator towards construction of New Cargo Complex - Phase I is given in the table below.

Table 149: Cost towards New Cargo Complex - Phase I proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
J.1	New Cargo Complex - Phase I			
1	Cargo Terminal Complex (Warehouse including docking area)	60,000	27,630	165.78
2	Perishable cargo	85,000	3,000	25.50
3	CRDC	47,300	1,212	5.73
4	Office	47,300	1,484	7.02
5	Gate Complex	45,600	892	4.07
6	Circulation Area around Warehouse	4,400	11,207	4.93
7	Road	4,500	29,399	13.23
8	Parking	7,900	8,358	6.60
9	Green & Landscape	2,400	4,418	1.06
	Total			233.92

- 7.3.147. The Authority noted that AIAL had estimated the cost of Cargo Complex based on CPWD DSR rates. Subsequently, AIAL also submitted the LoA for a portion of the project for which the contract had been awarded. It was observed that out of the components listed in the table above, all major items except the Perishable Cargo Facility, have already been awarded.
- 7.3.148. The Authority found that there was no basis for the cost estimated for the Perishable Cargo section which was considered as INR 85,000 per SQM. The Authority compared the cost incurred for Perishable Cargo units at other airports and found the cost proposed by AIAL to be higher. In the absence of further details to justify the higher cost, the Authority had considered the cost towards the perishable cargo facility at the same rate as that of the general cargo facility (obtained from LoA).
- 7.3.149. Based on the above, the cost proposed by the Authority towards ICT is given in the table below.

Table 150: Cost towards New Cargo Complex - Phase 1 proposed by the Authority

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
J.1	New Cargo Complex - Phase 1 & 2			
	Cost proposed by the Authority:			
1	Work awarded (as per LoA)			161.30
2	Perishable cargo	77533.50	3,000	23.26
	Total (A)			184.56
	Cost submitted by AIAL (B)			233.92
	Difference (B – A)			49.36

J.2 Cargo Equipment

- 7.3.150. AIAL had proposed the purchase of cargo equipment worth INR 106.59 Cr. for the new Integrated Cargo Terminal which is currently under construction. The project was presented at the AUCC meeting held on 21st January 2021. AIAL had also provided the list of equipment it proposes to purchase along with their expected cost.

Table 151: Cost towards cargo equipment proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (LS)	Amount (INR Cr.)
J.2	Cargo Equipment			
1	Movable Equipment for ICT			9.33
2	MHE Equipment			67.51
3	IT System, Equipment Dom + Intl + Exp			3.36
4	Ancillary Services			26.40
	Total			106.59

- 7.3.151. The Authority noted that AIAL had not provided any supporting documents or basis for the cost estimates. The Authority understood that the availability of equipment would be critical for the operationalisation of the ICT. However, it was not possible to assess the reasonableness of the costs proposed at that stage considering the large number of equipment that is required, the costs of which vary with respect to their specification. Therefore, in the absence of a reliable basis, the Authority proposed to consider 50% of the estimated cost at this stage. The Authority understood that this project was currently under bidding. In case the project was awarded prior to the culmination of the consultation process, the same would be taken into consideration by the Authority. Otherwise, the same may be considered at the time of true up of the Third Control Period subject to efficiency of costs and reasonableness.



7.3.152. Accordingly, the cost proposed by the Authority towards Cargo Equipment is given in the table below.

Table 152: Cost towards Cargo Equipment proposed by the Authority at the Consultation stage

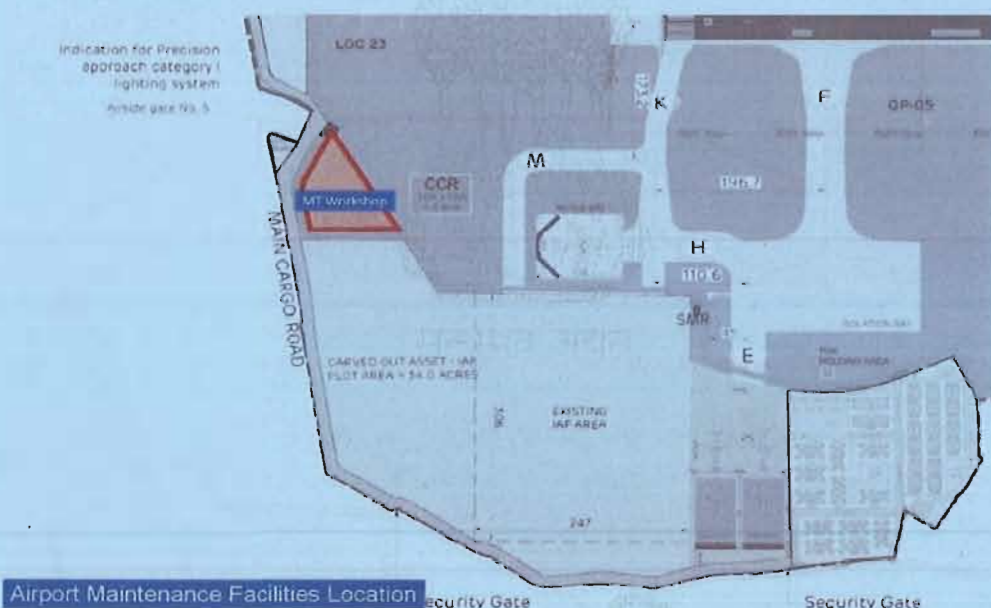
Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
J.2	Cargo Equipment	106.59	53.30	53.29

Note: The break-up of the above-mentioned item is provided in Para 18.6.10 of Annexure 6 in Chapter 18

J.3 Minor Works – Cargo Building

7.3.153. As per the document submitted by AIAL, AIAL had proposed for the relocation of MT Workshop as it comes in the footprint of the proposed Integrated Cargo Terminal. The cost proposed toward site development for MT Workshop, Access and Circulation Areas is INR 12.62 Cr. (excluding indexation and soft costs), under the head Minor Projects – Cargo Building. However, AIAL had not provided the break-up of these expenses as part of the MYTP.

Figure 35: Proposed MT Workshop location



7.3.154. The break-up of the cost proposed by the Airport Operator towards development for MT Workshop is given in the table below.

Table 153: Cost towards development for MT Workshop proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
J.3	MT Workshop	75,000	1,682	12.62

7.3.155. Based on the examination by the Authority it was found that the cost estimate for the construction of MT Workshop at rate of INR 75,000 per SQM, is higher as compared to similar structures at other airports. In the absence of a reliable estimate from the Airport Operator, the Authority had revised the cost towards MT Workshop based on the rate considered for construction of GSE Maintenance Facility i.e., INR 47,300 per SQM. Accordingly, the Authority had recalculated the cost towards GSE Maintenance Facility for the Third Control Period. The same may be trued up at the time determination of tariffs for the Fourth Control Period subject to efficiency of costs and actual utilization of assets.

- 7.3.156. Based on the above, the cost proposed by the Authority towards Minor Works – Cargo Building is given in the table below.

Table 154: Cost towards Minor Works – Cargo Building proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
J.3	Minor Works – Cargo Building	12.62	7.96	4.66

Note: The break-up of the above-mentioned item is provided in Para 18.6.11 of Annexure 6 in Chapter 18

J.4 Minor Works – Misc. Cargo Equipment

- 7.3.157. As per the documents submitted by AIAL, the AO had commenced interim cargo operations from old terminal T3. AIAL had carried out renovation of T3, procurement of IT equipment and cargo equipment amounting to INR 6.17 Cr. (excluding indexation and soft costs), under the head Minor Projects – Misc. Cargo Equipment. The break-up of this expenditure is provided in Para 18.6.12 of Annexure 6 in Chapter 18. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6.
- 7.3.158. Accordingly, the cost proposed by the Authority towards Minor Works – Misc. Cargo Equipment is given in the table below.

Table 155: Cost towards Minor Works – Misc. Cargo Equipment proposed by the Airport Operator

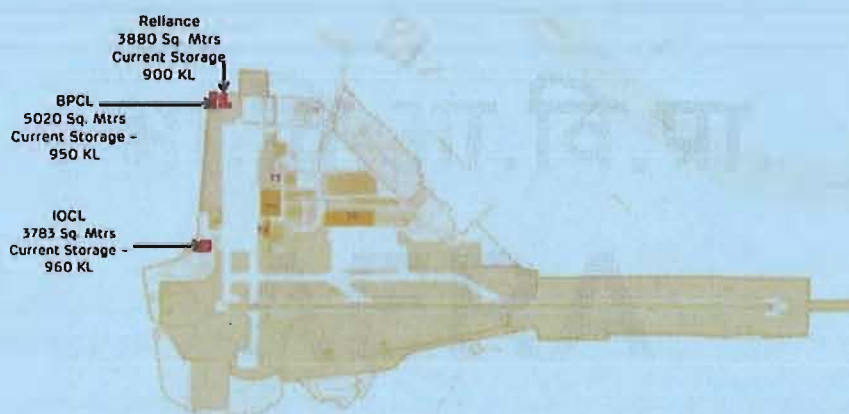
Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
J.4	Minor Works – Misc. Cargo Equipment	6.17	6.17	-

Note: The break-up of the above-mentioned item is provided in Para 18.6.12 of Annexure 6 in Chapter 18

K. Fuel Farm

K.1 New Fuel Farm Facility

Figure 36: Location of Assets of different OMCs present at SVPIA

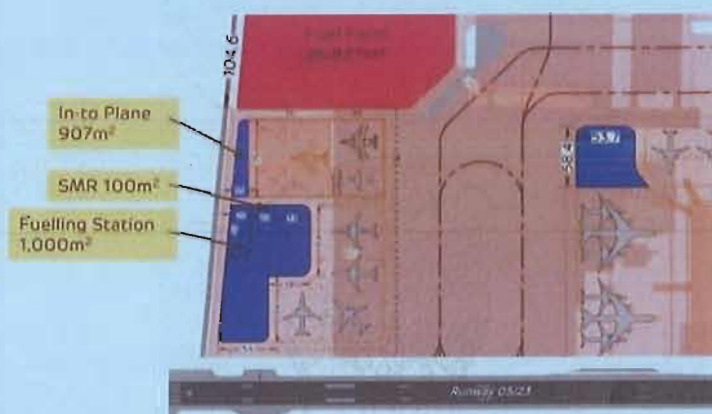


- 7.3.159. AIAL had submitted the following as per Clause 19.3 of Concession Agreement – “the Concessionaire shall provide, or cause to be provided the infrastructure required for operation of fuelling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good industry Practice.”



- 7.3.160. Accordingly, AIAL was planning to start open access in order to bring overall efficiency. AIAL had proposed to purchase the fuel facilities of all OMCs (IOCL-960KL, BPCL-950KL and Reliance - 900KL) and convert these to an open access facility. Post takeover, the capacity of AIAL would be 2810 KL. MoUs between AIAL and IOCL and RIL are already shared with the Authority. Considering estimated uptake of 6KL per departing ATM, AIAL had estimated the storage requirement to be 700KL per day (pre-COVID) i.e., 5000KL storage demand based on 7-day requirement.

Figure 37: Proposed Fuel Farm location



- 7.3.161. AIAL expected the ATM traffic to increase from 85,000 in FY 2020 to 1,37,000 in FY 2026, and accordingly the ATF demand to increase from 5,000KL to 8,000KL. Therefore, AIAL had proposed the construction of greenfield facility with a capacity of 8,000KL along with provision of hydrant system. The Fuel Farm project was presented at the AUCC meeting held on 21st January 2021.
- 7.3.162. The Authority noted that the existing fuel farm capacity at SVPIA is 2,810 KL. Considering the ATM traffic growth, the Authority inferred the capacity requirement for fuel farm in the Third Control Period as given in the table below.

Table 156: Fuel storage capacity requirement estimated by the Authority

Particulars	Formula	Value
Current Capacity (KL)	A	2,810
ATM Traffic in FY 2020	B	84,577
ATM Traffic Projected in FY 2026	C	1,36,591
Increase in ATM Traffic (%)	$D = C \div B - 1$	61%
Capacity Requirement (KL)	$F = A \times D$	4,538

- 7.3.163. The table below shows the cumulative fuel capacity following different phases of development of the new Fuel Farm Facility.

Table 157: Phase wise cumulative Capacity for Fuel Farm

Facility	Capacity (KL)	Cumulative Capacity
Existing	2,800	2,800
Phase 1	5,000	5,000*
Phase 2	3,000	8,000

* Phase 2 is proposed to be commissioned at the site of the existing facility

- 7.3.164. Based on the above, the Authority was of the view that Phase 1 of the new Fuel Farm Facility would provide sufficient capacity for SVPIA in the Third Control Period. Therefore, the Authority proposed to defer the commissioning of Phase 2 of the new Fuel Farm Facility to the next Control Period and

true up the cost incurred based on actuals at the time of determination of tariffs for the Fourth Control Period subject to reasonableness and cost efficiency. Accordingly, the cost proposed by the Authority towards new Fuel Farm Facility based on the LoA submitted by AIAL is given in the table below.

Table 158: Cost towards new Fuel Farm Facility proposed by the Authority

S. No.	Description of Item	Amount (INR Cr.)		Difference
		AIAL	Authority	
K.1	New Fuel Farm facility	A	B	A – B
1.	Fuel Tank	218.70	135.87*	82.83
2.	Admin & Support Facilities			
3.	Refilling/ offloading area (Rigid pavement)			
4.	Incoming ATF Pipeline to New Integrated Fuel Farm			
5.	Part Fuel Hydrant system			

* Adjusted for Phase I based on the LoA submitted by AIAL

K.2 Fuel Farm Equipment

- 7.3.165. AIAL had submitted that as per Clause 19.3 of Concession Agreement (Refer Para 18.4.6), AIAL had to provide fuel storage and allied services on equal/ open-access basis to all fuel suppliers in a transparent and non-discriminatory manner. In view of this and in order to enhance overall efficiency, AIAL is planning to start open access facility. As per AIAL, the current fuel farm facilities have limited fuel storage capacity and will not be able to handle the projected demand in future, for a 40 MPPA capacity airport. Owing to this, AIAL shall take over current IOCL, RIL, BPCL facilities, and then develop an integrated Fuel Farm with enhanced storage capacity for future.
- 7.3.166. AIAL had proposed to purchase the fuel facilities of all OMCs (IOCL-960KL, BPCL-950KL and Reliance -900KL) and convert these to an open access facility. The land area of existing RIL and BPCL facilities shall be absorbed within the AIAL Fuel Farm area in second phase of its development in next Control Period. In this regard, AIAL had also shared the MoUs signed with IOCL and RIL along with the purchase orders for other equipment. The MoU with BPCL is under finalisation. Based on the documents submitted by the AIAL, the Authority proposed to consider the cost towards purchase of Fuel Farm Equipment as proposed by the Airport Operator as given in the table below.

Table 159: Cost towards Fuel Farm Equipment proposed by the Airport Operator

S. No.	Description of Item	Type	Rate (INR Cr.)	Quantity	Amount (INR Cr.)
K.2	Fuel Farm Equipment				
	Cost submitted by Airport Operator:				
1.	Refuellers				
	Refuellers 16KL	16KL	1.160	5	5.80
	Refuellers 16KL	16KL	1.166	10	11.66
	Refuellers 25KL	25KL	1.940	2	3.88
	Sub Total (incl. GST@18%)				21.35
2.	Assets purchased from Reliance, IOCL and BPCL				11.33
	Total (A)				32.68
	Cost proposed by the Authority (B)				32.68
	Difference (A – B)				-



K.3 Minor Projects – Fuel Farm

- 7.3.167. As per the clarification provided by AIAL, this expense consisted of procurement of deadstock. Deadstock is the minimum level of fuel that needs to be always maintained in the storage tanks and pipelines for uninterrupted operations of the fuel farm. This is required for commencement of operations of the new open-access fuel farm facility.
- 7.3.168. AIAL had proposed cost of procurement of dead stock to be INR 2.80 Cr. (excluding indexation and soft costs), and shared details regarding the same vide email dated 16th July 2022.
- 7.3.169. The Authority compared the cost proposed by AIAL with other airports and found the same to be reasonable. Accordingly, the Authority had considered the cost towards Minor Works – Fuel Farm as submitted by the Airport Operator as given in the table below.

Table 160: Cost towards Minor Works – Fuel Farm proposed by the Airport Operator

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
K.3	Minor Works – Fuel Farm	2.80	2.80	-

Note: The break-up of the above-mentioned item is provided in Para 18.6.13 of Annexure 6 in Chapter 18

L. Stamp Duty

- 7.3.170. The Airport Operator in its MYTP had submitted the following – “AIAL is required to pay the stamp duty and registration charges on the Concession Agreement. AIAL would be required to bear the stamp duty and registration charges based on decision with the state authorities, and it will be added to the capital expenditure. For the time being, the numbers provided below for capital expenditure are exclusive of stamp duty and registration charges for the purpose of this MYTP calculation. AIAL hereby, reserves the right to include the stamp duty and registration charges and revise the Capital Expenditure in MYTP or shall be considered in subsequent control periods as part of true-up, depending on the future outcome of the matter.
- 7.3.171. Vide email dated 07th June 2022, the Airport Operator submitted that AIAL paid stamp duties of INR 15.92 Cr. based on the order from the Superintendent of Stamps, Gandhinagar. The Airport Operator submitted the proof of payment and mentioned that the process of registration is underway, and that the AO will intimate accordingly once the registration charges are paid. Both documents are provided in Para 18.6.22 of Annexure 6 in Chapter 18. The Authority also notes that, as per Clause 44.17 of the CA, “stamp duty and registration charges shall be payable by the Concessionaire on the execution or delivery of this Agreement.”
- 7.3.172. In view of the above, the Authority proposed to consider the Stamp Duty under the capitalisation for the Third Control Period in FY 2022.

Soft costs and Indexation**Soft costs**

- 7.3.173. In its submission of capital expenditure, AIAL had considered a provision of 16% to 17% over and above the inflation adjusted base cost to account for the costs expected to be incurred towards various technical services - 6%, preliminaries - 2%, pre-operatives - 3%, insurance/statutory payment - 1%, contingencies etc - 4%, amounting to INR 1479.27 Crores.
- 7.3.174. In this respect, the Authority noted that for other PPP airports such as HIAL, BIAL, DIAL etc, the above-mentioned costs had been considered in the past in the range of 8% - 11% of the project costs.

The Authority was of the view that 16-17% claimed by the Airport Operator was on the higher side, as compared to other PPP Airports and hence not justified. Accordingly, the Authority proposed to consider the aforementioned costs (inclusive of the Consultant's cost for Concept planning and Master planning) to the extent 8% of the costs of the CAPEX allowed by the Authority in respect of new projects proposed by the AO for the Third Control Period. The Authority had thus derived the amount proposed to be allowed towards the aforementioned costs as INR 515.71 Crores (i.e., 8% of the costs of the CAPEX allowed for this Control Period)

The downward adjustment in such costs was mainly on account of applying 8% on the 'allowable' Capital Expenditure as against 16-17% claimed by AO and the reduction in Capital Expenditure considered by the Authority due to deferring/ disallowance of some projects such as Metro Station & Corridor, MMTH etc., as well as rationalization of certain others during the Third Control Period such as modification of existing terminals, apron improvement works etc.

Table 161: Soft Cost proposed by the Authority for TCP

Particulars (INR Cr.)	Refer	Total
Capital Expenditure proposed by the Authority for TCP (A)*	Table 165	6,446.34
Soft Cost (B = A × 8%)		515.71
Capital Expenditure incl. soft costs for TCP (A + B)		6,962.04

*excluding indexation

Indexation

- 7.3.175. AIAL had submitted the year-wise expenditure on the different projects proposed by it. AIAL had estimated the costs for individual projects considering FY 2022 as the base year. Based on the year-wise cashflow, AIAL had adjusted the expenditure to account for inflation in the future years.
- 7.3.176. The Authority revised the cost indexation based on the rate of inflation proposed by it for the Third Control Period (Refer Para 9.2.2). Further, based on the revisions made to the proposed capital expenditure, the Authority recomputed the year-wise cash flow. Accordingly, the impact of inflation adjustment on the capital expenditure proposed by the Authority based on the revised year-wise cash flow and rates of inflation considered by the Authority at the Consultation stage is given below.

Table 162: Inflation adjusted capital expenditure proposed by the Authority for TCP at the Consultation Stage

Particulars (INR Cr.)	Capitalisation (INR Cr.)					
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Total base cost allowed (A)	430.94	1,677.03	1,792.77	1,706.07	1,355.24	6,962.04
Cost of projects awarded (B)	197.15	364.33	274.84	-	-	836.32
Yet to be awarded (base cost) (C = A - B)	233.79	1,312.70	1,517.93	1,706.07	1,355.24	6,125.73
Inflation rate (Refer table 184)	12.97%	11.1%	5.1%	5.1%	5.1%	
Index for cost inflation (D)	1.00	1.11	1.17	1.23	1.29	
Inflation adjusted CAPEX* (E = C × D)	233.79	1,458.41	1,772.43	2,093.70	1,747.99	7,306.32
Impact of inflation (F = E - C)	-	145.71	254.50	387.64	392.75	1,180.59
Inflation adjusted capital expenditure (G = A + F)	430.94	1,822.74	2,047.27	2,093.70	1,747.99	8,142.64

* Projects yet to be awarded only

- 7.3.177. As can be seen above, after accounting for the impact of inflation, the gross capital expenditure proposed by the Authority for the Third Control Period at the Consultation stage was INR 8,142.64 Cr.

Interest During Construction

- 7.3.178. As part of the MYTP, AIAL had submitted Financing Allowance (FA) worth INR 722.74 Cr. Vide email dated 21st July 2022, AIAL made a revised submission claiming both financing allowance on the equity portion of capital expenditure (assumed as 35%) and Interest During Construction (IDC) on the remaining portion. The FA and IDC claimed by the Airport Operator is given below.

Table 163: Financing Allowance & IDC submitted by the Airport Operator for TCP

Particulars (INR Cr.)	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Financing Allowance	3.01	55.08	36.81	31.63	146.43	272.96
IDC	5.59	102.29	68.37	58.74	271.94	506.93
Total	8.61	157.37	105.18	90.36	418.36	779.89

- 7.3.179. The Authority was of the view that SVPIA being one of the oldest Airports in India, would not be eligible for Financing Allowance, as it was only a notional allowance and is different from the actual investment incurred by airport operators which included interest during construction, amongst other things. Therefore, the provision of financing allowance on the average capital work in progress would lead to a difference between the projected capitalisation and actual cost incurred, especially when the airport operator funds the projects through a mix of equity and debt. Further, the Authority noted that in case of greenfield Airports, the Airport Operator would have had to wait for a considerable length of time before getting the return on the large capital outlay incurred by it as these projects take longer durations to commission and operationalise. It was with this consideration that the Authority had earlier provided financing allowance in the initial stages to such Airports. The Authority noted that SVPIA is a brownfield Airport and has lower construction and traffic risk for new construction at the Airport and Financing Allowance has never been provided in case of other Airports such as DIAL, MIAL and KIAL, Chennai, Kolkata etc.

Further, this will disincentivize the airport operator from ensuring a timely completion of projects and delivery of services to airport users. Therefore, the Authority was of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.

- 7.3.180. The Authority considered that giving an assured return on the equity investment even on work-in-progress assets would result in reducing the risks associated with equity investment in capital projects. However, the Airport Operator was given a fair rate of return on equity when the capital assets are capitalised.
- 7.3.181. In respect of IDC, the Authority was inclined to allow the same and accordingly, the Authority recomputed the IDC to be provided on the debt portion of the total value of proposed aeronautical capital expenditure based on the notional gearing ratio (debt-equity ratio of 48:52) followed for other PPP airports and Cost of Debt @ 9% (refer Para 8.2.10) for the Third Control Period. Accordingly, the IDC proposed by the Authority towards the capital expenditure for the Third Control Period at the Consultation Stage is given below.

Table 164: IDC proposed by the Authority for TCP

Particulars (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Opening WIP	246.90	355.48	485.19	1219.64	2715.20	
Closing WIP	355.48	485.19	1219.64	2715.20	0.00	
Average WIP (A)	301.19	420.33	852.41	1967.42	1357.60	
Debt Equity Ratio (B)	48%	48%	48%	48%	48%	

Particulars (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Cost of Debt (C)	9.00%	9.00%	9.00%	9.00%	9.00%	
IDC (A × B × C)	13.01	18.16	36.82	84.99	58.65	211.63

Capital expenditure proposed for the Third Control Period at the Consultation stage

- 7.3.182. The Authority noted that the Airport Operator would be eligible to claim GST Input Tax Credits on procurement of certain movable assets. The Authority expected that the Airport Operator would properly account for such credits in its submissions in accordance with Chapter V of The Central Goods And Services Tax Act, 2017 at the time of true up of the RAB for the Third Control Period. The Authority may examine the accounting of input tax credits and make necessary adjustments in this regard at the time of determination of tariffs for the Fourth Control Period.
- 7.3.183. The Authority proposed to reduce 1% of the project cost (not capitalised) from the ARR / target revenue as re-adjustment in case any particular capital project was not completed/capitalised as per the approved capitalisation schedule. It was further proposed that if the delay in completion of the project is beyond the timeline given in the capitalisation schedule, due to any reason beyond the control of the Airport Operator 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 Fourth Control Period. The re-adjustment in the ARR/ Target Revenue was to protect the interest of the Stakeholders who are paying for services provided by the AO and was also encouragement for AIAL to commission/ capitalize the proposed assets as per the approved CAPEX plan/ schedule.
- 7.3.184. The Authority further noted that within a span of 6 months (between submission of MYTP by AO on 10th December 2021 and breakup of Minor Projects as on May 7, 2022), there were several changes to the CAPEX projects, wherein some projects were dropped and the value of some projects were increased (Refer Para 7.2). The trend of revisions to the capital projects did not instil confidence in the Authority about the near-term and long-term project planning process.
- 7.3.185. Based on the Authority's examination of the capital expenditure for the Third Control Period as detailed above, the inflation adjusted capital expenditure including soft costs proposed by the Authority at the Consultation stage is given in the table below.

Table 165: Gross Capital Expenditure proposed by the Authority for TCP at the Consultation stage

S. No.	Particulars (INR Cr.)	FY of Capitalisation	Cost Proposed (INR Cr.)	
			in FY 22	Including indexation
A	Terminal Buildings			
A.1	Construction of New Integrated Terminal Building	2026	2,858.84	3,512.84
A.2	Construction of Roadway System New Integrated Passenger Terminal	2026	201.01	253.32
A.3	Substation (RSS/DSS) Building	2025, 2026	64.64	80.35
A.4	Upgradation / Modification in existing Terminal Building	2023	775.51	844.37
A.5	VIP /CIP Terminal	2024	31.37	36.27
A.6	Minor Works – Terminal Buildings	2022-26	17.94	19.59
	Subtotal - Terminal Buildings		3,949.31	4,746.74
B	Runways, Taxiways & Aprons			
B.1	Major Rehabilitation of RWY	2023	367.60	367.60
B.2	Apron Improvement Works	2023, 2024, 2026	368.12	444.10

S. No.	Particulars (INR Cr.)	FY of Capitalisation	Cost Proposed (INR Cr.)	
			in FY 22	Including indexation
B.3	Taxiway Improvement Works	2024, 2026	186.92	214.05
B.4	Improvements to AGL System	2024, 2026	37.03	43.24
B.5	Isolation Pad	2024	20.32	23.26
B.6	Minor Works – Runway & Taxiway	2022, 2023, 2025, 2026	0.15	0.16
B.7	CWIP from AAI	2022	1.94	1.94
	Subtotal - Runways, Taxiways & Aprons		982.08	1,094.36
C	Roads			
C.1	Landside Road Network	2024-26	23.10	28.96
C.2	Construction of temporary roads	2023, 2026	11.33	13.84
C.3	Airside Roads	2023, 2026	25.26	31.07
C.4	Minor Works – Roads	2022-26	13.71	16.01
	Subtotal - Roads		73.40	89.88
D	Metro Link & MMTH			
D.1	Metro Station and Metro Corridor	2025	-	-
D.2	MMTH – Landside Roads	2023, 2026	55.80	55.80
	Subtotal - Metro Link & MMTH		55.80	55.80
E	Hangars			
E.1	HANGAR I	2024	33.90	38.63
E.2	Other Hangars	2024	162.41	183.69
	Subtotal - Hangars		196.31	222.31
F	Utilities, Drains and External Works			
F.1	Distribution network for all Utilities	2023, 2026	17.03	19.96
F.2	Landside drainage	2023, 2026	108.05	118.24
F.3	Airside Drainage & Ducting System	2023, 2024	71.25	82.81
F.4	STP, Storage Tanks, Pump House etc.	2023, 2026	79.37	99.09
F.5	Boundary wall improvements including PIDS	2023-26	20.64	24.16
F.6	Minor Works – Boundary wall	2023-25	0.44	0.51
F.7	External Landscape & Horticulture	2023, 2026	8.98	11.11
F.8	Oil Water Separator	2024	15.50	18.05
F.9	T1 Utility Complex	2025-26	11.08	13.05
	Subtotal - Utilities, Drains and External Works		332.33	386.99
G	Equipment & Machinery			
G.1	IT Equipment	2022-26	8.49	9.70
G.2	Security Equipment	2022-26	8.13	8.89
G.3	DARK (Disabled Aircraft Removal Kit)	2023	-	-
G.4	Minor Projects – Plant & Machinery	2022-26	13.28	14.57
	Subtotal - Equipment & Machinery		29.91	33.17
H	Other Buildings			
H.1	CISF Barracks And Officers' Quarters	2025	143.66	173.30
H.2	ATC Technical Block with ATC Tower in AAI Colony	2025	183.13	215.03
H.3	IMD/MET Facility	2024	-	-
H.4	ARFF Building	2024	19.02	19.02

S. No.	Particulars (INR Cr.)	FY of Capitalisation	Cost Proposed (INR Cr.)	
			in FY 22	Including indexation
H.5	Airport Health Office (AHO)	2025	16.76	16.76
H.6	GSE Maintenance Facility	2025	15.50	19.03
H.7	AAI Cargo Warehouse	2026	-	-
H.8	Minor Works – Other Buildings	2022-26	9.10	10.05
	Subtotal - Other Buildings		387.16	453.18
I	Vehicles			
I.1	Minor Projects – Vehicles	2023, 2025	0.79	0.89
J	Cargo			
J.1	New Cargo Complex - Phase I	2024	184.56	184.56
J.2	Cargo Equipment	2022, 2024	53.30	61.95
J.3	Minor Works – Cargo Building	2024	7.96	8.93
J.4	Minor Works – Misc. Cargo Equipment	2022-2024	6.17	6.17
	Subtotal - Cargo		251.99	261.61
K	Fuel Farm			
K.1	New Fuel Farm facility	2024	135.87	135.87
K.2	Fuel Farm Equipment	2023	32.68	32.68
K.3	Minor Projects – Fuel Farm	2023, 2026	2.80	3.45
	Subtotal - Fuel Farm		171.35	172.00
L	Stamp Duty	2023	15.92	15.92
	Subtotal (M=A+B+C+D+E+F+G+H+I+J+K+L)		6,446.34	7,532.85
N	Soft Cost*		515.71	609.78
	Grand total (O = M + N)		6,962.04	8,142.64
P	IDC			211.63
	Grand total including IDC (O + P)		6,962.04	8,354.27

* Computed as 8% of the capital expenditure

7.4. AIAL's submission of allocation of assets between aeronautical and non-aeronautical

7.4.1. In its MYTP submission, AIAL had not carried out a project wise allocation between aeronautical and non-aeronautical. Instead AIAL had classified projects by asset type as can be seen from the table below. Common asset classes were bifurcated in the Estimated Deemed Initial RAB ratio.

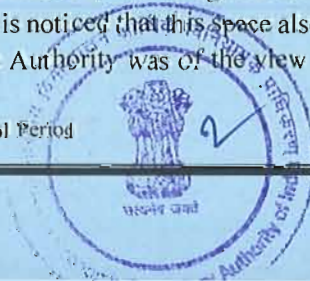
Table 166: Aeronautical allocation of capital expenditure submitted by AIAL for TCP

Asset	Classification	Total	% Aero	Total
Terminal Building (Aero)	Aero	5,343.61	100.00%	5,343.61
Runway, Taxiway and Apron	Aero	1,566.70	100.00%	1,566.70
Cargo building	Aero	323.39	100.00%	323.39
Cargo Equipment	Aero	108.54	100.00%	108.54
Boundary wall	Common	34.89	97.69%	34.09
IT equipment	Common	34.53	97.69%	33.73
Security equipment	Common	29.14	97.69%	28.46
Plant and Machinery	Common	439.33	97.69%	429.18
Other Buildings	Common	1,059.93	97.69%	1,035.43
Access Road	Common	422.13	97.69%	412.38
Terminal Building (Non-Aero)	Non-aero	289.81	-	-

Asset	Classification	Total	% Aero	Total
Fuel	Aero	168.23	100.00%	168.23
Vehicles	Common	2.69	97.69%	2.63
Subtotal		9,822.91		9,486.36
Financing Allowance	Aero	722.74	100.00%	722.74
Grand total				10,209.10

7.5. Authority's examination of allocation of asset between aeronautical and non-aeronautical at the Consultation stage

- 7.5.1. The Authority noted that AIAL classified asset classes in to aeronautical, non-aeronautical and common. The common assets were bifurcated by the Airport Operator into aeronautical and non-aeronautical using the Estimated Deemed Initial RAB ratio, i.e., the ratio of the aeronautical to non-aeronautical assets that were transferred from AAI as on COD. Further the Terminal Building related assets were bifurcated by the Airport Operator assuming a Terminal Area Ratio of 94.86 : 5.14 (aeronautical : non-aeronautical). AIAL has also submitted a Technical Valuer's report in this regard.
- 7.5.2. Regarding the Estimated Deemed Initial RAB ratio, the Authority was of the view that it was not appropriate to use the ratio of existing assets that too based on estimated values for bifurcation of assets to be capitalised in future. Therefore, the Authority examined each project individually and classified them between aeronautical, non-aeronautical and common. The Authority proposed to bifurcate the common assets using the Terminal Area Ratio except in the case of certain specific assets explained in Para 7.5.4-7.5.7.
- 7.5.3. However, the non-aeronautical area allocation considered by the Airport Operator for computation of Terminal Area Ratio was quite low when compared to other PPP airports. The Authority had at the time of determination of tariffs for SVPIA for the Second Control Period decided to consider the Terminal Area Ratio as 92.5 : 7.5 (aeronautical : non-aeronautical) to encourage growth of non-aeronautical revenues which would cross-subsidize aeronautical charges. The Authority noted that the Airport was yet to achieve such area allocation. Further, in the context of development through PPP mode, it was expected that there would be larger focus on non-aeronautical activities and increased area allocation towards the same. It was observed that the area allocation towards non-aeronautical activities at the other PPP airports such as DIAL, MIAL, BIAL and GHIAL are much higher than 10%. Even the IMG norms on passenger terminals recommend the non-aeronautical area allocation to be between 8-12% for any airport, while for bigger airports, i.e., with passenger traffic exceeding 10 million, commercial area could be up to 20% of the overall area. Hence, the Authority expected the non-aeronautical area allocation at SVPIA to increase in future. Therefore, the Authority proposed to consider the Terminal Area Ratio for SVPIA for the Third Control Period as 90 : 10 (aeronautical : non-aeronautical). The Authority proposed to examine the same based on actuals at the time of determination of tariffs for the Fourth Control Period.
- 7.5.4. With regard to passenger amenities at landside (part of Upgradation / Modification in existing Terminal Building T1 and T2, refer Para 7.3.29), the Authority noted that INR 164.47 Cr. was budgeted towards passenger amenities at landside. AIAL was asked to clarify the purpose of this expense to which AIAL responded vide email dated 19th August 2022 that this involves *"Improving the kerbside for T1 and T2. It includes providing a covered space for meeters and greeters and re-aligning the kerbside roadways to debottleneck the traffic congestion that is caused during peak hours. It further includes to provide covered pick-up points at the arrivals. It includes grade correction at the kerbside."* From the BOQ shared by the Airport Operator, it is noticed that this space also includes commercial spaces such as Cafeteria, Pharmacy and Salon. The Authority was of the view that this area equally caters to the



airport users and the commercial activities targeted at meeters and greeters. Therefore, the Authority proposed to consider only 50% of the cost towards passenger amenities at landside as aeronautical.

- 7.5.5. With regard to landside road network (refer Para 7.3.60), the Authority was of the view that, in future, the commercial area that will be developed around the airport might attract more people and related traffic movements. The connection of the planned multi-story car park (MSCP) with the metro station might also attract non-airport related traffic. Therefore, considering that the landside areas also catered to the significant development planned by the Airport Operator on the cityside, and the traffic generated therein, the landside roads were classified as Common and bifurcated in the ratio of 50:50 (aeronautical : non-aeronautical). Further, the construction of temporary roads is an enabling project for development of the landside road network. Therefore, the construction of temporary roads was also classified as Common and bifurcated in the same manner as that of the landside road network.
- 7.5.6. As mentioned above, the Airport Operator had planned significant developments on the city side. Considering the future potential for non-airport related traffic, the Authority was of the view that the landside developments planned by the Airport Operator would also benefit the commercial activities planned at SVPIA. The exact benefits that would accrue to the Airport Operators and to the commercial ventures cannot be determined at this stage. Therefore, the Authority proposed to consider the cost towards Landscaping & Horticulture and road works under Multi Modal Transport Hub as common and bifurcate them in 50 : 50 (aeronautical : non-aeronautical) ratio.
- 7.5.7. With respect to stamp duty, the Authority bifurcated the same in the aeronautical ratio of net block transferred from AAI to AIAL as on COD considering that the stamp duty is applicable primarily on the value of the assets transferred.
- 7.5.8. Based on the above, the aeronautical capital expenditure proposed by the Authority for the Third Control Period at the Consultation stage is given in the table below.

Table 167: Aeronautical capital expenditure proposed by the Authority for TCP at the Consultation stage

S. No.	Particulars (INR Cr.)	Total Cost	Aero %	Aero Capitalisation					
				FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
A	Terminal Buildings								
A.1	Construction of New Integrated Terminal Building	3,512.84	90%	-	2.21	-	-	3,159.34	3,161.56
A.2	Construction of Roadway System New Integrated Passenger Terminal	253.32	90%	-	-	-	-	227.98	227.98
A.3	Substation (RSS/DSS) Building	80.35	90%	-	-	-	-	72.32	72.32
A.4	Upgradation / Modification in existing Terminal Building	844.37	CP Para 17.5.15	-	688.31	-	-	-	688.31
A.5	VIP /CIP Terminal	36.27	90%	-	-	32.65	-	-	32.65
A.6	Minor Works – Terminal Buildings	19.59	90%	7.20	2.24	8.19	-	-	17.63
	Subtotal - Terminal Buildings	4,746.74		7.20	692.76	40.84	-	3,459.65	4,200.44
B	Runways, Taxiways & Aprons								
B.1	Major Rehabilitation of RWY	367.60	100%	-	367.60	-	-	-	367.60
B.2	Apron Improvement Works	444.10	100%	-	71.69	117.13	-	255.28	444.10
B.3	Taxiway Improvement Works	214.05	100%	-	47.86	135.10	-	31.10	214.05
B.4	Improvements to AGL System	43.24	100%	-	-	43.24	-	-	43.24
B.5	Isolation Pad	23.26	100%	-	-	23.26	-	-	23.26
B.6	Minor Works – Runway & Taxiway	0.16	100%	0.04	0.08	-	0.04	0.00	0.16
B.7	CWIP from AAI	1.94	100%	1.94	-	-	-	-	1.94
	Subtotal - Runways, Taxiways & Aprons	1,094.36		1.98	487.22	318.74	0.04	286.38	1,094.36

CAPEX, Depreciation and RAB for Third Control Period

S. No.	Particulars (INR Cr.)	Total Cost	Aero %	Aero Capitalisation					
				FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
C	Roads								
C.1	Landside Road Network	28.96	50%	-	-	0.42	3.46	10.60	14.48
C.2	Construction of temporary roads	13.84	50%	-	0.38	-	-	6.54	6.92
C.3	Airside Roads	31.07	100%	-	1.04	-	-	30.03	31.07
C.4	Minor Works – Roads	16.01	CP Para 17.5.3	1.21	5.89	2.67	3.56	2.67	16.01
	Subtotal - Roads	89.88		1.21	7.30	3.09	7.03	49.85	68.48
D	Metro Link & MMTH								
D.1	Metro Station and Metro Corridor	-	-	-	-	-	-	-	-
D.2	MMTH – Landside Roads	55.80	50%	-	7.51	20.39	-	-	27.90
	Subtotal - Metro Link & MMTH	55.80		-	7.51	20.39	-	-	27.90
E	Hangars								
E.1	HANGAR I	38.63	100%	-	-	38.63	-	-	38.63
E.2	Other Hangars	183.69	100%	-	-	183.69	-	-	183.69
	Subtotal - Hangars	222.31		-	-	222.31	-	-	222.31
F	Utilities, Drains and External Works								
F.1	Distribution network for all Utilities	19.96	90%	-	10.46	-	-	7.50	17.96
F.2	Landside drainage	118.24	90%	-	106.42	-	-	-	106.42
F.3	Airside Drainage & Ducting System	82.81	100%	-	-	82.81	-	-	82.81
F.4	STP, Storage Tanks, Pump House etc.	99.09	90%	-	6.73	-	-	82.46	89.19
F.5	Boundary wall improvements including PIDS	24.16	100%	-	7.38	-	-	16.79	24.16
F.6	Minor Works – Boundary wall	0.51	100%	-	0.17	0.17	0.12	0.06	0.51
F.7	External Landscape & Horticulture	11.11	50%	-	1.50	-	-	4.05	5.55
F.8	Oil Water Separator	18.05	100%	-	-	18.05	-	-	18.05
F.9	TI Utility Complex	13.05	90%	-	-	-	10.25	1.50	11.75
	Subtotal - Utilities, Drains and External Works	386.99		-	132.65	101.03	10.36	112.36	356.40
G	Equipment & Machinery								
G.1	IT Equipment	9.70	CP Para 17.5.5	1.41	3.69	2.24	1.26	1.10	9.70
G.2	Security Equipment	8.89	100%	2.61	5.24	0.29	0.27	0.49	8.89
G.3	DARK (Disabled Aircraft Removal Kit)	-	100%	-	-	-	-	-	-
G.4	Minor Projects – Plant & Machinery	14.57	CP Para 17.5.7	5.56	5.05	1.57	0.54	1.84	14.57
	Subtotal - Equipment & Machinery	33.17		9.59	13.99	4.10	2.08	3.42	33.17
H	Other Buildings								
H.1	CISF Barracks And Officers' Quarters	173.30	100%	-	-	-	173.30	-	173.30
H.2	ATC Technical Block with ATC Tower in AAI Colony	215.03	100%	-	-	-	215.03	-	215.03
H.3	IMD/MET Facility	-	100%	-	-	-	-	-	-
H.4	ARFF Building	19.02	100%	-	-	19.02	-	-	19.02
H.5	Airport Health Office (AHO)	16.76	100%	-	-	16.76	-	-	16.76
H.6	GSE Maintenance Facility	19.03	100%	-	-	-	19.03	-	19.03
H.7	AAI Cargo Warehouse	-	100%	-	-	-	-	-	-
H.8	Minor Works – Other Buildings	10.05	CP Para 17.5.8	3.72	1.82	3.08	0.37	1.06	10.05
	Subtotal - Other Buildings	453.18		3.72	1.82	38.85	407.73	1.06	453.18

S. No.	Particulars (INR Cr.)	Total Cost	Aero %	Aero Capitalisation					
				FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
I	Vehicles								
I.1	Minor Projects – Vehicles	0.89	CP Para 17.5.9	-	0.75	-	0.14	-	0.89
J	Cargo								
J.1	New Cargo Complex - Phase 1 & 2	184.56	100%	-	-	184.56	-	-	184.56
J.2	Cargo Equipment	61.95	100%	1.81	-	60.14	-	-	61.95
J.3	Minor Works – Cargo Building	8.93	100%	-	-	-	8.93	-	8.93
J.4	Minor Works – Misc. Cargo Equipment	6.17	100%	2.07	-	4.10	-	-	6.17
	Subtotal - Cargo	261.61		3.88	-	248.80	8.93	-	261.61
K	Fuel Farm								
K.1	New Fuel Farm facility	135.87	100%	-	-	135.87	-	-	135.87
K.2	Fuel Farm Equipment	32.68	100%	-	32.68	-	-	-	32.68
K.3	Minor Projects – Fuel Farm	3.45	100%	-	-	-	-	3.45	3.45
	Subtotal - Fuel Farm	172.00		-	32.68	135.87	-	3.45	172.00
L	Stamp Duty*	15.92	98.55%	15.69	-	-	-	-	15.69
	Subtotal (M = A+B+C+D+E+F+G+H+I+J+K+L)	7,532.85	91.68%	43.27	1,376.69	1,134.01	436.31	3,916.16	6,906.43
N	Soft Costs	609.78	91.68%	28.25	126.83	142.49	142.52	118.99	559.07
	Grand total (O = M + N)	8,142.64	91.68%	71.52	1,503.52	1,276.51	578.83	4,035.14	7,465.51
P	IDC	211.63	94.28%	12.33	16.13	35.81	82.25	53.02	199.53
	Grand total including IDC (O + P)	8,354.27	91.75%	83.85	1,519.64	1,312.31	661.07	4,088.16	7,665.04

7.5.9. The aeronautical capital expenditure proposed by the Authority at the Consultation stage in the table above, was based on the Authority's examination of the capital expenditure and cost estimates proposed by the Airport Operator. The Authority may commission an independent study to assess the efficiency and reasonableness of the capital expenditure incurred and asset allocation carried out by AIAL and to take corrective action as necessary for determination of tariffs at the time of determination of tariffs for the Fourth Control Period.

7.6. AIAL's submission of Depreciation for the Third Control Period

- 7.6.1. With respect to assets taken over from AAI as on COD as per Estimated Fixed Asset Register, the Airport Operator had submitted that it has calculated depreciation based on the remaining useful lives of the assets.
- 7.6.2. With respect to the new assets, AIAL submitted that it had considered the depreciation based on the useful life of the assets as per the Companies Act and also submitted that the approach is consistent with the Authority's Order No. 35/2017-18 dated 12th January 2018 and amendment to Order No. 35/2017-18 dated 09th April 2018.
- 7.6.3. Additionally, the Airport Operator had carried out an independent technical evaluation of the various assets and had arrived at different useful lives. The process followed for the technical evaluation of the useful lives of assets as per AIAL is as follows:

- Physical inspection of assets
- Detailed discussions with AAI pertaining to usage of various assets

- Guidance for determination of Useful Life given in Depreciation under Companies Act, 2013 Schedule 2, AERA, Marshall & Swift Valuation Service (MVS) and American Society of Appraisers (ASA)
- Reviewing break-up of costs of various components within an asset class

7.6.4. Following were the useful life and depreciation rates assumed by the Airport Operator for the TCP as per the study conducted by technical consultant:

Table 168: AIAL's submission for useful life and depreciation rates assumed for the Third Control Period

S. No.	Particulars	AIAL Book Depreciation	AERA useful Life (Years)
1	Terminal Building	4.0%	25
2	Runway, Taxiway and Apron	5.0%	20
3	Cargo building	4.0%	25
4	Cargo Equipment	13.3%	8
5	Boundary wall	20.0%	5
6	Software	33.3%	Not provided
7	IT equipment	33.3%	3
8	Security equipment	13.3%	8
9	Plant and Machinery	13.3%	8
10	Other Buildings	3.3%	30
11	Access Road	10.0%	10
12	Fuel Farm (considered same as Plant & Machinery)	13.3%	8
13	Furniture & fixtures	14.3%	7
14	Vehicles	20.0%	5
15	Office equipment	20.0%	5
16	Intangible Assets (not part of the Technical study)	14.3%	7

7.6.5. Depreciation was computed separately on opening block of assets and on the proposed additions.

7.6.6. For the additions to RAB, the Airport Operator had calculated the depreciation during year of capitalisation on 50% of the asset value (assuming that the asset is capitalised in the middle of the financial year).

7.6.7. AIAL had submitted the following regarding its consideration of useful lives for various assets:

Terminal Building

7.6.8. "A reduction in the useful life of the terminal building has been arrived at as based on a review of the breakup of cost of construction of the terminal building of Mangalore airport. The following table provides a break-up of the terminal building cost. Cost break-up of various components of terminal building is not expected to differ much from airport to airport. Based on the components' costs, their weighted contributions were calculated, thereby arriving at the revised useful life of the terminal building:

Table 169: Computation of useful life of terminal building by Airport Operator

Component of Terminal Building	% contribution	Technical Useful Life (Years)	Weighted contribution
False Ceiling	3%	10	0.34
Sanitation	2%	10	0.21
Glass work & glass facades	6%	15	0.96

Component of Terminal Building	% contribution	Technical Useful Life (Years)	Weighted contribution
Flooring works	7%	10	0.70
Remaining components of the structure	81%	30	24.36
Total	100%		25

- 7.6.9. The useful lives of various components were arrived at by AIAL based on the renovation/reconfiguration works that are usually carried out for the above mentioned sub-components. Wear and tear of these components due to weather conditions has also been considered to calculate the useful life of the terminal building."

Runways, Taxiways, and Aprons

- 7.6.10. "A reduction in the economic useful life of this class of assets is based on discussions with technical personnel from AAI. Additionally, the existing runway needs modification works to cater to the changing visibility conditions in the Airport. There is a requirement for installation of Centreline Lighting; this requires surface preparation and laying adhesives to ensure sufficient bonding between existing surface which is of Pavement Quality Concrete with new layer of Bituminous Concrete. The Centreline Lighting will be provided on this new layer.
- 7.6.11. The useful lives of various components have been arrived at based on the renovation/reconfiguration works that are usually carried out for the above mentioned sub-components. Wear and tear of these components due to weather conditions has also been considered to calculate the useful life of the terminal building."

Plant & Equipment

- 7.6.12. "Plant & Machinery, along with various equipment are broadly used for 24 hours since there are arrivals and departures 24 hours a day. Considering these circumstances, these assets are used on three-shift basis. Due to higher usage of these equipment's and associated wear and tear, lower economic useful life of 7.5 years is assumed."
- 7.6.13. "The methodology used by AIAL is supported by the Companies Act. Following is the note no. 6 given in Depreciation under Companies Act 2013, Schedule II: "The useful lives of assets working on shift basis have been specified in the Schedule based on their single shift working. Except for assets in respect of which no extra shift depreciation is permitted (indicated by NESD in part C), if an asset is used for any time during the year for double shift, the depreciation will increase by 50% for that period and in case of the triple shift, the depreciation shall be calculated on the basis of 100% for that period".
- 7.6.14. AIAL also submitted that the Independent chartered engineer based on his experience in varied industries has concurred with the useful life adopted by AIAL.
- 7.6.15. Following is the depreciation and amortization calculated by AIAL based on above methodology and also after applying necessary aero allocation ratios:

Table 170: Depreciation and Amortization calculated by AIAL

Particulars (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Depreciation and amortization of assets	40.99	89.96	175.30	244.54	407.96	958.74

7.7. Authority's examination of Depreciation for the Third Control Period at the Consultation stage

- 7.7.1. The Authority noted that most of the useful lives considered by the Airport Operator were deviant from those prescribed by AERA vide Order No. 35/2017-18 dated 13th July 2017 regarding determination of useful lives of airport assets. The Authority referred the Technical Evaluator's report to examine the reasons for consideration of useful lives that are different from the norms. However, the Authority did not find merit in the submission of AIAL as the reasons quoted by AIAL did not sufficiently justify the need for deviating from an approach that is uniformly applied across all Major Airports. It was expected that a fairly large asset such as the terminal building would have multiple components. It would not be practical to determine the useful life separately for each component of the asset at each airport to arrive at a unique rate of depreciation for every airport. The intention behind Order No. 35/2017-18 is to have a uniform approach in determination of useful lives for key airport assets, therefore the methodology adopted by the Airport Operator lacks merit.
- 7.7.2. Further, the useful life prescribed in AERA's order had considered the typical usage of these assets for an airport and there appears to be no reason for the usage of these assets to vary from the typical usage for SVPIA. The Authority has also provided AIAL with adequate maintenance expenditure to enable the airport to maintain the assets in good working conditions during the life of the assets. Therefore, the Authority proposed to not consider the lower useful life submitted by AIAL for the Plant and Machinery assets.
- 7.7.3. Hence, the Authority revised the useful lives considered for the assets proposed to be capitalised in the Third Control Period to align with AERA Order No. 35/2017-18 dated 13th July 2017 regarding determination of useful lives of airport assets as given below.

Table 171: Useful lives proposed by the Authority for assets to be capitalised in TCP

S. No.	Type/Category of Asset	Useful Life (Years)		Asset Class
		AIAL	Authority	
A1	Terminal Building	25	30	Buildings & Civil Works
A2	Other Buildings	25/30	30	Buildings & Civil Works
A3	Utility Building	20	30	Buildings & Civil Works
A4	Cargo Building	25	30	Cargo
A5	Hangars	30	30	Buildings & Civil Works
A6	Runway, Apron and Taxiway	20	30	Runway, Roads and Culverts
A7	Plant and Equipment	7.5	15	Plant and Equipment
A9	Cargo Equipment	7.5	15	Cargo
A10	Fuel Farm	7.5	15	Fuel Farm
A11	Electrical Installation	20	10	Plant and Equipment
A12	Roads	10	10	Runway, Roads and Culverts
A13	Boundary Wall	5	5	Buildings & Civil Works
A17	Vehicles	5	8	Vehicles
A18	Computers, servers and networks	3	6	Computers and Accessories
A19	Stamp Duty	-	25*	Stamp Duty

* Explained below

- 7.7.4. Considering that the stamp duty was primarily applicable on the value of the assets that were transferred from AAI to AIAL as on COD, the Authority was of the view that the useful life considered for the same should be representative of this fact. Therefore, the Authority proposed to consider a weighted average useful life of all the assets that constitute the Deemed Initial RAB. The Authority computed

the depreciation on the assets in the Deemed Initial RAB for FY 2021 and found that it amounts to ~4% of the Gross Value of these assets. Hence, the Authority proposed to consider the depreciation rate for Stamp Duty as 4% (i.e., useful life of 25 years).

7.7.5. Accordingly, the Authority recomputed the depreciation to be considered for the Third Control Period considering the following factors:

- Revised useful lives proposed by the Authority
- Closing RAB for Second Control Period as determined by the Authority (Refer Para 5.4.6) at the Consultation stage, and
- Aeronautical capital expenditure proposed by the Authority for the Third Control Period (Refer Para 7.5.8) at the Consultation stage

7.7.6. Based on the above, the aeronautical depreciation proposed by the Authority for the Third Control Period at the Consultation stage is given in the table below.

Table 172: Aeronautical Depreciation proposed by the Authority for TCP at the Consultation stage

Depreciation on (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
New Assets*						
Airport (A)	1.99	29.17	70.84	97.95	176.77	376.71
Cargo (B)	0.12	0.25	5.20	10.30	10.44	26.31
Fuel Farm (C)	0.00	1.03	6.37	10.67	10.78	28.87
Total from New Assets (D = A + B + C)	2.11	30.45	82.41	118.92	197.99	431.89
Existing Assets (E)	26.43	24.87	21.28	18.11	17.94	108.63
Total (F = D + E)	28.54	55.32	103.69	137.04	215.93	540.52

*including on IDC and Soft Costs

7.8. AIAL's submission of RAB for the Third Control Period

7.8.1. As part of its MYTP submission, the Airport Operator submitted the RAB for airport related assets as given below.

Table 173: RAB submitted by the Airport Operator for the Third Control Period

Particulars (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Opening RAB	301.76	383.79	1,886.87	3,095.08	4,118.29
Closing RAB	383.79	1,886.87	3,095.08	4,118.29	9,194.75
Average RAB	342.78	1,135.33	2,490.98	3,606.69	6,656.52

7.9. Authority's examination of RAB for the Third Control Period at the Consultation stage

7.9.1. Based on its examination of the Deemed Initial RAB (Refer Para 4.5.20), the aeronautical capital expenditure for TCP (Refer Para 7.5.8) and the aeronautical depreciation for TCP (Refer Para 7.7.6), the Authority proposed the RAB for the Third Control Period at the Consultation stage, as given in the table below.

Table 174: RAB proposed by the Authority for the Third Control Period at the Consultation stage

Particulars (INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Opening RAB (A)	Table 58	330.42	385.72	1,850.04	3,058.67	3,582.71	

Particulars (INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Addition (B)	Table 167	83.85	1,519.64	1,312.31	661.07	4,088.16	7,665.04
Depreciation (C)	Table 172	28.54	55.32	103.69	137.04	215.93	540.52
Closing RAB (D = A + B - C)		385.72	1,850.04	3,058.67	3,582.71	7,454.94	
Average RAB (A + D) ÷ 2		358.07	1,117.88	2,454.35	3,320.69	5,518.82	

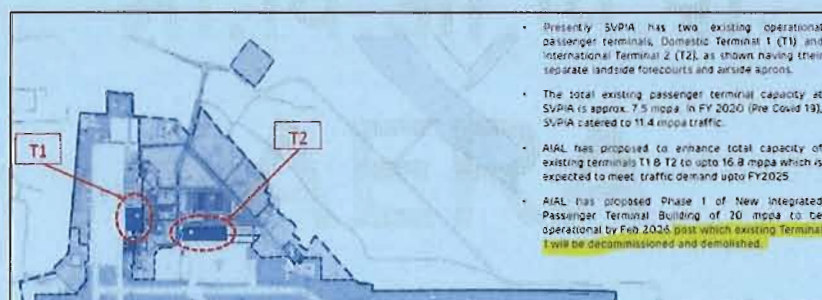
7.10. Stakeholders' comments on CAPEX, Depreciation and RAB for the Third Control Period

7.10.1. During the Stakeholder consultation process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to Capex, Depreciation and RAB for the Third Control Period. The comments by Stakeholders are presented below.

AIAL's comments on CAPEX, Depreciation and RAB for the Third Control Period:

7.10.2. With respect to AERA's proposal as per Para 7.3.14 on page 96 of CP relating to capacity planning at the Airport, AIAL's comment is as follows:

- "AERA has suggested to proceed with expansion and development in a modular fashion. In this regard we would like to submit the following:
- During the period FY10 to FY20 traffic had increased significantly whereas Airport capacity was not enhanced to take care of the requirement. This is reflected from the fact that the Airport handled annual passenger throughput of 11.4 million in Pre-COVID period as against the rated capacity of 7.5 million. Going forward the annual passenger throughput is expected to 20 million in next 5 years and 30 million over 10 years.
- It is pertinent to note that AIAL needs to ensure IATA Level of Service Optimum and parameters mentioned in Schedule H of CA. This shall not be possible without addition of new terminal capacity. In view of this development of a new, integrated passenger terminal at SVPIA is essential to cater to projected traffic demand.
- We would like to refer the Master Plan for AIAL which was presented in the AUCC held on 21st Jan 2022. AUCC presentation was shared with the Authority's consultant on 7th April 2022 (refer the relevant extracts of AUCC presentation appended below)



New Integrated Passenger Terminal Building	adani
<p>A integrated terminal building is proposed to cater the ultimate capacity of Ahmedabad International Airport which will be developed in 2 phases. Phase 1 will be built with the capacity of 20MPPA with a built-up area of approx. 214,000 sq.m. and is required to be made operational by FY 2026 as per traffic forecast. It is planned to be a multi-level terminal with main departure level at 13 m, arrival mezzanine at 6m and arrival level at 0.0 m, well connected on the landside with elevated departure roadway and at grade road network at arrival level. A multi-modal transport hub (MMTH) is envisioned abutting the NTB which includes Metro connectivity, city side check-in and self-bag drop (SBD) facility, Curbside facilities for passengers / visitors arriving early at the airport from surrounding villages, towns and cities, staff and stakeholder facilities – all connected seamlessly to the main levels of the NTB setting a new benchmark for the state and the country offering world class passenger and user experience.</p> <p>The Phase 1 of the New Integrated Terminal Building will be completed by February 2026. Once phase 1 of NTB is ready for operations, all the domestic traffic from T1 will be shifted to the NTB and T1 will be decommissioned and demolished to make way for future phase 2 of the NTB in the next control period.</p>	

It was clearly explained that AIAL has already adopted a modular approach in planning of Terminal Building in line with requirements under the Concession Agreement. Accordingly, as part of overall 42 Mn capacity planned for New Integrated Terminal Building considered in master planning, only 20 Mn capacity is planned in this control period.

- *Master Plan is also submitted to relevant authorities as a compliance to the Concession Agreement. Please refer the below relevant extracts from Master plan which was shared with relevant authorities and also AERA's consultant on 22nd Jul 2022*

6.2 Terminal Planning Approach

A new terminal building (NTB) within the airport boundary is planned for the long-term development. The surplus of passenger traffic which cannot be handled in the existing Terminals 1 and 2 will be accommodated in the new terminal building. The location of the new terminal is planned such that impact on ongoing operations will be minimized. Nevertheless, it will have a minor impact on the landside roads during construction of the new terminal building in proximity to T1. After completion and commissioning of NTB, the existing terminals T1 and T2 will be phased out.

The development strategies for the terminal area are defined as follows:

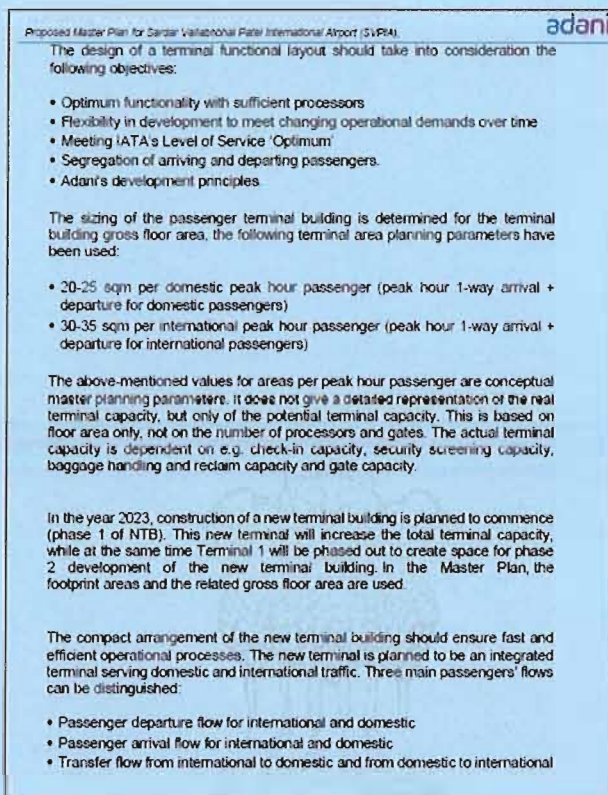
- Modification of T1 and T2 to increase capacity up to a total of approx. 16.8 mppa;
- New state-of-the-art integrated terminal complex with a total capacity of 40.0 mppa, (in three phases)
- Phasing out of Terminal 1 first, followed by phasing out of Terminal 2.

The distribution of traffic over the new terminal requires an in-depth study which can be performed once the planning of the new terminal building will commence. Such study should consider, airlines and/or domestic-international segment allocation inside the new terminal building, where the Master Plan is flexible to accommodate various segment allocations.

6.3 Terminal

The ambition for AMD is to have a state-of-the-art new terminal that accommodates growth of the airport and can accommodate the passenger capacity up to 42.33 million passenger per year.





- It has been explained extensively during AUCC and during MYTP review that once NITB Phase I of 20 million is operationalized, as per Master Plan, the T1 will be decommissioned and demolished making way for the future developments in Airside and Terminal side. Accordingly, the operational capacity available will only be 28.8 million (T2 8.8 million + Phase I of NITB 20 million).

For ease of convenience, we would like to re-iterate that there would be 13 contact stands once the new NITB is commissioned it would be imperative that the airside should have dual taxiway for efficient operations of the airside. To create the dual taxiway system with all the necessary clearances the existing T1 Terminal need to be demolished and the necessary corrections in the Apron geometry need to be done and various development approach considerations were factored in. Kindly refer the below drawing depicting the alignment of existing T1 which is coming under the Airside development.



- This kind of modular capacity enhancement is not new to the PPP Airports. For example, when Delhi Airport (DIAL) T3 was commissioned, all the International Traffic from T2 was moved to T3; and T2 remained un-operational.

Extract from DIAL Consultation Paper No.32/2011-12

309. LeighFisher have stated that the initial selection criterion for comparator airports was that they should ideally be of a size comparable to DIAL in terms of its current passenger capacity of around 52 mppa (this figure makes allowance for the fact that capacity of around 10 mppa at Delhi is currently mothballed).

321. The figures shown above in relation to Delhi takes account of the fact that currently part of Terminal 1 and all of Terminal 2 are decommissioned. Thus, capacity for a little over 12 million passengers is not currently operational. Few more example of capacity creation based on latest AERA orders are as: -

- 1) Hyderabad Airport Third Control Period Order No. 12/2021-22 - Capacity is enhancing to 34 mppa when the Pre-COVID traffic was 22 mppa
- 2) Bangalore Airport Third Control Period Order No. 11/2021-22 – Capacity is enhancing to 55 mppa when the Pre-COVID traffic was 32 mppa

In view of the above facts, we request AERA to take cognizance that the operational capacity of the terminal would be 28.8 MPPA instead of 36.8 MPPA as mentioned in CP which we feel can be misinterpreted. Therefore, we request AERA to take note of these facts while issuing the tariff order."

7.10.3. With respect to AERA's proposal at clause 7.5.3 on page 151 of CP relating to Terminal Area Ratio at the Airport, AIAL's comment is as follows:

- "It is observed that as per The AERA Guidelines, 5.2.1 (vi) all the assets which are part of the terminal building shall be considered as part of RAB. Therefore, terminal building as a whole should be considered as RAB / Aeronautical asset and not required to be allocated into Aero and Non-Aero. For quick reference the relevant clause from the guidelines is reproduced as follows as "Notwithstanding the principles mentioned under points (i) to (v) above, assets with fixed locations inside terminal buildings shall be considered within the scope of RAB
- Notwithstanding the above, it is submitted that norms of IMG report are not applicable to PPP airports, as per clause no. G of IMG Report (page 241 of the said report). reproduced below: In case of airports developed through Public Private Partnerships the project authorities may adopt a case-by-case approach with respect to norms relating to unit area and unit costs. Based on the judicious consideration of international best practices and financial viability, the norms may be specified in each case prior to inviting bids for private participation.
- No norms with respect to unit area and costs were mentioned in the bidding documents and Concession Agreement of Ahmedabad Airport. Therefore, we request AERA not to apply IMG norms in case of Ahmedabad Airport.
- Under the Shared-Till model, 30% of Non-Aeronautical Revenues are accounted for cross subsidizing the ARR. Therefore, there is no need to apply the allocation ratio whereby, capital and operating expenditure is reduced. This act as a dual burden for the Airport Operator. Since the tariff guidelines do not provide for applying the allocation ratio, this anomaly is required to be corrected, failing which Airport Operator will be at disadvantage at all the times.
- ***In view of the foregoing, we request the Authority to apply the Terminal Building Ratio, wherever it is factored in CP, as 100% Aeronautical which is in line with the Guidelines of 2011.***

- Without prejudice to the above, it is to be noted that terminal building is built with certain length, breadth and height considering the passenger throughput and service level requirements. The structure of terminal includes façade, ceiling, columns etc. which have no relation with leasable floor area. The commercial activities like retail, food and beverage, etc. require limited works where the cost is much lower than the cost required to build the terminal building. For example, the height of the terminal building at AIAL ranges between 12 to 15 meters whereas the retail areas have height of around 2 to 3 meters only. Hence, it is not logical to allocate the terminal building cost based on floor area. AIAL is of the view that allocation should, at best, be based on cost of the floor plate instead of allocating entire terminal cost based on square meter area basis"

7.10.4. With respect to AERA's proposal at clause 7.3.83 and 7.3.84 on page 121 of CP relating to Distribution network for all Utilities, AIAL's comment is as follows:

- "Consideration of Plinth Area Rates (PAR) 2021 of 5% (ie. 3.75% and 1.25%) for Utility Distribution Network on the cost of Utility Projects only is not a correct proposition. The PAR of 5% should be applied on overall cost of building of airport complex and not just on utility projects. Please refer the highlighted portion from the below extract of PAR 2021:

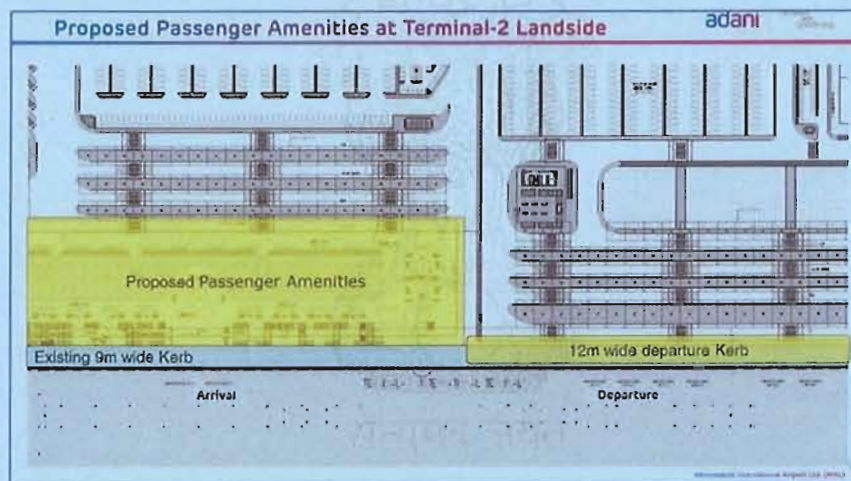
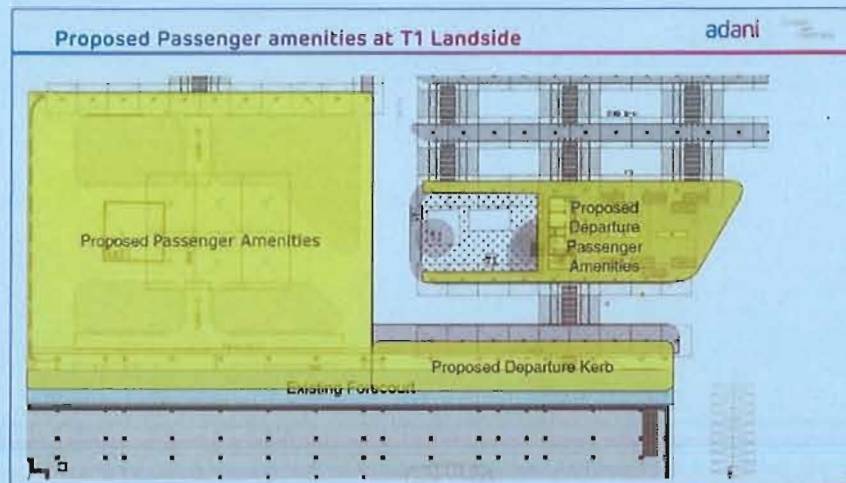
2.0	SERVICES (Percentage below refers to the percentage of building cost as per I.O. above)				
2.1	Internal water supply & sanitary installations.	4%	10%	5%	12% with attached toilets, 8% with common toilets.
2.2	External service connections and local body approval charges shall be as hereunder or as per estimates given by the local body whichever is higher.				
2.2.1	Electrical external service connections.	3.75%	3.75%	3.75%	3.75%
2.2.2	Civil external service connections.	1.25%	1.25%	1.25%	1.25%
2.2.3	Local body approvals including tree cutting etc.	1.25%	1.25%	1.25%	1.25%
2.3	Internal electric installations.	12.5%	12.5%	12.5%	12.5%
2.4	EXTRA FOR				

- Based on the above, the Utility Distribution Network would cost approx. Rs 300 Crs as per PAR 2021 rates (i.e. considering 5% of Rs 6,000 Crs pertaining to cost of various building works proposed by AIAL).
- Further, as per latest drawings and detailed Bill of Quantities, AIAL has prepared a cost estimate which indicates that the cost would be to the tune of approx. Rs 119 Crs.
- From the above, it can be seen that AIAL's proposed cost of Rs 87.23 Crs for Utility Distribution Network is on a lower side when compared to the PAR 2021 rate and the cost estimate.
- In view of the above, we request AERA to consider the cost for Utility Distribution Network as proposed by AO and also request to consider true up of actual costs during tariff determination for next control period"

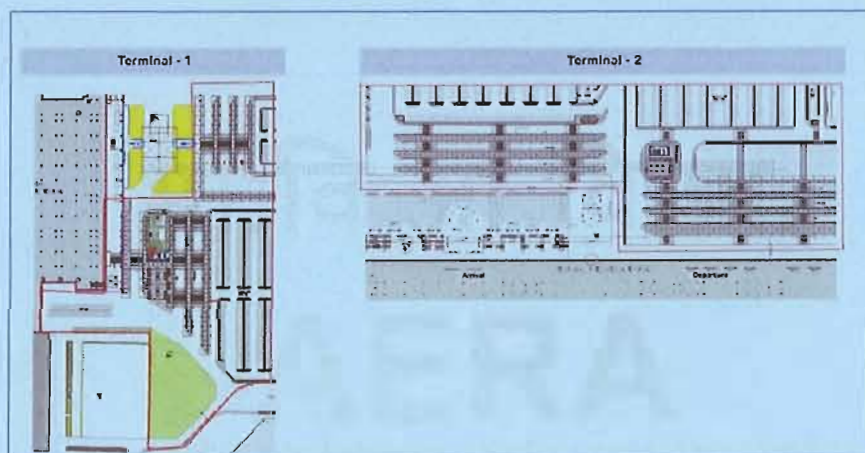
7.10.5. With respect to AERA's proposal at various clauses to consider various projects as 50% Aeronautical, AIAL's comment is as follows:

- "During the virtual meeting held on 13th October followed by presentation sent over the email, it was explained that Passenger amenities are located at the kerbside / forecourt. For quick reference the relevant extract from the presentation is provided below : -





4.4.2 Landside road projects as per drawings is as follows: -



- We would like to refer the definition of "Terminal Building" as provided in the CA. Terminal Building" means the stand-alone and/ or integrated passenger terminal building with separately identified area for domestic passengers and international passengers on the Site and the land appurtenant thereto, including the kerbside and approach roads (emphasis provided) and including the existing terminal building, as described and demarcated in the perspective plan set out at Annex II of Schedule A, and/ or the Master Plan, as the case may be;



As per Concession Agreement, kerbside and approach roads are considered as "Terminal Building"

- Kindly refer below the extracts from DIAL Third Control Period Order No. 57/2020-21 Page No. 164, where details of Landside Works are provided which includes kerbside, access road works, central spine road, underpass etc. DIAL has proposed the same as 100% Aero which is duly approved by Authority.

Order No 57/2020-21 for the Third Control Period KIA, Delhi (DEL)

c) Construction of north parallel taxiway and related Rapid Exit Taxiways (RETs) (at north of runway 10-28) (approx. 4000m) with other taxi links equipped with CAT 3B Aeronautical Ground Lighting (AGL).

d) Complete rehabilitation of old runway 9/27 to extend its life.

e) All utility enhancements required due to expansion of the airfield systems.

Package 2

4.1.6 Landside/Connectivity works shall include:

a) TI kerb widening

b) Widen northern access road to 5+5 lanes

c) Central spine road widening to 6+6 lanes

d) New access road (parallel to central spine) connecting to NH8

e) Underpasses for Pashan road

Package 4

4.2.3 The segregation of the cost submitted by DIAL among the various packages viz a viz the cost as assessed based on independent study is shown in the table below;

Table 79: Comparison of Capex Estimates between Independent Study and DIAL's submission

Capex for Expansion (Rs. Cr)	Categorization	Cost estimate as per Independent Study ^a	Cost estimate as submitted by DIAL
Package 1			
Terminal 1C	Common	299.25	332.60
Pier, Node & Balance Part	Common	2,160.74	2,781.65
Apron Phase 1	Aero	385.67	436.47
Apron Phase 2	Aero	246.03	310.34
Apron Phase 3	Aero	173.11	218.36
Package 2			
Runway 11L/29R	Aero	279.08	456.38
North side - Parallel Taxiways	Aero	150.84	150.90
North side - Echo-2 Taxiways	Aero	330.84	187.40
North side - Runway-09	Aero	92.44	276.23
Other Taxiways & apron works	Aero	1,938.02	2,228.46
Package 3			
Landside work	Aero	400.66	817.82

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- Reference is now invited to Hyderabad Airport Rites report dated April 2021 and AERA Order No. Order No: 12/2021-22, Forecourt and Kerbside are considered as part of Terminal and accordingly Terminal Ratio for bifurcation of Common Asset is considered.

Order No. 12/2021-22 for the Third Control Period RGLA, Hyderabad (HIAL)

- 4.2.12 The Authority had approved the expansion capex for 20 million passengers, re-carpeting works for runway and general capex including 8 MW solar power plant and fuel farm. Based on these, the Authority had approved the additions to RAB as follows:

Authority's Examination of HIAL Submissions on Expansion Capex and RAB for the Second Control Period

(A) Expansion Capex

- 4.2.13 The Authority had appointed RITES Limited ("RITES") to examine the expansion project cost submitted by HIAL, including the terminal expansion including ramp and forecourt and airside improvements and to increase the terminal capacity in the Second Control Period from the current passenger capacity of 12 MPPA to 20 MPPA by FY21.
- 4.2.14 The Authority considered expansion project capex and re-carpeting/re-layering of runways and taxiways. Further, the IDC in the form of 'Interest during Construction' was computed on the entire project cost. The classification accepted and approved by the Authority for the Second Control Period pertaining to expansion capital expenditure is as follows:
- Additional 4 lane ramp – Aeronautical asset
 - Forecourt expansion – Common asset
 - Terminal expansion – East module 1 – Common asset
 - Pier expansion – East module 1 – Common asset
 - Terminal expansion – West modules – Common asset
 - Pier expansion – East module 2 – Common asset
 - Pier expansion – West module – Common asset
 - Apron development – Aeronautical asset
- 4.2.15 The Overall capex approved by the Authority for the Second Control Period as part of Order No. 34/2019-20 is summarised in the table below:

- Hyderabad Airport Second Control Period Consultation Paper No. 30/2017-18 Page No 80 and 84. Forecourt is considered as part of Terminal Expansion and bifurcated into Terminal Building Ratio. The same has been considered in SCP and TCP order.

Projects (Amounts in Rs. Crores)	FY2017	FY2018	FY2019	FY2020	FY2021	Total
Terminal Expansion						
Additional Four-lane Ramp	0.00	54.25	54.25	0.00	0.00	108.50
Terminal+Forecourt Expansion	0.00	158.97	613.99	235.10	0.00	1008.05
Pier Expansion	0.00	36.22	330.22	361.95	14.26	742.65
Airside Improvements						
Apron Development	0.00	64.92	64.92	0.00	0.00	129.84
Runway Re-Carpeting	0.00	53.03	25.28	25.28	0.00	103.59
Hard Cast	0.00	367.39	1088.66	622.32	14.26	2092.63
Financing	0.00	17.98	81.98	79.16	14.52	193.64
Total Capital Expenditure	0.00	385.37	1170.64	701.48	28.78	2286.27
Capitalization Schedule	0.00	53.03	350.77	1600.87	281.61	2286.27

5.104. The Authority notes that HIAL has allocated the capex to be incurred in the 2nd Control Period into aeronautical and non-aeronautical components based on classification of individual elements. HIAL's classification as present in the financial model is as given below,

Asset	Classification
Additional 4-lane Ramp	Aeronautical
Forecourt Expansion	Common
Terminal Expansion - East Module 1	Common
Pier Expansion - East Module 1	Common
Terminal Expansion - West Modules	Common
Pier Expansion - East Module 2	Common
Pier Expansion - West Module	Common
Apron Development	Aeronautical

The Authority proposes notes the above allocation and proposes to accept the same for the computation of RAB for the 2nd Control Period.

- Landside road work has been divided into 50:50 considering it is part of city side. City side is a separate land portion as defined in the Concession Agreement. The roads mentioned here are for passenger movement to and from the Terminal which has no relevance with City Side Development. It is similar to DIAL where landside roads are considered as 100% Aero.
- Taking a comprehensive view from the above facts, it is evident that
- CA considers forecourt / kerbside and access roads as part of the Terminal Building
- Similar treatment has been considered and approved by AERA as either 100% Aeronautical or Allocated as Common asset under Terminal Building Ratio.
- The City side development land is a separate earmarked land which has no linkages with forecourt and access roads considered in the projected proposal.
- **The treatment of these projects as 50% Aeronautical Assets provides discriminatory treatment to AIAL without any rational, undermining the definition under the CA and is against the already established principles. We hereby request AERA to provide the similar treatment for AIAL as considered for other Airports."**

7.10.6. With respect to AERA's proposal as per Para 7.3.179 on page 147 of CP relating to Financing Allowance on CWIP projects, AIAL's comment is as follows:

- "The AERA Act requires AERA to consider "timely investment in improvement of airport facilities" and "economic and viable operation of major airports ".
- Further Clause 5 of The AERA Guidelines (which entails the methodology of aeronautical tariff determination) allows Airport operators to be eligible for Financing Allowance as a return on the value invested in construction phase of an asset including the equity portion, before the asset is put to use. This is a legitimate expectation of investors.
- Thus, Clause 5 provides an explicit, detailed elaboration of Financing Allowance. Manner and formulae of computation and addition of the "commissioned assets" into RAB including the financing allowance are elucidated in detail with examples. For your kind reference the relevant extracts from The AERA Guidelines are reproduced below :-



5.2.7. Work In Progress assets

- (a) Work in Progress Assets (WIPA) are such assets as have not been commissioned during a Tariff Year or Control period, as the case may be. Work in Progress assets shall be accounted for as:

$$WIPA_t = WIPA_{t-1} + \text{Capital Expenditure (Capex)} + \text{Financing Allowance} - \text{Capital Receipts of the nature of contributions from stakeholders (SC)}$$



26

- Commissioned Assets (CA)

Where:

WIP_t: Work in Progress Assets at the end of Tariff Year tWIP_{t-1}: Work in Progress Assets at the end of Tariff Year t-1Capital Expenditure: Expenditure on capital projects and capital items made during Tariff Year t.The Financing Allowance shall be calculated as follows

$$\text{Financing Allowance} = R_d \times \left(WIP_{t-1} + \frac{\text{Capex} - \text{SC} - \text{CA}}{2} \right)$$

Where R_d is the cost of debt determined by the Authority according to Clause 5.1.4.

SC are capital receipts of the nature of contribution from stakeholders (including capital grants and subsidies) pertaining to the capital expenditure incurred in Tariff year t.

CA are Commissioned Assets which pertain to the accumulated value of the WIPA attributable to all assets that have been put into effective operation during Tariff Year t.

Illustration 7: The following example illustrates this approach for calculation of Work in progress assets, financing allowance and commissioned assets. The numbers in the illustration have been rounded to the nearest integers.

		Forecast Work in Progress Assets					
		2010-11	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Opening WIP: WIP _{t-1}	OW	-	-	-	558	638	-
Capital Expenditure	CE	-	633	521	-	-	-
Financing Allowance	FA = $R_d \times (OW + (CE - CA - SC)/2)$	-	-	37	80	43	-
Capital Receipts	SC	-	200	-	-	-	-
Commissioned Assets	CA	-	633	-	-	681	-
Closing WIP: WIP _t	OW = OW + CE + FA - SC - CA	-	-	538	638	-	-

- The cost of debt, R_d , used for calculation of financing allowance, is the cost of debt determined by the Authority under Clause 5.1.4.
- The example illustrates that those assets, which have been acquired or commissioned within the same Tariff Year (i.e. Tariff Year 1), have been included both in Capital Expenditure and Commissioned Assets.
- The value of commissioned assets, as calculated, shall be used for forecasting RAB for the Control Period.



- *Financing allowance is computed on the Work in Progress balance based on capital expenditure (irrespective of how it is funded) and is capitalized as part of commissioned assets for RAB computation.*
- *The regulatory principles laid down by AERA by means of guidelines provide a fundamental foundation of the regulatory clarity to the stakeholders on the manner in which different components of costs and revenues are treated.*
- *We would like to refer the point 5.4.4 second bullet point relating to True-up of second control period in the CP*

Apart from the reclassification of assets and the normative assessment, the study on the allocation of assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1) made the following observations and adjustments:

The capitalisation proposed by AIAL for the SCP includes financing allowance of INR 0.97 Cr. on the average WIP in FY 2021 (post-COD). However, as per AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28th February 2011, financing allowance is not applicable to assets/projects which have been acquired/initiated and commissioned within the same Tariff Year. Therefore, no financing allowance has been considered by the Study on the assets capitalised by AIAL in FY 2021. (Refer Para 6.5 of the Study).

In point 5.4.4 of the CP, AERA has rightfully acknowledged the applicability of Financing Allowance to AIAL and has made adjustments as per instant formulae prescribed in the AERA Guidelines

When the airport such as Ahmedabad is transitioned to a PPP model and handed over to the private operator for operation, management and development, the expectation from the private AO is to invest substantially in enhancing the infrastructure facilities. Having regard to the size of investment being made by AO vis-a-vis the investments made by AAI in the past several years, the proposed investment by AO is akin to development of greenfield airport facilities and financing allowance must be allowed for such projects.

- ***We therefore request that financing allowance should be computed on the allowable RAB as per formulae prescribed in the AERA Guidelines.”***

7.10.7. With respect to AERA's proposal as per Para 7.3.78 on page 118 and 7.3.81 on page 119 of CP relating to Cost for Annex Building of Hangars, AIAL's comment is as follows:

- *“In the case of Annex Buildings of hangars, we had provided the basis for cost estimate based on the committed costs for ARFF and APHO buildings. The details for the same were also provided on 21st Sep 2022.*
- *Further, we would like to submit that the rate for construction of Cargo Building is also similar to that of Annex Buildings of Hangars. Please refer the below calculation of cost estimate based on the cost for Cargo Buildings (which is approx. INR 94000, per sqm).*



SR. NO. from LOA BOQ Summary	NAME OF STRUCTURE	Overall Cost for Cargo Complex (as per LOA Issued)	Cost Pertaining to Cargo Office Building	
			% *	Value (INR)
2	Cargo Office (G+2)	80,025,642	100%	80,025,642
16	Electrical	130,475,588	10%	13,047,559
17	HVAC	128,378,855	5%	6,418,943
18	Fire Protection	39,386,393	10%	3,938,639
19	Lifts	6,787,498	100%	6,787,498
7	Utility structures for MEP	33,075,274	10%	3,307,527
9	MEP RELATED CIVIL WORKS	15,088,103	10%	1,508,810
0	BOUNDARY WALL & MS GATE	20,164,656	10%	2,016,466
Others (ref. Sr. 1, 3, 4, 5, 6, 10, 11, 12, 13, 14, 15)		902,118,171	0%	-
Total Basic Amount		1,355,500,180		117,051,084
GST @ 18%		243,990,032		21,089,195
Labour Cess @ 1%		13,555,002		1,170,511
Grand Total		1,613,045,214		139,290,790
Area of Cargo Office Building		In Sqm		1,481
Cost Per Sqm		In INR		94,052

* As the BOQ for the cargo complex is composite, we have assumed the proportionate costs which would be allocable to Cargo Office Building to arrive at the Per Sqm cost of construction of Cargo Office Building.

Extract of BOQ Summary from LOA issued for Construction of Cargo Complex

Annex 1 to LOA Ref:PROC/AMD/22-23/LOA/018 dtd 14th July 2022		
SUMMARY		
SR. NO.	NAME OF STRUCTURE	AMOUNT (INR)
1	CT 1 & 2	687,389,365
2	Cargo Office (G+2)	80,025,642
3	DRIVER REST ROOM - 1 & 2	3,431,226
4	SECURITY CABIN - 1, 2 & 3	3,188,616
5	GATE COMPLEX (ENTRANCE FOYER)	15,185,203
6	ROAD WORKS & PARKING	124,111,305
7	Utility structures for MEP	33,075,274
8	MEP RELATED CIVIL WORKS	15,088,103
9	BOUNDARY WALL & MS GATE	20,164,656
10	LAND DEVELOPMENT	12,345,999
11	STORM WATER	28,866,546
12	WATER SUPPLY	5,187,138
13	PHE PUMPS	4,913,709
14	SEWERAGE	6,000,164
15	Project coordination services	11,498,900
16	Electrical	130,475,588
17	HVAC	128,378,855
18	Fire Protection	39,386,393
19	Lifts	6,787,498
TOTAL BASIC AMOUNT		1,355,500,180
GST @ 18%		243,990,032
Labor cess @ 1%		13,555,001.80
Grand Total Incl GST @ 18% & Labor cess @ 1%		1,613,045,214

In view of the above, AIAL requests AERA to true up actual cost of Annex Buildings during tariff determination for next control period."

7.10.8. With respect to AERA's proposal as per Para 7.3.151 on page 140 of CP relating to Cargo Equipment, AIAL's comment is as follows:

- "In respect to the Material Handling System (MHS) equipment, please find attached the letter of award (Annexure 1. A. LOA of Supply – MHS and Annexure 1. B. LOA of ITC - MHS). The summary table for Cargo Equipment is as follows: -

	Projected Amount (Rs Crs)	Status as on date
Movable Equipment for ICT	9.33	Procurement is being undertaken
MHS Equipment	67.51	LOAs attached for USD 4.7 mn + taxes (i.e. Rs. 48 Crs. inclusive of duties, taxes etc.). Bidding for balance amount is under progress.
IT System, Equipment Dom + Intl + Exp	3.36	Procurement is being undertaken
Ancillary Services	26.40	Procurement is being undertaken
Total	106.59	

- Based on the progress achieved, we request AERA to consider "Rs. 67.51 Crs (MHE Equipment) + 50% of other items" in the tariff determinations and balance 50% of other items can be considered in true-up."

(AIAL has attached "Annexure I – LOAs for MHE Cargo Equipment" in their submission)

7.10.9. With respect to AERA's proposal as per Para 7.3.174 on page 146 of CP relating to Soft Costs, AIAL's comment is as follows:

- "As per recent released CPWD SOP 2022 dated 13.07.2022 <https://cpwd.gov.in/Publication/sop2022.pdf>, the Project Estimation should take of the following requirements :-

10. Preliminary estimate (PE) is to be prepared on the basis of Plinth Area Rates or length of road etc. worked out on the rate per unit area/length/number, or such other method adopted for ready and rough calculation, so as to give an idea of the approximate cost involved in the proposal.

11. Prevailing Cost Index over the plinth area rates, effect of ESI & EPF leviable (rates as given in Annexure -14, Contingencies and Departmental Charges (if applicable) are to be added in the PE.

As per CPWD norms the various costs to be considered while preparing the preliminary estimates and should include the following components: -

- Planning Consultancy 4% and Project Management Consultancy 5% (refer below PART 1 as the relevant extract from CPWD SOP2022)
 - Other Technical Services like Preliminary Sketches, Detailed Drawings, Preliminary Estimates, Structural Design, Execution, Audit & Account etc. is ranging between 7% to 24% depending upon size of the project (refer below PART 2 as the relevant extract from CPWD SOP2022)
 - Contingency cost is 3% (refer below PART 3 as the relevant extract from CPWD SOP2022)
 - ESI & EPF ranging between 0.85% to 4.2%, say average of 2% (refer below PART 4 as the relevant extract from CPWD SOP2022)
- As per accounting standards (refer extract as PART 5 below) the costs relating to Project Team is required to be capitalized. These costs have been approved by AERA in various orders for PPP and AAI Airports ranging between 2-3% of the project cost (refer below PART 6 for few Airports examples). The same is recognized by AERA in its Guidelines Form F11 (b) (refer below PART 7 as the extract from AERA Guidelines).

The overall Soft Costs based on above point is minimum 18-20%.

- As per "Airport Capital Improvements: A Business Planning and Decision-Making Approach" study conducted by Airport Cooperative Research Program (ACRP), Transport Research Board (sponsored by US Government's Federal Aviation Administration). The soft costs ranges between 10% to 30%. The extract from Page 48 the report is as follows: -

Soft costs typically range from 10% to 30% of total project costs. These include design fees, permitting fees, utilities, costs associated with inspections and land acquisition, costs associated with the bidding and procurement process, and project administration and management costs.

Full study report is provided

- Based on information from reputed agencies from India and Overseas, it is evident that soft costs requested by ALAL is within the reasonable range. **We therefore request the Authority to allow the cost of 16% which is based on best practices subject to true-up on actual incurrence basis.**

PART 1



SOP No. 8/7: Levy of Fees by CPWD for Consultancy Services (Para 8.20)

CPWD handles consultancy works of planning and designing (with or without construction) of various projects including high-rise buildings, housing complexes etc of Public Sector Undertakings and other organizations to undertake construction on turnkey basis, or for Mission's buildings abroad, etc. at negotiated rates. Fee for the Consultancy Services is charged by CPWD as given below.

FEES FOR CONSULTANCY SERVICES

(a) Planning 4%

(b) Construction Management 5%

(c) Visits of CPWD Officers from India 1%

For planning and designing work, the following charges is levied:

(i) Development of Master Plan Rs.10000/- per hectare

(ii) Architectural plans and drawings 3 % for original work ½ % for repetition

(iii) Structural designs and drawings 1% for original work ½ % for repetition

Part 2:

ANNEXURE- 5
(Reference Para 3.1.1.4 (1))
RATES OF DEPARTMENTAL CHARGES

Objectives of works	All maintenance works, and minor works costing upto Rs. one lakh	Construction works costing upto Rs. Two Crores	Construction works costing between Rs. Two and five Crores	Construction works costing more than Rs. five crores
1	2	3	4	5
(A) Establishment Charges				
1. Preparation of preliminary sketches	15%	14%	14%	14%
2. Preparation of detailed working drawings	1%	14%	12%	10%
3. Preparation of preliminary estimates	15%	15%	14%	10%
4. Preparation of detailed estimates	15%	15%	12%	10%
5. Preparation of structural designs	1%	1%	14%	10%
6. Execution	19-15%	7-10%	4-5%	4-15%
Total Establishment charges	22-15%	10-10%	7%	6%
(B) T&P (Machinery Equipment)	5%	12%	12%	14%
(C) Audit & Account	14%	12%	14%	10%
(D) Pensionary	14%	10%	10%	10%
	23-15%	12%	8%	7%

PART 3*SOP No. 3/4: Provision for Contingencies and its Utilization (Refer Para 3.1.1.3 (3))*

In addition to the provision for all expenditure which can be foreseen for a work, a provision of contingency is kept as follows : (i) Estimated cost up to Rs. 1 Crore 5% (ii) Estimated cost more than Rs. 1 Crore ... 3%, subject to minimum of Rs. 5 Lakh



PART 4**ANNEXURE- 14**
(Refer SOP No. 3/2)**STATEMENT SHOWING THE RATES OF EPF and ESI CHARGES TO BE INCLUDED IN PRELIMINARY ESTIMATE**

Category of work	Component of Labour	EPF @12.5 % of labour Component	ESI @ 4.5 % of labour Component	Total of EPF & ESI
Buildings	25%	3.125%	1.125 %	4.25%
Road Works & pavements in airfields	5%	0.625%	0.225%	0.85%
External sewerage	10%	1.25 %	0.45%	1.70%
External water supply	5%	0.625%	0.225%	0.85%
Bridge/Flyover works	25%	3.125%	1.225%	4.25%
Maintenance works engaging only labour component	100%	12.50 %	4.50%	17.00 %
Other Maintenance work	70%	8.75%	3.15%	11.9%

PART 5

Indian Accounting Standard (Ind AS) 16 Property, Plant and Equipment Elements of cost

16 The cost of an item of property, plant and equipment comprises:

(a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

(b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

17 Examples of directly attributable costs are:

- a) costs of employee benefits (as defined in Ind AS 19, Employee Benefits) arising directly from the construction or acquisition of the item of property, plant and equipment;*
- b) costs of site preparation;*
- c) initial delivery and handling costs;*
- d) installation and assembly costs;*
- e) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and*
- f) professional fees*

PART 6

Extract from Chennai Airport Order No. 38/2021-22 for the Third Control Period



Grand Total of Capital Additions Proposed in the Third Control Period				
Grand total of capital additions proposed to be considered	Total	3,882.58	2,139.82	(1,742.66)
	Financing Allowance	51.88	-	(51.88)
	IDC	108.17	21.93	(86.27)
	Project division expenses capitalized (Exp. Cap)	87.07	47.58	(39.49)

Order No. 38/2021-22 for the Third Control Period

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~2.25%

Extract from Pune Airport Order No. 38/2021-22 for the Third Control Period

in case there is a delay in completion of the project, the actual cost of the project, as proposed, may be considered by the control of Pune International Airport 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 Fourth Control Period. Further, this proposal was applicable to all the projects forecasted to be capitalized in the Third Control Period given in this Consultation Paper. This will ensure timely adherence to the capital expenditure plan proposed in the Third Control Period.

4.2.33 Based on the discussion above, the total capital additions proposed to be considered by the Authority in the Third Control Period was as tabulated below:

4.2.34 Based on the Authority's analysis of capital expenditure deferred from Second Control Period (Para 4.2.9 to Para 4.2.24) and new capital expenditure proposed to be incurred in the Third Control Period (Para 4.2.25 to Para 4.2.31), the Authority considered a total Capital Expenditure of Rs. 52,540.93 lakhs as given below:

Table 83: Capital Expenditure additions for the Third Control Period considered by the Authority

Reference	Project	No.	Particulars	Submitted by AAI	Proposed by the Authority	Difference
				1	2	3=2-1
	Capital additions deferred from the Second Control Period to the Third	1A	New Integrated Terminal Building			
		1B	PMC-I expansion of Terminal Building (Tensile canopy)	44,621.19	43,694.92	-926.27
		1C	PMC-Expansion of Terminal Building-electrical works (canopy edge)			
		1D	Baggage Trolley & XIRIS	508.47	508.47	-
		1E	Financing Allowance	1,137.57	-	-1,137.57
		1F	IDC	2,033.55	2,005.96	-27.59
		1G	Project division expenses capitalized (Exp. Cap)	1,651.26	1,610.60	-40.66
		1	SUB TOTAL (NETT)	49,711.47	47,819.95	-1,891.52

~3.5%

PART 7

Form FAL07: Payroll Estimate (Employees and Pensioners (Self-Security Agents))

S.M. Particulars - with detailed breakup	Last available audited year*	Financial Year before Tariff Year 1*	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
A. Salaries and Wages							
B. PF Contribution							
C. Medical Expenses							
D. Overtime							
E. Staff Welfare Fund							
1. Grand Total							
a. Employee expenses capitalized							
b. Not Employee expenses (to)							

* Projected values to be provided
 * Fields in italics are indicative only
 * Information for last financial year for which audited accounts are available

(AIAL has attached "Annexure 2 – Airport Capital Improvements: A Business Planning and Decision-Making Approach" in their submission.)

7.10.10. With respect to AERA's proposal as per Para 7.3.183 on page 148 of CP relating to re-adjustment in ARR in case any particular capital project is not completed/capitalised as per the approved capitalisation schedule, AIAL's comment is as follows:

- "The Authority has proposed to disincentivize the AO by reducing 1% of the project cost in case of delay in implementation of the project. Such a proposal puts AIAL in double jeopardy because any delay in completion of project implies denial of return on such asset and depreciation and added to it will be this reduction in cost. It is abundantly clear that it is in the interest of AIAL to complete the project as per schedule, however there could be delays due to various uncertainties, especially in present situation. There may be shortage of manpower, funds, force majeure, and unforeseen event, for any reason including but not limited to the scarcity of raw material, finished goods and manpower due to after effect of Covid-19.
- One of the principles for tariff fixation stipulates, incentive for undertaking investment in timely manner. Instead of providing incentive for timely completion of project the Authority is proposing a disincentive due to delay.
- We request the Authority not to include this proposal in the Order.

7.10.11. With respect to AERA's proposal as per Para 7.3.179 to 7.3.181 on page 147 of CP relating to Financing Allowance and Interest During Construction, AIAL's comment is as follows:

- *To avoid repetition of comments on financing allowance and Cost of Debt, please refer comments provided in Para 7.10.6 and Para 8.3.3 respectively.*
- *"IDC is calculated on Average of Opening & Closing CWIP and considering certain projected cash flows. Whereas in actual, the cash flow could be different, and IDC needs to be borne till the actual date of capitalization of asset. Hence, we request authority to provide necessary true-up for actual IDC at the time of tariff determination of next control period."*

7.10.12. With respect to the disclaimer provided in the Chapter 6 in the MYTP, for easy reference the same is reproduced below:

"As per Concession Agreement, AIAL is required to make payment of Estimated Deemed Initial RAB, Initial Non-Aeronautical Investment and CWIP. AIAL had received invoice from AAI for RAB and CWIP inclusive of GST against which AIAL had contested that GST will not be applicable on RAB and CWIP amount based on various opinions obtained from independent tax consultants. Subsequently, AAI had also taken legal opinion and based on the said opinion, AAI requested AIAL to provide necessary indemnity bond in case in future GST amount is payable by AAI to tax authorities on RAB and CWIP invoices. AIAL submitted the necessary indemnity bonds and accordingly, AAI had shared revised RAB and CWIP invoices after excluding GST. If in future, AAI is required to bear the GST, which based on indemnity bond inter-alia will be recovered by AAI from AIAL, the GST amount will be added to the Initial RAB and CWIP. For the time being, the Initial RAB and CWIP numbers provided in this MYTP are exclusive of GST. AIAL hereby, reserves the right to include the GST and to revise the Initial RAB and CWIP and thereby the MYTP or shall be considered in subsequent control periods as part of true-up, depending on the future outcome of the matter.

AIAL stated the following:

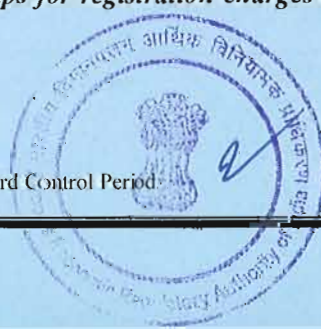
- *"We observed that there is no mention of the same in the CP. We request Authority to take cognizance of the facts submitted and to allow for necessary true-up based on actual incurrence in the next control period."*

7.10.13. With respect to the disclaimer provided in the Chapter 7 in the MYTP, for easy reference the same is reproduced below:

"AIAL is required to pay the stamp duty and registration charges on the Concession Agreement. AIAL would be required to bear the stamp duty and registration charges based on decision with the state authorities, and it will be added to the capital expenditure. For the time being, the numbers provided below for capital expenditure are exclusive of stamp duty and registration charges for the purpose of this MYTP calculation. AIAL hereby, reserves the right to include the stamp duty and registration charges and revise the Capital Expenditure in MYTP or shall be considered in subsequent control periods as part of true-up, depending on the future outcome of the matter."

AIAL stated the following:

- *"While AERA has considered the Stamp Duty payment (refer point 7.3.170 to 7.3.171 in the CP), there is no mention of registration charges in the said discussion. We request Authority to allow for necessary true ups for registration charges based on actual incurrence in the next control period."*



Other Stakeholders' comments on CAPEX, Depreciation and RAB for the Third Control Period:

7.10.14. ACFI stated that - *"Considering the vision of Govt. which has been revealed in the recent National Logistics Policy, it is expected that the Air Cargo sector will further boost and Gujarat will definitely have its contribution to support the further growth of the logistics sector, particularly growth in air cargo. However, to meet the future growing demand from trade, improving some of the areas highlighted below will help trade to use the full potential of the air cargo market from Gujarat.*

- 1. Infrastructure Constraint- Current facility for handling of Export / Import at Ahmedabad airport does not meet the current demand resulting in Ahmedabad losing some share of business to other gateways like Mumbai and Delhi. This not only increases the logistics cost of Export/Imports but is loss to airport operators as well.*
- 2. Insufficient Capacity for handling different types of temperature control Cargo - Gujarat being one of the major Pharmaceutical manufacturing hubs in the country, needs a better and bigger facility to process all types of temp control Pharma products at Ahmedabad airport.*
- 3. Insufficient capacity for handling Courier and Transshipment Cargo and as a result airlines are restricted to use the full potential of these products at Ahmedabad airport.*
- 4. Current export uplift from Ahmedabad airport is restricted to around 4000 tons (it does not include the International Import, Domestic Cargo, Bonded Cargo and the Cargo diverted directly to other gateways) per month and will continue languishing at this level until the capacity is augmented.*

*Considering the Govt. of India's vision and the industry growth prediction in the next 05-10 years, Ahmedabad airport will require infrastructure development support for processing Export/Import from Gujarat at least 03 time more than its current capacity to cater the growing demand from trade. Considering the future industrial growth from Gujarat, specially in manufacturing sector, the air cargo demand is expected to grow exponentially and with the required support from airport operators as well as concerned Govt agencies in augmenting the facility and providing solutions for ease of doing business will further boost the business from Gujarat. **In view of the above we suggest that airport operators should develop the infrastructure and increase capacity aggressively to meet future demand to meet the trade expectations. We would also like to suggest that the airport operator develop the new proposed ICT at Ahmedabad International airport at maximum capacity in line with its proposal as mentioned in its consultation paper which will resolve all issues faced by trade due to the limited capacity of the current facility."***

7.10.15. IATA stated that - *"IATA participated in the virtual consultation meeting by the Ahmedabad International Airport Limited (AIAL) in January 2022 and has provided our comments on the development plans based on best practices elsewhere. Our participation should not be construed as validation and support of the proposed capital expenditure projects. IATA has highlighted the need to establish a robust consultation framework with early and ongoing engagements with stakeholders throughout the lifecycle of the assets. This would be in the best interests of all parties and would help to support the assessment and validation by AERA to deliver the required CAPEX efficiency. We reflect on AERA's well-established process to identify PIF to inform decisions, which has been applied piecemeal and rather ineffectively for this process so far."*

7.10.16. IATA stated the following, *"Improvement in CAPEX program governance is needed to ensure that only critical and demand-driven investments are prioritised following consultation and endorsement from the airline community. Ongoing monitoring of CAPEX items against the agreed business case following assets capitalization is needed focused on confirmation the airport operator is delivering on the agreed benefits/objectives, and consulting on changes that impact costs, programme or quality. AERA's PIF and consultation process is very helpful in this regard, and we encourage it is*

implemented consistently throughout the project lifecycle. An issue to carefully consider is the capacity being planned resulting from the combined refurbishment of T1 & T2 and the new integrated terminal, that would result in substantial, excess capacity of +80% even if the airport's high case growth scenario in FY26 materialises (that is not guaranteed). Based on IATA's high-level capacity and demand analysis taking into account global best practices and design efficiency, the new integrated terminal alone is of sufficient size to accommodate 100% of the airport's demand in FY26. Applying IATA's benchmarks, a refurbished T1, T2 and new terminal could result in an excess of up to 129,000m² of terminal infrastructure with the associated costs. This reinforces the need for a phasing strategy linked to demand triggers, also considering traffic forecasts beyond the TCP. Critical principles here are to ensure that Airlines:

- Do not pay for infrastructure where there is no beneficial use for consumers – passengers and airlines. This includes OPEX which we note is proposed to increase as a result that is not acceptable for users without a unit cost reduction.
- Do not pre-fund infrastructure developments e.g. we would not pay for a car to cross a bridge before the bridge is built.
- Phasing infrastructure is critical to ensure capacity and demand balance, and airport charges are affordable. Demand triggers for investment taking into account demand, level of service and design, development and construction timeframes.
- Technology as a method to address efficiency should be reviewed and emphasized to a greater extent, both in T1 and T2 where this is almost non-existent and within the new terminal development. Airports such as BLR are capitalizing on a technology strategy to drive efficiency and improve passenger flows to maintain an Optimum level of service.
- Both airports (via Airports Council International - ACI) and airlines have committed to net zero targets by 2050 and there is very little proposed or assessed regarding carbon impacts of construction e.g. CO₂ equivalent per sq. m. We urge some consideration of these elements as again, oversizing infrastructure results in unnecessary emissions. Green investments should be subject to a robust business case process similar to other investments

Phase 1 of the New Integrated Terminal Building is proposed to be commissioned in February 2026 at an estimated cost of INR 4,115.3 Cr. Considering the principles we have stated above, we urge AERA to include this cost only in the Fourth Control Period, following an assessment of capex efficiency.

Overall, we welcome and support AERA's assessments and constructive scrutiny of the proposals and agree in broad terms with the investment incentives to deliver infrastructure on time or be faced with a 1% penalty. This is as much about the delivery of beneficial assets to users based on what they require (not what the concession agreement states) as well as financial elements.

Management of risk, inflation and change control processes is essential, both now in determining the TCP and during the control period to proactively manage these elements and avoid retrospective assessments. Risk liabilities should be mitigated and capped to the greatest extent possible during the design and procurement phases.

- 7.10.17. IATA stated that - "Fuel Infrastructure: IATA is concerned with the airport's involvement as the sole provider of into-plane services. Given the traffic projections by the airport, the volumes would be large enough to justify two independent providers. We therefore recommend the airport have in place two independent into-plane service providers. It is also recommended that airport operator should consult with the users regarding the development of the new centralized fuel infrastructure. Under 1.6.3. in the CP, it is stated that the fuel farm operations have been factored in the ARR of the Airport Operator,

however, Capex, depreciation, operating expenses and revenues with respect to the fuel farm operations and facilities have been presented separately in the respective sections.

- We would like to seek clarity if the Capex for fuel infrastructure is included in the RAB of the airport.
- AERA usually regulates fuel infrastructure separately at the other major airports such as DEL, BOM, BLR and HYD as the fuel infrastructure is owned by a separate entity. Presumably, this will not be the case for AMD with the airport owning the infrastructure? It is important to clarify how are the fuel tariffs then determined assuming that the capital cost of the fuel farm is included in the airport's RAB.

7.10.18. IATA stated that - "Cargo Infrastructure: New Integrated Cargo Terminal (ICT) is being developed by the airport operator and separately AAICLAS is developing its own facility. Competition in the provision of cargo services is most welcomed. However, the planning of infrastructure developments could be better coordinated & phased to meet cargo demands without stifling competition. There is a need to ensure that no significant excess capacity is planned as all associated costs could be passed on to users by AIAL."

7.10.19. APAO has submitted that, "Earlier in month of September 2022, we provided our comments on the Consultation Paper for Mangaluru Airport, we look forward for the final order to be released by the Authority and to provide clarity on the important points pertaining to the principles to be adopted for these new Concession Agreement. The approach to be adopted by the Authority is keenly awaited by the private operators, lenders, investors who have shown faith in the Aviation sector. Most of the issues which APAO would like to raise in the SVPIA's Consultation Paper are of similar to that of Mangaluru Airport: Soft costs claimed by the Airport Operator is reduced to half from 16% to 8%."

7.10.20. BIAL stated that - "Soft Costs proposed by AERA for capital expenditure: The Authority has proposed soft costs based on the approved levels for other PPP airports such as HIAL, BIAL, DIAL etc. Every project is different in terms of size, scope, complexity, and design. We do not agree to the approach of "once size fits all" basis adopted by the Authority for all airports. The Authority had, in the past, adopted a similar approach in the case of BIAL, wherein in the second period control period tariff order, AERA had benchmarked BIAL's soft costs against expansion works of select AAI airports whose size, scope, complexity and design, were not comparable to that of BIAL. For the given scope and complexity of work and stage of design (conceptual/schematic/detailed) being carried out by the airport operator, AERA can easily ask a technical consultant to provide validation on the soft costs proposed by the airport operator. Instead, the Authority is making a fundamental error in comparing various airports, well aware that such comparison is erroneous and not justifiable. We request AERA to clearly evaluate the various components of proposed soft costs in a more scientific and logical manner and put up such findings in the consultation paper and not resort to this approach of using benchmarks which do not take into consideration, the specific factors mentioned above."

7.10.21. FIA stated that - "The entire ecosystem needs to be operationally efficient, which can be brought about, amongst other things by capital expenditure efficiency studies, which AERA is requested to conduct.

Para 7.3.14 (read along with Para 14.2.3 to 14.2.6) and Table 76 & Table 83:

Capitalisation of Terminal Building: It is to be noted that, as per Table 76, the expected traffic is only 19.85 MPPA by the end of the Third Control Period (2026), whereas AIAL has proposed to increase the capacity by the commissioning of the NITB Phase 1 to 36.6 MPPA by the end of 2026. AERA has itself pointed out in para 7.3.14 of the CP, that there is gap in capacity planning by AIAL and has recommended expansion and development of the airport in a modular fashion. In view of the above, it

is humbly requested that AERA may allow only necessary modifications while taking normative approach which matches the capacity to projected traffic and avoids undue stress on the Airport end users. This view is also supported by National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/masses. Which has also been conveyed by AERA vide its Order No. 14/2016-17 dated 12th January 2017. Considering the above points, it is stressed that the expansion of the terminal building and its capitalisation should be split into at least two (or more) control periods, as per the expected traffic trends estimated at the end of each control period.

Para 7.3.15 & 7.3.18: We request that AERA applies the normative norms for the capex projects as mentioned under AERA Order No. 7/2016-17 dated 13 June, 2016 in order to keep the overall cost control and efficiencies in capex projects.

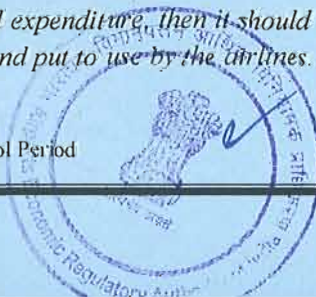
Para 7.3.160: It is mentioned that AIAL has estimated storage requirement to be 700 KL per day (pre-COVID) i.e., 5000 KL storage demand based on 7 day requirement and is proposing a greenfield project of 8,000 KL capacity. While it is appreciated that AERA has reviewed the same and is proposing 5,00 KL as Phase 1, already all OMC's together combined capacity of ATF fuel facility has a storage capacity of approx. 2810 KL, can it please be clarified the reason to build additional storage capacity of 5000 KL within the Third Control period, as even if the pre COVID-19 volumes are doubled per day to 1400 KL per day during the Third Control Period, the current storage facility is more than sufficient to cater to this demand during the Third Control Period. It is requested that the same may be kindly reviewed and the need for expansion in the storage capacity, which has been proposed to be capitalised at RS. 135.87 Crores be please put on hold until the next control period. Accordingly, the proposal of the AIAL in its MYTP for the revised pricing for Fuel Infrastructure Cost, Aircraft Defueling and Re-fuelling of defueled products may kindly not be accepted.

Para 7.3.183: We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), is made by AERA for capital expenditure projects is/are not completed/capitalised as per the approved capitalisation schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Fourth Control Period.

Para 7.3.184: We observe that AERA has remarked on the trend of revisions to the capital projects does not instill confidence in about the near and long-term planning of capital projects by AIAL. In this regard, we urge AERA to undertake an independent study on Efficient Capex at Ahmedabad International Airport.

Para 7.7.3 Table 161: While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets', it is pertinent to note that useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as sixty (60) years and aprons have it for as long as ninety-nine (99) years. FIA submits that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA and accordingly AERA should prescribe sixty (60) years for the 'Building' including 'Terminal Building as' is practiced by some of the developed aviation ecosystem.

In addition to above, in order to support the airlines to continue and sustain its operations, it is requested that all non-essential capital expenditure proposed by Airport operator be put on hold/deferred, unless deemed critical from a safety or security compliance perspective. Further, in case Airport operator wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use by the airlines. And lastly, we appreciate AERA's



consideration of deferring few proposed Capex projects from the Third Control Period to the Fourth Control Period."

7.11. AIAL's responses to Stakeholders' comments regarding CAPEX, DEPRECIATION and RAB for the Third Control Period

- 7.11.1. AIAL's response to the various Stakeholders' comments with respect to Capex, Depreciation and RAB for the Third Control Period is presented below.
- 7.11.2. With respect to FIA's comment on *"The entire ecosystem needs to be operationally efficient, which can be brought about, amongst other..."*, AIAL stated that - *"Airport Operator conducted the Airport User Consultation Committee (AUCC) Meeting on 21st Jan 2022, with all the stakeholders and discussed the Capital Expenditure proposed to be undertaken during the Third Control Period of FY 2021-22 to FY 2025-26 in detail. The meeting was attended by various airport stakeholders such as IATA, FIA, Indigo, SpiceJet, Vistara, Fly Dubai, Singapore Airlines, AAI, BCAS, TAAI and Immigration etc. AIAL had given a detailed presentation and justification for the capital expenditure planned by the Airport Operator taking into account the existing challenges in AIAL pertaining to constraint capacity vis-à-vis passenger growth, location, topography, weather conditions, limited availability of land, etc. Further, the Authority as part of its examination of the Aeronautical Capital Expenditure submitted by the Airport Operator had raised queries and sought clarification on the essentiality of the capital expenditure and had been provided the necessary documents such as project cost estimates, technical Consultant's report, design, drawings, plans, inspection report issued by various authorities etc., substantiating the capital expenditure proposed by the Airport Operator in the MYTP. The Authority convened meetings with the representatives of the Airport Operator along with AERA's consultant to obtain clarification regarding its queries on the ongoing and new projects proposed by the Airport Operator and reviewed all the necessary details and documents. It is to be noted that AIAL has been very diligent in providing capex related information including the updates for some of the projects worth approx Rs. 200 Cr (including relocation of Torrent Power Station, Terminal Works etc) which were later dropped by AIAL and the same were communicated to the Authority's consultant and AERA. Further, the Authority by themselves and through their consultant (including technical expert) have analyzed each project from the perspective of requirement and cost efficiency very minutely which is reflected in the Authority's comments in the Consultation Paper as well. Given the above steps taken by the Airport Operator and Authority, we feel there is no need to do another separate study on efficiency of capex."*
- 7.11.3. With respect to FIA's comment on *"Para 7.3.14 (read along with Para 14.2.3 to 14.2.6) and Table 76 & Table 83: Capitalisation of Terminal Building:..."*, AIAL stated that - *"AIAL has provided detailed response on the capacity of Terminal Buildings as part of its response to CP (refer point 1.1 and 4.1 of AIAL's comments on CP vide letter dated 21st Nov 2022). In order to avoid repetition, request to refer the same."* (Refer para 1.6.6 and para 7.10.2 of AIAL's comments on CP vide letter dated 21st Nov 2022).
- 7.11.4. With respect to FIA's comment on *"Para 7.3.15 & 7.3.18; We request that AERA applies the normative norms..."*, AIAL stated that - *"We request the stakeholder to kindly refer the relevant points in the Consultation Paper, like 2.1.4 (iii), 7.3.19, 7.3.33, 7.3.48 to refer to a few. The Authority has applied the normative guidelines while assessing the costs of the new Capex projects submitted by the Airport Operator."*
- 7.11.5. With respect to FIA's comment on *"Para 7.3.16-17; It is mentioned that AIAL has estimated storage requirement to be 700 KL per day (pre-COVID) i.e. 5000 KL storage..."*, AIAL stated that - *"Currently requirement of whole airport is around 200 KL per day, and total storage capacity is 2,810*



KL. Thus, the total storage is equivalent to just 4 days of throughput. As per industry practice, the open access Fuel Farm should have storage equivalent to 8-10 days of throughput taking into account the unforeseen situations, which otherwise could directly affect aircraft operation. Other PPP Airports like DIAL and MIAL follow 10 days of storage requirement. With anticipated growth at AMD during this control period, current 4 day's coverage will further come down. To remove these bottlenecks, AIAL is building an open access fuel farm of 8,000 KL capacity with a provision for hydrant. This capex is required to enable facility to cater the airport's demand for the whole control period in a safe and reliable manner."

- 7.11.6. With respect to FIA's comment on "Para 7.3.183; We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR....", AIAL stated that - "It is to be noted that AIAL is only undertaking capital expenditure which is necessary for safety, security and convenience of airport users and same has been proposed by AERA in RAB or actual incurrence basis. As per AERA regulatory framework, return is given only when assets are capitalized. There is no additional expense to the airlines until the project is completed and put to use. Regarding the Authority proposal to disincentivize the AO by reducing 1% of the project cost in case of delay in implementation of the project, it is to be noted that it is in the interest of AIAL to complete the project as per schedule as delay in completion implies denial of return on such asset and depreciation. However, there could be delays due to various un-certainties, especially in present situation. There may be shortage of manpower, funds, force majeure, and unforeseen event, for any reason including but not limited to the scarcity of raw material, finished goods and manpower due to pandemic. One of the principles for tariff fixation stipulates, incentive for undertaking investment in timely manner. Instead of providing incentive for timely completion of project the Authority is proposing a disincentive due to delay."
- 7.11.7. With respect to FIA's comment on, "Para 7.3.184 We observe that AERA has remarked on the trend of revisions to the capital projects does not instill confidence...", AIAL stated that - "In the previous paragraphs (point 1.5), we have already detailed the steps taken by the Airport Operator and the Authority on the basis of which the capital projects and cost estimates have been arrived at. We would like to re-iterate what was mentioned in the minutes of the AUCC conducted on 21st Jan 2022, that the Master Plan had gone through a rigorous exercise. AIAL is proposing only those projects which are critically required for safe and secure operations and customer experience. We have provided all the information to AERA and its consultant as and when requested by them. Accordingly, AERA has taken considered view on the Capex proposal as provided in the Consultation Paper. In respect to both short term planning and long-term planning, the Master Plan is submitted to relevant authorities who have appreciated the meticulous planning done by AIAL. We reiterate our views that there is no need to undertake a separate study on Efficient Capex at Ahmedabad International Airport. The comment from the stakeholder reflects that stakeholder is doubting the detailed examination of capex conducted by the independent regulator in fair and transparent manner."
- 7.11.8. With respect to FIA's comment on "Para 7.7.3 Table 161; While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18....", AIAL stated that - "AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets' carries a note on the useful lives of buildings as follows:

3	Terminal Building (including VIP Terminal, Bus Terminal, Haj Terminal)	30/60	2.33/ 1.67	Either 30 years or 60 years as evaluated by the Airport Operator
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Further it is to be noted that the Concession Agreement is valid for 50 years. Therefore, the life of any asset cannot be more than the life of the Concession Agreement. In AIAL's estimation, the useful life



should be 25 years as substantiated by the technical study conducted by an independent expert. Given the AIAL estimation, the Authority has considered it to be 30 years in line with other Airports."

- 7.11.9. With respect to FIA's comment on *"In addition to above, in order to support the airlines to continue and sustain its operations, it is requested that..."*, AIAL stated that in order to avoid repetitions on this matter, Para 1.6.6 and 7.10.2 can be referred for the same.
- 7.11.10. With respect to IATA's comment on *"IATA participated in the virtual consultation meeting by the Ahmedabad International Airport Limited (AIAL) in January 2022 and..."*, AIAL stated that - *"Pursuant to the provisions contained in the AERA Guidelines, AIAL invited the stakeholders for attending a consultation meeting to discuss the capex above Rs 15 Crores (5% of opening RAB) planned in the Third Control Period (1st Apr 2021 till 31st March 2026). The meeting was held over video conference on 21st January 2022. Project Information Files (PIF) in respect of planned capex projects were shared beforehand with the stakeholders. Meeting was attended by various airport stakeholders including but not limited to IATA, FIA, Indigo, SpiceJet, Vistara, Fly Dubai, Singapore Airlines, AAI, BCAS, TAAI and Immigration. AIAL had given a detailed presentation and justification for the capital expenditure planned by the Airport Operator taking into account the existing challenges in AIAL pertaining to constrained capacity vis-à-vis traffic growth, location, topography, weather conditions, limited availability of land, etc. Airport Operator has submitted only the efficient costs that are necessary and critical for the safety, security and convenience of the passengers. Same has been duly reviewed and rationalized, by the Authority and Independent consultant appointed by the Authority, in various heads of operational and capital expenditure."*
- 7.11.11. With respect to IATA's comment on *"An issue to carefully consider is the capacity being planned resulting from the combined refurbishment of T1 & T2 and the new integrated terminal..."*, AIAL stated that - *"AIAL has provided detailed response on capacity of Terminal Buildings as part of its response to CP (refer point 1.1 and 4.1 of AIAL's comments on CP vide letter dated 21st Nov 2022). In order to avoid repetition, request to refer the same."* (Refer Para 1.6.6 and Para 7.10.2 of this Tariff Order)
- 7.11.12. With respect to IATA's comment on *"Overall, we welcome and support AERA's assessments and constructive scrutiny of the proposals and agree in broad terms with the investment incentives to deliver infrastructure on time or be faced with a 1% penalty..."*, AIAL stated that in order to avoid repetitions on this matter, AIAL's remark in Para 7.11.7 as response to FIA's comments, can be referred to.
- 7.11.13. With respect to IATA's comment on Fuel infrastructure, AIAL stated that - *"Different Airports adopt different business models. At Hyderabad Airport, the Fuel Farm infrastructure is owned by Airport Operator and this model has been prevalent since last 15 years. The business model is well accepted by AERA for last three Control Periods for Hyderabad Airport. AIAL has adopted the established best practice. AIAL is performing the into-plane services by itself unlike some other Airport Operators who have outsourced it to independent service providers. Hence the question of engaging another player for such service does not arise. Open Access fuel infrastructure is a mandated requirement under the CA. The methodology and business model were explained in the AUCC held on 21st Jan 2022 and users (OMCs) were duly consulted. As explained by AERA in point 1.6.3 of the CP, the fuel farm operations have also been factored in the ARR of the AO, however, the major components such as capital expenditure, depreciation, operating expenses and revenues with respect to the fuel farm operations and facilities have been presented separately in the respective sections. Similarly, revenue generated from these operations also have been factored in as AERO revenue"*
- 7.11.14. With respect to IATA's comment on Cargo infrastructure, AIAL stated that - *"AIAL is planning infrastructure considering future growth of Ahmedabad air cargo market and capacity constraint considering the current available infrastructure, wherein airlines are also not utilizing their flight*



capacities upto potential. Ahmedabad Airport is expected to attract considerable surge in air cargo volumes in near future. The growth is expected due to addition of more airlines and freight forwarders choosing Ahmedabad as their preferred gateway for air cargo movement and growing importance of Gujarat as the epicenter of production activities. Airlines and freight forwarders will need to have sufficient confidence in terms of available capacity. Air Cargo Forum India (ACFI) in its comments on CP submitted that, "considering the Govt. of India's vision and the industry growth prediction in the next 05-10 years, Ahmedabad airport will require infrastructure development support for processing Export/Import from Gujarat at least 03 time more than its current capacity to cater the growing demand from trade. Considering the future industrial growth from Gujarat, especially in manufacturing sector, the air cargo demand is expected to grow exponentially and with the required support from airport operators as well as concerned Govt agencies in augmenting the facility and providing solutions for ease of doing business will further boost the business from Gujarat. Based on our interaction with industry players, trade partners, business associations, we expect that volume to surpass over 300,000 MT by FY30. In order to cater to the same, infrastructure to be built at least 4-5 years ahead of demand. For any cargo terminal, to meet optimum service standards, capacity utilization should be close to 75%. Hence the proposed maximum capacity by AIAL of 276,000 MT is built till FY 26, the optimum operational capacity will be approx. 200,000 MT. Therefore, to cater to the projected demand of over 300,000 MT in FY30, infrastructure development and capacity infusion in line with our proposal becomes a necessity. While AERA has allowed Phase 1 of the development, we request AERA to allow maximum capacity of cargo developments, to be considered in the next control period on incurrence basis."

- 7.11.15. With respect to ACFI's comment, AIAL stated that - "Air Cargo Forum India (ACFI) has highlighted the potential air cargo market at Ahmedabad and its catchment area. They have highlighted the urgent need to enhance the cargo capacity at Ahmedabad which will help to reduce the logistics costs and ultimate cost to the users. ACFI has appealed to allow AIAL develop maximum capacity of cargo facility as proposed in the MYTP. AIAL acknowledge the request from ACFI and the trade partners. AIAL has proposed to create a greenfield Integrated Cargo facility with annual capacity of 276,000 tonnes in phases. While AERA has allowed Phase 1 of the development, we request AERA to take cognizance of the need of the trade partners and allow maximum capacity of cargo developments, to be considered in the next control period on incurrence basis."
- 7.11.16. With respect to BIAL and APAO's comments regarding soft costs, AIAL has stated that BIAL and APAO have supported AIAL's submissions and comments regarding the same. AIAL has also submitted its detailed explanations and justifications on all the matters as part of its response to the Consultation Paper. Further, AIAL requests the Authority to consider the well-reasoned comments provided by AIAL which are duly supported by the aforementioned Stakeholders.

7.12. Authority's analysis of Stakeholders' comments on CAPEX, DEPRECIATION and RAB for the Third Control Period

- 7.12.1. The Authority has carefully reviewed the AO's submission regarding the operational capacity of the terminal and is of the following view:
- The Authority notes the comments of IATA & FIA on the capital expenditure proposed by AIAL and the suggestions therein that the tariffs shouldn't be increased in the current control period in view of the challenges faced by the aviation industry that is recovering from the impact of the COVID-19 pandemic. During the Stakeholder consultation meeting held on 09th November 2022, various Stakeholders had commented that (refer to minutes) capex should be contained. The Authority during its airport visit on 15th and 16th November 2022 assessed the current progress of various projects including the NITB Phase 1 and notes that this project is in



preliminary stages of planning and even the RFP has not been floated yet. It was also observed during the visit by the Authority that the design of the NITB is currently in preliminary stage. Therefore, even if the construction were to begin in mid-2023, it is quite unlikely that the project would be completed in the current control period.

- ii. It is also imperative that AIAL had signed the Concession Agreement for SVPIA on 14th February 2020 and COD was achieved on 07th November 2020. Master planning and conceptualization of all major capital expenditure was initiated post the signing of the CA. Therefore, the Airport Operator was well aware of its obligations as per Schedule B of the CA, the provisions of which requires that *“the organization of the spaces and structural design of the terminal should be modular thereby allowing flexibility and ease of expansion”*. Further, the CA requires the Airport Operator to *“develop an integrated terminal building, which is efficiently planned, flexible for phase-wise development, sustainable and economical”*.
- iii. The Authority had noted during the consultation stage (Refer para 7.3.14) that there is a gap in capacity planning since the forecasted traffic in FY 2026 is 19.85 MPPA whereas the combined capacity of the passenger terminals would be 36.8 MPPA. In its comments on the Authority's proposals in the Consultation Paper No. 10/2022-23, AIAL has highlighted that post commissioning the Phase I of the NITB, the domestic traffic from T1 would be shifted to the NITB and T1 will be decommissioned and demolished to make way for future phase 2 of NITB in the next control period. IATA in its comments on the Consultation Paper has rightly pointed out that the capacity of NITB Phase I itself would be sufficient to handle the entire traffic demand in FY 2026. Further it would be pertinent to note that the modified and refurbished T2 would be available for use at this stage with an enhanced capacity of 8.8 MPPA over and above the 20MPPA capacity of NITB Phase I. Therefore, it is evident that despite the provisions of the Concession Agreement listed above, the Airport Operator has not followed a modular approach in capacity creation vis-à-vis the traffic demand at the airport.
- iv. It would be pertinent to note that as per the proposal of AIAL, NITB Phase I would be commissioned in February 2026. Even if the new terminal were to be commissioned as per the original proposed timeline, the terminal would be available for use by passengers only for two months in the Third Control Period. However, based on the current stage of the project, it is unlikely that the terminal would be available for use in the current control period. Therefore, it would not be fair to charge users for assets that are not made available for their use. As highlighted by stakeholders, it is important to ensure that infrastructure developments are not prefunded and infrastructure phasing must be such that there is capacity and demand balance, and airport charges are affordable.
- v. In view of the above, the Authority decides to not consider the cost towards NITB Phase I as part of the capital expenditure for TCP. However, in the off chance that the new terminal is commissioned in the last year of the current Control Period, the same would be taken into consideration by the Authority at the time of true up of the Third Control Period subject to the efficiency and reasonableness of the costs incurred.
- vi. In the current situation AERA has only considered the capex which is essential and justified. The Authority also decides to carry out an independent study to assess the efficiency and reasonableness of the capital expenditure incurred, at the time of true of the Third Control Period.

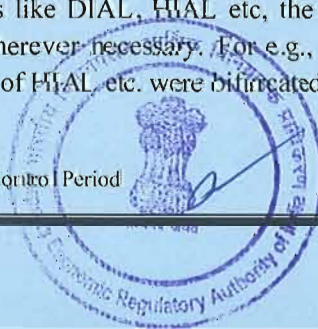
7.12.2. The Authority has examined the comments of AIAL on Terminal Building ratio. It is pertinent to note that a part of the Terminal building, its assets and investments made therein also enable the AO to generate non-aeronautical revenue apart from the provision of aeronautical services. In order to account for the contribution of these assets in the generation of non-aeronautical revenue, it is important to

bifurcate the assets into aeronautical and non-aeronautical. Further, as mentioned in the case of AAI, the Authority feels that there should be efforts by the AO to increase the efficiency in the operation of airports in generation of Non-aeronautical Revenue. Therefore, the Authority decides to consider the ratio of Terminal building as 90:10 (Aeronautical: Non-aeronautical), in line with the IMG recommendations and IATA norms and as followed in other similar airports. AERA contends that merely accepting the ratios provided by Airport Operator would not bring in efficiencies in the airport operations. This exercise is undertaken by AERA across all Major Airports, during tariff determination and AIAL is no exception.

- 7.12.3. The Authority reviewed the AO's comment relating to Distribution network for all Utilities and is of the view that the cost estimate of the individual projects listed by AIAL already account for the necessary utility installations, therefore, applying an additional percentage over and above the total cost would result in double counting of expenses. Therefore, the Authority doesn't find merit in AIAL's submission. The Authority has considered only the efficient and justifiable CAPEX which are necessary for the smooth/safe operation of the Airport in the TCP. As previously mentioned in Para 7.12.1 of this Tariff Order, the Authority would commission an Independent Study to assess the reasonableness of the capital expenditure incurred and accordingly, true up the capital expenditure based on the outcomes of the same at the time of tariff determination for the Fourth Control Period.
- 7.12.4. With respect to AIAL's comment regarding AERA's proposal at various clauses to consider various projects as 50% Aeronautical, the Authority is of the view that for CAPEX pertaining to passenger amenities at landside, it was observed at the Consultation stage that this space also includes commercial spaces such as Cafeteria, Pharmacy and Salon (Refer para 7.5.4). Therefore, the Authority is of the view that this area equally caters to the airport users and the commercial activities targeted at meeters and greeters. Similarly, for CAPEX pertaining to landside road projects, it was observed at the Consultation stage that the landside areas also cater to the significant development planned by the Airport Operator on the cityside (Refer para 7.5.5). Therefore, allocating such assets using the Terminal Building ratio would result in disproportionate allocation towards aeronautical activities. Hence, the same had been classified as Common and bifurcated in the ratio of 50:50. The Authority would like to state that it had taken appropriate decisions after thorough examination of the various CAPEX projects like passenger amenities at landside (part of Upgradation / Modification in existing Terminal Building T1 and T2), landside road network and Landscaping & Horticulture and road works under Multi Modal Transport Hub before bifurcating the same in the ratio of 50 : 50 (aero : non-aero). The details are given in the Consultation Paper No. 10/2022-23 (Refer para 7.5.4 till para 7.5.6). Further, the various capital expenditure works proposed by the AO is still at the planning stage and their actual utilization remains uncertain. It would not be fair to charge users for assets that are not made available for their use. The exact utilization of areas and assets would only be clear once the projects are completed, and the facilities are put to use. The Authority would examine the same at the time of true up of the Third Control Period before finalizing the allocation of assets.

However, the Authority notes that the construction of temporary roads is primarily on account of construction of new road base for NITB Phase I. Therefore, the Authority decides to bifurcate the cost towards construction of temporary roads in the ratio of 90 : 10 (aeronautical : non-aeronautical).

With respect to AIAL's comment which states that "*The treatment of these projects as 50% Aeronautical Assets provides discriminatory treatment to AIAL without any rational, undermining the definition under the CA and is against the already established principles*", AERA would like to state that in case of other PPP Airports like DIAL, HIAL etc, the ratio of 50 : 50 (aeronautical : non-aeronautical) had been applied wherever necessary. For e.g., Transit House in the case of DIAL, Vehicle fueling stations in the case of HIAL etc. were bifurcated in the ratio of 50:50%. Therefore, the

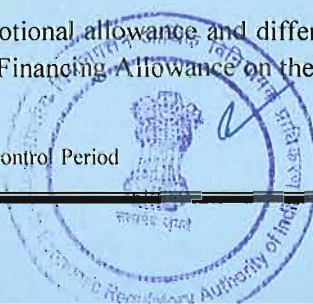


Authority sees no merit in the AO's submission and finds no reason to deviate from its proposal stated in the Consultation Paper No. 10/2022-23.

Further, as mentioned in Para 7.12.1 of this Tariff Order, the Authority decides to carry out an independent study to assess the efficiency and reasonableness of the capital expenditure incurred, at the time of true of the Third Control Period. This Study would assess the utilization of assets for various activities and accordingly allocate assets as per the appropriate methodology.

7.12.5. The Authority post its examination of the comments of AIAL on financing allowance, states the following:

- i. The Authority considered that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an Airport Operator and may require revisiting the return on equity allowed to Airport Operators as the investment in the asset class will then be equated to risk free rate of return.
- ii. Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.
- iii. Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.
- iv. SVPIA is a brownfield airport, therefore, the operations at SVPIA are stabilized which reduces the construction and traffic risk as compared to a greenfield airport. Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, Airport Operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such greenfield airports. It may be further noted that the Authority has never provided financing allowance in the case of brownfield airports in its any of the Tariff Orders. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which such allowance (IDC) was permitted only on the debt portion of the proposed capital expenditure.
- v. It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports can't be equated on this issue. In greenfield airports, the tariff is not applicable and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, in a scenario where the AO brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional and the AO keeps on enjoying the charges from the users. , In the case of AIAL, since new projects have included mobilization of existing operations, the said Airport is ought to be considered as a brownfield airport, which in the opinion of the Authority would not be eligible for an allowance on the equity portion of newly funded capital projects.
- vi. Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would



lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt. Further the Authority opines that Financing allowance should be provided only on the debt borrowings availed for execution of a project.

- vii. AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on both equity and debt portion of the capital expenditure. The proviso to Section 13 (1) (a) states 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) of Section 13 (1) (a)".

Based on the above, the Authority is of the view that there is no reason to deviate from the proposal made by it regarding Financing Allowance in Consultation Paper No. 10/2022-23 (Refer para 7.3.179). Therefore, the Authority sees no merit in the AO's contention.

- 7.12.6. The Authority examined the AO's comment relating to Cost for Annex Building of Hangars and understands that the cost proposed by the AO were based on estimates. As mentioned in previous paras, the Authority proposes to carry out an independent study to assess the efficiency and reasonableness of the capital expenditure incurred, based on the outcomes of which the cost towards Annex building would be trued up at the time of determination of tariff for the Fourth Control Period.
- 7.12.7. The Authority has reviewed the AO's comment relating to Cargo Equipment and noted that the AO has submitted a LoA amounting to INR 48 Cr. The Authority decides to allow the CAPEX of INR 48 Cr. as per the LoA submitted by the AO and consider 50% of the remaining costs proposed, as part of the capital expenditure for the TCP. The same will be trued up based on actuals subject to efficiency and reasonableness at the time of tariff determination for the Fourth Control Period.
- 7.12.8. The Authority after examining the comments of AO, APAO and BIAL relating to soft costs would like to state that, the Authority had already undertaken a detailed analysis of the Costs claimed by AO towards Technical services, PMC, Contingencies, etc., and based on the same, proposed 8% of allowable Aero CAPEX in the Consultation Paper. For other PPP airports such as HIAL, BIAL, DIAL costs pertaining towards various technical services, preliminaries, pre-operatives, insurance/statutory payment, contingencies etc had been considered in the past in the range of 8% - 11% of the project costs. The Authority is of the view that 16% claimed by the Airport Operator is not justified and does not in built the efficiencies. The Authority clarifies that the 8% allowed on Aero CAPEX is in addition to the cost of Independent Engineer (whose roles and responsibilities has been defined in Clause 24.1, 24.2 and Schedule L of the Concession Agreement) which has been considered while determining ARR of AIAL for the Third Control Period. The Authority has also taken into consideration the need for rationalization of CAPEX at AIAL considering the adverse impact of the COVID-19 pandemic on traffic growth, Aeronautical revenues and profitability, while deciding on the allowable cost. After considering all the above factors, the Authority does not see any merit in the AO's comments and decides not to change its proposal considered at the Consultation stage (Refer para 7.3.174)
- 7.12.9. The Authority has taken note of AO's comments regarding the re-adjustment (reduction) of 1% of non-completed project costs in the ARR/target revenue. The Authority has drawn inference from other PPP airports, regarding a trend amongst airport operators, where capital projects are proposed in one Control Period and the same is postponed to the next Control Period. The Authority is of the view that such a practice is not in the interest of airport users as they start paying higher tariffs in anticipation of enhanced services against the proposed capital expenditure, which is eventually postponed to next Control period by the AO. The Authority notes that the AO has done due diligence while proposing the capitalisation schedule upon which tariffs are determined in the Third Control Period. Thus, the contention of AO to not readjust ARR if projects are not completed, is not justified. Accordingly, the Authority decides to readjust (reduce) 1% of the uncapitalised project cost from ARR/target revenue

during true-up exercise of the Fourth Control Period if any particular project is not capitalised as per the capex schedule approved in the tariff order. As already stated in the Tariff Order, the Authority clarifies that in case there is delay in completion of the project beyond the approved timeline given in the Tariff Order due to any reason beyond the control of AO or its contracting agencies and is justified, the same would be considered by the Authority at the time of tariff determination of the Fourth Control Period. Further, the Authority would like to state that the airport users pay a considerable price to avail services at the airport and any delay beyond its extended date of completion of the projects would result in the Airport Operator getting an undue advantage at the expense of the airport user as the Airport Operator would be able to recover the cost of investments without the investments happening' in the first place or the investment not culminating in asset capitalisation. The Authority has considered this rationale consistently in past for other similar airports, to provide for an adjustment cost to the extent of 1% of the uncapitalised project cost while determining RAB in the case of delay in capitalisation of the project beyond the stipulated dates. The Authority considers that such a provision would ensure that efficiency standards are maintained by the Airport Operator and would dis-incentivise AO from allowing the project getting delayed beyond the committed timelines for implementation of the project thereby ensuring efficiency in the cost incurrence. The same is a balancing exercise which ensures that the Airport Operator meets the commitment to complete the Project as per the schedule mentioned in the Tariff Order.

- 7.12.10. The Authority notes the comments of AO on financing allowance and true up of IDC at the time of tariff determination for the next Control Period. The Authority has provided its detailed comments on the Financing Allowance before and the same may be referred to. The Authority hereby clarifies that the IDC on the debt portion of the total value of the Aeronautical CAPEX will be considered at the time of true up of the Third Control Period, while determining tariff of the next Control Period, based on actual capitalization of the assets and the outcomes of Independent Study that the Authority will undertake in order to assess the efficiency and reasonableness of the capital expenditure incurred.
- 7.12.11. With respect to the AO's comment on the disclaimer provided in the Chapter 6 in the MYTP, the Authority has examined the comments of the AO relating to GST amount on RAB and CWIP invoices. The Authority decides to consider the statutory payments relating to GST amount on RAB and CWIP invoices, on actual incurrence basis, at the time of true up of the Third Control Period, while determining tariff of the next Control Period.

As mentioned in Para 7.3.182, the Authority notes that the AO would be eligible to claim GST Input Tax Credits on procurement of certain movable assets. The Authority expects that the AO would properly account for such credits in its submission in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 at the time of true up of the RAB for the Third Control Period. The Authority may examine the accounting of input tax credits and make necessary adjustments in this regard at the time of determination of tariffs for the Fourth Control Period.

- 7.12.12. With respect to the AO's comment on the disclaimer provided in the Chapter 7 in the MYTP, the Authority has examined the comments of the AO and the Authority decides to consider the statutory payments relating to registration charges as per the relevant provision under the Concession Agreement and the requirement for the same, based on actual incurrence by the AO, during true up of the Third Control Period, while determining tariff of the next Control Period.
- 7.12.13. The Authority has carefully examined the comments of ACFI regarding the new proposed ICT and is of the view that as mentioned in the Consultation Paper No. 10/2022-23, the proposed capacity of 1,80,000 MT for the Phase I of the Integrated Cargo Terminal (ICT) would be sufficient to handle the projected cargo traffic in the Third Control Period. It is important to ensure that infrastructure developments do not lead to the creation of over capacity as this would be detrimental to the Airport

users. Further, the Authority would like to point out that detailed analysis on the essentiality of the project, the projected cost and other related details has already been undertaken by the Authority before deciding on the allowable CAPEX during the Third Control Period.

7.12.14. The Authority has reviewed the comments from IATA and the response of the AO and has the following views:

- With respect to IATA's comment on Project Information File (PIF) and the consultation process on CAPEX, the Authority would like to state that the Appendix 1 of AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 clearly stipulates the procedure to be followed with respect to AUCC. The Authority directs the AO to strictly adhere to the same and include all the relevant Stakeholders in the process.
- As per the Guidelines, the minimum requirements, include:
 1. Justification, for the project, including if it will result in improvement in the quality of service, provision of new facilities among such other improvements.
 2. Options for development
 3. Airport traffic forecast and methodology thereof
 4. Project cost estimates and funding, including relevant benchmark information on costs
 5. Likely impact on Tariff(s) including, UDF, if any immediate and over the next 5 year period
 6. Proposed funding mechanism
- The Authority would like to point out that they have examined in depth the CAPEX proposals submitted by the AO for the Third Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX from time to time and has considered only such capital expenditure that are essential from safety/ security/ operational requirements or warranted by the terms of the Concession Agreement. As mentioned in para 7.12.1 of this Tariff Order, the Authority decides to not consider the cost towards NITB Phase I as part of the capital expenditure for TCP. The Authority also decides to carry out an independent study to assess the efficiency and reasonableness of the capital expenditure incurred, at the time of true of the Third Control Period.
- The Authority has drawn the inference from the AERA Guidelines, 2011 and the terms of the Concession Agreement for determining the necessary CAPEX for the Third Control Period of AIAL.
- Further, as mentioned earlier, an Independent Engineer has been appointed as per Clause 24.1, 24.2 and Schedule L of the Concession whose responsibilities include review, inspection, monitoring of the construction works and determining cost of such works/ services and their reasonableness.

With respect to IATA's comment on Fuel Infrastructure, the Authority has carefully examined IATA's comment and the response of the AO and is of the view that as mentioned by AIAL, equal access fuel infrastructure is a mandated requirement under the Concession Agreement. Further, as explained in the Consultation Paper No. 10/2022-23, the fuel farm operations have also been factored in the ARR of the AO, however, the major components such as capital expenditure, depreciation, operating expenses and revenues with respect to the fuel farm operations and facilities have been presented separately in



the respective sections. Similarly, revenue generated from these operations have also been factored in as aeronautical revenue.

With regard to IATA's comment on Cargo Infrastructure, the Authority is of the view that before deciding on the allowable CAPEX for ICT, in depth examination for the same had been carried out by the Authority. Additionally, the proposed capacity of 1,80,000 MT for the Phase I of the Integrated Cargo Terminal (ICT) was in accordance with the forecasted projected cargo traffic in the Third Control Period. The Authority is cognizant of the fact that excess capacity should not be created as the same would be detrimental to the Airport Users.

- 7.12.15. The Authority has examined the comments of FIA on conducting an independent study on the efficient capital expenditure in the Third Control Period and the response of the AO. In this regard, the Authority proposes to carry out an independent study to assess the efficiency and reasonableness of the capital expenditure incurred, based on the outcomes of which the Authority would take the necessary decisions with respect to the capital expenditure requirements for the next control period. Furthermore, the Authority has examined in depth the CAPEX proposals submitted by the AO for the Third Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX and has considered only such capital expenditure that are essential from safety/ security/ operational requirements or necessitated by the terms of the Concession Agreement. Also, Clause 24.1, 24.2 and Schedule L of the Concession Agreement defines the Roles and Functions of the Independent Engineer which includes review, inspection, monitoring of the construction works and determining cost of such works/ services and their reasonableness. Thus, the Independent Engineer has been appointed to review the capital projects at AIAL in accordance with the above-mentioned terms of the Concession Agreement.

With respect to FIA's comment on Capitalisation of Terminal Building, the Authority's view as per Para 7.12.1 can be referred to.

Regarding FIA's comment on Normative norms, the Authority has noted the comments of FIA and the response of the AO on application of normative guidelines for assessing capital expenditure projects of AIAL. The Authority would like to point out that as stated in the Consultation Paper No. 10/2022-23 (Refer paras 7.3.18, 7.3.19, 7.3.33, 7.3.47, 7.3.50, 7.3.57, 7.3.78, 7.3.81 of this Tariff Order) it has already made adjustments, wherever necessary, on the basis of inflation adjusted normative cost. However, the Authority is of the view that certain revisions are necessary in this regard and the same has been detailed in para 7.12.18.

On FIA's comment on Fuel, the Authority has reviewed the comments of FIA and the response of AO and provides its views as follows:

- The AO had proposed to develop an integrated Fuel farm facility to consolidate the fuel operations in a single location and provide open access fuel facility operations, as mandated by Clause 19.3 of the Concession Agreement.
- As mentioned in the Consultation Paper No. 10/2022-23, the work related to the fuel farm facility phase 1 has already commenced. Further, after analysing the fuel demand at the Airport, the Authority had proposed to defer the commissioning of Phase 2 of the new Fuel Farm Facility to the next Control Period in order to ensure that there is no creation of over capacity at the Airport.
- Considering the operational requirement of maintaining fuel throughput and the mandatory requirement under the Concession Agreement, the Authority decides to consider the Fuel Farm facility proposed by the AO. Therefore, the Authority sees no reason to deviate from its proposal at the Consultation stage.



With respect to FIA's comment on Efficient CAPEX Study, the Authority's view as per Para 7.12.1 can be referred to.

With respect to FIA's comment on depreciation, the Authority has examined the comments of FIA on the useful life of the Terminal Building and the response of the AO. As per Order No. 35/2017-18 dated 12 January 2018, the Authority has given the option to airport operators to decide the useful life for terminal buildings as either 30 years or 60 years. The AO, based on its assessment, has submitted the useful life for terminal building as 25 years, which the Authority has revised to 30 years, in line with its consideration of useful life of the Terminal Building of other similar airports and as per the requirement of the aforementioned Order No. 35/2017-18.

- 7.12.16. Regarding the cost towards Upgradation / Modification in existing Terminal Building, the Authority notes that the costs proposed by the AO also includes All-inclusive Comprehensive Maintenance Contract (AICMC) charges which should ideally be considered as R&M expenses whereas the Authority has allowed sufficient R&M expenses in proportion to the asset base of the AO to ensure proper upkeep and maintenance of airport assets. Therefore, inclusion of such expenses under RAB would result in double counting. Hence, the Authority has excluded such expenses from the cost towards Upgradation / Modification in existing Terminal Building, resulting in a reduction of approx. INR 24 Cr. in the base cost from that considered in the Consultation stage.
- 7.12.17. With respect to the construction of CISF barracks and Officers' Quarters, the Authority is of the view that the increased need for CISF personnel is also on account of the commissioning of the NITB Phase I. However, now that the NITB Phase I is not expected to be commissioned in the Third Control Period, the requirement of additional CISF personnel would also be reduced for the Third Control Period. Therefore, the Authority feels that the construction of the CISF barracks can be carried out in a phased manner and a portion of the same may be carried forward to the Fourth Control Period and additional capacity may be created as and when required. Hence, the Authority decides to consider only 50% of the proposed cost toward construction of CISF Barracks in the Third Control Period. In case additional capacity is required and the Airport Operator is forced to expand further in the Third Control Period itself, the same would be taken into consideration by the Authority as part of true up at the time of determination of tariffs for the Fourth Control Period subject to efficiency and reasonableness of costs incurred.
- 7.12.18. With regard to the normative cost for terminal buildings, the Authority notes that the WPI inflation rate in FY 2022 was abnormally high (12.97%). The Authority is of the view that, considering this high inflation rate on actual basis for inflation adjustment of normative cost would not reflect the true change in the cost for construction of terminal building. Hence, the Authority revised the inflation adjusted normative costs for construction of terminal building in FY 2022 considering a base cost of INR 1,00,000 per SQM for FY 2021 (Refer table 95) and a rate of 7.14% (average of WPI inflation in FY 2021 and FY 2022). Accordingly, the inflation adjusted normative cost for construction of terminal building in FY 2022 was determined to be INR 1,07,140 per SQM (excluding adjustment for GST). Further, the Authority notes that when the normative costs were determined vide AERA Order No. 7/2016-17 dated 13th June 2016, the prevalent taxes of 12% were included in the normative costs. Therefore, the Authority is of the considered view that only 6% additional provision needs to be made to account for the impact of GST as against 18% considered during the Consultation stage. After adjusting for the impact of GST, the normative costs for terminal building works out to be INR 1,13,568 per SQM in FY 2022.

Similarly, the Authority recomputed the inflation adjusted normative costs for construction of runways/taxiways/apron in FY 2022 and determined the same to be INR 6,004 per SQM (including 6% adjustment for impact of GST). The base cost was considered as INR 4,700 per SQM as per AERA

Order No. 7/2016-17 dated 13th June 2016 and actual WPI inflation rates for the period FY 2016 to FY 2021 were considered. The inflation adjustment is illustrated below.

Particulars (in INR)	Amount
Normative cost for runway/taxiway/apron in FY 2021 (Refer Table 108) (A)	5287
Inflation considered for FY 2022 [#] (B)	7.14%
Inflation adjusted normative cost in FY 2022 [C = A × (1 + B)]	5664
Adjustment for impact of GST (D)	6%
Final cost in FY 2022 [C × (1 + D)]	6,004

[#]Average of WPI inflation for FY 2021 and FY 2022

Accordingly, based on the above revisions in the inflation adjusted normative cost, the Authority recomputed the allowable costs towards Upgradation / Modification in existing Terminal Building (A.4 in the table below), VIP/CIP Terminal (A.5 in the table below), Apron Improvement Works (B.2 in the table below), Taxiway Improvement Works (B.3 in the table below), Isolation Pad (B.5 in the table below), Hangars (E in the table below) (Refer table 276).

- 7.12.19. With respect to the cost towards landside drainage, the Authority would like to state that on reviewing the current status of the landside drainage during the site visit by the Authority and also referring to the details of BoQ shared by the Airport Operator it is observed that the total length of the landside drainage is 13 km instead of 15 km. The AO clarified that this was a computational error. Therefore, the Authority recomputed the cost of the landside drainage which amounts to INR 75.60 Cr as against INR 108.05 Cr. considered at the Consultation stage (excluding cost indexation and soft costs). The AO also made necessary adjustments in their cost considerations in this regard.
- 7.12.20. With regard to Airport Health Office, the Authority after its examination of similar facilities at other Airports is of the considered view that such facility should be made available by the State Government as is the case at other airports in the country. Further, as per Clause 2.3 of the CA, health services have to be provided by the Government since these are classified as reserved services. Therefore, the Authority decides to exclude the cost towards AHO from the capital expenditure for the Third Control Period.
- 7.12.21. AAI vide email dated 12th December 2022, provided their comments on the NATS Study on Airside Capacity for SVPIA. AAI has not highlighted any hindrances to the development plans proposed by the Airport Operator. The AO (AIAL) and ANS provider (AAI) shall work in tandem to ensure that the observations given in the NATS Report are taken care of to achieve the desired capacity.
- 7.12.22. Based on the above analysis and the revision in the inflation rates (Refer para 9.5.2), the aeronautical capital expenditure recomputed by the Authority for the Third Control Period is given below.

Table 175: Aeronautical capital expenditure decided by the Authority for TCP

S. No.	Particulars (INR Cr.)	Total Cost	Aero %	Aero Capitalisation					
				FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
A	Terminal Buildings								
A.1	Construction of New Integrated Terminal Building	-	90%	-	-	-	-	-	-
A.2	Construction of Roadway System New Integrated Passenger Terminal	251.11	90%	-	-	-	-	226.00	226.00
A.3	Substation (RSS/DSS) Building	79.67	90%	-	-	-	-	71.71	71.71
A.4	Upgradation / Modification in existing Terminal Building (Refer para 18.6.15)	798.80	84%	-	641.36	-	-	-	641.36

CAPEX, Depreciation and RAB for Third Control Period

S. No.	Particulars (INR Cr.)	Total Cost	Aero %	Aero Capitalisation					
				FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
A.5	VIP /CIP Terminal	34.24	90%	-	-	30.82	-	-	30.82
A.6	Minor Works – Terminal Buildings	19.50	90%	7.17	2.23	8.15	-	-	17.55
	Subtotal - Terminal Buildings	1,176.33		7.17	643.59	38.97	-	297.71	987.43
B	Runways, Taxiways & Aprons								
B.1	Major Rehabilitation of RWY	367.60	100%	-	367.60	-	-	-	367.60
B.2	Apron Improvement Works	405.70	100%	-	69.41	108.71	-	227.58	405.70
B.3	Taxiway Improvement Works	198.18	100%	-	42.23	126.80	-	29.15	198.18
B.4	Improvements to AGI. System	42.93	100%	-	-	42.93	-	-	42.93
B.5	Isolation Pad	20.14	100%	-	-	20.14	-	-	20.14
B.6	Minor Works – Runway & Taxiway	0.16	100%	0.04	0.08	-	0.04	0.00	0.16
B.7	CWIP from AAI	1.94	100%	1.94	-	-	-	-	1.94
	Subtotal - Runways, Taxiways & Aprons	1,036.66		1.98	479.32	298.58	0.04	256.74	1,036.66
C	Roads								
C.1	Landside Road Network	28.71	50%	-	-	0.41	3.43	10.51	14.36
C.2	Construction of temporary roads	13.72	90%	-	0.67	-	-	11.68	12.35
C.3	Airside Roads	30.81	100%	-	1.03	-	-	29.78	30.81
C.4	Minor Works – Roads	15.90	100%	1.20	5.85	2.65	3.54	2.65	15.90
	Subtotal - Roads	89.15		1.20	7.55	3.07	6.97	54.63	73.42
D	Metro Link & MMTH								
D.1	Metro Station and Metro Corridor	-	-	-	-	-	-	-	-
D.2	MMTH – Landside Roads	55.80	50%	-	7.51	20.39	-	-	27.90
	Subtotal - Metro Link & MMTH	55.80		-	7.51	20.39	-	-	27.90
E	Hangars								
E.1	HANGAR I	38.05	100%	-	-	38.05	-	-	38.05
E.2	Other Hangars	179.65	100%	-	-	179.65	-	-	179.65
	Subtotal - Hangars	217.70		-	-	217.70	-	-	217.70
F	Utilities, Drains and External Works								
F.1	Distribution network for all Utilities	19.81	90%	-	10.39	-	-	7.44	17.83
F.2	Landside drainage	83.55	90%	-	75.19	-	-	-	75.19
F.3	Airside Drainage & Ducting System	82.22	100%	-	-	82.22	-	-	82.22
F.4	STP, Storage Tanks, Pump House etc.	98.26	90%	-	6.67	-	-	81.76	88.43
F.5	Boundary wall improvements including PIDS	23.99	100%	-	7.32	-	-	16.67	23.99
F.6	Minor Works – Boundary wall	0.51	100%	-	0.16	0.16	0.12	0.06	0.51
F.7	External Landscape & Horticulture	11.01	50%	-	1.49	-	-	4.01	5.51
F.8	Oil Water Separator	17.92	100%	-	-	17.92	-	-	17.92
F.9	T1 Utility Complex	12.96	90%	-	-	-	10.17	1.49	11.66
	Subtotal - Utilities, Drains and External Works	350.22		-	101.23	100.31	10.29	111.44	323.26
G	Equipment & Machinery								
G.1	IT Equipment	9.64	100%	1.40	3.67	2.22	1.26	1.09	9.64

CAPEX, Depreciation and RAB for Third Control Period

S. No.	Particulars (INR Cr.)	Total Cost	Aero %	Aero Capitalisation					
				FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
G.2	Security Equipment	8.85	100%	2.60	5.22	0.28	0.27	0.48	8.85
G.3	DARK (Disabled Aircraft Removal Kit)	-	100%	-	-	-	-	-	-
G.4	Minor Projects – Plant & Machinery	14.50	100%	5.54	5.03	1.57	0.54	1.83	14.50
	Subtotal - Equipment & Machinery	33.00		9.54	13.91	4.07	2.07	3.41	33.00
H	Other Buildings								
H.1	CISF Barracks And Officers' Quarters	85.97	100%	-	-	-	85.97	-	85.97
H.2	ATC Technical Block with ATC Tower in AAI Colony	213.44	100%	-	-	-	213.44	-	213.44
H.3	IMD/MET Facility	-	100%	-	-	-	-	-	-
H.4	ARFF Building	19.02	100%	-	-	19.02	-	-	19.02
H.5	Airport Health Office (AHO)	-	100%	-	-	-	-	-	-
H.6	GSE Maintenance Facility	18.87	100%	-	-	-	18.87	-	18.87
H.7	AAI Cargo Warehouse	-	100%	-	-	-	-	-	-
H.8	Minor Works – Other Buildings	10.01	100%	3.71	1.81	3.07	0.37	1.05	10.01
	Subtotal - Other Buildings	347.30		3.71	1.81	22.08	318.66	1.05	347.30
I	Vehicles								
I.1	Minor Projects – Vehicles	0.88	100%	-	0.75	-	0.13	-	0.88
J	Cargo								
J.1	New Cargo Complex - Phase 1 & 2	184.56	100%	-	-	184.56	-	-	184.56
J.2	Cargo Equipment	89.73	100%	2.62	67.39	19.71	-	-	89.73
J.3	Minor Works – Cargo Building	8.87	100%	-	-	-	8.87	-	8.87
J.4	Minor Works – Misc. Cargo Equipment	6.17	100%	2.07	-	4.10	-	-	6.17
	Subtotal - Cargo	289.33		4.69	67.39	208.38	8.87	-	289.33
K	Fuel Farm								
K.1	New Fuel Farm facility	135.87	100%	-	-	135.87	-	-	135.87
K.2	Fuel Farm Equipment	32.68	100%	-	32.68	-	-	-	32.68
K.3	Minor Projects – Fuel Farm	3.42	100%	-	-	-	-	3.42	3.42
	Subtotal - Fuel Farm	171.97		-	32.68	135.87	-	3.42	171.97
L	Stamp Duty	15.92	99%	15.69	-	-	-	-	15.69
	Subtotal (M = A+B+C+D+E+F+G+H+I+J+K+L)	3,784.26	93.14%	43.97	1,355.74	1,049.42	347.03	728.38	3,524.54
N	Soft Costs	309.87	93%	3.52	108.46	83.95	27.76	58.27	281.96
	Grand total (O = M + N)	4,094.13	92.97%	47.49	1,464.20	1,133.37	374.79	786.65	3,806.51
P	IDC	62.79	87.97%	7.99	13.50	13.17	12.97	7.60	55.24
	Grand total including IDC (O + P)	4,156.92	92.90%	55.48	1,477.70	1,146.55	387.76	794.25	3,861.74

Note: Reduction in Aeronautical CAPEX in the Tariff Order as compared to that considered at the Consultation stage is mainly due to the following reasons:

1. Postponing of commissioning of NITB Phase 1 to the next Control Period (Refer para 7.12.1)
2. Consideration of 50% of the proposed cost towards construction of CISF Barracks in the Third Control Period (Refer para 7.12.17)
3. Recomputation of the cost of the landside drainage as total length of the landside drainage is 13 km instead of 15 km (Refer para 7.12.19)
4. Exclusion of the cost towards AHO (Refer para 7.12.20)
5. Recomputation of normative costs and inflation (Refer para 7.12.18 and para 9.5.2)
6. Exclusion of AICMC costs from CAPEX (Refer para 7.12.16)



- 7.12.23. Based on the changes in capital expenditure, the aeronautical depreciation recomputed by the Authority for the Third Control Period is given below

Table 176: Aeronautical Depreciation decided by the Authority for the Third Control Period

Depreciation on (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
New Assets*						
Airport (A)	1.26	26.77	64.40	84.57	108.86	285.85
Cargo (B)	0.15	2.43	8.24	12.06	12.20	35.08
Fuel Farm (C)	0.00	1.03	6.37	10.67	10.78	28.87
Total from New Assets (D = A + B + C)	1.41	30.23	79.01	107.30	131.84	349.79
Existing Assets (E)	26.43	24.87	21.28	18.11	17.94	108.63
Total (F = D + E)	27.84	55.10	100.29	125.42	149.78	458.42

*including on IDC and Soft Costs

- 7.12.24. Based on the changes in capital expenditure and depreciation discussed above, the revised RAB for the Third Control Period as decided by the Authority is given below.

Table 177: RAB decided by the Authority for the Third Control Period

Particulars (INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Opening RAB (A)	Table 58	330.42	358.06	1,780.66	2,826.92	3,089.27	
Addition (B)	Table 175	55.48	1,477.70	1,146.55	387.76	794.25	3,861.74
Depreciation (C)	Table 176	27.84	55.10	100.29	125.42	149.78	458.42
Closing RAB (D = A + B - C)		358.06	1,780.66	2,826.92	3,089.27	3,733.75	
Average RAB (A + D) ÷ 2		344.24	1,069.36	2,303.79	2,958.10	3,411.51	

7.13. Authority's decisions regarding Capital Expenditure, Depreciation and RAB for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Capital expenditure, Depreciation and RAB and for the Third Control Period:

- 7.13.1. To consider the Terminal Area Ratio as 90 : 10 (aeronautical : non-aeronautical) as mentioned in Para 7.12.2 for the Third Control Period.
- 7.13.2. To allow only IDC in the Third Control Period and not to allow Financing Allowance and true up IDC as mentioned in Para 7.12.10.
- 7.13.3. To consider the capitalisation of aeronautical capital expenditure for the Third Control Period as per Table 175.
- 7.13.4. To reduce (adjust) 1% of the uncapitalised project cost from the ARR in case any particular capital project is not completed / capitalised as per the approved capitalisation schedule, as per Table 175. The same will be examined during the true up of the Third Control Period, at the time of determination of tariff for the Fourth Control Period.
- 7.13.5. To true up the Aeronautical Capital Expenditure based on actuals, cost efficiency and reasonableness at the time of determination of tariff for Fourth Control Period.
- 7.13.6. To consider Aeronautical Depreciation for the Third Control Period as per Table 176.



- 7.13.7. To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalisation during the tariff determination of the Fourth Control Period.
- 7.13.8. To consider average RAB for the Third Control Period for AIAL as per Table 177.
- 7.13.9. 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 for GST at the time of determination of tariffs for the Fourth Control Period as explained in Para 7.12.11.
- 7.13.10. To commission an independent study to assess the efficiency and reasonableness of the capital expenditure incurred along with the asset allocation and to take corrective action as necessary at the time of determination of tariffs for the Fourth Control Period.
- 7.13.11. To true up the RAB based on actuals at the time of tariff determination for the Fourth Control Period.

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8. FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

8.1. AIAL's submission of FRoR for the Third Control Period

Cost of Equity (CoE):

- 8.1.1. The Airport Operator had engaged the services of an Independent Consultant to carry out a study on evaluating the applicable Cost of Equity. On the basis of this study, AIAL had considered CoE as 17.30%.
- 8.1.2. The Airport Operator submitted the following assumptions for estimating the Cost of Equity:
- Asset beta was derived based on five-year weekly regressed beta computed for comparable listed airports (weighted) and adjusted for appropriate leverage to determine the levered Equity beta.
 - A gearing ratio of 48:52 is considered for the computation of CoE. This has been derived from the gearing ratios set by the regulators at different comparable international airports.
 - For the computation of risk-free rate, an average of daily yield for 10 years of the 10-year Government of India security has been considered.
 - Rate of market return was estimated by using average of last 40 years' data of BSE Sensex, and last 30 years' data of Nifty 50, computed using Geometric Mean. The average market return was 14.63%. Accordingly, the Equity Risk Premium over risk-free rate was computed as 7.06%.

Table 178: Cost of equity computation as per AIAL's submission

Parameter	Formula	Value
Risk-free rate	R_f	7.57%
Market return	R_m	14.63%
Equity Beta	β	1.38
Cost of Equity	$R_f + (R_m - R_f) \times \beta$	17.30%

Cost of debt:

- 8.1.3. The Airport Operator submitted that the Cost of Debt is assumed for TCP to be 12% per annum (p.a.). The tenure of the loan is expected to be over 15 years with a bullet repayment at the end of the tenure.
- 8.1.4. The audited financial statements of AIAL for the year ended 31st March 2022 disclosed that it has issued long-term secured, redeemable, non-convertible debentures to its shareholder group company, Adani Airport Holdings Limited in order to raise funds at an interest rate of 12% p.a. Further, AIAL had also raised inter-corporate deposit from the same shareholder group company at an interest rate of 12% p.a.
- 8.1.5. Subsequently, Adani Airport Holdings Limited announced on 09th May 2022 that it had raised a 3-year External Commercial Borrowing facility of USD 250 Million from a consortium of Standard Chartered Bank and Barclays Bank PLC. The all-in borrowing cost of this facility is 12.10% p.a. Vide email dated 01st September 2022, AIAL was requested to share the breakup of all-in borrowing cost of ECB



facility. AIAL, vide email dated 02nd September 2022, shared the breakdown as shown in the table below:

Table 179: Breakdown of all-in External Commercial Borrowing Cost of AAHL

Parameter	Value
Secured Overnight Financing Rate (SOFR) reference	2.28%
Spread over SOFR	4.25%
Withholding tax gross up (at 5% of SOFR + spread)	0.33%
One-year forward Dollar-Rupee hedge cost (mandatory as per RBI guidelines)	4.51%
Upfront fees (annualised)	0.73%
All-in Cost of External Commercial Borrowing	12.10%

Source: Clarifications received from AIAL

- 8.1.6. It was mentioned that a part of the proceeds raised from this facility are being on-lent to AIAL for the purpose of financing its capital expenditure at the rate of 12.25% p.a. For the purposes of computation of weighted average cost of capital, Cost of Debt has been assumed as 12% p.a.

FRoR:

- 8.1.7. The following table summarized the FRoR submitted by AIAL for TCP. AIAL has calculated FRoR/Weighted Average Cost of Capital on the basis of a debt-equity ratio of 48:52.

Table 180: FRoR for TCP as per AIAL's submission

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Cost of Debt	12.00%	12.00%	12.00%	12.00%	12.00%
Cost of Equity	17.30%	17.30%	17.30%	17.30%	17.30%
D/E Ratio	48%:52%	48%:52%	48%:52%	48%:52%	48%:52%
FRoR	14.76%	14.76%	14.76%	14.76%	14.76%

8.2. Authority's examination of FRoR for the Third Control Period at the Consultation stage

Cost of Equity:

- 8.2.1. The Authority had commissioned independent studies for the evaluation of cost of capital separately, in case of each PPP Airport, namely Delhi International Airport Limited (DIAL), Mumbai International Airport Limited (MIAL), GMR Hyderabad International Airport Limited (GHIAL), Bangalore International Airport Limited (BIAL) and Cochin International Airport Limited (CIAL) through a premier institute, namely IIM Bangalore and proposes to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of Equity of AIAL for the Third Control Period.
- 8.2.2. The independent study reports have drawn from the international experience of airports and their conclusions have been evaluated to the extent comparable with SVPIA in terms of hybrid till, ownership structure, size, scale of operations and regulatory framework. The median and average Cost



of Equity arrived at by the independent study reports are 15.16% and 15.18%, respectively, as shown in the table below.

Table 181: Computation of Cost of Equity as per IIM Bangalore independent study reports

Particulars	CIAL	MIAL	BIAL	DIAL	GHIAL	Average	Median
Risk free rate	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%
Equity beta	0.9427	0.9391	0.9296	0.9732	0.9442	0.9458	0.9427
Equity risk premium	8.06%	8.06%	8.06%	8.06%	8.06%	8.06%	8.06%
Cost of equity	15.16%	15.13%	15.05%	15.41%	15.17%	15.18%	15.16%

8.2.3. The above independent study reports have used the Capital Asset Pricing Model (CAPM) and a notional gearing (Debt: Equity) ratio of 48:52 to determine the levered Equity Beta and accordingly, derive the Cost of Equity.

8.2.4. Based on the above reports, the Authority proposed the Cost of Equity of 15.18% for AIAL for the Third Control Period.

Cost of Debt:

8.2.5. The Authority noted that AIAL has considered Cost of Debt at 12% for the Third Control Period based on its current borrowing rate from a related party and based on Adani Airport Holdings Limited's all-in borrowing cost of 12.10%.

8.2.6. Vide email dated 01st September 2022, AIAL was requested to clarify if AIAL or its current group lending shareholder, Adani Airport Holdings Limited has obtained credit rating from any external rating agency. AIAL, vide email dated 02nd September 2022, stated that - *"Under the ECB guidelines there is no mandatory requirement for credit rating. However, the lenders have requested for credit rating. Therefore, AAHL has opted for private monitored rating which is shared with lenders. Since the credit rating is private and for specific purpose, it is not disclosed in public."*

8.2.7. The Authority recommends that the Airport bring in further efficiencies in its cost of borrowing by leveraging its parent entity's financial strength in order to reduce the interest rates. This suggestion is also in keeping with the spirit of privatisation whereby it is expected that the financial strength of PPP airports is maintained at an optimal level and their cost of capital is within reasonably allowable limits.

8.2.8. Further the Authority had also noted that average bank lending rate of public sector banks and scheduled commercial banks as per the Reserve Bank of India's publication of June 2022 has been in the range of 8.39% to 8.93% p.a.⁷. The Authority had also noted the Cost of Debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL, which ranged from 7.80% to 10.30% (the average Cost of Debt works out to 8.95%).

8.2.9. Based on the above, the Authority proposed to consider the Cost of Debt as 9% for the computation of Fair Rate of Return. The Authority proposed to true up the Cost of Debt, based on the efficiency and reasonableness for the Third Control Period at the time of determination of tariffs for the Fourth Control Period.

⁷ <https://www.rbi.org.in/rbi-sourcefiles/lendingrate/LendingRates.aspx>



FRoR

- 8.2.10. Based on the examination detailed above, the Authority proposed to consider the following FRoR for AIAL for the Third Control Period.

Table 182: Fair Rate of Return proposed by the Authority for the Third Control Period

Parameter (in %)	Formula	Value
Cost of Equity	E	15.18%
Cost of Debt	D	9.00%
Weighted average gearing of debt	G	48.00%
FRoR	$D \times G + E \times (1 - G)$	12.21%

8.3. Stakeholders' comments on FRoR for the Third Control Period

- 8.3.1. During the Stakeholder Consultation Process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to FRoR for the Third Control Period. The comments by Stakeholders are presented below.

AIAL's comments on FRoR for the Third Control Period:

- 8.3.2. With respect to AERA's proposal as 8.2 on page 161 of CP relating to Cost of Equity, AIAL's comment is as follows:

- *"As per AERA Guidelines. AERA is expected to estimate cost by using CAPM of equity for each AO subject to consideration of such factor as the Authority may deem fit. However, in the instant CP, AERA has not estimated the cost of equity for AIAL. Rather it has applied the average cost of equity estimated for other Airports. This is not in line with the AERA Guidelines.*

5.1.2 Extract from the AERA Guidelines

Cost of Equity • The Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit.

- *Ahmedabad Airport had engaged the services of PricewaterhouseCoopers Services LLP (PwC) to carry out a study on evaluating the applicable Cost of Equity (CoE). Based on this study carried out in March 2021, the AO considered the CoE as 17.30%.*
- *The methodology used to compute the CoE of SVPIA is the Capital Asset Pricing Model (CAPM). The three components to be estimated in the CAPM are (a) the beta of the SVPIA, (b) the risk-free rate and (c) the equity risk premium. Following assumptions related to above three components which appropriately capture the risks of SVPIA have been used to calculate the CoE:*
- *Identification of comparable airports: Various airports were identified which are listed on stock exchanges across the globe or have regulated betas. A set of airports were removed from the list because of either lack of data for the required time period or unreliable data.*
- *Determination of equity and asset beta for the selected airports: Beta is indicative of the systematic risk of the project. In order to calculate this, the analysis regresses the movement of the stock prices (of respective airports) on the movement of an index representing the market portfolio. The beta values pertaining to this regression are called the 'equity' betas. Once the equity beta is*



calculated, the analysis 'un-levers' the beta (i.e., purges off the effects of the capital structure) by using the Hamada equation. Unlevered beta is called the 'asset' beta for the respective airports.

- Computing the proximity scores for each airport and asset beta of SVPIA: Once the asset betas have been computed, quantifiable assessment has been undertaken for identified airports to determine the proximity/ relevance scores. All the airports have been compared with Ahmedabad airport based on the following airport characteristics:
 - Regulatory Environment
 - Operational Structure
 - Payment Structure
 - Ownership Structure
- Numeric values of 1 to 3 have been assigned to each factor wherein lower the score, more comparable is the airport to SVPIA. Furthermore, an inverse of the proximity scores are used to calculate the 'asset' beta of SVPIA

Re-lever the asset beta to obtain the equity beta: The asset beta of the SVPIA is relevered using the Hamada equation to obtain the equity (re-levered) beta. As the re-levered beta is a function of D/E or gearing ratio, the beta value changes whenever the D/E or gearing ratio changes. A gearing ratio of 48:52 is considered. This has been derived from the gearing ratios set by the regulators at different comparable international airports.

Risk Free Rate: An average of daily yield for 10 years of the 10-year Government of India security has been considered as the risk-free rate.

Equity Risk Premium: To avoid any bias, an average of equity risk premiums computed by a list of studies and standard market indices are taken for the analysis. The list of the same is provided as follows:

- Prof Damodaran's estimate of ERP as of January 2021 based on ratings of sovereign bonds
- Prof Damodaran's estimate of ERP as of January 2021 based on ratings of sovereign bonds.
- Forward looking ERP of India as estimated in a study conducted in April 2019 by Grant Thornton
- ERP published by Incwert Valuation Chronicles in June 2020
- ERP computed based on Nifty 50
- ERP computed based on Sensex
- As is clear from above, a well-defined systematic approach which appropriately captures the risks specific to SVPIA has been used for computing reasonable rate of CoE for SVPIA.
- Further we would like to point that IIM B study considered 12 airports, out of which only two airports belong to developing countries. Airports in developing markets are exposed to each of these risks differently when compared to developed markets. Following are the risks which the airports in developing market have to face:
 - Demand Risk – Apart from the economic conditions which affect demand, demand for air travel is also highly elastic with respect to air fare in India and other developing economies. Any increase or decrease in air fare due to fuel prices or other input costs results in relatively higher traffic volatility.



- *Counterparty Risk – Airports in developing countries typically derive a major part of their revenue from aeronautical services, as against the developed markets where non-aeronautical revenue is higher.*
- *Regulatory Risk – Regulations in developing countries are still evolving and are not stable.*
- *Asset beta of airports in developing countries is consistently higher than the asset beta of airports in developed economies. This can be demonstrated by the data provided in the IIM B study in which the asset beta for Sydney airport is 0.40 whereas the asset beta for Airport of Thailand is 0.86. This shows the quantum of variation in risk perception between developed and developing countries.*
- *Study done by PwC includes airports from both developed economies like France, Spain and Switzerland and developing economies like Mexico, Malaysia, Thailand. Following are the asset betas of various airports as per study:*

S.No	Airport Operator	5 year asset beta on 5 year average DER	5 year asset beta on latest DER
1	Sydney Airport Holdings Private Limited	0.692	0.719
2	Auckland International Airport Limited	1.030	1.052
3	Flughafen Zurich	0.865	0.838
4	Groupe Aeroports De Paris	0.922	0.922
5	Aena	0.102	0.121
6	Asur (Aeroports Del Sureste)	1.338	1.340
7	Kebekhavns Lufthavne	0.423	0.416
8	Grupo Aeroportuario Del Centro Norte S.A.B. De C.V. Adr	0.960	1.020
9	Grupo Aeroportuario Del Pacifico, S.A.B. De C.V	1.430	1.428
10	Aeroporto Guglielmo Marconi Di Bologna S.P.A	0.642	0.649
11	Fraport Ag	0.686	0.669
12	Airport Of Thailand Public Limited Company	0.984	1.002
13	Malaysia Airport Holdings Berhad	0.848	0.893
14	Flughafen Wien Ag	0.527	0.610
15	Gruppo Toscana Aeroporti	0.457	0.455

- *As is evident from table above, asset betas of airports in Mexico like Grupo Aeroportuario Del Centro Norte, Grupo Aeroportuario Del Pacifico, in Thailand like Airport of Thailand have asset betas of more than 1.*
- *Further, we would like to give reference to para 15.6.2 of the Cochin Airport's Second Control Period Tariff Order No.7/ 2017-18 wherein Authority has taken the stance that newer airports which have higher risks need to be adequately compensated by higher cost of equity and one size does not fit all. Contents of the order are reproduced below*

15.6.2. Cost of Equity: – The Authority notes that DIAL and HIAL started operations recently as compared to CIAL and the Authority has taken a slightly higher cost of equity presuming that newly started companies have a greater risk. The Authority notes that Cochin is a well-established airport paying dividends and the risk profile is very low, investment are not heavy, cost is lower, traffic is stabilized and there is no volatility. The authority opines that "One size fits all" view for calculating CoE is not appropriate since each Airport is unique. The Authority also notes from a

- *The same point is again acknowledged by the Authority in Tariff Order No 08/2021-22 for CIAL for the Third Control Period. The relevant extract is provided as :-*



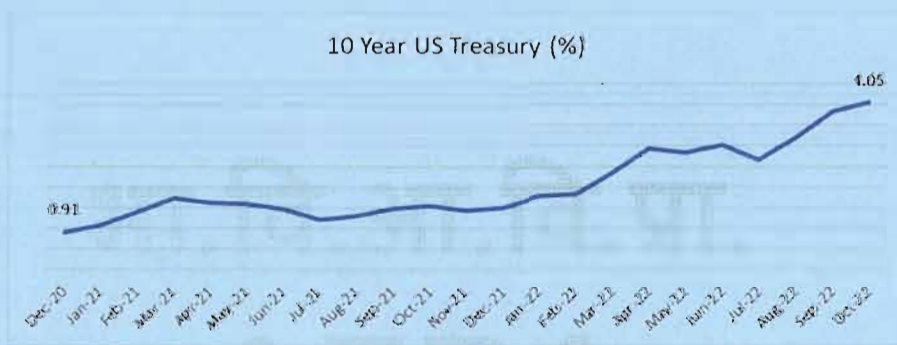
4.6.20. The Authority has noted CIAL's comments regarding cost of equity for the Second Control Period. However, it would not be prudent to compare CIAL with other private airport operators like DIAL and HIAL which have started operations more recently as compared to CIAL. The Authority had noted at the time of determining tariffs for the Second Control Period that it is reasonable to presume that newer companies would have a greater risk when compared to a well-established, investment-light and dividend paying airport like Cochin International Airport. This is also evident from the high contribution

- *We hereby request AERA to accept the CoE as submitted by AIAL in the MYTP supported by an in-depth study conducted by an independent consultant PwC as per CAPM methodology.*

8.3.3. With respect to AERA's proposal as per Para 8.2.5 to 8.2.9 on page 162 of CP relating to Cost of Debt, AIAL's comment is as follows:

- *"AIAL has considered CoD at 12% for the TCP based on its current borrowing rate from Adani Airport Holdings Limited (AAHL) which in turn has availed borrowing from global institutions like Standard Chartered Bank and Barclays Bank PLC.*
- *However, the authority has proposed cost of borrowing to be considered at 9% p.a. being the average of other five PPP airports viz. DIAL, MIAL (Mumbai), GHIAL, BIAL and CIAL (ranges from 7.80% to 10.30%)*
- *It is to be noted that tariff orders of above-mentioned PPP airports were issued during the period from December 2020 to August 2021. The change in the global and domestic interest rates in the said period is provided in the following paragraphs:*

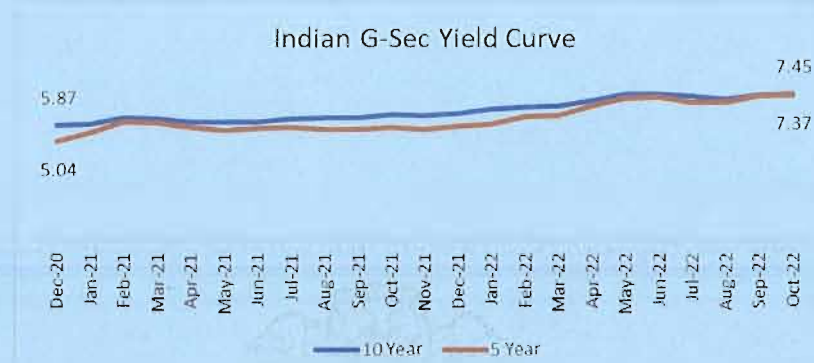
Global Increase in Interest Rates: Given the changing economic scenarios across the globe the central banks of the countries have been increasing their benchmark rates. Below chart details 10 years US Treasury movement, where it is evident that the benchmark rates have been increasing since December 2020 (~3.14%) leading to increase credit spreads and cost of the borrowing globally:



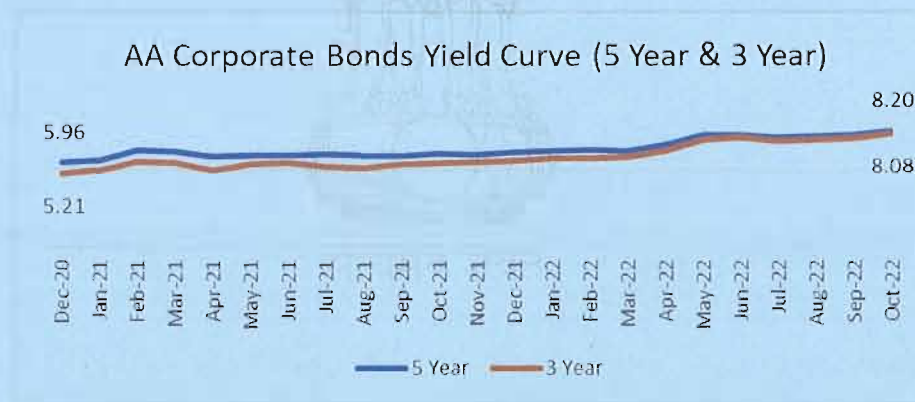
Secured Overnight Financing Rate (SOFR), has also increased materially (~4.40%) in the said period:



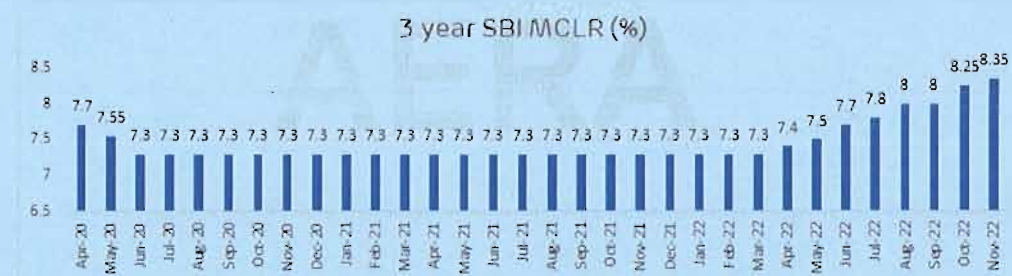
Increase in Domestic Interest Rates in India: Since May-2022, the Reserve Bank of India has increased Repo Rate by 1.90% leading to cost of domestic borrowing becoming dearer in India. Following chart depicts increasing trend in 10 year (+1.58%) and 5 year (2.33%) Indian government securities yields:



Following chart depicts increasing trend in 5 year (+2.24%) and 3 year (2.87%) AA rated corporate bond yields:



Increase in MCLR of Indian Banks :- 3 Year MCLR of both private sector banks and PSU Bank have increased more than 100 bps points from Nov-21 to Nov-22. Also, in past few quarters RBI Policy statement indicates that lower interest era is ended. All Bank Rupee Borrowing is linked to MCLR plus Spread based on Credit Rating and Internal Assessment of respective clients. Accordingly with increase in MCLR there is increase in overall Borrowing cost. Trend in MCLR Cost of SBI is as follows :-



<https://sbi.co.in/web/interest-rates/interest-rates/mclr-historical-data>

It is to be noted that other Banks have also increased their MCLR, for example MCLR for Axis Bank is 8.50% in October 2022. Going forward Banks are likely to raise the rates further.

- *Rationale of Cost of Debt (CoD) at AIAL: Considering the current profile of operation and outlook, rating of AIAL at maximum can be in BBB Category. Interest rate by lenders is fixed on the risk profile, cashflow generating capacity, other parameters including credit rating both internal (by lenders) and by rating agencies.*
- *Option of raising funds at AIAL was not possible without Corporate Guarantee support from Adani Group. Borrowing with Corporate Guarantee of Adani Group in turn amounts to Borrowing at Holding Company level.*
- *We would also like to highlight the fact that the borrowing costs for Government owned Entity and Private Sectors entity are different. Lenders are more comfortable in lending to Government entity since repayment is backed by sovereign guarantee (which carries highest Rating). Whereas in case of private sectors, lending comfort is driven by Industry outlook, cashflow generating capabilities, external and internal rating.*
- *The linking of CoD with weighted average lending rate of public sector banks and commercial banks as given in the CP (the trend of which has also changed in June 2022 publication as per RBI website and it is now on increasing trend) is not appropriate because of the following reasons:*
 - *Weighted Average Rate means average rate across Rating grades (AAA to BB) and loan duration. It ignores basic premise of lending rate which is based on external rating and internal rating and duration of specific loan.*
 - *Major portion of borrowings by PSU Bank is to State and Central Government Companies and Departments which carries lower interest considering that those are considered as Sovereign rating.*
 - *The interest rate for lending for priority sectors (which constitutes Agriculture and other Areas) is a concessional rate under various scheme of State and Central Government.*
 - *With inclusion of all the above, the average rates become lower. Comparing the said average with a private corporate borrowing rate will not be appropriate.*
- *To have efficiencies in terms of quantum, maturities, and interest rates, borrowing at AAHL was availed in the form of External Commercial Borrowings for capex requirement of various Airports.*
- *Further AAHL combining with Airport SPVs is domestically rated "A+/stable" by India Ratings, which at AIAL level will be BBB or below.*
- *The transition of the Airport from AAI to AIAL happened during the COVID impacted period. This has negatively affected the revenue and cash flow of AIAL and its credit worthiness.*
- *We believe that during the TCP, AIAL will be able to demonstrate competitive advantage of private sector in the operation of Airport which in turn will be reflected in the borrowing cost going forward. Keeping this in mind, at present we have locked up rates of borrowing for period of 3 years only to enable us to take advantage of reduced rate of interest going forward with synergy of operations.*
- *Considering the fact that the debts raised by AO are as per RBI guidelines from two reputed global Banks, reducing the cost by AERA than the actual rate of borrowing by the AO is not in line with AERA Guidelines and, according to us, is arbitrary and prejudicial to the interest of AO and airport development*
- ***Hence, we request the Authority, to consider the CoD @12% based on actual borrowings from a third party as submitted by AIAL.***



8.3.4. With respect to AERA's proposal as 8.2.10 and 8.3.2 on page 162 and 163 of CP relating to Fair Rate of Return (FRoR), AIAL has stated the following:

- *"The Authority, based on reduced CoE, reduced CoD and notional debt to equity (gearing) ratio of 48:52 has proposed to consider FROR of 12.21%. Apart from our comments on CoE and CoD already provided here in above, we would like to submit the following:-*

As per clause no 4.7 of the CP, the Authority has allowed FROR of 14% to AAI for true up purpose and also allowed FROR of 14% to AO for true up of 5 months from COD to March-2021, as no debt was raised by AAI or AO during the relevant period.

Normally any private operator expects a higher FROR than any Government Entity, as the CoD and expectation of return on equity is lower in case of Government Entity.

Because of the methodology proposed by AERA in the CP, the FROR for the TCP proposed by AERA is substantially lower at 12.21% as against 14.76% claimed by the AO.

- *We would request the Authority to consider our comments on CoE and CoD. We would also request the Authority to clarify whether the notional debt:equity ratio of 48:52 will be trued-up during the tariff determination of the next control period, based on actual gearing ratio."*

Other Stakeholders' comments on FRoR for the Third Control Period:

8.3.5. FIA stated that - *"Para 8.2.10 & 8.3: FIA submits that, only reasonable Fair Rate of Return (FRoR) to airport operators should be provided. It is observed that AERA has considered FRoR of 12.21%, which is the net of income tax return to the airport operator, for the Third Control Period. However, while such fixed/ assured return favours the service provider/airport operators, but it creates an imbalance against the airlines, which are already suffering from huge losses and are bearing the adverse financial impact through higher tariffs. Without prejudice to the above:*

1) In the present scenario any assured return on investment to any services providers like AIAL, in excess of three (3) % (including those on past orders), i.e., being at par with bank fixed deposits (i.e., return on investment after the income tax), will be onerous for the airlines.

2) And, in case AERA is unable to accept our recommendation mentioned above, AERA is requested to conduct an independent study for determination of FRoR to be provided to Airport operator. Such independent study can be exercised by the powers conferred under the AERA Act and in line with studies being conducted by AERA in case of certain major airport operators."

8.3.6. DIAL stated that - *"Cost of Equity: AERA considered cost of Equity as average of cost of equity of other Five PPP Airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff determination guidelines which suggest that AERA shall estimate cost of equity based on the CAPM for each Airport Operator, subject to consideration of the factors as the Authority may deem fit. We suggest the Regulator to conduct a specific study for the Airport as each Airport has specific risk due to competition, catchment area and demography of passenger, connectivity, quantum of passengers etc.*

Cost of Debt: AERA considered cost of debt of Ahmedabad Airport as average of cost of debt of other Five PPP Airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff determination guidelines which suggest that AERA shall consider forecast for future cost of i) debt proposed to be raised during the Control Period or ii) such debt which may be subject to a floating rate of interest subject to the Authority being assured of the reasonableness of such costs, based on a review including of its source, procedure and methods to be used for raising such debt."



- 8.3.7. APAO has stated that - *“Earlier in month of September 2022, we provided our comments on the Consultation Paper for Mangaluru Airport, we look forward for the final order to be released by the Authority and to provide clarity on the important points pertaining to the principles to be adopted for these new Concession Agreement. The approach to be adopted by the Authority is keenly awaited by the private operators, lenders, investors who have shown faith in the Aviation sector. Most of the issues which APAO would like to raise in the SVPIA's Consultation Paper are of similar to that of Mangaluru Airport:*

Cost of debt: Actual cost of debt @12% at which funds raised, in today's high inflation environment, by Airport operator is not accepted

Cost of Equity: Cost of Equity requested by Airport Operator is not considered”

8.4. AIAL's responses to Stakeholders' comments regarding FRoR for the Third Control Period

- 8.4.1. AIAL's response to the various Stakeholders' comments with respect to FRoR for the Third Control Period is presented below.
- 8.4.2. With respect to FIA's comment, AIAL stated that - *“As per AERA methodology, return on RAB is one of the important building blocks for tariff determination. As claimed by FIA, this is not fixed or an assured return. As per AERA guidelines, AERA must determine the Fair Rate of Return (FRoR) for a Control Period as its estimate of the weighted average cost of capital for an Airport Operator. Any business is viable only if it generates adequate return equivalent to its cost of capital as it helps to repay its obligations and give returns to shareholders commensurate to the risks involved in the project. As per AERA guidelines, FRoR has to be computed using cost of equity which is to be determined using the CAPM method and cost of debt as per actuals for airport operator. FRoR has no linkage with fixed deposit rates. Linking it to the rate of interest on FD is devoid of any merits. With respect to issue of independent study, we would like to state that AIAL has already done an independent study for Ahmedabad airport which has determined cost of equity of 17.30%. We request Authority to use the same for calculation of FRoR.”*
- 8.4.3. With respect to DIAL's and APAO's comments on CoE and Cost of Debt, AIAL has stated that DIAL and APAO have supported AIAL's submissions and comments regarding the same. AIAL has also submitted its detailed explanations and justifications on all the matters as part of its response to the Consultation Paper. Further, AIAL requests the Authority to consider the well-reasoned comments provided by AIAL which are duly supported by the aforementioned Stakeholders.

8.5. Authority's analysis of Stakeholders' comments on FRoR for the Third Control Period

- 8.5.1. The Authority has examined the comments of AO and the methodology of computation of Cost of Equity employed by its consultant. The Authority believes that the Cost of Equity for the purpose of determination of FRoR has to be fairly consistent across PPP airports so that there is uniformity of evaluation of their inherent financial risk, and compensation for the same in the form of return on RAB. Determination of Cost of Equity of AIAL as an individual entity, based on its intrinsic traffic and financial factors does not adequately justify the financial and operational strength and reputation of Adani Enterprises Limited, which is its ultimate shareholding entity. In this regard, AIAL is comparable to the owners of other PPP airports which have been used as reference point for computation of Cost of Equity.

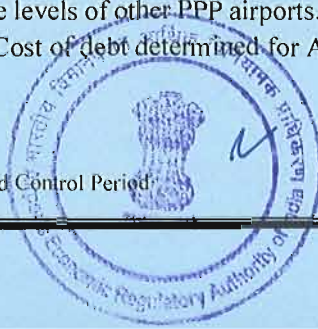


Further the Authority expects AO to bring in necessary efficiencies in the operational and financial management of the concerned airport, in line with the other PPP airports. The Authority is of the view that the studies sponsored by the respective Airport Operators, including the one by AIAL, always have an inherent conflict of interest. Thus, these studies have to be undertaken by an independent and reputed agency. In this context, the study conducted by IIM- Bangalore, engaged by AERA for determining Cost of equity for representative airports would be the basis of determining FRoR since the reputation of the organisation and its independence vis-à-vis private airport operators is incontrovertible. While the Authority has noted the various risks listed out by the Airport Operator, the Authority does not agree with this submission of the AO. It is also to be noted that airport operators in India have certain inherent advantages and protections built into the tariff determination process and airport management, some of which are highlighted below:

- The tariff determination methodology incorporates adequate return on airport operator's gross fixed assets investment, as well as O&M expenses and other building blocks in setting tariff.
- The tariff determination mechanism also ensures the true up of all the building blocks on actual basis subject to efficiency and reasonableness in the tariff determination process.
- There is a well-documented, stable and publicly notified regulatory regime for tariff determination and the proceedings are conducted in a transparent manner in compliance with AERA Act and other relevant guidelines issued from time to time.
- The Government of India, through the Ministry of Civil Aviation and various regulatory bodies, provides adequate support and guidance on all operational, safety, connectivity and stakeholder related matters.
- Similarly, the relevant State Governments help the AO by the way of allotment of land free of cost or on concessional rates in many of the cases and take responsibility for connectivity to the airports.

The FRoR has to be computed in a consistent manner taking into account long-term business and financial risk parameters, which are reasonably applicable to the industry as a whole. It would not be appropriate for short-term factors such as COVID19 pandemic, or idiosyncratic factors such as spike in capital expenditure to influence the computation of components of FRoR. It would also not be prudent to prejudge future risk probabilities arising from competitive dynamics, and to incorporate these into the FRoR computation. In view of the above, the Authority does not see any reason to revise the Cost of Equity determined for AIAL.

- 8.5.2. The Authority has noted the comments of AO regarding the Cost of Debt. The Authority reiterates that AIAL is bound to avail the synergies and benefits owed to it by its strong shareholding and balance sheet support from its parent companies and thereby work towards bringing down the Cost of Debt to the same levels as other PPP airports. The Authority notes that for other PPP Airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL the average Cost of Debt works out to 8.95%. The Authority has considered a reasonable cost of borrowing of 9%, above the prevailing lending rate of banks. It would not be possible to comment on the future trends of interest rate movements at this time. Further, it may also be noted that as traffic, and Aeronautical and Non-aeronautical revenue improve, and the capital expenditure projects, as approved by the Authority are completed, and start to yield benefits, it is expected the debt profile of AIAL is bound to improve and its inherent financial risk, as reflected in the Cost of debt will reduce to the levels of other PPP airports. In view of the above, the Authority does not see any reason to revise the Cost of debt determined for AIAL.



8.5.3. Based on the observations regarding Cost of Equity and Cost of Debt provided earlier, the Authority proposes to retain the FRoR for the TCP at 12.21%. Also, as explained in the para no. 8.5.1 of this Tariff Order, the Authority is of the view that the studies sponsored by the respective Airport Operators, including the one by AIAL, always have an inherent conflict of interest and the same have to be undertaken by an independent and reputed agency. The Authority believes that PPP airport has scope of bringing in better efficiencies in financial and operational management of an airport, which would reflect in its overall cost of operations and lower Cost of equity.

With respect to AIAL's comment on the Notional gearing ratio of 48:52, the Authority would like to reiterate that FRoR is computed on the basis of cost of equity and Cost of Debt. It had determined the CoE based on the IIM Bangalore independent study reports for the other PPP Airports whereas the Cost of Debt was computed after considering the average bank lending rate of public sector banks and scheduled commercial banks as per the Reserve Bank of India's publication of June 2022 and the Cost of Debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. Since the debt equity mix had been decided by the Authority considering the efficient capital structure and the interest of all the Stakeholders, the notional gearing ratio of 48 : 52 will not be trued up during the tariff determination for the next Control Period.

8.5.4. The Authority has examined the comments of FIA and has the following views:

- With respect to FIA's suggestions to limit the FRoR in order to avoid burdening the stressed airlines, the Authority is of the view that an airport infrastructure is a capital-intensive business and require investment with a long-term perspective wherein investors desire a stable return on equity. Further, the Authority would like to emphasize that the pre-determined return on investments is part of the regulated business such as Airports.
- Regarding FIA's comment which states that, "*In the present scenario any assured return on investment to any services providers like AIAL, in excess of three (3) %..*", the Authority is of the view that the Airport is a long term asset whereas the pandemic is a short term phenomenon and will likely not have a long term impact. The FRoR is computed on the basis of cost of equity and Cost of Debt. As stated in the Consultation Paper 10/2022-23, the CoE had been computed on the basis of the IIM Bangalore independent study reports for DIAL, MIAL, GHIAL, BIAL and CIAL, whereas the Cost of Debt had been computed after considering the average bank lending rate of public sector banks and scheduled commercial banks as per the Reserve Bank of India's publication of June 2022 and the Cost of Debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. Further, the Authority is of the view that it is not pragmatic or fair to cap the FRoR and compare it with bank deposit rates. Bank deposit rates and commercial lending rates are two different things altogether. Similarly, AERA does not agree with the high return on equity claimed by the Airport Operators. Thus, AERA takes a balanced view in the interest of all stakeholders in the Aviation sector.
- The Authority has noted FIA's comments on conducting an independent study for determination of FRoR for the AO and would like to state that the Authority had commissioned independent studies for the evaluation of cost of capital separately, in case of each PPP Airport, namely DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely IIM Bangalore and had used the study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of AIAL for the Third Control Period.

8.5.5. With regard to DIAL's comments, the Authority's view as per paras 8.5.1, 8.5.2 and 8.5.3 can be referred to.



- 8.5.6. With respect to For APAO's comments, the Authority's view as per paras 8.5.1, 8.5.2 and 8.5.3 can be referred to

Further, with respect to APAO's comment regarding the Cost of Debt, the Authority would like to reiterate that the Cost of Debt of AIAL had been computed after considering the average bank lending rate of public sector banks and scheduled commercial banks as per the Reserve Bank of India's publication of June 2022 which ranges from 8.39% to 8.93% and the Cost of Debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL, where the average Cost of Debt works out to 8.95%. It is to be noted that as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 79" released on 07th December 2022 published by the Reserve Bank of India (RBI), the Wholesale Price Index (All Commodities) inflation has decreased from 11.10% to 10.4% for FY 2023 and from 5.1% to 5.0% for FY 2024. Considering the above mentioned statements, the Authority decides to maintain its stand taken at the Consultation stage.

- 8.5.7. Based on the above, the Authority has decided to consider FRoR for the Third Control Period consistent with its proposal in the Consultation Paper No. 10/2022-23 (Refer table 182).

8.6. Authority's decisions regarding FRoR for the Third Control Period

Based on the available facts and analysis thereupon, the Authority decides the following with regard to FRoR for the Third Control Period:

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



9. INFLATION FOR THE THIRD CONTROL PERIOD

9.1. AIAL's submission regarding Inflation for the Third Control Period

- 9.1.1. The AO had submitted an inflation rate of 5.2% for all operating expenses including manpower expenses, utility expenses, IT expenses, rates & taxes, security expenses, corporate allocation, administrative expenses, repair and maintenance, and other operating expenses.
- 9.1.2. The inflation rate of 5.2% was submitted by the Airport Operator based on Consumer Price Index (CPI) inflation forecasts as summarised in the table below.

Table 183: CPI inflation rate submitted by the Airport Operator for TCP

Calendar Year	CPI (in %)	Source
(CPI Combined general)	Q3 FY22 5.0% Q4 FY22 5.8% Q1 FY23 5.2% Q2 FY23 5.2%	Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 73 rd Round released on 08th December, 2021
Calendar year (CY) 2021	5.2%	Oxford Economics Forecast
CY 2022	5.1%	
CY 2023	4.8%	
CY 2024	5.1%	
CY 2025	5.2%	
CY 2026	5.0%	

9.2. Authority's examination regarding Inflation for the Third Control Period at the Consultation stage

- 9.2.1. The Authority on examination of the submission made by AIAL on inflation to be considered for the TCP, proposed to consider the actual Wholesale Price Index (All Commodities) inflation in FY 2022⁸ and mean of WPI inflation forecasts (All Commodities) for FY 2023 till FY 2026 as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 78" released on 30th September 2022 published by the Reserve Bank of India (RBI)⁹.
- 9.2.2. The Authority had assumed that the inflation rate would be stable and remain constant from FY 2024 till FY 2026. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Third Control Period.

Table 184: Inflation rates proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
WPI inflation	12.97%	11.1%	5.1%	5.1%	5.1%

9.3. Stakeholders' comments on Inflation for the Third Control Period

- 9.3.1. During the Stakeholder consultation process, the Authority has received comments from one Stakeholder in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to inflation for the Third Control Period. The comment by the Stakeholder is presented below.

⁸ https://eaindustry.nic.in/download_data_1112.asp

⁹ <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=21348>



Other Stakeholders' comments on Inflation for the Third Control Period:

- 9.3.2. FIA stated that – *"It may be noted that as per the Reserve bank of India's Monetary policy report dated 30th September 2022, the rate of inflation is expected to reach around 4.9% by the end of FY23 and the target provided by Central government to RBI is to fix the inflation rate at 4%. In view of that, it is requested to re-consider the rate of inflation at that benchmark or lower (i.e., between 4-4.9%)"*

9.4. AIAL's responses to Stakeholders' comments regarding Inflation for the Third Control Period

- 9.4.1. AIAL's response to the Stakeholder comment with respect to Inflation for the Third Control Period is presented below.
- 9.4.2. With respect to FIA's comment, AIAL stated that - *"AERA has rightfully used the latest WPI inflation as per Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 78" released on 30th September 2022 published by the Reserve Bank of India (RBI). 4% target as referred by stakeholders from Reserve bank of India's Monetary policy report dated 30th September 2022 is in relation to CPI and not for WPI."*

9.5. Authority's analysis of Stakeholders' comments on Inflation for the Third Control Period

- 9.5.1. The Authority has reviewed the comments of FIA on Inflation and is of the view that the practice of considering the mean of WPI inflation forecasts (All Commodities) as per the recent *"Results of the Survey of Professional Forecasters on Macroeconomic Indicators"* is uniformly followed by AERA across all airports. Further, AERA would like to state that as per the recent *"Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 79"* released on 07th December 2022 published by the Reserve Bank of India (RBI), the Wholesale Price Index (All Commodities) inflation has decreased from 11.1% to 10.4% for FY 2023 and from 5.1% to 5.0% for FY 2024. The most recent inflation rates will be considered in this Tariff Order.
- 9.5.2. Based on the above, the Authority has decided to consider inflation rates for the Third Control Period as shown in the table below.

Table 185: Inflation rates decided by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
WPI inflation	12.97%	10.4%	5.0%	5.0%	5.0%

9.6. Authority's decisions regarding Inflation for the Third Control Period

Based on the available facts and analysis thereupon, the Authority decides the following with regard to inflation for the Third Control Period:

- 9.6.1. To consider Inflation for the Third Control Period for AIAL as per Table 185.



10. OPERATIONS AND MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD

10.1. AIAL's submission of Operations and Maintenance Expenses for the Third Control Period

10.1.1. The Airport Operator in its MYTP submission had stated that the aeronautical Operation and Maintenance (O&M) expenses for the Third Control Period has been estimated based on the following assumptions:

- AIAL had taken into consideration the obligations as per the Concession Agreement as well as the planned expansion, which includes expected increase in capacity due to T1 and T2 refurbishment, commencement of New Integrated Terminal Building (NITB) Phase 1, and development of additional facilities on Airside/Landside/Utilities etc.
- Expansion of terminal building which involves 19.83% increase in terminal area in FY 2023 (from 79,620 SQM in FY 2022 to 95,408 SQM.) and approximately 181% increase in terminal area in FY 2026 (95,408 SQM to 2,68,474 SQM due to NITB) will result in an additional increase in the O&M expenses.
- AIAL had considered inflationary increase of 5.2% towards all expenses.
- Considering the current economic scenario, recent transition from old Airport Operator to new Airport Operator under PPP mode, evolving regulatory requirements, Concession Agreement obligations and upcoming expansion, AIAL has considered 10% increase in the O&M expenses.
- AIAL had considered FY 2022 as the base year and applied relevant growth percentages over it.

10.1.2. The AO had submitted the following categories of O&M expenses in its MYTP submission.

Table 186: O&M expenses claimed by the Airport Operator in the MYTP for TCP

Type of O&M expense	Expense Category
Aeronautical Operating Expenses	Manpower Expenses – AAI employees
	Manpower Expenses – AIAL employee
	Utility Expenses
	IT Expenses
	Rates and Taxes
	Security Expenses
	Security others
	Corporate expenses
	Administrative Expenses
	Insurance
	Repair and Maintenance Expenses
	Other Operating Expenses and
	Runway recarpeting expenses
	Financing charges
Fuel farm operating expenses	O&M Expenses
	Bowser Rental

Type of O&M expense	Expense Category
Cargo operating expenses	Insourced salary
	O&M Expenses
	Customs Cost Recovery

- 10.1.3. The above expenses do not include Concession Fee, since it is not considered as part of aeronautical O&M expenses, as per Clause 27.1.2 of the CA, which states that: *"The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same."*
- 10.1.4. The AO had segregated all O&M expenses into Aeronautical, Non-aeronautical and Common expenses. Allocation ratios have been used to further segregate the Common expenses into Aeronautical and Non-aeronautical categories. The basis adopted by the AO for allocation and segregation of O&M expenses is as follows:

Table 187: Basis for allocation of O&M as per AIAL's submission

Expenses		Expense Classification	Allocation Basis	Aeronautical (%)
Aeronautical Operating Expenses				
Manpower expenses - AAI employees		Aeronautical	Obligated cost as per CA	100.0 %
Manpower expenses - AIAL employees		Common	Employee headcount	97.0 %
Utility expenses (net of recovery)		Aeronautical	-	100.0 %
IT expenses		Common	Initial RAB ratio	97.7 %
Rates & taxes		Common	Terminal area ratio	94.9 %
Security expenses		Common	Initial RAB ratio	97.7 %
Security others		Common	Initial RAB ratio	97.7 %
Corporate expenses		Common	Initial RAB ratio	97.7 %
Administrative Expenses		Common	Initial RAB ratio	97.7 %
Insurance		Common	Initial RAB ratio	97.7 %
R&M		Common	Terminal area ratio	94.9 %
Others		Common	Terminal area ratio	94.9 %
Runway recarpeting		Aeronautical	-	100.0 %
Finance charges	Other Finance charges	Common	Ratio of Average Aero Assets and Average Non-Aero Assets	91.71%*
	Bank Charges for Performance BG	Aeronautical	-	100.0 %
	Working Capital interest and other interest	Aeronautical	Calculated on aero working capital	100.0%
Fuel farm operating expenses		Aeronautical	-	100.0 %
Cargo operating expenses		Aeronautical	-	100.0 %

*Average across TCP



- 10.1.5. The total aeronautical O&M expenses including Fuel and Cargo Operating Expenses submitted by the AO for the Third Control Period are as follows:

Table 188: Aeronautical Operation and Maintenance expenses submitted by AIAL for TCP

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical Operating Expenses						
Manpower expenses - AAI employees	40.89	47.10	45.94	38.14	43.94	216.01
Manpower expenses - AIAL employees	32.50	37.64	59.00	67.97	87.49	284.60
Utility expenses	19.72	26.97	36.89	38.81	40.83	163.22
IT expenses	6.84	7.88	10.64	12.25	14.12	51.72
Rates & taxes	3.79	3.99	4.99	5.25	5.52	23.55
Security expenses	5.86	24.73	28.73	31.45	34.50	125.26
Corporate expenses	11.72	18.19	20.96	24.14	27.81	102.84
Administrative Expenses	9.77	15.16	17.47	20.12	23.18	85.70
Insurance	2.53	4.71	6.39	8.04	13.79	35.46
R&M	38.58	45.52	70.79	91.33	112.19	358.41
Others	14.23	19.24	25.98	29.92	34.47	123.84
Runway recarpeting	-	116.54	106.64	96.75	86.85	406.77
Financing Charges and Others	21.35	111.33	20.44	17.61	21.71	192.44
Total Aeronautical Operating Expenses (A)	207.77	478.99	454.84	481.79	546.41	2,169.80
Cargo related expenses						
Insourced salary	1.50	4.35	5.97	7.77	9.68	29.27
O&M Expenses	3.78	20.04	25.13	29.85	33.96	112.76
Customs Cost Recovery	0.22	0.93	0.97	1.02	1.08	4.22
Total Cargo related expenses (B)	5.50	25.31	32.07	38.64	44.72	146.25
Fuel farm Expenses						
O&M Expenses	-	12.87	15.93	18.13	20.47	67.41
Bowser Rental	-	2.33	-	-	-	2.33
Total Fuel farm Expenses (C)	-	15.20	15.93	18.13	20.47	69.74
Grand Total O&M expenses (A + B + C)	213.28	519.51	502.85	538.55	611.60	2,385.78

- 10.1.6. AIAL was requested vide email dated 04th September 2022 to share the actual expenses incurred against each of the expense items under O&M in FY 2022. AIAL, vide email dated, 08th September 2022, submitted the following table.

Table 189: Total O&M expenses incurred by AIAL in FY 2022

Particulars (in INR Cr.)	FY 2022
Manpower expenses - AAI employees	40.67
Manpower expenses - AIAL employees	29.96
Utility expenses	16.54
IT expenses	4.19
Rates & taxes	3.06
Security expenses	5.99
Security others	-
Corporate expenses	13.94
Administrative Expenses	9.56
Insurance	1.63

Particulars (in INR Cr.)	FY 2022
R&M	33.96
Others	15.40
Runway recarpeting	-
Financing Charges and Others	16.51
Cargo related expenses	4.34
Fuel farm Expenses	-
Total	195.74

Note: These are total expenses incurred by AIAL in FY 2022 (prior to application of the allocation ratios)

- 10.1.7. The growth rates assumed by the Airport Operator for the O&M expenses have been presented in the table below.

Table 190: Growth rates for O&M expenses submitted by AIAL for TCP

Particulars (in %)	FY 2023	FY 2024	FY 2025	FY 2026
Aeronautical Operating expenses				
Manpower expenses - AAI employees	15.20%	15.20%	15.20%	15.20%
Manpower expenses - AIAL employees		15.20%	15.20%	15.20%
Utility expenses	35.20%	35.20%	5.2%	5.2%
IT expenses	15.20%	35.00%	15.20%	15.20%
Rates & taxes	5.20%	25%	5.20%	5.20%
Security expenses	55.20%	35.00%	15.20%	15.20%
Security others	-	5.20%	5.20%	5.20%
Corporate expenses	55.20%	15.20%	15.20%	15.20%
Administrative Expenses	55.20%	15.20%	15.20%	15.20%
Insurance-Initial Asset Base	15.20%	15.20%	15.20%	15.20%
R&M- Initial Asset Base	15.20%	15.20%	15.20%	15.20%
Others	35.20%	35.00%	15.20%	15.20%
Cargo related expenses				
Insourced salary	15.20%	15.20%	15.20%	15.20%
O&M Expenses	5.20%	5.20%	5.20%	5.20%
Customs Cost Recovery	5.20%	5.20%	5.20%	5.20%
Fuel farm Expenses				
O&M Expenses	-	5.20%	5.20%	5.20%
Bowser Rental	-	-	-	-

10.2. Authority's examination of Operation and Maintenance (O&M) Expenses for the Third Control Period at the Consultation stage

The Authority had examined the O&M expenses in two parts. The first part deals with the analysis of the allocation ratios of O&M expenses into aeronautical and non-aeronautical. The second part is the detailed analysis of the various expenses and their growth rates.



I. Examination of allocation ratios of O&M expenses to Aeronautical and Non-aeronautical

a) Employee expenses - AAI

10.2.1. The AO had considered the Manpower Expenses of AAI employees as 100% aeronautical, as this expense is considered as pass through in the determination of aeronautical charges, as per Clause 6.5 read with Clause 28.4.3 of the Concession Agreement. The Authority, in this regard examined the extract of the relevant clauses of the Concession Agreement which reads as follows:

- Clause 6.5.1. states that:
 - i. *"Select Employees" shall mean those employees of the Authority as set forth in Schedule S (of the rank of assistant general manager and below) who are posted at the Airport by the Authority and shall be deployed at the Airport for the duration of the Joint Management Period and Deemed Deputation Period. The Select Employees shall stand reduced to the extent of employees who retire, are deceased or otherwise separated from Authority's services during the Joint Management Period or Deemed Deputation Period. It is clarified that the Select Employees shall not be reduced to the extent of employees who are transferred by AAI."*
 - ii. *"Joint Management Period" shall mean the period commencing from the COD and ending on the date which is 1 (one) calendar year after the COD*
 - iii. *"Deemed Deputation Period" shall mean the period commencing from the expiry of the Joint Management Period and ending on the date which is 2 (two) calendar years therefrom.*
- Clause 6.5.4 states that: *"The Concessionaire shall bear the Select Employee Costs for the Joint Management Period and Deemed Deputation Period."*
- Clause 6.5.10 states that: *"If, at the expiry of the Deemed Deputation Period, the number of Accepting Employees is less than 60% (sixty) percent of the Select Employees (the 'Deficit Employees'), the Concessionaire shall, commencing from the expiry of the Deemed Deputation Period pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority in respect of such Deficit Employees (the "Deficit Employee Costs")."*
- (ii) *The Deficit Employee Costs shall be considered for pass-through in the determination of the Aeronautical Charges."*
- Clause 28.4.3. states that: *"The Parties agree and acknowledge that the Concessionaire expressly waives its right to seek as pass-through in the Aeronautical Charges such costs and/ or expenses which the Concessionaire is restrained under this Agreement from seeking to be passed-through thereunder."*

10.2.2. Based on the above, the Authority proposed to consider the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' as Common, since the Manpower of AAI is used for both Aeronautical and Non-aeronautical activities. This is also in line with the recommendations of the Study on Efficient Operation and Maintenance Expenses. Accordingly, the Authority proposed to bifurcate the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' in the employee ratio of 99.30 : 0.70 (Aeronautical: Non-aeronautical) as submitted by AIAL (Refer table 277 for the detailed computation of the employee ratio of the Select employees as per AIAL). With respect to the Manpower Expenses of AAI employees relating to 'Deficit Employees', after the expiry of the Deemed Deputation Period, the Authority proposes to consider the same as 100% pass through as mandated by Clause 6.5.10. of the CA.



b) Employee expenses – AIAL

- 10.2.3. As per the MYTP submission, AIAL had allocated the Manpower Expenses of its own employees in the ratio of Employee Head Count of 97:3 (aeronautical : non-aeronautical). As per the clarifications received from AIAL, vide email dated 23rd April 2022, AIAL had submitted the employee ratio for TCP as shown in the following table (Refer Table 278 for the detailed computation).

Table 191: Headcount summary as proposed by AIAL for TCP

Particulars	Formula	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Aero (in No.)	A	145	258	365	365	397
Non-Aero (in No.)	B	6	9	10	10	10
Common (in No.)	C	10	34	44	44	48
Total (in No.)	D = A + B + C	161	301	419	419	455
Employee Ratio (Aero : Non Aero)						
Aero%	A ÷ (A + B)	96.03%	96.63%	97.33%	97.33%	97.54%
Non-Aero%	B ÷ (A + B)	3.97%	3.37%	2.67%	2.67%	2.46%

- 10.2.4. The Authority was of the view that the classification of the departments and the number of employees in each department require revision (Refer Table 279 for the detailed analysis). Accordingly, the Authority proposed to consider the employee ratio as shown in the following table for the manpower expenses of AIAL employees. (Refer table 280 for the detailed computation).

Table 192: Headcount summary as proposed by the Authority for TCP

Particulars	Formula	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Aero (in No.)	A	135	179	279	300	331
Non-Aero (in No.)	B	6	9	10	10	10
Common (in No.)	C	16	55	74	74	87
Total (in No.)	D = A + B + C	157	243	363	384	428
Employee Ratio (Aero : Non Aero)						
Aero%	A ÷ (A + B)	95.74%	95.21%	96.54%	96.77%	97.07%
Non-Aero%	B ÷ (A + B)	4.26%	4.79%	3.46%	3.23%	2.93%

- 10.2.5. The Authority proposed to consider the employee ratio for each respective year as computed in the above table for segregation of the manpower expenses of AIAL employees.

c) Utility expenses

- 10.2.6. The Authority noted that the AO had included only electricity cost under this expense. Further, the AO had segregated the same after netting off the recoveries proposed to be made from the Concessionaires for Non-aeronautical activities and has considered the net utility expenses as 100% Aeronautical. The Authority found this allocation to be in line with that followed in other similar airports and proposes to consider the same allocation.

The Authority noted that AIAL has considered diesel consumption charges and water charges under R&M and Other expenses respectively. However, the Authority had considered the same under utility expenses. Further, the Authority noted that the AO had bifurcated the water and the diesel consumption charges in the Terminal Area Ratio, i.e., 94.9 : 5.1 (aeronautical : non aeronautical) for TCP. However,

the Authority proposed to revise the above mentioned expense items in the revised Gross block ratio as these items are not specific to the terminal building but are applicable to the airport as a whole.

d) IT expenses

- 10.2.7. The Authority noted that the AO had segregated IT expenses in the Initial RAB ratio, i.e., 97.7 : 2.3 (aeronautical : non- aeronautical) for TCP. However, the Authority was of the view that this expense pertains primarily to the terminal buildings and associated areas of the airport, hence the same is bifurcated using the revised Terminal Area Ratio of 90 : 10 (aeronautical : non aeronautical). This allocation was also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA.

e) Rates and taxes

- 10.2.8. The Authority noted that the AO had segregated the expenses towards Rates and taxes in the Terminal area ratio, i.e., 94.9 : 5.1 (aeronautical : non aeronautical) for TCP. However, the Authority proposed to bifurcate this expense on the basis of the revised Gross Block Ratio, considering that the Taxes are applicable for the airport as a whole and not just for the terminal building. This allocation was also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA.

f) Security expenses and Security-others

- 10.2.9. The Authority noted that the AO had segregated these expense items in the Initial RAB ratio, i.e., 97.7 : 2.3 (aeronautical : non- aeronautical) for TCP. For further analysis, vide email dated 06th September 2022, AIAL was requested to share the breakup of the security expenses for FY 2022. AIAL, vide email dated 09th September 2022, submitted that this expense comprises of "Outsourced Security Cost". AIAL, vide email dated 11th October 2022, was requested to share the detailed breakup of this expense to which AIAL responded, vide email dated 13th October 2022, with the following table.

Table 193: Breakup of "outsourced security cost" as per AIAL

Particulars	Nature of Expenditure
Security Services	- Security Services for supervision of Kerb-side areas and other support services (Airport entry pass section management, security back office) and co-ordination for Security System with various stakeholders like (CISF, Terminal operations, ATC and various users) - ILBS loaders from Oct'21 onwards - Services of Security System Technicians from Oct'21 onwards
ILBS Screeners from AAICLAS	Contract manpower Charges (ILBS Manpower - Screeners & Loaders from AAICLAS) upto Sep'21, based on contracted novated from AAI to AIAL as on COD.
Others	Misc. items

For "Security Services", the Authority was of the view, that the activities involved under this expense item primarily pertains to the supervision of kerb side and is non-aeronautical in nature. Considering that this expense also consists of aeronautical (ILBS loaders) and certain non-aeronautical activities, the Authority proposed to bifurcate "Security Services" in the ratio of 50 : 50 (aeronautical : non aeronautical). For "ILBS Screeners from AAICLAS", the Authority proposes to consider the same as 100% Aeronautical, as this expense is purely aeronautical. As for "others", Authority proposes to allocate the same in the revised Gross Block ratio, as this expense pertains to the airport as a whole.

With regard to "Security-others", the Authority had excluded this expense as discussed in Para 10.2.61 to Para 10.2.62.



g) Corporate expenses

- 10.2.10. The Authority noted that the AO had segregated expenses towards Corporate Cost in the Initial RAB ratio, i.e., 97.7 : 2.3 (aeronautical : non- aeronautical) for TCP and had engaged an Independent Consultant for conducting a Study on allocation of Corporate Costs of both the Holding Companies of the AO. The AO has shared a Note on the Study report which provides the types of services / costs that have to be allocated to the AO, along with the basis of allocation of such costs. The AO had derived the allocable Corporate Costs based on the study. However, the basis for allocation of the costs towards Aeronautical and Non-aeronautical activities had not been provided in the Study report. The Authority was of the view that in the absence of an appropriate basis, Corporate Cost can be bifurcated in the employee ratio as mentioned in Table 192 (after excluding legal expenses as explained in Para 10.2.68). This was also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA.

h) Administrative and General expenses

- 10.2.11. The Authority noted that the AO had segregated the Administrative & General expenses in the Initial RAB ratio, i.e., 97.7 : 2.3 (aeronautical : non- aeronautical) for TCP. For further analysis, vide email dated 04th September 2022, AIAL was requested to share the breakup of the administrative expenses for FY 2022. AIAL, vide email dated, 08th September 2022, AIAL submitted the breakup of this expense as shown in the following table.

Table 194: Breakup of total administrative & general expenses as per AIAL for FY 2022

Serial No.	Particulars
1	Professional and Consultancy Charges
2	Collection Charges of User Development Fees
3	Travelling and Conveyance
4	Office Expenses
5	Miscellaneous Expenses
6	Rent
7	Payment to Auditors
8	Foreign Exchange Loss (net)

- 10.2.12. The Authority proposed to allocate the collection charges on UDF as 100% Aeronautical considering that the nature of the expense is purely aeronautical. The Authority is of the view that the other administrative expenses as shown in Table 194 should be apportioned in the revised Gross Block Ratio for TCP since these are largely common to the airport.

i) Insurance

- 10.2.13. The Authority noted that the AO had segregated this expense in the Initial RAB ratio, i.e., 97.7 : 2.3 (aeronautical : non- aeronautical) for TCP. However, the Authority proposed to bifurcate this expense in the revised Gross Block Ratio for TCP. This allocation was also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA.

j) R&M expenses

- 10.2.14. The Authority noted that the AO had segregated the expenses towards R&M in the Terminal Area Ratio, i.e., 94.9 : 5.1 (aeronautical : non aeronautical) for TCP. For further analysis, vide email dated 04th September 2022, AIAL was requested to share the breakup of the R&M expenses for FY 2022.

Vide email dated, 08th September 2022, AIAL submitted the breakup of this expense as shown in the following table.

Table 195: Breakup of R&M expenses as per AIAL for FY 2022

Serial No.	Particulars
1	Repairs - Plant & Machinery
2	Repairs - Building
3	Repairs - Security Equipment
4	Other Repairs and Maintenance
5	Consumption of Stores & Spares

- 10.2.15. After analysing the breakup of R&M expenses, the Authority was of the view that these items are not specific to the terminal building but are applicable to the airport as a whole. Hence, the Authority proposed to bifurcate the same in the revised Gross Block Ratio for TCP at this stage.

k) Others

- 10.2.16. The Authority noted that the AO had segregated the other expenses in the Terminal Area Ratio, i.e., 94.9 : 5.1 (aeronautical : non aeronautical) for TCP.

- 10.2.17. For further examination, AIAL was requested vide email dated 04th September 2022 to share the breakup of the other expenses for FY 2022. AIAL, vide email dated, 08th September 2022, submitted the breakup of this expense as shown in the following table.

Table 196: Breakup of other expenses as per AIAL for FY 2022

Serial No.	Particulars
1	Housekeeping Expenses
2	Manpower Hiring Charges
3	Horticulture Expenses

- 10.2.18. Further, vide email dated 10th September 2022, AIAL was requested to share the breakup of "Manpower Hiring Charges" and "Housekeeping Expenses", along with the contracts for the same, to which they responded with the following table vide email dated 13th September 2022.

Table 197: Breakup of "other expenses" as submitted by AIAL for TCP

S. No.	Expense Nature	Details of the Purchase Order (PO)
1	Housekeeping Expenses	Service Order for SLA based Services for Non- Technical Packages comprising of namely Housekeeping, Trolley Management, Birds & Wildlife Hazard Management, Pest Control
		Service Order for Appointment of Contractor for MECHANIZED ENVIRONMENTAL SUPPORT SERVICES (MESS) (UP-KEEPING) OF TERMINAL-1 & ITL AT SVPI AIRPORT, AHMEDABAD
		Service Order for Appointment of Contractor for Mechanized environmental support services (MESS) work at Terminal 2 of Ahmedabad Airport.
		Service Order for additional manpower requirement of house keeper & Operator for T-1, T-2 & GA Terminal at Ahmedabad Airport.
		Other Misc. PO for low value items (below Rs. 10 lakhs)
2	Hiring Charges	Service Order for Appointment agency for Passenger Support Assistant, Passenger Service Executive & Thermal Scanner for 1 year at SVPI, Ahmedabad Airport.

S. No.	Expense Nature	Details of the Purchase Order (PO)
		Service Order for Appointment of Service Providers for providing off-roll manpower for Ahmedabad
		Service Order for Appointment of Guest Relation Assistants & Baggage Handler Agency for providing off-roll manpower for at AMD Airport. (01.04.2021 to 31.10.2021)
		Service Order for Appointment of agency for manpower requirement for Porter at Ahmedabad Airport.
		Service Order for Appointment of Service Providers for providing off-roll Associates manpower at SVPI, Ahmedabad Airport.
		Service Order for Appointment of agency for Fire Ambulance Services at Ahmedabad Airport.
		Service Order for Appointment of Service Provider Agency for providing off-roll manpower for Customer Service Staff at AMD, Airport.
		Service Order for Rental charges of Rubber Removal Machine at Ahmedabad Airport.
		Service Order for Appointment manpower agency for Thermal Screening booth for 6 months at Ahmedabad Airport. (Amended up to 31.10.2021)
		Other Misc. PO for low value items (below Rs. 10 lakhs)
3	Horticulture Expenses	Purchase Order for Requirement of various types of Pots, Planters & other services for Landscaping work for Horticulture development at Terminal 1 & 2, Ahmedabad Airport.
		Service Order for Appointment of agency for landscape development and maintenance work at Ahmedabad Airport. (This service order for 6 months: 01.04.2021 to 30.09.2021)
		Purchase Order for Requirement of Landscape development for Horticulture at Terminal 1 & 2, Ahmedabad Airport.
		Purchase Order for Requirement of various types of Pots, Planters & other services for Landscaping work for Horticulture development at Terminal 1 & 2, Ahmedabad Airport.
		Purchase Order for Requirement of various types of Pots, Planters & other services for Landscaping work for Horticulture development at Terminal 1 & 2, Ahmedabad Airport
		Purchase order for Supply of different type of Chemical, Fertilizer & planting media for Horticulture maintenance work at Ahmedabad Airport.
		Other Misc. PO for low value items (below Rs. 5 lakhs)

10.2.19. Based on the information available in the table above, the Authority proposed to bifurcate the horticulture expenses in the ratio of 50 : 50 (aeronautical : non aeronautical) in line with the approach followed regarding the proposed capital expenditure related to horticulture (Refer Para 7.5.6). For housekeeping expenses, the Authority proposed to bifurcate the same in the revised Terminal Area Ratio of 90 : 10 (aeronautical : non aeronautical) for TCP as these expenses pertained primarily to the terminal buildings and associated areas of the airport. This allocation was also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA.

10.2.20. With regard to "Manpower Hiring Charges", the Authority proposed to bifurcate the same in the revised Gross Block Ratio for TCP as these items are not specific to the terminal building but are applicable to the airport as a whole.

D) Runway recarpeting expenses

10.2.21. The AO had considered the expense towards runway recarpeting expenses as 100% Aeronautical. The Authority finds the allocation to be reasonable. However, this expense had been further examined in Para 10.2.89 to Para 10.2.92.

m) Financing Charges and Others

- 10.2.22. As per the MYTP submission, this expense item comprised of finance charges, Performance Bank guarantee (PBG) and Working Capital interest and other interest. The allocation ratios for the above mentioned items are given in Table 187.
- 10.2.23. The Authority noted that for Performance BG, the AO has considered this as 100% aeronautical as per Clause 9.1.1 of the CA, which states that *"The Concessionaire shall, for the performance of its obligations during Phase I hereunder, provide to the Authority, no later than 120 (one hundred and twenty) days from the date of this Agreement, an irrevocable and unconditional guarantee from a Bank for a sum equivalent to Rs. 130,00,00,000 (Rupees One Hundred and Thirty Crore) in the form set forth in Schedule E ("Performance Security"). Until such time the Performance Security is provided by the Concessionaire pursuant hereto and the same comes into effect, the Bid Security shall remain in force and effect, and upon such provision of the Performance Security pursuant hereto, the Authority shall release the Bid Security to the Concessionaire."*
- 10.2.24. Based on the above, the Authority proposed to consider the PBG charges as aeronautical. Further, the Authority proposes to bifurcate the "finance charges" and "Working Capital interest and other interest" in the revised Gross block ratio for FY 2022 and recompute the aeronautical portion of the "finance charges" and "Working Capital interest and other interest" based on the changes in the other building blocks.

n) Fuel and cargo operating expenses

- 10.2.25. The AO had considered the expense towards Fuel and Cargo Operating expenses as 100% Aeronautical, which the Authority finds to be appropriate.
- 10.2.26. The Authority's proposal at the Consultation stage for allocation of Aeronautical O&M expenses of AIAL as compared to that submitted by the Airport Operator has been summarized in the table below.

Table 198: Allocation of Aeronautical O&M expenses for AIAL for TCP

Particulars	O&M expense allocation	
	AIAL's submission	Authority's proposal
Manpower expenses - AAI employees (up to Deemed Deputation Period)	100 % Aeronautical	Employee ratio (99.30%)
Manpower expenses - AAI employees (Deficit Employee Cost)	100 % Aeronautical	100 % Aeronautical
Manpower expenses - AIAL employees	Employee ratio (97.0 %)	Employee ratio (96.27%)
Utility expenses – Electricity cost (net of recovery)	100 % Aeronautical	100 % Aeronautical
Utility expenses – Water charges	Terminal Area Ratio (94.9 %)	Gross block ratio (92.51%)
Utility expenses – Diesel consumption charges		
IT expenses	Initial RAB ratio (97.7 %)	Terminal Area Ratio (90%)
Rates & taxes	Terminal Area Ratio (94.9 %)	Gross block ratio (92.51%)
Security expenses – "Security services"	Initial RAB ratio (97.7 %)	Ratio of 50% (aero : non-aero)
Security expenses – "ILBS Screeners from AAICLAS"		100% Aeronautical



Particulars	O&M expense allocation	
	AIAL's submission	Authority's proposal
Security expenses – “Others”		Gross block ratio (92.51%)
Security others	Initial RAB ratio (97.7 %)	Para 10.2.61 and Para 10.2.62 (Counter Drone System)
Corporate Expenses	Initial RAB ratio (97.7 %)	Employee ratio (96.27%)
Administrative Expenses - UDF	Initial RAB ratio (97.7 %)	100 % Aeronautical
Administrative Expenses - Others		Gross block ratio (92.51%)
Insurance	Initial RAB ratio (97.7 %)	Gross block ratio (92.51%)
R&M expenses	Terminal Area Ratio (94.9 %)	Gross block ratio (92.51%)
Others - Horticulture	Terminal Area Ratio (94.9 %)	Ratio of 50% (aero : non-aero)
Others – Housekeeping expenses		Terminal Area Ratio (90%)
Others – Manpower hiring charges		Gross block ratio (92.51%)
Runway recarpeting	100 % Aeronautical	100 % Aeronautical
Finance charges – Performance BG	100 % Aeronautical	Para 10.2.93 to Para 10.2.95
Finance charges - Debt drawdown fee	Ratio of Avg Aero Assets and Avg Non-Aero Assets	
Finance charges - Working Capital interest and other interest	Based on Working Capital requirement for each vertical of business like Aero and Non-Aero separately	
Fuel farm operating expenses	100 % Aeronautical	100 % Aeronautical
Cargo operating expenses	100 % Aeronautical	100 % Aeronautical

Note: The average values of the various ratios for the Third Control Period have been mentioned in this table.

II. Examination of O&M expenses and their growth rates for Third Control Period

10.2.27. With respect to the TCP, the Authority first examined each expense based on the actual expense incurred in FY 2022 as submitted by AIAL and as validated by the Independent Consultant from AIAL's Annual Report. The Authority then proceeded to examine the growth rates proposed by the AO for each expense item. The examination of the various expenses under operational expenditure is detailed below.

a) Employee expenses – AAI

10.2.28. The Airport Operator had projected the expense towards specified number of AAI employees across all the five (5) tariff years in the Third Control Period as per Clause 6.5.1 of the Concession Agreement entered into between AAI and the Airport Operator. The extract for the same is provided in Para 10.2.1.

10.2.29. As per the MYTP submission, the Airport Operator had claimed Manpower Expenses for 'Select Employees' till the end of Deemed Deputation Period, namely for 177 Select Employees and also 'Deficit Employee Cost' for 108 employees (calculated at 60% of 'Select employee' number as stated in Clause 6.5.10 of the Concession Agreement) for the remaining portion of the Third Control Period. The Airport Operator has also projected a growth rate of 15.2% (real growth 10% plus inflation 5.2%) year-on-year towards manpower expenses of AAI employees.

10.2.30. The Authority noted that, vide email dated 23rd April 2022, AIAL submitted the department-wise list along with their classification of 173 Select employees deputed at SVPIA as on 31st March 2022.



- 10.2.31. The Authority further noted that the Manpower Expense of AAI employees are accounted by the Airport Operator, based on the invoices raised by AAI for the 'Select Employees' deputed at SVPIA.
- 10.2.32. The Authority on review of Clause 6.5 along with clause 28.4.3 of the Concession Agreement between AAI and the Airport Operator, noted that the cost of AAI employees deputed at the SVPIA is eligible for pass-through in the determination of Aeronautical charges. The employee expenses of the AAI employees for the Third Control Period are considered as 100% Aeronautical expenses by the Airport Operator. However, the Authority proposed to consider the Employee Expenses – AAI employees up to 'Deemed Deputation Period' and thereafter consider 'Deficit Employee Cost', as per the relevant Clauses of the Concession Agreement (Refer paragraph 10.2.2).
- 10.2.33. The Deficit employee cost had been calculated under the assumption that no Select employees would join AIAL, post the Deemed Deputation Period. However, it is possible that some of the Select employees may choose to accept the offers made by AIAL in future. Therefore, this expense would be trued up at the time of tariff determination for the Fourth Control Period, based on the actual percentage of employees who have accepted the offers of AIAL.
- 10.2.34. The Authority proposed to consider the actual expenses as submitted by AIAL for FY 2022 and revise the Y-o-Y increase in Payroll costs from 15.2% to 6% for the remaining (4) tariff years of the Third Control Period, as approved by the Authority for other similar airports. Based on its examination of the growth rate in average salary expenses at other PPP airports such as DIAL, MIAL, BIAL and GHIAL, the Authority is of the view that 6% is reasonable estimate for the growth of average salary.
- 10.2.35. Based on the above statements, the following table shows the employee expenses of the Select employees as proposed by the Authority for TCP at the Consultation stage.

Table 199: Employee expenses of Select employees as proposed by the Authority for TCP at Consultation stage

Particulars	FY 2022	FY 2023	FY 2024**	FY 2025	FY 2026	Total
No. of Select Employees (A)	173	173	173			
Growth - Salary (%)		6.0%	6.0%	6.0%	6.0%	
Average Salary (B) (INR Cr.)	0.24*	0.25	0.26	0.28	0.30	
Select Employee Expense (C = A × B) (in INR Cr.)	40.67*	43.11	27.72	-	-	111.50
Aero Ratio - AAI Employees (%) (D)	99.30%	99.30%	100.00%	100.00%	100.00%	
Aero Select Employee Expense (E = C × D) (in INR Cr.)	40.39	42.81	27.72	-	-	110.91
Deficit Employees:						
No. of Deficit Employees (F)	-	-	104	104	104	
Deficit Employee Expense (G = F × B × D) (in INR Cr.)	-	-	10.79	29.06	30.81	70.66
Aero AAI Employee Expense (E + G) (in INR Cr.)	40.39	42.81	38.51	29.06	30.81	181.57

*As per actuals submitted by AIAL, vide email dated 08th September 2022

**Note: The deemed deputation period ends on 07th November 2023. Hence, for FY 2024, appropriate adjustment has been carried out with respect to the number of Select employees. From FY 2024 till FY 2026, 60% of 173 employees = 104, has been considered

b) Employee expenses – AIAL

- 10.2.36. The Airport Operator had submitted the following regarding the salary cost per employee per annum and increase in the total employee headcount.

- **Salary cost per employee per annum:** As per the MYTP submission, the Airport Operator has submitted a projected weighted average salary of INR 0.20 Cr. per annum for FY 2022. However,

as per the actuals submitted by AIAL, vide email dated 08th September 2022, the average salary of the AIAL employees is INR 0.19 Cr. The Authority proposes to consider the employee expenses of AIAL for FY 2022 based on the actuals.

The Authority examined the average salary submitted by AIAL for FY 2023 and finds the same to be reasonable. It is noted that AIAL projected an increase of 15.2% on the average salary year-on-year (Y-o-Y), starting from FY 2024, in the Third Control Period. However, the Authority proposes to consider a growth rate of 6% for the remaining (3) tariff years of the Third Control Period, starting from FY 2024, in line with the approach followed for the AAI employees.

- **Increase in Employee Headcount:** As per the submission of AIAL vide email dated 23rd April 2022, it is observed that the AO has projected an increase in employee headcount of AIAL employees from 122 as on 31st March 2021 to 455 as at the end of the TCP. (Refer Table 278 for the detailed breakup of the proposed employee headcount for the various departments as submitted by AIAL for TCP).

The Authority noted that in FY 2024, AIAL has proposed to increase the employee strength for carrying out new functions mainly towards departments relating to Security, Airside management, ARFF etc considering the expansion of T1 and T2 in FY 2024 and that the deemed deputation period of the Select Employees deputed by AAI expires during FY 2024.

In the FY 2020, SVPIA handled a total passenger traffic of 11.43 Million. The aeronautical employee strength of AAI at the time was 162. Based on the traffic projections, there is increase of approximately 74% in passenger traffic from FY 2020 to FY 2026. Whereas, based on the employee strength projected by AIAL, there is an increase of approximately 173% (this is also due to the creation of new departments such as Airside management which were not present prior to COD and hiring of ILBS screeners) in the aeronautical employee strength during the same period. AIAL being a private player, is expected to bring in operational efficiencies. Further, in its submissions AIAL has also submitted that it plans to additionally seek the services of outsourced manpower for certain activities. In light of this, the employee headcount requirement projected by AIAL appears to be unreasonably high. Hence, the Authority proposes to make certain adjustments and reclassifications (Refer Table 279 for the same). Accordingly, the employee ratio of AIAL was recomputed for TCP (For the detailed calculation of the employee ratio of AIAL, refer Table 280).

10.2.37. Further, the Authority noted that the headcount summary of AIAL had been computed considering the assumption that no Select employees would join AIAL, post the Deemed Deputation Period. However, it is possible that some of the Select employees may choose to accept the offers made by AIAL in future. Hence, appropriate rationalisation will be carried out with regard to the headcount of AIAL at the time of True up as part of tariff determination for the Fourth Control period.

10.2.38. Based on the above statements, the following table shows the employee expenses of the AIAL employees as proposed by the Authority for TCP.

Table 200: Employee expenses of AIAL employees as proposed by the Authority for TCP

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
No. of Executive Employees (as per AIAL) (A)	100	130	180	180	200	
No. of Non-executive Employees (as per AIAL) (B)	70	170	220	220	250	
Total Employees (C = A + B)	170	300	400	400	450	

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Growth - Salary (%)			6.0%	6.0%	6.0%	
Average Salary of total employees (in INR Cr.) (D)	0.19*					
Average Salary of Executive Employees (in INR Cr.) (E)		0.22**	0.23	0.25	0.26	
Average Salary of Non-executive Employees (in INR Cr.) (F)		0.06**	0.06	0.07	0.07	
Executive Employees expenses (INR Cr.) (G = A × E)		28.60	41.98	44.49	52.40	
Non-executive Employees expenses (INR Cr.) (H = B × F)		10.20	13.99	14.83	17.87	
Total cost (in INR Cr.) (I = G + H)		38.80	55.97	59.33	70.27	
Weighted avg salary cost (INR Cr.) (J = I ÷ C)	0.19*	0.13	0.14	0.15	0.16	
Total Employee Strength as per the Authority (in No.) (K)	157.00	243.00	363.21	383.74	428.00	
Total Employee Expense as per the Authority (in INR Cr.) (L = J × K)	29.22	31.43	50.82	56.92	66.83	235.21
Aero Ratio (%) (M)	95.74%	95.21%	96.54%	96.77%	97.07%	
Aero AIAL Employee Expense as per the Authority (in INR Cr.) (N = L × M)	27.97	29.92	49.06	55.08	64.87	226.91

*As per actuals submitted by AIAL, vide email dated 08th September 2022.

**As per MYTP submission of AIAL.

c) Utility expenses

i. Electricity cost:

- 10.2.39. As per the MYTP submission, the projected utility expenses of AIAL comprises of only electricity cost. AIAL, vide email dated 15th September 2022, confirmed the same regarding the actual utility expenses amounting to INR 16.54 Cr for FY 2022. Further, vide email dated 26th September 2022, AIAL submitted the total units of electricity consumed for the period of five months from April to August of FY 2023.
- 10.2.40. The Airport Operator had projected the electricity costs, after netting off the recoveries made from the Concessionaires (which is assumed to be 7.00% of the total electricity cost). The Authority notes that the power recovery percentage is significantly lower than that of comparable airports. The Authority is of the view that with the gradual increase in the non-aeronautical operations, the Airport Operator should increase the power recovery from the Concessionaires. In case the power recoveries do not increase, the Authority proposes to consider power recoveries at a notional rate of 25% while truing up of the Third Control Period.
- 10.2.41. In its MYTP submission, AIAL had proposed an escalation rate of 30% for FY 2023 and FY 2024 due to the expansion of the Terminal area. AIAL has also projected an inflationary growth rate 5.2% year-on-year towards utility expenses.
- 10.2.42. The Authority proposed to consider the actuals for FY 2022 as submitted by AIAL. For FY 2023, the Authority proposes to consider the actual units consumed for the first five months and extrapolate the same for the remaining months. Further, the Authority was of the view that there would be an increase in the electricity expenses post expansion of the terminal area, as observed in the case of other airports. Therefore, the Authority proposed to consider an additional increase of 19.83% in electricity expenses

only in FY 2024, as the operations in the extended terminal area will commence in FY 2024 and also allow inflationary effect from FY 2024 to FY 2026 (The inflation rates are mentioned in Table 184).

ii. Water and diesel consumption charges

- 10.2.43. As mentioned in Para 10.2.6, the water and the diesel consumption charges have been included under utility expenses and deducted from other operating expenses and R&M expenses respectively. AIAL, vide email dated 10th October 2022, was requested to clarify if the water and the diesel consumption charges have been projected with the growth rates similar to that of the other operating expenses and R&M expenses respectively. AIAL, vide email dated 11th October 2022, confirmed the same. The growth rates proposed by AIAL for water charges is 15.2% Y-o-Y for TCP (except for FY 2023) and an additional increase of 19.83% in FY 2024 on account of expansion of Terminal area. For FY 2023, the AO has claimed an increase of 35.2% (30% based on estimate and 5.20% due to inflationary effect). The growth rates proposed by AIAL for diesel consumption charges is 15.2% Y-o-Y for TCP.
- 10.2.44. The Authority proposed to consider the actuals for FY 2022 as submitted by AIAL for these expense items. Further, the Authority was of the view that there would be an increase in these expense items due to the expansion of the terminal area, as observed in the case of other airports. Therefore, the Authority proposed to consider an additional increase of 19.83% in these expense items only in FY 2024, as the operations in the extended terminal area will commence in FY 2024 and also allow inflationary effect from FY 2023 to FY 2026 (The inflation rates are mentioned in Table 184).
- 10.2.45. Based on the above statements, the following table shows the utility expenses of AIAL as proposed by the Authority for TCP.

Table 201: Utility expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Electricity cost:						
Growth - Terminal Area (%)			19.83%	-	-	
Total units consumed (in Mn) (A)	19.01	27.73	33.23	33.23	33.23	146.43
Units recovered from concessionaires*** (B) (in Mn)	1.33	1.62	2.33	2.33	2.33	9.93
Billable Units (C = A - B) (in Mn)	17.68	26.11	30.90	30.90	30.90	136.51
Growth - Inflation (%)			5.10%	5.10%	5.10%	
Per Unit Rate (D) (in INR)	9.35*	9.44**	9.92	10.43	10.96	
Aero electricity expenses (E = C × D) (INR Cr.)	16.54*	24.66**	30.67	32.23	33.88	137.97
Water charges:						
Growth - Inflation (%)		11.10%	5.10%	5.10%	5.10%	
Growth - Terminal Area (%)		-	19.83%	-	-	
Total water expense (F) (in INR Cr.)	0.22*	0.24	0.31	0.32	0.34	1.43
Revised Gross block ratio (G) (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero water expense (H = F × G) (INR Cr.)	0.21	0.22	0.28	0.30	0.31	1.32
Diesel Consumption charges:						
Growth - Inflation (%)		11.10%	5.10%	5.10%	5.10%	
Growth - Terminal Area (%)		-	19.83%	-	-	
Total diesel expense (I) (in INR Cr.)	0.55*	0.61	0.76	0.80	0.84	3.57
Revised Gross block ratio (J) (%)	93.89%	90.38%	92.82%	93.55%	91.93%	

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aero diesel expense (K = I × J) (INR Cr.)	0.52	0.55	0.71	0.75	0.78	3.30
Total utility expenses (E + H + K) (INR Cr.)	17.26	25.43	31.66	33.28	34.96	142.60

Note: For electricity expenses, growth rate due to Terminal area expansion has been applied on total units consumed, whereas the inflation rates have been applied on the per unit rate.

*As per actuals submitted by AIAL, vide email dated 08th September 2022 and 15th September 2022

**This figure has been extrapolated on the basis of the actuals submitted by AIAL for a period of 5 months, vide email dated 26th September 2022.

***From FY 2024 till FY 2026, 7% has been assumed as the recovery rate from the Concessionaires. For FY 2023, the figure has been extrapolated on the basis of the actuals submitted by AIAL for a period of 5 months.

d) IT expenses

- 10.2.46. The Authority noted that AIAL had claimed an increase of 15.2% Y-o-Y and an additional increase of 20% in FY 2024 due to the proposed increase in the Terminal Building area.
- 10.2.47. The Authority proposed to consider the actual expense incurred by AIAL for FY 2022. The Authority on its review of the other similar airports, is of the opinion that expansion of Terminal Building area will result in proportionate increase in this expense and hence, proposed to consider the additional increase of 19.83% for FY 2024 claimed by the AO and also allow inflationary effect (The inflation rates are mentioned in Table 184) for FY 2023-2026.
- 10.2.48. Based on the above statements, the following table shows the IT expenses of AIAL as proposed by the Authority for TCP at the Consultation stage.

Table 202: IT expenses of AIAL as proposed by the Authority for TCP at Consultation stage

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Inflation (%)		11.10%	5.10%	5.10%	5.10%	
Growth - Terminal Area (%)	-	-	19.83%	-	-	
Total IT Expense (in INR Cr.)	4.19*	4.66	5.82	6.11	6.43	27.20
Revised Terminal area Ratio (%)	90.00%	90.00%	90.00%	90.00%	90.00%	
Aero IT Expense (in INR Cr.)	3.77	4.19	5.23	5.50	5.78	24.48

*As per the actuals submitted by AIAL, vide email dated 08th September 2022

e) Rates and taxes

- 10.2.49. The Authority noted that the actual tax expenses incurred in FY 2022 is INR 3.06 Cr. AIAL, vide email dated 23rd September 2022, submitted a summary on property tax as shown in the following table.

Table 203: Summary of Property Tax Payment as submitted by AIAL for FY 2022 and FY 2023

Particulars (in INR Cr.)	FY 2022	FY 2023
Property Tax Invoice from Cantonment Board (CB) (A)	0.93	3.17
Differential cost as stated by Cantonment Board for FY 2022 that is to be paid in FY 2023 (B)	-	2.24
Total property tax invoice from Cantonment Board (C = A + B)	0.93	5.41
Property Tax Invoice from Ahmedabad Municipal Corporation (AMC) (D)	2.13	5.28
Total (C + D)	3.06	10.69



10.2.50. Further, AIAL stated – “Property Tax Invoice from Cantonment Board (CB): For FY 22-23, CB has determined tax amount as Rs. 3.17 Cr increased from Rs. 93.47 lakhs due to:

- Correction by CB in rates from Rs. 298.7 / sqm to Rs. 872.5 / sqm (considering airport under 'Highly commercial' category)
- Increase in Built up area based on survey by CB from 40130 sqm to 46209 sqm (earlier taxes for 40130 sqm were being charged).
- Further, CB has asked to pay the differential cost of Rs. 2.24 Cr for FY 21-22 also. Thus, the amount of tax paid in FY 22-23 comes to Rs. 5.41 Cr.

Property Tax Invoice from Ahmedabad Municipal Corporation (AMC): In FY 21-22, AIAL had paid Rs. 2.13 Cr. For FY 22-23, AMC has raised invoices for approx. Rs. 5.28 Cr. Major increase is due to:

- Change in “Occupier” category increasing the factor from 1 to 2
- Change in categorization as Govt. building to “No”

Thus, the amount of tax paid / payable in FY 22-23 comes to Rs. 5.28 Cr. For FY 22-23, we had projected Rs. 4 Cr which has now increased to Rs. 10.69 Crs. The cost will be Rs. 8.45 Cr (on normalized basis after eliminating arrears) from FY 23-24 onwards.”

- 10.2.51. The Authority proposed to consider the actual expense as submitted by AIAL for FY 2022 and FY 2023 (Refer table 203). From FY 2024 onwards, the growth rates as mentioned in Para 10.2.53 will be considered on the base amount of INR 8.45 Cr. (INR 10.69 Cr. – INR 2.24 Cr. i.e., exclusive of the differential cost of INR 2.24 Cr. incurred in FY 2023).
- 10.2.52. The Authority noted that AIAL has claimed an increase of 5.2% Y-o-Y and an additional increase of 19.83% in FY 2024 due to the proposed increase in the Terminal Building area.
- 10.2.53. The Authority on its review of the other similar airports, is of the opinion that expansion of Terminal Building area will result in proportionate increase in this expense. Hence, the Authority proposed to consider the additional increase of 19.83% for FY 2024 claimed by the AO and also allow inflationary effect for FY 2024 to FY 2026 (The inflation rates are mentioned in Table 184).
- 10.2.54. Based on the above statements, the following table shows the rates and taxes of AIAL as proposed by the Authority for TCP at the Consultation stage.

Table 204: Rates and taxes of AIAL as proposed by the Authority for TCP at Consultation stage

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Inflation (%)			5.10%	5.10%	5.10%	
Growth - Terminal Area (%)	-	-	19.83%	-	-	
Property Tax (A) (in INR Cr.)	0.93	3.17	3.96	4.16	4.37	16.60
Differential Cost (B) (in INR Cr.)	-	2.24	-	-	-	2.24
Total property tax invoice from Cantonment Board (in INR Cr.) (C = A + B)	0.93	5.41	3.96	4.16	4.37	18.84
Municipal Corporation (D) (in INR Cr.)	2.13	5.28	6.60	6.93	7.29	28.23
Total Rates and Taxes (E = C + D) (in INR Cr.)	3.06*	10.69*	10.56	11.09	11.66	47.06
Revised Gross block Ratio (F) (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero Rates and Taxes (E × F) (in INR Cr.)	2.87	9.66	9.80	10.38	10.72	43.43

*As per the actuals submitted by AIAL, vide email dated 23rd September 2022

f) Security expenses

- 10.2.55. As mentioned in Para 10.2.9, this expense comprises of "Outsourced security cost." The actual security expenses incurred by AIAL in FY 2022 is INR 5.99 Cr.
- 10.2.56. As per the MYTP submission, the Authority noted that AIAL had proposed for the deployment of Private Security Agency (PSA) for non-core aviation security function at the Airport and also projected a 50% increase in security expenses for the same in FY 2023. For further analysis, vide email dated 06th September 2022, AIAL was requested to share the purpose, the role and the deployment of these employees at the airport. AIAL, vide email dated 9th September 2022, stated the following, "*The deployment of Private Security Agency (PSA) is as per BCAS Avsec Circular 03/ 2021 dated 11 May 2021 (attached) to be undertaken by CISF. The number of PSA at each airport is as per BCAS Office Memorandum dated 09 June 2022. At the time of filing of MYTP in first week of Feb-2022, there was limited clarity on the matter about who will bear this cost. However subsequently a clarification received from Ministry of Civil Aviation that all the expenses relating to this BCAS circular are to be charged to NASFT. Therefore, this expenses will not be borne by Airport operator. Amount of Rs. 3 Crs provisioned for the said expense (out of total security expense of Rs. 9.30 Crs) from FY23 onwards can be withdrawn now.*"
- 10.2.57. In view of the above, the Authority had excluded the cost proposed towards PSA from the security expenses for TCP.
- 10.2.58. The Authority noted that for security expenses (excluding PSA), AIAL has claimed an increase of 15.2% Y-o-Y and an additional increase of 19.83% in FY 2024 due to the proposed increase in the Terminal Building area.
- 10.2.59. The Authority proposed to consider the actual amount incurred by AIAL in FY 2022. Further, the Authority on its review of the other similar airports, is of the opinion that expansion of Terminal Building area will result in proportionate increase in this expense and hence, proposes to consider the additional increase of 19.83% for FY 2024 claimed by the AO and also allow inflationary effect (The inflation rates are mentioned in Table 184) for FY 2023-2026.
- 10.2.60. Based on the above statements, the security expenses of AIAL as proposed by the Authority for TCP at the Consultation stage is shown in the following table.

Table 205: Security expenses of AIAL as proposed by the Authority for TCP at Consultation stage

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Inflation (%)		11.10%	5.10%	5.10%	5.10%	
Growth - Terminal Area (%)	-	-	19.83%	-	-	
Security services (A) (in INR Cr.)	3.54	3.93	4.91	5.16	5.42	22.95
ILBS Screeners from AAICLAS (B) (in INR Cr.)	2.17	2.41	3.01	3.17	3.33	14.09
Others (C) (in INR Cr.)	0.28	0.32	0.39	0.41	0.44	1.84
Aero % for Security services (D)	50%	50%	50%	50%	50%	
Aero % for ILBS Screeners from AAICLAS (E)	100%	100%	100%	100%	100%	
Gross block ratio for Others (F) (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero Security Expenses (A × D + B × E + C × F) (in INR Cr.)	4.20	4.66	5.83	6.13	6.44	27.27

g) Security-others

- 10.2.61. In its MYTP submission, AIAL had proposed to implement Counter Drone System amounting of INR 69.17 Cr, based on the directive of Bureau of Civil Aviation Security (BCAS), which had directed the Indian Airports to implement Counter drone technology/solution for Surveillance, detection and Neutralization of drones/ UAVs vide AVSEC Circular no 02/2020 dated 11th February 2020 and vide addendum dated 09th February 2021 to the said circular.
- 10.2.62. However, the Authority noted that the above-mentioned Circular was subsequently withdrawn by BCAS vide Order No. CAS-6(11)/2018/ Div-I/RPA/ (Part2)/ 180940 dated 23rd February 2022. Therefore, the Authority proposes to exclude this expense during the Third Control Period and considering the same based on actuals at the time of true up in case a revised Circular issued by the BCAS mandating the requirement for the implementation of Counter Drone System.

h) Corporate expenses

- 10.2.63. The Airport Operator had claimed Corporate Cost Allocation of INR 13.94 Cr. (Refer table 186 for the breakup of the same) towards Corporate Support Services received from the Holding Companies, namely, AEL and AAHL for FY 2022.
- 10.2.64. AIAL had projected an 15.2% increase Y-o-Y during the Third Control Period except for FY 2023. For FY 2023, AIAL has projected an increase of 55.2% (50% based on estimate and 5.2% inflationary increase).
- 10.2.65. The Authority observed from the Note provided by the AO (refer Annexure 5 for the Note on Corporate cost allocation study report), that it has engaged an independent consultant, to conduct a Study on Corporate Cost allocation.
- 10.2.66. AIAL, vide email dated 21st August 2022, was requested to share the detailed breakup of this expense to which they shared the following table, vide email dated 23rd August 2022.

Table 206: Breakup of Corporate allocation cost as submitted by AIAL for FY 2022

Particulars (INR Cr.)	Department	Allocation Key (Basis)	Admin cost	Salary cost	Total
AEL	Finance, Tax and Internal Audit	Ratio of Debt raised for a SPV to total Debt raised for Adani Group, Ratio of Turnover of a SPV to Total Group Turnover and Ratio of Full Time Equivalents (FTE) allocated to a SPV to total FTEs	0.13	0.27	0.40
	HR and Admin	Ratio of Number of Employees of a SPV to Total Adani Group Employees	1.02	2.07	3.09
	CMD Office and Support Staff	Ratio of a SPV PBT to Group PBT and Airport budgeted expenditure to Total budgeted expenditure	0.87	1.77	2.65
	IT	Ratio of Number of IT users in a SPV to total Group users	0.48	0.97	1.45
	Legal	Ratio of Legal Budget of a SPV to Total Legal Budget of all airports	0.02	0.04	0.07
	Procurement	Ratio of Turnover of a SPV to Total Group Turnover	0.01	0.02	0.03
	Land & Estate	Ratio of a SPV PBT to Group PBT	0.01	0.03	0.04
	Total (A)		2.55	5.17	7.72

Particulars (INR Cr.)	Department	Allocation Key (Basis)	Admin cost	Salary cost	Total
AAHL	Human Resources and Admin	Ratio of Number of Employees of a SPV to Total Adani Group Employees	0.35	1.39	1.74
	Finance	Ratio of Debt raised for a SPV to total Debt raised for Airport Group	0.14	0.54	0.68
	Operations (Airline Marketing, Operation, Security, HSE, Regulatory)	Ratio of Per Pax Revenue of SPV to total Per Pax Revenue	0.13	0.53	0.66
	Information Technology	Ratio of Number of IT users in a SPV to total IT users in all airports	0.11	0.44	0.54
	Inhouse Legal Team	Ratio of Legal Budget of a SPV to Total Legal Budget of all airports	0.01	0.03	0.04
	Cargo Development	Ratio of Per Pax Revenue of a SPV to total Per Pax Revenue of all airports	0.02	0.07	0.08
	CEO Office	Ratio of Per Pax Revenue of SPV to total Per Pax Revenue	0.49	1.98	2.47
	Total (B)		1.24	4.98	6.22
Total (A + B)			3.79	10.15	13.94

- 10.2.67. The Authority considered the apportionment of costs of AEL and AAHL to AIAL to be reasonable. This is also in line with the approach followed in the Study on efficient O&M expenses for SVPIA.
- 10.2.68. The Authority on review of the above, observed that the corporate costs include cost towards the inhouse legal team. However, the Authority had already allowed the employee expenses towards the inhouse legal team of AIAL and therefore, is of the view that providing additional expenses towards legal department at the corporate level would result in redundancy. Hence, the Authority had excluded the same from aeronautical O&M expenses.
- 10.2.69. Based on the above, the Authority proposed not to consider an amount of INR 0.11 Cr. claimed by Airport Operator towards such inhouse legal team and allow the remaining amount of INR 13.83 Cr towards Corporate Costs for FY 2022.
- 10.2.70. AIAL, vide email dated 09th September 2022, was requested to share the basis of the estimate of increasing this cost by 50% in FY 2023, to which AIAL responded vide email dated 13th September 2022, that "Referring to our earlier submissions on Corporate Cost Allocation which indicated below: In FY21-22 with the acquisition of Mumbai & Navi Airport and achievement of CoD for Jaipur, Guwahati, and Thiruvananthapuram Airports, AAHL felt need to devise more robust allocation methodology and has hired an independent consultant to undertake a study on Corporate Cost Allocation who have opined that consolidation of support services have benefits like: - a) Leveraging on best practices b) Centralized monitoring and control c) Efficiencies and economies of scale. With the above objectives, detailed review of each role was conducted and various roles within functions were centralized at holding company. Second, FY21-22 was first full year of operations for Airport companies and also Holding Companies. In FY21-22, the companies were under the ramp-up stage. Hence the cost of FY21-22 is not fully reflective of annualised cost. Therefore, there is requirement to give necessary impact in FY22-23 to project normalised annualised cost. In Q1 FY2022-23, the corporate cost incurred in Rs. 4.90 Crs which is line with full year cost projected of Rs.18.62 Crs"
- 10.2.71. While the Authority noted that AIAL was in a ramp-up stage, in FY 2022, the airports of Jaipur, Guwahati, and Thiruvananthapuram were under the operations of Adani for halfway through FY 2022. Therefore, in the subsequent years, the higher portion of the cost is expected to be allocated to these newly acquired airports. Hence, the Authority does not feel the need to consider this estimate of 50% in FY 2023, at this stage. However, if the actual costs are higher than the amount considered by the

Authority for the Third Control Period, the same will be trued up during the tariff determination in the Fourth Control Period subject to reasonableness and cost efficiency.

- 10.2.72. Further, the Authority observed that the salary cost constitutes the major portion of the corporate allocation cost of INR 13.94 Cr. and hence, proposes to adjust the increase claimed by the Airport Operator by considering 6% Y-o-Y for all the 4 FYs, starting from FY 2023, which is in line with the increase proposed for Manpower expenses of AAI and AIAL employees.
- 10.2.73. Based on the above statements, the following table shows the corporate expenses of AIAL as proposed by the Authority for TCP.

Table 207: Corporate expenses of AIAL, as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Salary (%)		6.00%	6.00%	6.00%	6.00%	
Total Corporate Cost (A) (in INR Cr.)	13.83*	14.66	15.54	16.48	17.46	77.98
Employee Ratio of AIAL as proposed by the Authority (B) (%)	95.74%	95.21%	96.54%	96.77%	97.07%	
Aero Corporate Cost (A × B) (in INR Cr.)	13.24	13.96	15.01	15.94	16.95	75.11

*As per the actuals submitted by AIAL, post exclusion of the legal expenses as stated in Para 10.2.69

i) Administrative & General expenses

- 10.2.74. The Authority noted that AIAL had incurred an amount of INR 9.56 Cr. in FY 2022 towards Administrative and General expenses.
- 10.2.75. As per the MYTP submission, AIAL had projected a 15.2% increase Y-o-Y during the Third Control Period except for FY 2023. For FY 2023, AIAL has projected an increase of 55.2% (50% based on estimate and 5.2% inflationary increase).
- 10.2.76. AIAL, vide email dated 09th September 2022, was requested to share the basis of the estimate of increasing this cost by 50% in FY 2023, to which AIAL responded vide email dated 13th September 2022, stating the following – “ATM and Passengers are increasing by 40% and 86% in FY22-23 respectively. In FY22-23 the employee numbers are increasing from 170 to 300 (growth of 76%). Manpower growth over the control period will be from 122 in FY20-21 to 450 in FY25-26 (CAGR of 5 year of 30. In order to take care of admin requirements for the growing manpower 50% increase in FY22-23 has been considered, which is lower when compared to passenger and manpower growth. In subsequent years the cost increase has been pegged at 15% YoY after factoring the efficiencies (even though traffic is increasing by 20% YoY from FY24 to FY26).”
- 10.2.77. The administrative expenses consist of multiple expense items, all of which would not be correlated with the growth in employee strength and may have other growth drivers. It would be difficult to predict the growth rate of individual items at this stage. The Authority proposes to consider increase in Collection charges for UDF in line with the growth in Passenger traffic proposed for the TCP for AIAL, as per Table 84. For the remaining expenses, the Authority proposes to allow inflationary effect (The inflation rates are mentioned in Table 184) for FY 2023-2026. This is in line with the approach followed for other similar airports. For FY 2022, the Authority proposes to consider the actual amount as submitted by AIAL.



10.2.78. Based on the above statements, the following table shows the administrative and general expenses of AIAL as proposed by the Authority for TCP at the Consultation stage.

Table 208: Administrative and General expenses of AIAL as proposed by AERA for TCP at Consultation stage

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Traffic (%)		101.91%	23.75%	19.66%	17.10%	
UDF Collection Charges (A) (in INR Cr.)	1.20*	2.42	2.99	3.58	4.19	14.38
Growth - Inflation (%)		11.10%	5.10%	5.10%	5.10%	
Others (B) (in INR Cr.)	8.36*	9.29	9.76	10.26	10.78	48.45
Revised Gross block ratio - Others (%) (C)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero – others (D = B × C) (INR Cr.)	7.85	8.39	9.06	9.60	9.91	44.81
Aero administrative and general Expenses (A + D) (INR Cr.)	9.05	10.81	12.05	13.18	14.11	59.19

*As per the actuals submitted by AIAL

j) Insurance expenses

10.2.79. The Authority examined the expense claimed by the Airport Operator towards Insurance and notes the following.

- **Insurance on Opening Net block of assets:** The Airport Operator had claimed a projected amount of INR 2.40 Cr. in FY 2022 and an increase of 15.2% Y-o-Y for insurance expenses on the Opening Net block of Assets. The Authority proposes to consider the actual expense of INR 1.63 Cr. for FY 2022. Further, the Authority proposes to consider the inflationary effect (The inflation rates are mentioned in Table 184) for FY 2023-2026.
- **Insurance on New Capital Expenditure:** As per MYTP submission, AIAL had claimed insurance expenses for new assets on the basis of 0.10% of the new additions to the gross block which are based on market rates. The Authority reviewed the same and proposes to consider the expense at the same rate of 0.10% on the revised cumulative value of new aeronautical assets capitalized from FY 2023-2026 (Refer Table 174 for the capital additions proposed by the Authority for TCP).

10.2.80. Based on the above statements, the following table shows the insurance expenses of AIAL as proposed by the Authority for TCP.

Table 209: Insurance expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Inflation (%)		11.10%	5.10%	5.10%	5.10%	
Initial Asset Base (A) (in INR Cr.)	1.63*	1.81	1.91	2.00	2.11	9.46
Revised Gross block Ratio (B) (%)	93.89%	93.89%	93.89%	93.89%	93.89%	
Aero Initial Asset Base (C = A × B) (in INR Cr.)	1.53	1.70	1.79	1.88	1.98	8.88
Cumulative Aero CAPEX (in INR Cr.) (D)		1,519.43	2,828.07	3,489.14	7,577.30	
On New Aero CAPEX (E = 0.10% × D) (in INR Cr.)	-	1.52	2.83	3.49	7.58	15.43
Total Aero Insurance Expense (C + E) (in INR Cr.)		3.22	4.62	5.37	9.56	24.31

*As per the actuals submitted by AIAL, vide email dated 08th September 2022

k) R&M expenses

10.2.81. The Authority examined the expenses towards Repairs and Maintenance consisting of contracts related to civil, electrical, water management etc and noted the following:

- AIAL had incurred an amount of INR 33.96 Cr. for FY 2022 under R&M expenses.
- **Repairs and Maintenance on Opening Net block of Assets:** The Airport Operator had claimed a projected amount of INR 40 Cr. in FY 2022 towards Repairs and Maintenance for Opening Net block of Assets and an increase of 15.2% for the last four (4) tariff years of TCP.
- **Repairs and Maintenance on New Capital Expenditure:** Repairs and maintenance expenses that are to be incurred by AIAL for new assets were calculated as 1% of the opening gross block of new assets for each tariff year of TCP.
- The Authority noted that amount claimed by the Airport Operator in each FY towards aeronautical Repairs and Maintenance (post bifurcation in the revised gross block ratio) is higher than 6% of the Opening Net block of Aeronautical Assets for the first two (2) tariff years of the Third Control Period and lower than 6% of the Opening RAB (Net block of Assets) for the last 3 tariff years, i.e., FY 2024, FY 2025 and FY 2026.
- The Authority is of the view that AIAL is a brownfield airport, wherein capital additions have been newly proposed for the Third Control Period. As the newly constructed/ installed assets are covered under warranty clauses, they may need only minimum repairs and maintenance. The Authority, therefore, proposes to restrict the aeronautical repairs and maintenance expenses claimed by the Airport Operator to 6% of the Opening Net block of aeronautical assets.
- Therefore, the Authority proposed to rationalise the repairs and maintenance expenses claimed by the Airport Operator to 6% of the Opening Net block of Aeronautical Assets for FY 2022 and FY 2023 and consider the amount claimed by the Airport Operator towards repairs and maintenance (post bifurcation in the revised gross block ratio) for FY 2024, FY 2025 and FY 2026.

Table 210: Adjustment to the R&M expenses as proposed by the Authority for TCP at Consultation stage

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Total Repairs and Maintenance expenses as per AIAL	33.41*	47.35	73.90	95.44	117.31	367.41
Revised Gross block ratio (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero R&M expenses post bifurcation in the revised gross block ratio (A)	31.37	42.80	68.59	89.29	107.85	339.89
As proposed by the Authority						
Opening RAB of AIAL (Refer table 174)	330.42	385.72	1,850.04	3,058.67	3,582.71	
6% of Opening RAB of AIAL (B)	19.83	23.14	111.00	183.52	214.96	552.45
Allowable R&M expenses as per the Authority (C = minimum of A, B)	19.83	23.14	68.59	89.29	107.85	308.70

*Note: As per the actuals submitted by AIAL for FY 2022, vide email dated 8th September 2022, post exclusion of diesel charges amounting to INR 0.55 Cr., as explained in Para 10.2.6.

l) Other Operating expenses

10.2.82. The AO had incurred an amount of INR 15.40 Cr. towards Housekeeping & upkeep, Horticulture and Hire charges in FY 2022 and claimed an increase of 15.2% Y-o-Y for TCP (except for FY 2023) and an additional increase of 19.83% in FY 2024 on account of expansion of Terminal area. For FY

- 2023, the AO had claimed an increase of 35.2% (30% based on estimate and 5.20% due to inflationary effect).
- 10.2.83. AIAL, vide email dated 09th September 2022, was requested to share the relevant documents pertaining to this expense item. The Authority notes that AIAL, vide email dated 13th September 2022, had shared the same.
- 10.2.84. AIAL, vide email dated 10th October 2022, was requested to share the details regarding the bidding process involved in obtaining the above mentioned contracts. AIAL, vide email dated 11th October 2022, stated that – “AIAL ensures all procurements are done in adherence to the approved procurement policy (approved procurement policy is available on the company website at the link: <https://www.adani.com/svpia-ahmedabad-airport/-/media/37A55F28181C483B939902F9BFCABC4D.ashx>). AIAL always adheres to the best practices and processes for procurement and ensures transparent process is followed in all the transactions.”.
- 10.2.85. AIAL, vide email dated 09th September 2022, was requested to share the basis of the 30% growth estimate for FY 2023. AIAL, vide email dated 13th September 2022, stated that “During FY22-23, we have planned various environment related initiatives and activities like ELMS Training Software, Food Safety Audit by 3rd Party, Software for Breath Analyzer selections (as per DGCA Audit), Environment Monitoring (Noise, Air & emissions and Sewage discharge), Structural Stability Audit & Third party inspection, Event Expenses like Aviation Safety Day & National Safety Day, External Safety Audit, Fee to PCB, Environment Information Display Board, Conversion of CO2 type fire extinguishers to lower GWP, Social - Health & Well-being to achieve goals of: UNSDG 3 – Good Health and Well-being. The overall estimates for these Environment related initiatives is projected as Rs. 2.5 Crs. During FY21-22 which was the first year of operations there were new activities added like customer facilitation services, loader services, GA Terminal management, Thermal Screener etc. These activities are performed by engagement of a manpower agency. These activities were added during the year FY21-22 and hence for providing annualized impact necessary increase in FY22-23 to be provided. Based on above, the cost for FY22-23 will be more than 50% of FY21-22. However, we have kept the growth to 30% after factoring in necessary efficiencies.”
- 10.2.86. The Authority, on review of the activities as mentioned in the above para, was of the view that these activities are already included under their relevant heads like R&M, Administrative and General expenses etc, and appropriate growth rates have already been proposed for the same. Hence, allowing an additional increase of 30% towards other expenses would result in redundancy. Therefore, at this stage, the Authority proposes to not consider this additional increase of 30% in FY 2023, and consider the growth rates as mentioned in the next para.
- 10.2.87. The Authority proposed to consider the actuals as submitted by AIAL for FY 2022. Further, the Authority proposes to consider the inflationary effect (The inflation rates are mentioned in Table 184) for FY 2023-26, instead of 15.2% increase Y-o-Y claimed by the Airport Operator. With respect to the additional increase of 19.83% claimed by the AO for the expansion of the terminal area, in FY 2024, the Authority proposes to consider this increase in line with that allowed by it for other similar airports.
- 10.2.88. Based on the above statements, the Authority proposed the operating expenses of AIAL for TCP, as shown in the following table at the Consultation stage.

Table 211: Other operating expenses of AIAL as proposed by the Authority for TCP at Consultation stage

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Inflation (%)		11.10%	5.10%	5.10%	5.10%	
Growth - Terminal Area (%)		-	19.83%	-	-	

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Housekeeping Expense (A) (in INR Cr.)	9.91*	11.01	13.75	14.45	15.19	64.32
Revised terminal Aero Ratio - Housekeeping (%) (B)	90%	90%	90%	90%	90%	
Aero Housekeeping Expense (C = A × B) (in INR Cr.)	8.92	9.91	12.38	13.01	13.67	57.89
Horticulture Expense (D) (in INR Cr.)	2.29*	2.54	3.17	3.34	3.51	14.84
Aero Ratio - Horticulture (E) (%)	50%	50%	50%	50%	50%	
Aero Horticulture Expense (F = D × E) (in INR Cr.)	1.14	1.27	1.59	1.67	1.75	7.42
Manpower Hiring (G) (in INR Cr.)	2.98*	3.31	4.14	4.35	4.57	19.34
Gross block Ratio – Manpower (H) (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero Manpower Hiring Expense (I = G × H) (in INR Cr.)	2.80	2.99	3.84	4.07	4.20	17.90
Total Aero Others Expenses (C + F + I) (in INR Cr.)	12.86	14.17	17.80	18.74	19.63	83.20

*As per the actuals submitted by AIAL. For manpower hiring charges, water charges amounting to INR 0.22 Cr. have been excluded, as discussed in Para 10.2.6

m) Runway recarpeting expenses

- 10.2.89. In its MYTP submission under O&M expenses, the Airport Operator had claimed an amount of INR 406.77 Cr. projected towards expenditure on runway recarpeting works. The AO later on submitted that due to substantial increase in PCN this should be considered as CAPEX.
- 10.2.90. The Authority noted that the AO was of the view that the Pavement Classification Number (PCN) value of the runway would not have increased substantially on implementing the runway recarpeting work. However, it is to be noted that on carrying out the said work, AIAL, vide email dated 29th June 2022, has stated that “The previous PCN values for the runway was 83/94 for different composition. Based on latest PCN assessment post runway recarpeting, the same has improved to 100.” Due to an increase in the PCN value, AIAL has proposed to capitalise the cost incurred towards runway recarpeting works and include the same under capital expenditure (CAPEX). Accordingly, the Authority examined the same under CAPEX (Refer Para 7.3.40 to Para 7.3.43).
- 10.2.91. The Authority further noted that under capital expenditure project proposed by AIAL, “Minor projects-Runway and Taxiway”, AIAL had carried out a pre-monsoon work amounting to INR 2.5 Cr, whose purpose as stated by AIAL is, “There are certain patches in the Airside which were not proper and thus before on-set of monsoons, we had executed small works on Airside considering safety issues.” The Authority proposes to consider this as a repair and maintenance expense and allow it under O&M expenses.
- 10.2.92. Therefore, the Authority proposed to allow the runway recarpeting work as CAPEX (except pre-monsoon work) and exclude the same from the O&M expenses for the Third Control Period.

n) Financing Charges and Others

- 10.2.93. In its MYTP submission, AIAL had stated that “Financing charges includes debt charges and processing fees payable to lenders. Under this, AIAL is required to pay 1.5% of the debt amount plus GST to lenders.”



- 10.2.94. AIAL, vide email dated 12th September 2022, was requested to share the breakup of this expense for FY 2022, to which they listed the following table, vide email dated 14th September 2022.

Table 212: Breakup of finance charges as incurred by AIAL for FY 2022

Particulars (in INR Cr.)	FY 2022
Working Capital interest and other interest	12.37
Bank Charges for Performance BG	2.47
Other Finance charges	1.67
Total	16.51

- 10.2.95. The Authority noted that the AO has included interest expenses on additional loans to meet cash requirements as part of O&M expenses. However, such interest expenses cannot be part of O&M expenses since the AO is already provided return on debt portion of assets as part of the FRoR. Therefore, the Authority proposed to consider only bank charges on performance BG and interest on working capital. Further, the Authority had recomputed the same based on the revisions in the other regulatory building blocks and proposed to consider the finance charges as shown in the following table for TCP at the Consultation stage.

Table 213: Finance charges of AIAL as proposed by the Authority for TCP at Consultation stage

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Interest on Working Capital Loan (A)	11.61	6.43	13.31	16.36	20.96	68.68
PBG Charges (B)	2.47	2.47	2.47	2.47	2.47	12.35
Other Finance Charges (C)	1.57	2.51	11.61	13.37	12.62	41.67
Aero Finance Charges (A + B + C)	15.65*	11.41	27.39	32.20	36.05	122.70

*As per the actuals submitted by AIAL, post bifurcation in their respective allocation ratios.

o) Cargo related expenses

- 10.2.96. Clause 19.4.1. of the Concession Agreement stipulates the Airport Operator's obligations towards upgrading, developing, operating and maintaining the Cargo facilities in accordance with the provisions of the Concession Agreement (refer to paragraph 18.4.3).
- 10.2.97. In its MYTP submission, the Airport Operator had claimed cargo operating expenditure of INR 146.25 Cr. towards insourced salary cost, cargo O&M expenses and customs cost recovery for TCP. Vide email dated 06th August 2022, AIAL submitted that the domestic cargo operations had already commenced in FY 2022 and international operations were started from May 2022 onwards. AIAL has also proposed the construction of Integrated Cargo Terminal (ICT) project which was planned to be completed by mid-2023.
- 10.2.98. The Airport Operator had projected the insourced salary and customs cost recovery based on the manpower required to efficiently handle the cargo operations and the cargo O&M expenses based on the volume of cargo tonnage processed from the cargo facility. The Airport Operator has also claimed an inflationary increase of 5.2% Y-o-Y for all the expenses in the last four (4) tariff years of the Third Control Period and an additional 10% real increase Y-o-Y for the insourced salary cost.



- 10.2.99. AIAL, vide email dated 09th September 2022, was requested to share the breakup of the actual cargo operating expenses for FY 2022. AIAL, vide email dated 13th September 2022, shared the following table.

Table 214: Breakup of cargo operating expenses as submitted by AIAL for FY 2022

Particulars (in INR Cr.)	FY 2022
Insourced salary	1.71
O&M Expenses	2.63
Customs Cost Recovery	-
Total	4.34

Note: As per actuals, the international cargo operations started in May 2022. Hence, there was no Customs Cost recovery in FY 2022

- 10.2.100. As per the MYTP submission, AIAL, apart from the salary cost of their own employees, has projected reimbursement of salary cost of Customs officials who will be handling the international cargo operations, under the head 'Customs cost recovery'. The Authority notes that the Airport Operator has estimated the salary cost of the Customs officials as per Para 7 of the Circular issued by the Department of Revenue, Ministry of Finance vide Circular No. 02/2021-Customs dated 19th January 2021. However, since international cargo operations commenced in May 2022, the actual amount for custom cost recovery for FY 2022 is zero. AIAL, vide email dated 5th October 2022, was requested to confirm if AIAL would be eligible for the exemption of the custom cost recovery. AIAL, vide email dated 6th October 2022, stated that – *"the custom cost waiver is applicable in case international volume is achieved at 12,000 tonnes for Air Cargo complex. Secondly, eligibility to apply for exemption, once the Air Cargo complex demonstrate the same volume in the preceding two years. In case of AIAL, the volume more than 12,000 tonnes are projected in FY24 and FY25. Hence AIAL will have eligibility to apply for such waiver only during FY 26."* However, as per the cargo traffic projection proposed by the Authority (Refer table 84), AIAL would be eligible to claim waiver for both FY 2025 and FY 2026. Therefore, the Authority proposes to consider the custom cost recovery as zero in FY 2025 and FY 2026. For FY 2023, the Authority proposes to consider the amount of INR 0.93 Cr, as submitted by AIAL, vide email dated 6th October 2022. For FY 2024, the Authority proposes to consider the growth rate of 6%, in line with that allowed for Manpower expense of AAI and Airport Operator.
- 10.2.101. With regard to the insourced salary, vide email dated 15th September 2022, AIAL was requested to clarify if the insourced salary expense was also inadvertently counted under employee expenses of AIAL. The AO, vide email dated 21st September 2022, confirmed that there is no double counting.
- 10.2.102. AIAL, vide email dated 21st September 2022, also stated – *"We would like to inform that employees deployed for Cargo (Insourced Salary) would be 4 (till FY 23-26). As against cost of Rs. 4.35 Cr submitted as Cargo (Insourced Salary) for FY22-23, the revised estimate is as below: FY 22-23 - 3 Headcount - Rs. 0.9 Cr FY 23-24 - 4 Headcount - Rs. 1.2 Cr (this will be increased with the rate of inflation & real increase as provided in MYTP)".*
- 10.2.103. From the above submission of AIAL, the Authority further noted that the insourced salary in FY 2023 is INR 0.90 Cr as against the MYTP submission of INR 4.35 Cr. The Authority understands that this reduction is due to optimization in headcount for certain departments (Refer the Note on Corporate Cost Allocation attached as Annexure 5). Therefore, the Authority proposes to consider the insourced salary expenses as submitted by AIAL for FY 2022 and FY 2023. For the remaining three (3) tariff years, the growth rates as discussed in Para 10.2.106 will be considered.
- 10.2.104. As per the MYTP submission, it was observed that AIAL had taken a rate of INR 2600 per ton for projecting the cargo O&M expenses. AIAL, vide email dated 09th September 2022, AIAL was requested to share the relevant documents for the same. AIAL, vide email dated 13th September 2022,

AIAL shared a Letter of Award (LoA) that was signed with Rajputana Smart Solutions Limited (Agreement No – PROC/AAIAL/21-22/275 dated 01st December 2021. The O&M fees per ton mentioned as per the LoA is shown below.

Table 215: Cargo O&M Fees as per LoA submitted by AIAL.

Particulars	Year 1*	Year 2**
Cargo O&M fees (INR per ton)	2589	2848

Note: *Year 1 - 1st January 2022 till 31st December 2022

**Year 2 - 1st January 2023 till 31st December 2023

- 10.2.105. AIAL, vide email dated 04th October 2022, was requested to share the details of the bidding process involved in awarding the above mentioned mandate. AIAL, vide email dated 07th October 2022, shared various documents regarding the same including the RFP document, dated 13th October 2021, and it is confirmed that the AO has adopted a two-stage competitive bidding process for selection of the bidder for provisions of Cargo Handling O&M Services and execution of the Cargo O&M Services Agreement.
- 10.2.106. The Authority proposed to consider the actuals as submitted by AIAL for FY 2022 for custom cost recovery and cargo O&M expenses. The Authority further proposes to consider the insourced salary expenses as submitted by AIAL for FY 2022 and FY 2023. However, the Authority proposes to revise the increase in insourced salary cost to 6% Y-o-Y, in line with that allowed for Manpower expense of AAI and Airport Operator. For cargo O&M expenses, the Authority proposes to consider the cargo O&M fees as per the LoA (Refer table 215) for FY 2023, growth in cargo traffic (Refer table 84) and the inflationary effect (The inflation rates are mentioned in Table 184) for the remaining tariff years in the Third Control period.
- 10.2.107. Based on the above statements, the following table shows the cargo operating expenses of AIAL as proposed by the Authority for TCP at the Consultation stage.

Table 216: Cargo expenses of AIAL as proposed by the Authority for TCP at Consultation stage

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Insourced Salary:						
Growth - Salary (%)			6.00%	6.00%	6.00%	
Average Salary (A) (INR Cr.)		0.30	0.32	0.34	0.36	
No. of Employees as submitted by AIAL (B)		3	4	4	4	
Insourced salary (C = A × B) (INR Cr.)	1.7*	0.90*	1.27	1.35	1.43	6.66
O&M Expenses:						
Growth - Inflation (%)			5.10%	5.10%	5.10%	
Rate as per LoA (INR ton)		2,589	2,848			
Rate for FY (D) (INR ton)		2,654***	2,789	2,931	3,081	
Cargo Traffic (E) (MT) (Refer table 76)	63,444	71,224	84,900	95,859	103,684	419,111
O&M expenses (F = D × E) (in INR Cr.)	2.63*	18.90	23.68	28.10	31.94	105.25
Customs Cost Recovery:						
Growth - Salary (%)			6.00%			
Custom Cost Recovery (G) (in INR Cr.)	-	0.93**	0.99	-	-	1.92
Total Cargo Expenses (C + F + G) (INR Cr.)	1.73*	20.74	25.94	29.45	33.37	113.84

*As per the actuals submitted by AIAL, vide email dated 8th September 2022, 21st September 2022

**As per the submission of AIAL, vide email dated 06th October 2022

***Weighted average figure of the rates as mentioned in the LoA.

p) Fuel Operating Expenses

10.2.108. Clause 19.3. of the Concession Agreement stipulates the Airport Operator's obligations towards providing aircraft fuelling services (refer to paragraph 18.4.6).

10.2.109. The Airport Operator had submitted the following assumptions regarding Fuel facility Operating expenses:

- As per the MYTP submission, the Airport Operator had projected that the Fuel farm facility operations will commence in FY 2023 and continue for the remaining three (3) tariff years of the Third Control Period.
- As per the submission of AIAL, vide email dated 16th May 2022, it was stated – “Considering the estimated uptake of 6 KL per departing ATM, the Airport was having (pre-COVID) demand of approx. 700 KL per day i.e., approx. 5,000 KL storage demand based on 7 days requirement. With the expected increase in ATM by 60% from 85,000 ATM in FY19-20 (pre-COVID) to 137,000 ATM in FY25-26, the demand for storage facility is likely to increase from 5,000 KL to approx. 8,000 KL. In view of this, AIAL is developing a new greenfield integrated fuel farm of 8,000 KL capacity along with provision of hydrant system.”
- The Airport Operator had submitted that they planned to outsource the Fuel facility operations to a third-party vendor on a volume linked fee basis (with minimum monthly guarantee). Further, as per the MYTP submission, the fixed O&M expenses and variable O&M expenses in FY 2023 amounts to INR 11.69 Cr. and INR 270 per KL respectively. AIAL, vide email dated 09th September 2022, was requested to share the relevant documents for the same. AIAL, vide email dated 13th September 2022, shared a LoA that was signed with Sabarmati Infrastructure Services Limited, dated 03rd February 2022. The commercial agreement as per the LoA is shown in the following table.

Table 217: Details regarding fixed and variable O&M expenses submitted by AIAL as per LoA

Particulars	Unit	Quantity	Rate (INR)	Amount (INR Cr.)
Fixed amount for upto 130,000 KL per year	Month	12	9740000.00	11.69
Fee beyond 130,000 KL	Per KL		270	

- The Airport Operator had also claimed an inflationary increase of 5.2% Y-o-Y for the fuel O&M expenses in the last three (3) tariff years of the Third Control Period.
- As per the MYTP submission, AIAL had proposed an amount of INR 2.33 Cr. for FY 2023 under bowser rental.
- AIAL, vide email dated 09th September 2022, was requested to share the relevant documents for the bowser rental. AIAL, vide email dated 13th September 2022, shared a LoA that was signed with Reliance BP Mobility Limited, dated 18th April 2022. The annual charges as per the LoA is shown in the following table.

Table 218: Leasing charges for the refuelers as per the LoA submitted by AIAL with Reliance BP Mobility Limited

Particulars	Quantity (No.)	Rate per month (INR)	Duration (Month)	Amount (INR Cr.)
16 KL	5	130,000.00	12	0.78
27 KL	2	210,000.00	12	0.50

Particulars	Quantity (No.)	Rate per month (INR)	Duration (Month)	Amount (INR Cr.)
Total	7			1.28
Painting and rebranding charges (on handing over) – one time charge	7	100,000.00	1	0.07
Total (excluding GST)				1.35
GST @18%				0.24
Total (including GST)				1.60

10.2.110. Further, vide email dated 26th September 2022, AIAL shared a LoA that was signed with Indian Oil Corporation Limited (IOCL), dated 19th September 2022. The annual charges as per the LoA is shown in the following table.

Table 219: Leasing charges for the refuelers as per the LoA submitted by AIAL with IOCL

Refueler Capacity	Quantity	Rent/unit (INR/day)	Total amount (INR Cr.)
AR 561	16 KL	2862	0.10
AR 520			
AR 390			
AR 507	27 KL	5523	0.20
AR 505	27 KL	5523	0.20
AR 501			
AR 513	45 KL	9881	0.36
Total			1.28

10.2.111. AIAL, vide email dated 04th October 2022, was requested to share the details of the bidding process involved in awarding the above mentioned mandates. AIAL, vide email dated 07th October 2022, shared various documents regarding the same including the RFP document, dated 18th December 2021, and confirmed that the AO has adopted a competitive bidding process for selection of the bidder for provisions of fuel farm operations.

10.2.112. Further, AIAL, vide email dated 10th October 2022, was requested to clarify if the bowsters are taken over along with the existing facilities of the Oil Marketing Companies, to which AIAL, responded vide email dated 11th October 2022 - “there are no bowsters being taken over along with existing facilities of OMCs. The existing bowsters of OMCs are being taken on rental only till the time AIAL procured bowsters are delivered.”

10.2.113. The Authority examined the previous paragraphs and summarised its view as stated below.

- The Authority proposed to consider the fixed O&M expenses and variable O&M expenses as submitted by AIAL for FY 2023. From FY 2024 till FY 2026, the Authority proposes to consider the growth in the fuel throughput with respect to the ATM traffic projections as per Table 84. As for bowser tanks, the Authority proposes to consider the actual amount of INR 2.76 Cr. in FY 2023 (as per the LoA submission of AIAL) as against INR 2.33 Cr. proposed by the AO.
- Additionally, the Authority proposed to consider the inflationary effect (The inflation rates are mentioned in Table 184) for all the 3 FYs, starting from FY 2024 for fixed O&M expenses and variable O&M expenses in the Third Control Period.
- The Authority noted that AIAL has submitted that the fuel farm operations are expected to commence in October 2022. Since, almost six months of FY 2022 have already passed, the Authority proposes to consider 50% of the fixed O&M expenses and variable O&M expenses for FY 2023.

- The Authority further noted that for bowser rental, AIAL had planned to lease all bowzers in the first six months of fuel farm operations. Gradually, AIAL will start inducting their own bowzers and return the rented bowzers over the next 6 months. Therefore, the Authority has proposed to consider bowser rental expense for a period of 6 months in FY 2023 and 3 months in FY 2024, in the TCP.

10.2.114. Based on the above statements, the following table shows the fuel operating expenses of AIAL as proposed by the Authority for TCP at the Consultation stage.

Table 220: Fuel expenses of AIAL as proposed by the Authority for TCP at Consultation stage

Particulars	FY 2022*	FY 2023	FY 2024	FY 2025	FY 2026	Total
Fuel O&M Expenses:						
Growth - ATM Traffic (%)			21.95%	18.14%	15.68%	
Fuel Throughput (A) (in KL)		173,800	211,941	250,377	289,641	9,25,759.29
Fixed Fuel Throughput (B) (in KL)		1,30,000	1,30,000	1,30,000	1,30,000	5,20,000
Variable Fuel Throughput (C = A - B) (in KL)		43,800	81,941	120,377	159,641	4,05,759.29
Growth - Inflation (%)			5.10%	5.10%	5.10%	
Fixed fuel expense (D) (INR Cr.)	-	11.69	12.29	12.91	13.57	50.46
Rate (E) (in INR)		270	284	298	313	
Variable (F = C × E) (in INR Cr.)	-	1.18	2.33	3.59	5.00	12.10
Fuel O&M Expenses (G = D + F) (in INR Cr.)		6.44**	14.61	16.50	18.58	
Bowser Rental (H) (INR Cr.)***	-	1.38	0.69	-	-	2.07
Fuel Farm Expenses (G + H) (INR Cr.)	-	7.82	15.30	16.50	18.58	58.20

*As per the actuals submitted by AIAL, vide email dated 8th September 2022

**As explained in Para 10.2.113, 50% of the total O&M expenses has been considered

***Adjusted for 6 months in FY 2023 and 3 months in FY 2024, as explained in Para 10.2.113

Summary of revision of expenses of AIAL as per the Authority for the Third Control Period at the Consultation stage

10.2.115. The summary of the growth rates proposed by the Authority for aeronautical operating expenses, cargo operating expenses and fuel operating expenses for TCP, as examined in the previous paragraphs, are shown in the following table.

Table 221: Growth rates in O&M expenses proposed by the Authority for TCP

Particulars (in %)	FY 2023	FY 2024	FY 2025	FY 2026
Aeronautical Operating expenses				
Manpower expenses - AAI employees	6.00%	6.00%	6.00%	6.00%
Manpower expenses - Adani employees	50.46%	6.00%	6.00%	6.00%
Utility expenses	11.10%	24.93%	5.10%	5.10%
IT expenses	11.10%	24.93%	5.10%	5.10%
Rates & taxes	11.10%	24.93%	5.10%	5.10%
Security expenses	11.10%	24.93%	5.10%	5.10%
Security others	-	-	-	-

Particulars (in %)	FY 2023	FY 2024	FY 2025	FY 2026
Corporate Expenses	6.00%	6.00%	6.00%	6.00%
Administrative Expenses – Collection charges on UDF	101.91%	23.75%	19.66%	17.10%
Administrative Expenses - Others	11.10%	5.10%	5.10%	5.10%
Insurance - Initial Asset Base	11.10%	5.10%	5.10%	5.10%
R&M - Initial Asset Base	-	-	-	-
Others	11.10%	24.93%	5.10%	5.10%
Cargo related expenses				
Insourced salary	-	-	6.00%	6.00%
O&M Expenses	11.10%	5.10%	5.10%	5.10%
Customs Cost Recovery	-	6.00%	-	-
Fuel farm Expenses				
O&M Expenses	-	5.10%	5.10%	5.10%
Bowser Rental	-	-	-	-

Note: For FY 2022, the actuals submitted by AIAL have been considered.

The growth rates as mentioned in the table consists of inflation rates (refer Table 184) and growth rate of 19.83% in FY 2024 due to terminal area expansion.

10.2.116. After incorporating the observations made by the Authority, the revised aeronautical O&M expenses including Fuel and Cargo Operating Expenses of AIAL are presented in the tables below:

Table 222: Aeronautical O&M expenses proposed by the Authority for the TCP

Particulars (in INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical Operating Expenses:							
Manpower expenses - AAI employees	Table 199	40.39	42.81	38.51	29.06	30.81	181.57
Manpower expenses - AIAL employees	Table 200	27.97	29.92	49.06	55.08	64.87	226.91
Utility expenses	Table 201	17.26	25.43	31.66	33.28	34.96	142.60
IT expenses	Table 202	3.77	4.19	5.23	5.50	5.78	24.48
Rates & taxes	Table 204	2.87	9.66	9.80	10.38	10.72	43.43
Security expenses	Table 205	4.20	4.66	5.83	6.13	6.44	27.27
Security others	Para 10.2.62	-	-	-	-	-	-
Corporate Allocation	Table 207	13.24	13.96	15.01	15.94	16.95	75.11
Administrative Expenses - Collection charges on UDF	Table 208	1.20	2.42	2.99	3.58	4.19	14.38
Administrative Expenses - Others		8.36	9.29	9.76	10.26	10.78	48.45
Insurance	Table 209	1.53	3.22	4.62	5.37	9.56	24.31
R&M	Table 210	19.83	23.14	68.59	89.29	107.85	308.70
Others	Table 211	12.86	14.17	17.80	18.74	19.63	83.20
Minor projects-Runway and Taxiway (Pre monsoon work)	Para 10.2.91	2.50	-	-	-	-	2.50
Financing Charges and Others	Table 213	15.65	11.41	27.39	32.20	36.05	122.70
Aeronautical Operating Expenses (A)		171.64	194.29	286.26	314.82	358.60	1,325.60

Particulars (in INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Cargo related expenses:							
Insourced salary	Table 216	1.71	0.90	1.27	1.35	1.43	6.66
O&M Expenses		2.63	18.90	23.68	28.10	31.94	105.25
Customs Cost Recovery		-	0.93	0.99	-	-	1.92
Cargo related expenses (B)		4.34	20.74	25.94	29.45	33.37	113.84
Fuel farm Expenses:							
O&M Expenses	Table 220	-	6.44	14.61	16.50	18.58	56.13
Bowser Rental		-	1.38	0.69	-	-	2.07
Fuel farm Expenses (C)		-	7.82	15.30	16.50	18.58	58.20
Total O&M expenses (A + B + C)		175.98	222.84	327.50	360.77	410.54	1,497.63

10.2.117. As can be seen above, the O&M expenses proposed by the Authority for TCP was INR 1,497.63 Cr. compared to INR 2,385.78 Cr. submitted by the AO. The difference is majorly due to the following changes, adjustments, revisions and rationalisation carried out by the Authority:

- Allocation of the expenses into aeronautical and non-aeronautical.
- Consideration of actual expenses for FY 2022
- Headcount rationalisation
- Revision in growth rates of various expenses
- Reclassification of runway recarpeting expenses from OPEX to CAPEX. This led to the reduction in the proposed O&M expenses by INR 406.77 Cr.
- Exclusion of Counter Drone System amounting to INR 69.17 Cr. (Refer Para 10.2.62).

10.2.118. The Authority expects AO to bring in efficiencies in the incurrence of O&M expenses for the benefit of airport users and in line with AERA Act, AERA Guidelines and ICAO Principles.

10.3. Stakeholders' comments on Operating Expenses for the Third Control Period

10.3.1. During the Stakeholder consultation process, the Authority had received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to Operating Expenses for the Third Control Period. The comments by Stakeholders are presented below.

AIAL's comments on Operating Expenses for the Third Control Period:

10.3.2. With respect to AERA proposal as per Para 10.2.34 and 10.2.36 on page 177 and 178 of CP relating to Manpower Expenses, AIAL stated the following:

- "We would like to submit our analysis as follows:

1. All India AAI Employees salary growth
2. Ahmedabad Airport AAI Employees Salary Growth
3. Analysis of Select Employee Cost Paid by AIAL to AAI from COD

- All India AAI Employees salary growth



Avg salary per employee of all India AAI employee is Rs. 26 lakhs in FY19-20 and the CAGR increase in avg cost per employee from FY13 to FY20 is 13.30%

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	CAGR FY13 to FY20
No. of Employees	18,573	18,036	17,465	17,370	17,484	17,536	17,487	17,364	
Cost (Rs Crs)									
Pay & Allowances	1,192	1,696	1,777	1,936	2,011	2,131	2,249	2,731	12.57%
Other Staff Cost	469	581	894	625	631	1,375	1,732	1,462	17.64%
PF & Other Funds	338	134	143	152	162	185	1,228	329	-0.40%
Less Recovery of operational funds	-	(14)	(12)	(14)	(16)	(46)	(51)	(41)	
Total Cost (Rs Crs)	2,000	2,397	2,802	2,699	2,788	3,645	5,158	4,481	12.22%
Year on Year Growth in cost		20%	17%	-4%	3%	31%	42%	-13%	
Avg Cost per employee (Rs Crs)	0.11	0.13	0.16	0.16	0.16	0.21	0.29	0.26	13.30%
Year on Year Growth in avg cost cost		23%	21%	-3%	3%	30%	42%	-13%	

Source: AAI Annual Reports

• **Ahmedabad Airport AAI Employees Salary Growth**

Avg salary per AAI employee at Ahmedabad Airport is Rs. 24 lakhs in FY19-20 and the CAGR increase in avg cost per employee is approx 12% in last 8 years from FY12 to FY20

		FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	CAGR
Employee Cost (Table S of Study of O&M)	Rs Crs	19.9	20.3	20.4	25	28.1	23.64	31.54	38.32	41.1	20%
No. of Aero Employees (Table 23 of Study of O&M and Page 65 from MYTP submission for SCP)	No. of Employees	206	158	171	174	188	154	147	160	174	
Avg Cost per employee	Rs Crs per employee	0.10	0.13	0.12	0.14	0.15	0.15	0.21	0.24	0.24	11.8%
Year on Year Growth in avg cost cost	%		33%	-7%	20%	4%	3%	40%	12%	-1%	

• **Analysis of Select Employee Cost paid by AIAL to AAI**

The Avg cost per employee in FY21-22 has increased by 11% over FY20-21.

Period	Total Salary Cost	No. Of AAI Employees	Avg Annual Cost per employee Before Adjustment
	Rs. Crs	Nos.	Rs. Crs per employee per annum
	A	B	C = A/B*100
Nov-20	1802	180	0.16
Dec-20	2530	180	0.17
Jan-21	2580	180	0.17
Feb-21	2650	180	0.18
Mar-21	2530	180	0.17
Total of FY 2020-21 (A)	12,092	855	0.17
Apr-21	2660	180	0.18
May-21	2420	179	0.16
Jun-21	3060	178	0.21
Jul-21	2780	177	0.19
Aug-21	2690	176	0.18
Sep-21	2650	175	0.18
Oct-21	2947	174	0.20
Nov-21	2860	174	0.20
Dec-21	2670	174	0.18
Jan-22	2988	174	0.21
Feb-22	2561	173	0.18
Mar-22	2910	173	0.20
Total of FY 2021-22 (B)	33,196	2107	0.19
Increase of Avg Cost in FY21-22 Vs FY20-21 (B/A*100)			11%

- *It is evident from the above analysis that avg annual cost per AAI employees has been increasing at a rate of 11-13%.*
- *AIAL is a new AO who needs to build its manpower to run the Airport operations. AIAL needs to hire all people from outside who come at 25%-30% higher salaries. According to a recent Michael Page report titled "Talent Trends 2021," better remuneration is the top reason for changing jobs. The report highlights that job seekers on an average expect around 20% salary hike at middle levels and 19% increase at director, Vice President and CXO levels from their current or last salary drawn. Even non-managerial level employees' expectations are an average of 20%."*
- *AIAL would like to highlight the fact that Airport Operators face difficulties while hiring a new workforce. This is because the suitable personnel available for the aviation sector is very limited. While it is comparatively easier to get workforce for accounts, finance, administration etc., it is very difficult to get skilled workforce for airside and terminal operations, engineering and maintenance and safety. To obtain and retain competent employees, it is imperative to compensate them well.*
- *Based on above analysis, we had requested for annual 15% increase in avg cost per employee. However, AERA has considered increase of 6% only.*
- ***We request the Authority to provide at least 11% YoY increase in avg cost of salaries for all employees i.e., AAI and AIAL Manpower"***

10.3.3. With respect to AERA's proposal as per Para 10.2.40 on page 180 of CP relating to Utilities Expenses, AIAL stated the following:

- *"AIAL has provided the report duly authorized by representatives of AIAL and AAI whereby it is confirmed that actual recoveries of utilities is in range of 5% to 8% (for quick reference the same is attached as Annexure 3 - Report on Electricity Recovery).*
- *The existing terminal capacity is not sufficient to take care of the growing passenger demand. After the ongoing refurbishment, the capacity will increase to 16.8 mppa which itself will not be enough to accommodate the traffic demand in FY25 and FY26 (refer traffic projection in Table 76 of the CP). For example, if we hypothetically apply 35 sq mtr area for 5,000 PHP, the total area requirement will be at least 175,000 sq mtr. Whereas even after refurbishment AIAL will have area of approx. 95,000 sq mtr. There is a significant mismatch between the demand requirement and area requirement which will get addressed at end of FY26 when NITB Phase 1 will be commissioned.*
- *Second, AIAL will be charging users / concessionaires based on actual usage by them and not on notional basis. The proposal to reduce the recoveries by notional rate will lead to financial loss to Airport Operator forever.*
- ***In light of above, we request AERA to consider the actual recoveries of utilities during the TCP at the time of true-up instead of imposing notional recovery of utilities from concessionaires as 25%"***

(AIAL has attached "Annexure 3 - Report on Electricity Recovery" in their submission)

10.3.4. With respect to AERA's proposal as per Para 10.2.50 on page 182 of CP relating to Rates and Taxes, AIAL stated the following:

- *"AIAL is thankful that AERA has considered the updates on property tax paid by AIAL. Further to our email dated 23rd Sep 22, we have recently received arrears for property tax invoice from*

AMC (Ahmedabad Municipal Corporation) for the period starting from COD till FY 21-22 as well.

- In view of the above, the total amount of property tax paid to AMC and Cantonment Board comes to Rs. 18.46 Cr as tabulated below:

Particulars (in INR Cr.)	FY 21-22	FY 22-23
Cantonment Board		
Property Tax Invoice from Cantonment Board (CB) (A)	0.93	3.17
Differential cost as stated by CB for FY 21-22 that is to be paid in FY 22-23 (B)	-	2.24
Total property tax invoice from Cantonment Board (C = A + B)	0.93	5.41
Ahmedabad Municipal Corporation		
Property Tax Invoice from Ahmedabad Municipal Corporation (AMC) (D)	2.13	6.62
Differential cost as stated by AMC for FY 20-21 and FY 21-22 that is to be paid in FY 22-23 (E)	-	6.43
Total property tax invoice from AMC (F = D + E)	2.13	13.05
Total (C + F)	3.06	18.46
Annual Cost for Tax (on normalized basis after eliminating arrears) for considering in FY 24 onwards (G = A + D)	-	9.79

- In view of the above, we request AERA to suitably increase the allowable expense for FY22-23 to Rs. 18.46 Crs and consider Rs. 9.79 Cr annually from FY 24 onwards which would also be increased in line with additional terminal area from FY 24.”

10.3.5. With respect to AERA’s proposal as 10.2.60 on page 184 of CP relating to Security expenses considered as 50% Aero in the calculation table 191, AIAL stated the following:

- In order to avoid repetition of comments, refer Para 5.7.11.

10.3.6. With respect to AERA’s proposal as per Para 10.2.68 to 10.2.72 on page 185 onwards of CP relating to Corporate Cost Allocation, AIAL stated the following:

- To avoid repetition of comments on in-house legal team, please refer the comments provided in Para 5.7.11
- “Since the major portion of the Corporate Cost Allocation is comprising of Salary, we request Authority to provide increase in average cost per employee by 11% YoY as requested” in Para 10.3.2

10.3.7. With respect to AERA’s proposal as per Para 10.2.81 on page 188 of CP relating to Repairs and Maintenance, AIAL stated the following:

- “To avoid repetition of discussion on Repair and Maintenance, please refer the comments provided above” in Para 5.7.11
- “In addition, we would like to submit that Repairs and Maintenance expenses for FY21-22 and FY22-23 are either incurred or committed. These are expenses which need to be incurred for maintaining safe operations at the Airport. Please find enclosed the list of expenses as Annexure 4 - List of R&M Exp for 21-22).



Annexure 4 - List of R&M Exp for 21-22

Repairs & Maintenance Exp for FY 21-22

Nature of Service	Amount (Cr)
Service Order for SLA based Technical Services comprising of 16 Packages namely Electrical/Mechanical/Civil/HVAC/HNS/RO Sys/Water fountains /Chillers /UPS/DG w/ FAS/PAS/STP/ Sliding doors etc at Sardar Vallabhbhai Patel International Airport, Ahmedabad.	7.56
SITC of Inline Baggage Screening Systems conforming to TSA standards /standards 3 (EU) for various Airports in India with one year on-site Warranty and five years CAMC With Spares (Domestic terminal T1- 1unit), (International terminal T2- 2unit)	2.15
Service Order for Operation and Maintenance of E & M Installations of Operational Area, Terminal-3, Terminal-4, Residential Colony & Other Ancillary Buildings at S.V.P.I. Airport Ahmedabad	1.59
Service Order for Operation & Maintenance of E&M Installations of Terminal Building, Sub-Station, Pump House, ITL and External area of Terminal - 2 at SVPI Airport, Ahmedabad	1.54
Service Order for AMC T-1 Building & Power House, AAIAL, Ahmedabad Airport.	1.37
Operation & Maintenance of PBB, VDGS	1.42
Service Order for SLA based Services for Non- Technical Packages comprising of 6 Packages namely Housekeeping (Terminal, Landside, Airside & ancillary buildings), Landscape Management, Trolley Management, Birds & Wildlife Hazard Management, Monkey Control & Pest Control, at ADANI AMD INTNL ARPT LTD	1.11
Service Order for Appointment of Contractor for Repair, Retrofittings of civil works of Terminal-4 and ATC Tower at Ahmedabad Airport.	0.89
Annual Repairs and Maintenance of Civil Works for Terminal-2, MT building, Adjoining areas etc. at S.V.P.I. Airport, Ahmedabad	0.77
Service Order for Appointment of Contractor for Painting work at various location of Airport at SVPI Ahmedabad Airport.	0.75
Annual Repairs and Maintenance of Civil Works for Terminal-1, Terminal-5, Terminal-4 etc. and Adjoining Areas at SVPI Airport, Ahmedabad.	0.67
Service Order for Operation & CMC of HVAC System of T-2 and ITL at SVPI Airport, Ahmedabad	0.65
Service Order for Annual Repairs and Maintenance of Civil Works for Operational Area, Fire Station, NAVAIDS Buildings etc. and adjoining areas for the year at S.V.P.I. Airport, Ahmedabad.	0.63
Services Order for Job Work for Passenger Baggage Trolley (PBT) Retrieval services at SVPI Airport, Ahmedabad	0.63
Service Order for Comprehensive Maintenance Contract of Elevator, Escalator & Travellator of T2 & ITL at Ahmedabad Airport.	0.59
Service Order for Appointment of Agency for wildlife hazard control at Ahmedabad Airport, Ahmedabad	0.54
Maintenance of XBI5(RB & HB)	0.53
Service Order for All inclusive Comprehensive maintenance & Operation contract of Baggage Handling System (Imported make- vanderlande) at Domestic Departure Terminal (T-1) Ahmedabad Airport.	0.53
Service Order for Operation & Annual Comprehensive Maintenance of Central AC plant of Terminal - 1 Building at SVPI Airport, Ahmedabad	0.49
Service Order for Appointment of Contractor for Joint Filling of Apron and Taxiways in operational area at Ahmedabad Airport.	0.46
Service Order for comprehensive maintenance contract of Arrival and Departure baggage conveyor belt system at Terminal-2 S.V.P.I. Airport, Ahmedabad	0.40
Service Order for Terminal Decor for Diwali & X-mas Decor for Passenger experience at Ahmedabad Airport.	0.35
Purchase Order for Supply of Spares for Smiths make Security Equipment's (X-BIS) of Ahmedabad Airport.	0.28
Service Order for Terminal-1 Arrivals BHS system contract routing to M/s Swati Airport systems from M/s Vanderlande for 2 months till 28th Feb - 22 as per existing price, terms & conditions with M/s Vanderlande Industries.	0.25



Nature of Service	Amount (Cr)
Billing against Energy Performance Agreement with EESL under Building Energy Efficiency Programme	0.24
Service Order for Comprehensive Maintenance Contract of Elevator, Escalator & Travellator of T 2 & T1 at Ahmedabad Airport.	0.24
Service Order for Appointment of Contractor for miscellaneous Civil supply & fixing works at Terminal-1, Ahmedabad Airport.	0.24
Service Order for Service Order for annual Maintenance Contract for Rosenbauer make CFTs at AAI AL	0.23
Job contract for maintenance and upkeep of Airport security system	0.21
Annual Repairs and Maintenance of Civil Works for Terminal-1, Terminal-3, Terminal-4 etc. and Adjoining Areas (2020-21) at SVPI Airport, Ahmedabad.	0.21
Service Order for Comprehensive Annual Maintenance Contract (CAMC) of Threat Containment Vessel (TCV) and Suspect Luggage Containment Vessel (SLCV) at Sardar Vallabhbhai Patel International (SVPI) Airport, Ahmedabad.	0.18
AMCC of X-Ray Baggage Inspection systems (05 machines Hand Baggage 6040 ex and 03 machines Registered Baggage 100100V)	0.18
Service Order for Appointment of Agency for Cleaning and Recharging of Percolation Well at Ahmedabad Airport.	0.18
Annual Maintenance Contract for Cummins make DG sets installed at Western Region Airports under Project UTKARSH. SH:- DG Sets of SVPI Airport Ahmedabad	0.17
Service Order for Appointment of Agency for Comprehensive Maintenance of Fire Alarm System and Fire Fighting System installed at T-1 & T-2 SVPI Airport, Ahmedabad	0.16
Service Order for Engagement of agency for relocation of monkeys at Ahmedabad airport.	0.14
Service Order for Appointment agency for Uttarayan festival Decor installation at T1 and T2 at Ahmedabad Airport.	0.13
Service Order for Appointment of agency for Holi decoration at Ahmedabad Airport.	0.12
Service Order for Maintenance of Split AC Units and Water Coolers at Ahmedabad Airport.	0.12
Service Order for Friction Tester Hiring charges (ASFT) and Veelo (Vehicle Locator) charges at Airport, Ahmedabad.	0.12
Service Order for Appointment of Contractor for providing and Fixing 4mm ACP, Gypsum False Ceiling and Glazing work at Terminal-2 at S.V.P.I. Airport, Ahmedabad.	0.11
Service Order for Appointment of Contractor for Repairs and Maintenance of Civil Works for Cargo Terminal and adjoining areas at Ahmedabad Airport.	0.11
Purchase Order for Appointment contractor for Carpentry work on Textile, Wooden, Stone and painting Artefacts at Ahmedabad Airport.	0.11
Annual Repairs and Maintenance of Civil Works for Cargo Buildings, CISF Barrack, Old AAI Colony etc. at S.V.P.I. Airport, Ahmedabad.	0.10
Other Misc. Items	3.98
Total	33.41

- ***We hereby request Authority not to prescribe any cap at least for FY21-22 and FY22-23.***

Other Stakeholders' comments on Operating Expenses for the Third Control Period:

- 10.3.8. APAO has stated that - *"Earlier in month of September 2022, we provided our comments on the Consultation Paper for Mangaluru Airport, we look forward for the final order to be released by the Authority and to provide clarity on the important points pertaining to the principles to be adopted for these new Concession Agreement. The approach to be adopted by the Authority is keenly awaited by the private operators, lenders, investors who have shown faith in the Aviation sector. Most of the issues which APAO would like to raise in the SVPIA's Consultation Paper are of similar to that of Mangaluru Airport."* Accordingly, APAO drew reference to its comments regarding *"Restricting R&M expenses to 6% of opening RAB"* given on Consultation Paper No. 07/2022-23 for Mangaluru International Airport.
- 10.3.9. FIA stated that - *"Para 10.2.109 (Fuel Operating Expenses) FIA requests, that AERA should not permit outsourcing of fuel facility on a 'Volume linked fee basis' and instead it should be on "lowest cost model" through competitive bidding."*
- 10.3.10. FIA stated that - *"Para 10.2.40 (Utility Expenses): AIAL is requested to constitute a Committee to verify the bills relating to Power expenses or submit a report on the same to AERA, if the same has already been conducted as part of Stakeholder comments / feedback."*
- 10.3.11. FIA stated that - *"Para 10.2.26 (Cargo Operating Expenses): It is requested that the Customs Cost Recovery Charges for Customs staff posted at Air Cargo complexes, courier terminals etc. as*

prescribed by the Central Board of Excise and Customs needs to be levied on custodians, and not on the airlines.”

- 10.3.12. FIA stated that - *“Para 10.1.5, 10.2.117 & Table 174 & 176: While FIA appreciates, the study on Operations and maintenance expenses (O&M expenses) conducted in the Second Control Period and AERA's revision based on rationalisation of each line item on the submitted O&M expenses by AIAL for Third Control Period. However, FIA requests AERA to not provide any Y-o-Y increase for (i) all Repairs & Maintenance expenses, (ii) Operating expenses, (iii) and manpower expenses. We further submit that, while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, the Airport operator on the other hand seems to have incurred/will incur incremental expenses which may not appear prudent considering the significant losses incurred by the aviation sector.”*
- 10.3.13. IATA stated that - *“We commend AERA for leveraging on the independent studies such as for O&M expenses which have demonstrated that close scrutiny is needed to ensure that all allocations are done accurately and reflect the required level of efficiency as we would expect from a private airport operator. This is especially crucial as AERA is dealing with the determination of the tariffs based on two airport operators which could result in double-counting and inclusion of costs that would otherwise not be allowed. We support AERA's decision No. 11.B on the expectation to optimize O&M expenditure over a period of time. There is definitely room to pursue greater rationalization of not just O&M expenses with the transition from AAI to the new private airport operator, to align with the objective of the privatization in delivering greater efficiency in the management of the airport.”*
- 10.3.14. IATA stated that - *“Monthly Concession Fee: We would like to seek clarity on clause 27.1.2 as to how will the new airport operator account for the monthly passenger fee payments, as this is not allowed to be passed through. Although this would naturally not appear in the regulated costs for the determination of the ARR, we encourage AERA to maintain visibility of this aspect to ensure that the passenger fees are not picked up by airport users, either fully or partially, intentionally or not.”*

10.4. AIAL's responses to Stakeholders' comments regarding Operating Expenses for the Third Control Period

- 10.4.1. AIAL's response to the various Stakeholders' comments with respect to Operating Expenses for the Third Control Period is presented below.
- 10.4.2. With respect to FIA's comment on *“Para 10.2.109 (Fuel Operating Expenses) FIA requests, that AERA should not....”*, AIAL stated that - *“AIAL has outsourced the operations and management of the facility and not the Fuel Facility. AIAL followed the process of selection of vendors through an open competitive bidding as per approved procurement policy and in compliance with Concession Agreement. Traditionally, there are two commercial models for O&M tendering for Jet Aviation Fuel Station :- 1. Cost plus – In this model, O&M agency is reimbursed whole Opex as per actuals and topped with some fixed (% or amount) service fee. However, this model is not efficient, as it does not encourage the agency to optimize Opex. 2. Per KL fee – This model encourages the agency to optimize the Opex. However there are some concerns in this model too:*
- a) Normally with high (additional) volume, due to economy of scale the incremental opex comes down. However this model does not capture this opportunity as per KL opex remains uniform.*
 - b) It does not ensure a minimum billing to the agency. It discourages bidders as successful bidder (O&M Agency) needs to maintain its manpower and minimum operating standards / service levels irrespective of the volume. Thus operating agency looks for a minimum guaranteed billing*

irrespective of the volume. This has been a learning out of crisis like COVID during the past two years.

Therefore, AIAL has used an innovative model i.e. minimum payment till a given volume, and over and above a per KL fee for additional volume. It balances the risk taken by the vendor, with the opportunity to optimize the overall cost as with incremental volume per KL costs comes down substantially."

- 10.4.3. With regard to FIA's comment on "Para 10.2.40 (Utility Expenses).", AIAL stated that - *"Report of the Committee on Power Expenses had been shared earlier to the Authority and their consultant as part of information requested by consultant prior to issue of the Consultation Paper. Further, the same has also been submitted to the Authority as part of stakeholders' comments by AIAL. Please refer Annexure-3 of comments submitted by AIAL."*
- 10.4.4. Regarding FIA's comment on "Para 10.2.26 (Cargo Operating Expenses):....", AIAL stated that - *"In this particular case, AIAL is the custodian and also the operator of cargo complex. Recovery charges for customs staff is a statutory cost for AIAL for running the cargo facility and same is included as part of O&M expenses for tariff determination purposes."*
- 10.4.5. With respect to FIA's comment on "Para 10.1.5, 10.2.117 & Table 174 & 176; While FIA appreciates, the study on Operations and maintenance expenses (O&M expenses) conducted in the Second Control Period.....", AIAL stated that - *"Ahmedabad Airport is undertaking Refurbishment of Terminals including expansion (from ~79,600 sq mtr to ~95,400 sq mtr) & Parallel Taxi Track work and facilities are likely to be commissioned in FY 23 and FY 24 respectively. Same will result in significant increase in airside and terminal capacity. Consequently, manpower, utility expenses and various other expenses for running these new assets are bound to increase the overall O&M of the airport. Also, existing assets of airport are very old (last major capex happened in 2010). In our experience, R&M expenses increase significantly once the assets matures due to ageing of infrastructure facilities, equipment and general wear and tear. AIAL is a new AO and needs to build its manpower to run the Airport operations. Airport Operators face difficulties while hiring a new workforce. This is because suitable personnel available for the aviation sector is very limited. To obtain and retain competent employees, it is imperative to compensate them well. AIAL needs to hire all people from industry who come at 25%-30% higher salaries. Building of such a talent pool is an essential requirement to ensure delivery of optimized efficiencies to the airport users and more importantly to the airline community. Further private Airport Operator is given various additional responsibilities under the Concession Agreement including the service level obligations and same will result in commensurate increase in expenses."*
- 10.4.6. On IATA's comment, AIAL stated that - *"Airport Operator has taken measures to rationalize its O&M expenses wherever possible. Please refer AIAL's comments to the consultation paper for details relating to the matter."* (Refer Para 5.7.11 of this Tariff Order)
- 10.4.7. With respect to IATA's comment on Monthly Concession Fee, AIAL stated that - *"Article 27 of the CA provides for necessary provisions relating to Concession Fees. For quick reference some of the relevant extracts provided as: - 27.1.2 The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no passthrough would be available in relation to the same. 27.2 Verification of Passenger Throughput The Authority may, in order to verify the International Passenger Throughput and/ or Domestic Passenger Throughput and/ or to ascertain the actual International Passenger Throughput and Domestic Passenger Throughput at the Airport, depute its representatives to the Airport and the offices of the Concessionaire, and undertake such other measures and actions as it may deem necessary. The Authority may call upon the Concessionaire to furnish any and all data information, log sheet, document or statement, as the Authority may deem fit and necessary for these purposes. As provided above, the Concession*

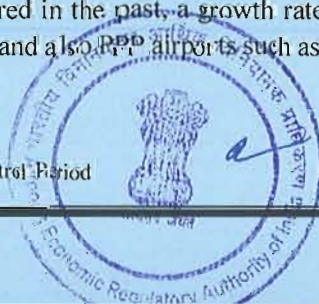
Agreement does not allow pass-through of the per passenger fees. Further CA provides for necessary governance mechanism about the verification and reconciliation of the monthly passenger fees. Lastly, the audited financial statements separately disclose the monthly passenger fees. AIAL is of the opinion that there is sufficient mechanism provided to safeguard the interest of the users such that passenger fee is not picked up by airport users fully or partially. Further, AERA has ensured not to add monthly fees payable to AAI as an expenditure while calculating ARR"

- 10.4.8. With regard to APAO's submission on capping of R&M expenses, AIAL has stated that APAO has supported AIAL's submissions and comments regarding the same. AIAL has also submitted its detailed explanations and justifications on all the matters as part of its response to the Consultation Paper. Further, AIAL requests the Authority to consider the well-reasoned comments provided by AIAL, which are duly supported by the aforementioned Stakeholder.

10.5. Authority's analysis of Stakeholders' comments on O&M expenses for the Third Control Period

- 10.5.1. The Authority has examined the comments of the AO and the details provided on increase in manpower expenses and has the following views:

- The Authority had noted that the Manpower expenses of AAI employees are accounted by the Airport Operator, based on the invoice raised by AAI for the 'Select Employees' deputed at SVPIA, on a monthly basis.
- With respect to AIAL's statement that for both Manpower expenses of AAI and of AO, the Authority had only revised the Y-o-Y growth rate in payroll expenses to 6%, instead of 15% proposed by the AO, the Authority is of the view that the decrease in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues including profitability, has necessitated rationalization of the operational and maintenance costs of the airport.
- The Authority notes AO's comments regarding the average cost per Select Employee of AAI has increased by 11% in FY 2022. The Authority has the following views with respect to the above increase in the cost of AAI employees in FY 2022:
 1. Austerity measures applied by AAI on account of COVID 19 pandemic, were later on lifted in phases.
 2. Dearness Allowance (DA) which was frozen in FY 2021, was restored with effect from 1st July 2021.
 3. 50% of the perquisites were withheld by AAI in the initial months of FY 2022, which were released in the later part of FY 2022.
- The cumulative effect of the above measures taken by AAI had resulted in the one-time increase in the cost of AAI employee in FY 2022. Hence, in the Authority's opinion such one-time increase in payroll should not be considered as the basis for determining the growth in the payroll costs for the Third Control Period. Further, the Authority notes that AAI in the recent past had proposed a growth rate of only 5-7% in Payroll expenses for similar airports.
- Also, the Authority had considered in the past, a growth rate of approximately 6% consistently across other similar AAI airports and also PPP airports such as BIAL, and AIAL cannot be treated any differently.



- Based on all the above factors, the Authority decides to consider only 6% growth rate towards Manpower Expenses of both Select Employees of AAI and of the Airport Operator across all the five tariff years of the Third Control Period.

10.5.2. The Authority examined the AO's comment regarding the utility expenses and is of the view that as mentioned in the Consultation Paper No. 10/2022-23 (Refer para 10.2.40), the power recovery of AIAL is significantly lower than that of comparable airports. In case of other PPP Airports like BIAL, AERA had proposed a power recovery of about 50%. Further, the Authority is of the view that with the gradual increase in the non-aeronautical operations, the Airport Operator should increase the power recovery from the Concessionaires. Based on the above mentioned statements, the Authority decides that in case efforts are not taken by the AO to substantially increase the power recovery for the TCP, AERA shall consider power recoveries at a notional rate as deemed appropriate in case of other PPP Airports while trueing up for the Third Control Period.

10.5.3. The Authority notes AO's comment regarding rates and taxes and accordingly considered the actual figures as provided by the AO in the Tariff Order for SVPIA.

10.5.4. The Authority has carefully reviewed the AO's comment relating to Security expenses considered as 50% Aero and notes that as per the Concession Agreement, the definition of Terminal Building is as follows, *"Terminal Building" means the stand-alone and/ or integrated passenger terminal building with separately identified area for domestic passengers and international passengers on the Site and the land appurtenant thereto, including the kerbside and approach roads and including the existing terminal building, as described and demarcated in the perspective plan set out at Annex II of Schedule A, and/ or the Master Plan, as the case may be.* Therefore, the expenses pertaining to kerbside must also be accounted for while determining the O&M expenses. However, such expenses cannot be assumed to be 100% aeronautical. It would be pertinent to note that AIAL has proposed numerous commercial ventures on the landside as part of the passenger amenities such as Cafeteria, Pharmacy and Salon. Therefore, the kerbside not just caters to the aeronautical operations but also enables the conduct for such non-aeronautical activities. Hence, the expenses pertaining to the kerbside should be treated as common and allocated in the appropriate ratio.

Therefore, the Authority would also like to state that for other PPP Airports, expenses pertaining to the kerbside are classified as common. Hence, the Authority decides to classify this expense as common as the activities involved under this expense pertain to both the airside and the kerbside and bifurcate on the basis of Terminal Area ratio.

10.5.5. The Authority reviewed the comments of AO in respect of the allocated cost towards In-house legal team. As per the decision taken by the Authority regarding the same in the true up of the SCP (Refer Para 5.7.18 of this Tariff Order) the Authority has already allowed the employee expenses towards the inhouse legal team of the AO and therefore, is of the view that providing additional expenses towards legal department at the Corporate level would result in redundancy. Hence, the Authority has decided to exclude the same from the Aeronautical O&M expenses. As stated by the Authority at the Consultation stage (refer para 10.5.1 of this Tariff Order) the Authority has considered growth rate of 6% Y-o-Y in line with the increase considered for Manpower expenses of both the AAI employees and AO's employees and is of the view that the same is justified. Hence, the Authority sees no reason to deviate from its proposal at the Consultation stage.

10.5.6. The Authority reviewed the comments of AO and APAO on Repairs & Maintenance (R&M) and states that, consistent with the approach followed in the Second Control Period, the Authority had proposed restricting the R&M expenses to 6% of the Opening RAB (in line with the outcomes of the Independent

Study conducted on Efficient O&M expenses for SVPIA). Based on the same, the expenses were adjusted downward and the revised amount was considered for true up in the Consultation paper No. 10 /2022-23 (Refer para 10.2.81). Further, the Authority would like to point out that it has proposed this practice consistently in the past for other similar airports, in order to rationalize the inefficiency noted in the incurrence of the Repairs & Maintenance expenses. The Authority has also considered other pertinent factors such as, a) the AO has proposed several capital expenditure projects for AIAL for the Third Control Period. As the Airport has a mix of new and old assets, the overall R&M costs may only be to the extent, which the Authority has considered in its analysis of the R&M costs and b) rationalization of costs of the Airport to improve efficiency in the operations. Based on the above, the Authority is of the view that its proposal already stated in the Consultation Paper is reasonable and justified and hence, sees no reason to change the same.

- 10.5.7. The Authority notes IATA's comment and would like to state that AIAL is expected to bring in greater efficiencies in the overall O&M expenses as seen in the case of other PPP Airports.
- 10.5.8. Regarding FIA's comment on Fuel Operating Expenses, the Authority would like to state that the AO's response adequately addresses FIA's issue.
- 10.5.9. On FIA's comment regarding utility expenses, the Authority would like to state that a report on power expenses has been submitted by AIAL. However, the Authority's view as per para 10.5.2 may be referred to with respect to the utility expenses.
- 10.5.10. With respect to FIA's comment on Cargo Operating Expenses, the Authority would like to state that, as mentioned by AIAL, the AO is the custodian of the cargo complex. Further, the Authority would like to reiterate that as mentioned at the Consultation stage (Refer para 10.2.100), the Airport Operator had estimated the salary cost of the Customs officials as per Para 7 of the Circular issued by the Department of Revenue, Ministry of Finance vide Circular No. 02/2021-Customs dated 19th January 2021. The Authority had noted that as per the cargo traffic projection proposed by it at the Consultation stage, AIAL would be eligible to claim waiver for both FY 2025 and FY 2026. Therefore, the Authority had accordingly considered the custom cost recovery to be zero in both FY 2025 and FY 2026.
- 10.5.11. The Authority has reviewed the comment of FIA requesting that no escalation should be considered for O&M expenses and would like to state that FIA's suggestion cannot be accepted as several factors such as inflation, ageing of assets and increase in capacity have an impact on various expense items. The Authority would like to emphasize that it has examined in detail each component of the O&M expenses submitted by the AO with respect to essentiality and reasonableness and has considered only the O&M expenses that are mandated by the terms of the Concession Agreement or that are needed for meeting operational requirements. Based on the above factors, the Authority has rationalised the various components of O&M expenses submitted by the AO for the Third Control period.



10.5.12. Based on the above, the Authority has recomputed the O&M expenses for the Third Control Period as shown in the following table.

Table 223: Aeronautical O&M expenses decided by the Authority for the TCP

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical Operating Expenses:						
Manpower expenses - AAI employees	40.39	42.81	38.51	29.06	30.81	181.57
Manpower expenses - Adani employees	27.97	29.92	49.06	55.08	64.87	226.91
Utility expenses	17.25	25.43	31.62	33.21	34.87	142.39
IT expenses	3.77	4.16	5.20	5.46	5.73	24.32
Rates & taxes	2.86	16.70	11.33	11.97	12.55	55.42
Security expenses	5.62	6.19	7.74	8.13	8.53	36.21
Security others	-	-	-	-	-	-
Corporate Cost	13.24	13.96	15.01	15.94	16.95	75.11
Administrative Expenses - Collection charges on UDF	1.20	2.42	2.99	3.58	4.19	14.38
Administrative Expenses - Others	8.36	9.23	9.69	10.17	10.68	48.14
Insurance	1.53	3.16	4.39	4.87	5.76	19.70
R&M	19.83	21.48	68.53	89.03	109.28	308.15
Others	12.85	14.08	17.67	18.58	19.50	82.69
Minor projects-Runway and Taxiway (Pre monsoon work)	2.50	-	-	-	-	2.50
Financing Charges and Others	15.59	6.19	20.34	21.56	23.58	87.26
Total O&M Expenses (other than Fuel and Cargo) (A)	172.94	195.75	282.08	306.65	347.32	1,304.74
Cargo Operating Expenses:						
Insourced salary	1.71	0.90	1.27	1.35	1.43	6.66
O&M Expenses	2.63	22.49	25.74	29.46	33.66	113.98
Customs Cost Recovery	-	0.93	0.99	-	-	1.92
Total Cargo Operating Expenses (B)	4.34	24.33	28.00	30.81	35.09	122.57
Fuel Operating Expenses:						
O&M Expenses	-	6.44	14.60	16.47	18.52	56.03
Bowser Rental	-	1.38	0.69	-	-	2.07
Total Fuel Operating Expenses (C)	-	7.82	15.29	16.47	18.52	58.10
Total O&M Expenses (A + B + C)	177.28	227.90	325.37	353.92	400.94	1,485.41

10.5.13. The O&M expenses proposed by the Authority for TCP at the Consultation stage and the O&M expenses as per the MYTP submission of the AO can be referred from Para 10.2.117. The Authority has considered O&M expenses amounting to INR 1,485.41 Cr in this Tariff Order. The difference of INR 12.22 Cr. from the figure proposed during the Consultation stage (INR 1,497.63 Cr – INR 1,485.41 Cr.) is due to the following changes:

- Decrease in O&M expenses due to the decrease in the CAPEX (Refer table 175) and the inflation rate (Refer table 185)
- Increase in O&M expenses due to increase in rates and taxes (Refer para 10.3.4 and para 10.5.3) and application of the terminal area allocation ratio for security expenses (Refer para 10.5.4)

10.6. Authority's decisions regarding O&M expenses for the Third Control Period

Based on the available facts and analysis thereupon, the Authority decides the following with regard to O&M expenses for the Third Control Period:

- 10.6.1. To consider O&M Expenses for AIAL for the Third Control Period as per Table 223.
- 10.6.2. To consider the O&M expenses incurred by the Airport Operator during the Third Control Period subject to reasonableness and efficiency, at the time of determination of tariffs for the Fourth Control Period.



11. NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

11.1. AIAL's submission of Non-aeronautical Revenue for the Third Control Period

- 11.1.1. The Airport Operator had submitted that it outsourced all non-aeronautical businesses (mentioned below) to the Master Concessionaire, Adani Airport Holdings Limited, vide Master Services Agreement executed on 18th May 2021. As per the Agreement, the scope of the Master Concessionaire is to develop, operate, maintain, manage the non-aeronautical businesses at SVPIA, in accordance with best-in-class standards and good industry practices, and at par with facilities at comparable airports. The non-aeronautical businesses that are outsourced to the Master Concessionaire are:

Table 224: Non-aeronautical businesses outsourced to the Master Concessionaire

Particulars	Sub heads
Passenger traffic related business	Duty free stores
	Food and beverages outlets
	Retail outlets
	Lounges
	Advertising, sponsorship and promotion opportunities
	Car parks and ground transportation facilities
	Airport hotels and transit hotels
	Foreign exchange services
	Left luggage, lost and found, excess baggage
	Messenger services
	Porter service
	Special assistance services
	Vending machines
	Meet and assist services
	Various passenger amenities, including but not limited to, foreign exchange, SIM card, child-care room, kids play areas, car rental and hotel reservation counters, digital wallet tie-ups, ATMs, spas, and entertainment areas
	Airport village comprising of various retail, food and beverage, entertainment and amenities options;
ATM related business	Flight catering services
Non-traffic related business	Preferred partners association for including but not limited to pouring rights, services in air (Wi-Fi, Bluetooth, aroma etc.), music and video rights, mobile wallet, payment gateway and other
	Business centre
	City side development
	Freight consolidators/forwarders or agents
	Provision of land and space for various stakeholders at Airport
	Any other services as may be mutually agreed or permitted pursuant to applicable law.

- 11.1.2. For each year during the term of the Agreement, Master Concessionaire will pay to the AO an amount which is higher of the following:

- Minimum Guarantee amount of INR 33 Crores per annum, or

- Amount arrived by multiplying the revenue share percentage i.e., 10% as quoted by Master Concessionaire with Gross Revenue in that year.

- 11.1.3. The above-mentioned "Minimum Guarantee" amount will remain unchanged for first five years and will increase by 50% of Consumer Price Index (CPI) thereafter.
- 11.1.4. The following table summarizes the non-aeronautical revenue as submitted by AIAL for the Third Control Period.

Table 225: Non-aeronautical Revenue submitted by AIAL for TCP

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Master Concessioner	27.48	33.00	33.00	33.00	33.00	159.48
Others	3.60	0.63	0.66	0.70	0.73	6.33
Total Non-Aero Revenue	31.08	33.63	33.66	33.70	33.73	165.81

11.2. Authority's examination regarding Non-aeronautical Revenue for the Third Control Period at the Consultation stage

- 11.2.1. AIAL vide email dated 06th September 2022 was requested to share the financials as per the actuals for FY 2022. The following table shows the actual revenue received against the various components of non-aeronautical revenue for FY 2022, as submitted by AIAL, vide email dated 09th September 2022.

Table 226: Non-aeronautical Revenue submitted by AIAL as per actuals for FY 2022

Particulars (in INR Cr.)	FY 2022
Food & beverages	0.84
Ground handling	
Retail	0.32
Duty free	0.14
Services/ATM/ Forex	1.34
Transit hotel	
Advertising	0.52
Car parking	1.34
Lounge	0.06
Building rent	(1.45) *
Other income	0.53
Master Concessioner	27.50
Total Non-Aeronautical Revenue	31.14

* Note: As per the clarifications received from AIAL, vide email dated 14th September 2022, Building rent is negative as there was reversal of revenues for space provided to MET Department of INR 3.64 Cr. since COD due to incorrect billing done.

- 11.2.2. As per the MYTP submission, the AO had projected an amount of INR 31.08 Cr for FY 2022 whereas the non-aeronautical revenue as per actuals is INR 31.14 Cr, both of which are comparable.



- 11.2.3. The AO was requested to share the breakup of "Building rent" and "other income" as incurred in FY 2022, vide email dated 12th September 2022. AIAL responded with the following table, vide email dated 14th September 2022.

Table 227: Breakup of "other income" as submitted by AIAL for FY 2022

Particulars (INR Cr.)	FY 2022
Profit on sale of Current Investments	0.02
Interest Income on Bank Deposits	0.39
Income from Sale of Scrap	0.12
Notional Interest Income on SD (Ind AS)	0.01*
Total	0.53

*Not considered for ARR computation

- 11.2.4. The Authority inferred the classification of the "other income" items under non-aeronautical revenue, as submitted by AIAL, to be appropriate.
- 11.2.5. AIAL, vide email dated 21st September 2022, had submitted the breakup of "building rent" as shown in the following table.

Table 228: Breakup of " building rent" as submitted by AIAL for FY 2022

Particulars (in INR Cr.)	FY 2022
Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia	1.05
Rental from Govt Agencies (Coast Guard, Income Tax, India Post, Gujarat Tourism etc)	0.6
Rentals from various other agencies	0.54
Reversal of Rental Income from Indian Meteorological Department	(3.64)
Total	(1.45)

- 11.2.6. The Authority noted that space rentals from airlines were included as part of the non-aeronautical revenue. However, space rentals from agencies providing aeronautical services should be treated as aeronautical revenue. Hence, the Authority proposes to consider "Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia" as aeronautical revenue. This is in line with the approach followed in the true-up of non-aeronautical revenue in SCP (Refer Para 5.8.4).
- 11.2.7. The Authority reviewed the Master Services Agreement entered into by the Airport Operator with the Master Concessionaire - Adani Airport Holdings Limited with respect to scope of services outsourced to the Master Concessionaire and the revenue sharing arrangement.
- 11.2.8. The Authority noted that the AO undertook the process for selection and appointment of Master Concessionaire through a global competitive bidding process. The criteria for selection of Master Concessionaire seems restrictive. The Authority may examine this issue in detail and comment, if required, in the final Tariff Order.
- 11.2.9. The non-aeronautical revenue projected by the Airport Operator for the Third Control Period is only INR 165.81 Cr. which is substantially lower than the actual non-aeronautical revenue earned by AAI for the pre-COD period (FY 2016-17 till COD) which was INR 329.40 Cr. It is further observed that even at a per PAX level, the projected non-aeronautical revenue earned by AIAL in the Third Control

Period (INR 24.35) is lower than that of AAI in FY 2020 (Pre-COVID year) (INR 88.70) by approximately 73%.

- 11.2.10. The Authority is not convinced that the revenue from Master Services Agreement is remaining constant for the entire Control Period, while all the other costs are increasing across the Third Control Period. Further, the modification of T1 and T2 (19.83% increase in terminal area) and commissioning of NITB Phase 1 (224.30% increase in terminal area) would result in considerable increase in terminal area, thus adding more space for non-aeronautical services.

Further, it is the responsibility of the AO to ensure that in the Third Control Period they achieve NAR higher than what was achieved in the SCP. In this context, there was no obligation on the AO to accept the bid of Master Concessionaire offering such low revenue share.

- 11.2.11. The Authority took cognizance of the fact that non-aeronautical revenues have been projected for the Third Control Period by the Airport Operator, after taking into consideration the pandemic and economic conditions on traffic which will reduce the consumer spending at airports. However, the Authority feels that the gradual increase in non-aeronautical operations (by increasing the non-aeronautical area within the Terminal Building from the existing approximately 5% to 10%), will lead to increase in the non-aeronautical revenue.
- 11.2.12. Considering the positive outlook provided by the Expert Agencies, the Authority is of the view that the domestic and international passenger traffic will revert to pre-COVID levels by FY 2023 and FY 2024 respectively. Further, the traffic is expected to progressively increase during the Third Control Period (Refer Chapter 6 for the same).
- 11.2.13. With the steady increase in passenger traffic and extension of existing Terminal Building area, the Authority foresees an increase in passenger related non-aeronautical revenue across the Third Control Period. Further, the Authority expects that the Airport Operator may bring in efficiencies in non-aeronautical operations as being followed by other Public-Private Partnership (PPP) airports wherein the proportion of non-aeronautical revenue projected by the AO is equal or comparable to the quantum of O&M expenses. However, for AIAL, the projection of non-aeronautical revenue is substantially lower than the projected O&M expenses. Further, this will impact the interest of the airport users as only 30% of the non-aeronautical revenue is used for cross subsidization. The Authority feels that with the progressive increase in the passenger traffic, the AO should make efforts to generate non-aeronautical revenue higher than that earned by AAI during the pre-COD period.
- 11.2.14. Based on the above considerations, the Authority had estimated the total Non-aeronautical Revenue for the Third Control Period for AIAL as follows.
- The Authority had considered the actual revenue earned by the AO for FY 2022, as this FY has already passed.
 - The non-aeronautical revenue earned by AAI in FY 2020, which is a pre-COVID year, is considered as the base for estimating the non-aeronautical revenue for AIAL in the Third Control Period. Therefore, the non-aeronautical revenue earned by AAI for FY 2020 i.e., INR 101.41 Cr. (Refer table 40) has been assumed for FY 2023 for AIAL, as the domestic traffic is expected to reach the pre-COVID level of FY 2020 by FY 2023 and international traffic's recovery to Pre-Covid level in FY 2023 and FY 2024 is 84% and 118% respectively (as explained in Chapter 6).



- For FY 2024 till FY 2026, the Authority proposes to increase the various components of non-aeronautical revenue with respect to the growth rates as shown in the following table.

Table 229: Growth rates proposed by the Authority for the various components of NAR in TCP

Particulars	Sub heads
Traffic growth rate (Refer table 84)	Food & beverages outlets
	Hoarding & Display
	Car Parking
International traffic growth rate (Refer table 84)	Duty Free Shops
Inflation (Refer table 184) and growth rate of 19.83%* due to terminal area expansion	Other Trading Concessions
	Rent & Space
	Miscellaneous

*Note: Additional increase of 19.83% is only in FY 2024, as the operations in the extended terminal area will commence in FY 2024

- 11.2.15. The non-aeronautical revenue derived by the Authority based on the above factors at the Consultation stage is shown in the following table.

Table 230: Total non-aeronautical revenue estimated by the Authority for TCP at Consultation stage

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Traffic (%)			23.75%	19.66%	17.10%	
Food & beverages outlets		1.16	1.44	1.72	2.02	
Hoarding & Display		20.24	25.04	29.97	35.09	
Car Parking		14.74	18.24	21.83	25.56	
Subtotal (A)		36.14	44.73	53.52	62.67	
Growth - International Traffic (%)			39.50%	24.50%	19.50%	
Duty free shops (B)		6.12	8.54	10.63	12.71	
Growth - Inflation (%)			5.10%	5.10%	5.10%	
Growth - Terminal Area (%)			19.83%	-	-	
Other trading concessions		42.41	52.98	55.68	58.52	
Rent and Space		11.98	14.97	15.73	16.54	
Miscellaneous		4.75	5.94	6.24	6.56	
Subtotal (C)		59.14	73.89	77.66	81.62	
Total non-aeronautical revenue (A + B + C)	30.08*	101.41	127.15	141.81	156.99	557.45

*Note: As per actuals submitted by AIAL (Refer table 226). This is exclusive of "Space rentals from Airlines" and "Notional Interest Income on SD (Ind AS)"

- 11.2.16. The Authority is of the view that the non-aeronautical revenue projected by the AO for the Third Control Period is significantly lower as compared to that of other PPP airports (DIAL, MIAL, BIAL, GHIAL, CIAL), wherein the non-aeronautical revenue projected by such PPP airports either equalize or are higher or constitute at least 50% of the total O&M expenses projected by them for the respective Control Period. However, for AIAL, the Authority notes that the non-aeronautical revenue projected by the AO for the Third Control Period is only INR 165.81 Cr. (approximately 7% of Operational expenses) whereas the projected O&M expenses submitted by the AO is INR 2385.78 Cr.
- 11.2.17. The Authority is of the view that the AO should take efforts to substantially increase non-aeronautical revenue for the Third Control Period, in line with the other PPP airports. Otherwise, the Authority may

propose for a notional increase in the non-aeronautical revenue for the Third Control Period, based on such revenue in other PPP airports as mentioned in the above para, while determining tariff for the Fourth Control Period, in the interest of the airport users.

11.3. Stakeholders' comments of Non-Aeronautical Revenue for the Third Control Period

11.3.1. During the Stakeholder consultation process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to Non-Aeronautical Revenue for the Third Control Period. The comments by Stakeholders are presented below.

AIAL's comments on Non-Aeronautical Revenue for the Third Control Period:

11.3.2. With respect to AERA's proposal as per Para 11.2.6 from page 202 of CP relating to Non-Aeronautical Revenues, AIAL stated the following:

- In order to avoid repetition of comment, refer Para 5.8.8

11.3.3. With respect to AERA's proposal as 11.2.8 to 11.2.17 from page 202 onwards of CP relating to Non-Aeronautical Revenues, AIAL stated the following:

- *"The AO invited bids through a global competitive bidding process for selection of a Master Service Provider for Non-Aeronautical services at SVPIA. The bids were invited through an e-procurement portal. A third-party consultant was appointed to oversee the process adopted by the AO. Entire process was undertaken in a fair and transparent manner. The AO submits that the sanctity of open competitive bidding process should be maintained, and the Authority may not disapprove the price discovery undertaken through open competitive bidding.*
- *Such a course of action would vitiate the very purpose of the open competitive bidding and undermine the well-established judicial principles in this regard. It is settled in law that the price discovered through open bidding has to be taken at face value and there is no reason to disbelieve such price. The Authority should not obliterate the entire bidding process on the premise that the price discovered could have been better as the price discovered through the bidding process is highest amongst bidders who submitted their financial proposal. It is well known that even in insolvency / liquidation proceedings, business /assets are sold at lower price than the value / benchmark of the business / assets. Therefore, we request the Authority to relook into their approach to extrapolate the non-aeronautical revenue on notional basis. The only test which applies is the fairness with which the bidding process was conducted. As long as there is no procedural irregularity, the outcome of the open competitive bidding process cannot be altered to achieve a particular requirement. It is submitted with respect that even the courts of law do not interfere with the outcome of the open competitive bidding process as long as the process is not vitiated by arbitrariness, illegality and unfairness.*
- *During the COVID-19 period, the Non-Aeronautical revenues of the Airport were severely impacted. In order to protect its business interests, AIAL entered into a Master Service Agreement whereby a minimum amount of Non-Aeronautical revenues are guaranteed to the AO. This has insulated the Airport Operator from any future unforeseen event which may negatively impact the Non-Aeronautical revenues. The necessary commercial arrangements are provided in the Master Service Agreement based on which revenues for AIAL are projected.*
- *There is no provision in AERA Guidelines 2011 for notional increase in the Non-Aeronautical revenues while determining tariffs.*



- *Approach for selection of Master Concessionaire was not restrictive. It started with issuance of public advertisement in newspapers. The technical parameters for the bidders were set by the AO as per the capacity and size envisaging the master plan submitted to AAI by AO in consonance with concession agreement. Bidders qualifying the technical round submitted their financial proposal and the bidder offering highest revenue share was selected as Master Concessionaire.*
- *In light of above, we request the Authority to accept the Non-Aeronautical Revenues as projected by the AO which is in line with the contract entered based on market discovery rate."*

Other Stakeholders' comments on Non-Aeronautical Revenue for the Third Control Period:

- 11.3.4. BIAL stated that – *"Threat to apply Notional increase to Non-Aeronautical Expenses: The Authority has opined that the non-aeronautical revenues projected by the airport operator for the Third Control Period are significantly lower as compared to that of other PPP airports (DIAL, MIAL, BIAL, GHIAL, CIAL). Hence, it has proposed that it will apply notional increase in the non-aeronautical revenues for the Third Control Period, based on NAR for Third Control Period of the above referred PPP airports, while determining tariff for the Fourth Control Period, in the interest of the airport users. This proposal of AERA is ultra vires to AERA Act. AERA Act does not permit the Authority to consider any "notional concept" to revenues from any activity – aeronautical or non-aeronautical. The Direction 5 issued by AERA itself is based on the revenues "received" by the airport operator. If the Authority is not satisfied with the proposal of airport operator and is of the opinion that non-aeronautical revenues have not been satisfactorily developed, it can commission an independent study and come out with recommendations thereof and ask the airport operator to implement the said recommendations. This is the right way protect the interest of airport users. Therefore, we request AERA to withdraw the above proposal to apply notional increase to non-aeronautical revenues."*
- 11.3.5. FIA stated that – *"Non-Aeronautical Revenue: Para 11.2.9 – 11.2.16: It is observed, that the non-aeronautical revenues projected by AIAL is substantially low / conservative. It is requested that AIAL explores all avenues to maximise revenue from the utilisation from the expansion of terminal building for non-aeronautical purposes. As correctly observed by AERA in para 11.2.16, the non-aeronautical revenue projected by AIAL for Third Control Period is substantially lower as compared to other PPP airports. Accordingly, we request AERA to mandate AIAL to enter into suitable agreements with concessionaires to exploit the potential/ growth of non-aeronautical revenue at Ahmedabad airport. In this regard we also request AERA to kindly undertake detailed examination with the assistance of an independent study to be conducted on the non-aeronautical revenue before the tariff determination of the Third Control Period. Without prejudice to the above, we submit that increase in non-aeronautical revenue ("NAR") is function of increase in terminal building area, passenger traffic growth, inflationary increase and real increase in contract rates. Despite all these factors increasing during the control period, on examination of the non-aeronautical revenue projected for the Third control period by AERA, it was noted by that a conservative approach has been taken by AERA. AERA is requested to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires. Further in para 11.2.16, AERA has remarked that NAR projected by AIAL is significantly less than PPP airports - which are generally not less than 50% of the total O&M expenses of the respective airports. In view of the above, we request AERA to allow higher non-aeronautical revenues being not less than 50% of the projected O&M expenses for AIAL, as approved by AERA.*

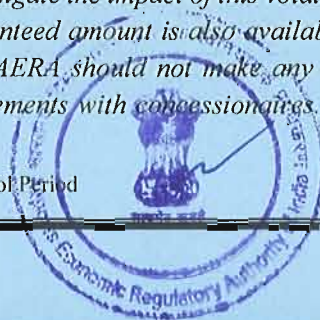
Royalty: Any attempt to award the contracts by the airport operator on highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers has no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines

will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator. As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers. The rates of royalty at the airport are as high as up to 45.5% for some services. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit. In view of the above, we humbly urge AERA to abolish such royalty which may be included in any of the cost items."

- 11.3.6. IATA stated that – *"We are concerned that the Non-Aeronautical Revenues, which are meant to cross-subsidize the Aeronautical charges, are clearly under-developed and under-projected in the case of AMD airport. It is seen that the airport operator in their submission has projected Non-Aero Revenue for the full TCP at 165 Cr. Their projections show NAR at a steady Rs. 33 Cr every year from 2022 up to 2026 – even though during this same period, their projection for traffic goes from 6MPPA to 19MPPA. Thus, while traffic grows by 3 times, NAR remains steady at Rs. 33 Cr each year. This is clearly not right – especially with the retail and aerotropolis focus of the new airport operator. This also brings into question the very need for the privatization of the Airport in the first place. The CP correctly highlights that for all other PPP airports (DEL, BOM, HYD etc.), the NAR is roughly equal to / or higher than 50% of the O&M expenses projected for that Control period. While for AMD, the NAR was projected at Rs. 165 Cr, whereas O&M expenses submitted are Rs 2,385 Cr. This comes to NAR being about 7% of the O&M, which raises further questions. Therefore, IATA disagrees with AERA's adjustment in the CP, to the NAR for the airport operator. It is too low and needs to be increased significantly. And we would expect that any shortfall in NAR will NOT be trued up in the next control period."*

11.4. AIAL's responses to Stakeholders' comments regarding Non-Aeronautical Revenue for the Third Control Period

- 11.4.1. AIAL's response to the various Stakeholders' comments with respect to Non-Aeronautical Revenue for the Third Control Period is presented below.
- 11.4.2. With respect to FIA's comment on NAR, AIAL stated that - *"In the interests of its users and in its own commercial interests, Airport Operator will always endeavor to increase the non-aeronautical revenues to the maximum possible extent. As suggested by FIA, AIAL as Airport Operator has already entered into Master Concessionaire Agreement to exploit the potential/ growth of non- aeronautical revenue whereby a minimum amount of Non-Aeronautical revenues are guaranteed to the AO. This has insulated the Airport Operator from any future event which may negatively impact the Non-Aeronautical revenues. The AO invited bids through a global competitive bidding process for selection of a Master Service Provider for Non-Aeronautical services at Ahmedabad Airport. A third-party consultant was appointed to oversee the process adopted by the AO. Entire process was undertaken in a fair and transparent manner. Any further study on this would vitiate the very purpose of the open competitive bidding. Last 2 years of pandemic clearly point to the fact that airport operators are highly vulnerable to passenger volumes and spending power of the customer as far as non-aeronautical revenues are concerned. In order to mitigate the impact of this volatility, AO has entered into contract which ensures minimum annual guaranteed amount is also available to airport operator. We are in consonance on the view of FIA that AERA should not make any adjustments on non-aeronautical revenue which are derived from agreements with concessionaires. Further any comparison of non-*



aeronautical revenues with O&M costs is not rational and unwarranted as non-aeronautical revenues are dependent on traffic volume, passenger profile, spending propensity, whereas O&M costs are largely fixed. Further, refer our comments in point 7.2 of AIAL's comments on CP."

- 11.4.3. With respect to FIA's comment on, "Any attempt to award the contracts by the airport operator on highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost...", AIAL stated that - "In case of Ahmedabad airport, there is no royalty or concession fee which will be recovered in case of cargo and fuel activities as these facilities will be managed and operated by Airport Operator only. As far as royalty of 45.5% on Ground Handling (GH) activity is concerned, we would like to state GH is aeronautical service. Abolition or reduction in royalty will result in increase in other aeronautical charges like Landing, Parking and UDF as ARR of AO as determined by the Authority is fixed. Further, we would like to state that selection of concessionaire through competitive bidding based on highest revenue share is common industry practice being followed by various airports in India and World."
- 11.4.4. With respect to IATA's comment, AIAL stated that - "In order to avoid repetitions on this matter, please refer our remarks" in Para 11.4.2 as response to FIA's comments and also refer AIAL's comments on the Consultation Paper in Para 11.3.3.
- 11.4.5. With respect to BIAL's comments regarding notional increase in Non-Aeronautical Revenues, AIAL has stated that BIAL has supported AIAL's submissions and comments regarding the same. AIAL has also submitted its detailed explanations and justifications on all the matters as part of its response to the Consultation Paper. Further, AIAL requests the Authority to consider the well-reasoned comments provided by AIAL which are duly supported by the aforementioned Stakeholder.

11.5. Authority's analysis of Stakeholders' comments on Non-Aeronautical Revenue for the Third Control Period

- 11.5.1. With respect to AIAL's comment on space rentals, the Authority's views as per Para 5.8.10 can be referred to.
- 11.5.2. The Authority has carefully studied the comments of the AO on Non-aeronautical revenues. The Authority is cognizant about the bidding process undertaken by the AO for selecting the Master Service Provider for Non-Aeronautical services at AIAL. The Authority is of the view that the criteria used for selection of the Master Concessionaire was restrictive.
- I. As stated in the Consultation Paper No. 10/2022-23, the Authority is not convinced about the revenue from the Master Services Agreement remaining constant for the entire Control Period, while all the other costs are increasing substantially across the Third Control Period. In this context, there was no obligation on the AO to accept the bid of Master Concessionaire offering such low revenue share.
 - II. Further, the Authority notes that the revenue projected by the AO towards NAR for the Third Control Period, is much lower as compared to the other PPP airports (DIAL, MIAL, BIAL, GHIAL, CIAL), wherein the NAR projected by such PPP airports are either equal or higher or constitute at least 50% of the total O&M expenses projected by them for the respective Control Period. With the steady increase in passenger traffic and extension of existing Terminal Building area, the Authority foresees an increase in passenger related non-aeronautical revenue across the Third Control Period.
 - III. Further, the Authority expects that the Airport Operator should bring in efficiencies in non-aeronautical operations as being followed by other Public-Private Partnership (PPP) airports

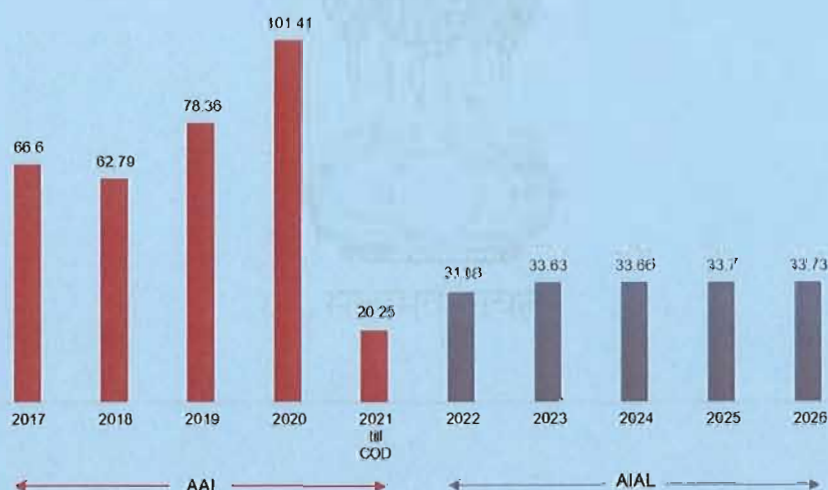
wherein the proportion of non-aeronautical revenue projected by the AO is equal or comparable to the quantum of O&M expenses. Further, it is pertinent to note that the total NAR projected by the AO for the Third Control Period (INR 165.81 Cr.) is much lower than the actual revenue earned by AAI (INR 329.40 Cr.) during the period from FY 2016-17 till COD. It is to be noted that the period in which AAI was operating the Airport included the pandemic impact where the traffic came to a standstill. The following table & chart shows the year wise NAR earned by AAI from FY 2017 till 2021 (pre-COD) and the projections of the AO for the TCP.

Table 231: Year wise NAR earned by AAI and projected by the AO

Particulars (in INR Cr.)	AAI						AIAL					
	FY 17	FY 18	FY 19	FY 20	FY 21 till COD	Total (till COD)	FY 22	FY 23	FY 24	FY 25	FY 26	Total for TCP
NAR	66.60	62.79	78.36	101.41	20.25	329.40	31.08	33.63	33.66	33.70	33.73	165.81

*For FY 2021, the NAR earned by AAI is for a period of 7 months

Figure 38: Comparison of NAR as per actuals of AAI and projections of the AO



AERA would like to state that under Hybrid Till mechanism, the Airport Operators retain 70% of the non-aero revenue and only 30% of the non-aeronautical revenue is used for cross subsidization. The Airport Operators have the benefit of 70% of non-aero revenue during the normal times as windfall. Therefore, it cannot be expected that during pandemic, which is an exceptional circumstance, their non-aeronautical revenue should also be compensated. It is the business risk of the Airport Operators which they have to bear like other Stakeholders. If any dispensation has to be given to the airport operators on NAR, then the interests of the airport users will be adversely impacted because they won't be getting the benefit of 30% NAR as cross-subsidization.

The truing up mechanism ensures that airport operators do not suffer due to any shortfall in the projected aeronautical revenue and are able to recover the same in terms of real value in the next Control Period. Hence, the airport operators are better placed to absorb the impact of the pandemic compared to the passengers/other airport users.

Therefore, it is in the benefit of the AO to harness maximum potential of non-aeronautical revenue to increase its own cash flow in NPV terms vis-a-vis to incentivize the aeronautical charges through its 30% share. Based on the above factors and considering the positive outlook on the growth in the passenger traffic during the Third Control Period and the increase in the Terminal Building space (after expansion of the Terminal Building), the Authority feels that there is large scope for expanding the

NAR. Hence, the Authority feels that there is no reason to deviate from its proposal at the Consultation stage (Refer Para 11.2.16 and para 11.2.17).

11.5.3. With respect to BIAL's comments, the Authority's view as stated in the above para can be referred to.

11.5.4. The Authority has carefully studied the comments of FIA on the Non-aeronautical revenues (NAR) and has the following views:

- The Authority has increased the NAR submitted by the AO for the Third Control Period, after taking into consideration the traffic growth, inflation and the expansion of the Terminal Building area.
- The Authority is also of the view that the AO should bring in efficiencies in Non-aeronautical operations as being followed by other PPP airports wherein the proportion of Non-aeronautical revenue projected by the AO is comparable to similar other Airports.
- The Authority also notes the comments of FIA on conducting an independent study on the Non-aeronautical Revenue. In this regard, the Authority believes that the requirement of an independent study will depend upon the size of the airport and the scale of operations. If AERA feels that if there is a need arising in the future, it may commission an independent study for the future Control Periods of AIAL.
- The Authority will review the NAR achieved by the AO in the Third Control Period at the time of determination of tariff for the next Control Period. If in case, efforts have not been taken by the AO to substantially increase the NAR as considered by the Authority for the TCP, then the Authority shall consider a notional increase in the NAR for the TCP, while determining tariff for the Fourth Control Period, in the interest of the Airport Users.
- The Authority has noted the comments of FIA on the issue of royalty fees and revenue share payable to Airport Operators by the Service Providers as a pass-through expenditure. It may be noted that the Authority has a separate tariff determination process for service providers providing Cargo, Ground Handling and Fuel Supply to aircraft where the royalty charges are addressed alongside a rigorous Stakeholders' consultation process. It may also be noted that the Royalty paid by the ISPs to the Airport Operators are taken into account as Aeronautical revenue by AERA during tariff determination process, thus helping the Airport Users by reduction in the ARR.

11.5.5. The Authority has examined IATA's comments on NAR and AERA has made notional adjustments based on growth drivers like inflation rate, growth owing to terminal area expansion and traffic growth rate. Further, as stated in para 11.5.2 of this Tariff Order, the Authority would like to state that it is in the benefit of the AO to harness maximum potential of non-aeronautical revenue to increase its own cash flow vis-a-vis to incentivize the aeronautical charges through its 30% share as 70% of the non-aeronautical revenue remains with AO whereas 30% of the non-aeronautical revenue is utilized for cross subsidization.



- 11.5.6. Based on the above, the Authority has decided to consider NAR for the Third Control Period consistent with its proposal in the Consultation Paper No. 10/2022-23. However, since the inflation rates have been revised as mentioned in Para 9.5.2, the Authority has recomputed the NAR as shown in the following table.

Table 232: Total non-aeronautical revenue decided by the Authority for the Third Control Period

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
<i>Growth - Traffic (%)</i>			23.75%	19.66%	17.10%	
Food & beverages outlets		1.16	1.44	1.72	2.02	
Hoarding & Display		20.24	25.04	29.97	35.09	
Car Parking		14.74	18.24	21.83	25.56	
Subtotal (A)		36.14	44.73	53.52	62.67	
<i>Growth - International Traffic (%)</i>			39.50%	24.50%	19.50%	
Duty free shops (B)		6.12	8.54	10.63	12.71	
<i>Growth - Inflation (%)</i>			5.00%	5.00%	5.00%	
<i>Growth - Terminal Area (%)</i>			19.83%	-	-	
Other trading concessions		42.41	52.94	55.58	58.36	
Rent and Space		11.98	14.96	15.71	16.49	
Miscellaneous		4.75	5.93	6.23	6.54	
Subtotal (C)		59.14	73.83	77.52	81.40	
Total non-aeronautical revenue (A + B + C)	30.08*	101.41	127.10	141.67	156.77	557.03

*Note: As per actuals submitted by AIAL. (Refer table 226). This is exclusive of "Space rentals from Airlines" and "Notional Interest Income on SD (Ind AS)"

11.6. Authority's decisions relating to Non-aeronautical Revenue for the Third Control Period

Based on the available facts and analysis thereupon, the Authority decides the following with regard to non-aeronautical revenue for the Third Control Period:

- 11.6.1. To consider non-aeronautical revenue for AIAL for the Third Control Period as per Table 232.
- 11.6.2. The AO should make efforts to substantially increase the NAR of SVPIA for the TCP, in line with other similar Airports.



12. TAXATION FOR THE THIRD CONTROL PERIOD

12.1. AIAL's submission of Taxation for the Third Control Period

- 12.1.1. The AO had submitted that the computation of income tax on aeronautical income was made on the prevailing Income Tax laws and rules. Further, the aeronautical segment was treated as a standalone entity with its own tax computations. Therefore, this may not necessarily reflect the overall tax computation of AIAL as a whole.
- 12.1.2. While calculating aeronautical tax, AIAL had considered the following exclusions:
- Non-aeronautical operating costs and/or depreciation
 - Concession Fee is not considered as expense
- 12.1.3. The following table summarizes the income tax projections that have been calculated as per the above assumptions for AIAL.

Table 233: Taxation submitted by AIAL for the Third Control Period

Particulars (INR Cr.)	Formula	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical revenue	A	116.50	902.25	1198.84	1496.26	1822.66	5536.50
Aeronautical O&M expenses	B	-191.93	-408.18	-482.41	-520.94	-589.89	-2193.35
Aeronautical depreciation	C	-40.99	-89.96	-175.30	-244.54	-407.96	-958.74
Earnings before interest and tax (EBIT)	D = A+B+C	-116.42	404.12	541.13	730.77	824.81	2384.41
30% of NAR	E	9.33	10.09	10.10	10.11	10.12	49.74
Interest cost	F	-51.74	-125.13	-223.59	-326.09	-568.95	-1295.51
Interest on Working capital	G	-0.20	-4.87	-10.63	-14.82	-18.35	-48.88
Financing charges	H	-5.76	-92.08	-2.24	-2.35	-2.30	-104.74
Aero PBT (Profit before Tax)	I = Sum(D:H)	-164.80	192.12	314.77	397.61	245.32	985.02
Depreciation & amortization	J	40.99	89.96	175.30	244.54	407.96	958.74
Taxable income before tax depreciation	K = I + J	-123.81	282.08	490.06	642.15	653.28	1943.76
Tax Depreciation	L	-52.26	-211.36	-338.30	-434.20	-947.88	-1983.99
Taxable income	M = K + L	-176.07	70.71	151.77	207.96	-294.60	-40.23
Business losses	N = Min(K,0)	123.81	0.00	0.00	0.00	0.00	123.81
Amount of tax profits available for set-off	O = M + N	-52.26	70.71	151.77	207.96	-294.60	83.58
Set off of brought forward tax losses against normal tax liabilities from FY 2020 till FY 2026	P	0.00	-70.71	-79.50	0.00	0.00	-150.21
Taxable income after set-off of business losses	Q = O + P	-52.26	0.00	72.27	207.96	-294.60	-66.63
Carry-forward unabsorbed depreciation	R	-26.30	-78.56	-78.56	-6.29	0.00	-189.72
Taxable income under normal tax provisions	S = Q + R	-78.56	-78.56	-6.29	201.66	-294.60	-256.35
Tax rate to be used	T	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax expenses	S x T	0.00	0.00	0.00	-50.76	0.00	-50.76

12.2. Authority's examination of Taxation for the Third Control Period at the Consultation stage

- 12.2.1. The Authority notes that AIAL had considered 30% Non-aeronautical Revenue in the estimation of aeronautical PBT, which was then used in the computation of aeronautical taxes. The fact that a part of Non-aeronautical Revenue is used for cross subsidization 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 done in order to reduce tariff pressure on passengers and to incentivize the AO to make effective investments in non-aeronautical generating sources.
- 12.2.2. Therefore, the Authority is of the view that:
- 30% Non-Aeronautical Revenue should not be treated as a subsidy for the AO as the AO has already earned it from non-aeronautical services and is meant as a cross subsidy to the airport user.
 - The consideration of 30% Non-Aeronautical Revenue as part of revenue from aeronautical services would result in an unfair enrichment to the AO, effectively reducing the cross-subsidy benefit to the airport user from the present 30% non-aeronautical income.
- 12.2.3. Therefore, the Authority proposed to consider only aeronautical revenue and expenses in the calculation of aeronautical PBT.
- 12.2.4. The Authority had also considered the Fees payable to Independent Engineer for the purpose of determining ARR for the Third Control Period (Refer Table 238) and for computing aeronautical taxes.
- 12.2.5. The Authority had recomputed taxes of AIAL based on the changes proposed to the other building blocks and based on the proposal discussed above on exclusion of Non-aeronautical Revenue.
- 12.2.6. Further, as the Authority had considered the prior period losses in the computation of true up of AAI for the pre-COD period, the same was excluded in the computation of taxes of the AO for the Third Control Period for AIAL.
- 12.2.7. AIAL, vide email dated 19th September 2022, was requested to share details regarding the fees payable to the Independent Engineer. AIAL, vide email dated 20th September 2022, shared a LoA for the same. The Authority notes that as per Clause 24.3.1 (Refer para 18.4.9 of Annexure 4 of Chapter 18), this expense will be considered as passthrough in the determination of the aeronautical charges.
- 12.2.8. The following table summarizes the aeronautical taxes proposed by the Authority for the Third Control Period at the Consultation stage.

Table 234: Taxation proposed to be considered as per the Authority for the Third Control Period at Consultation stage

Aeronautical Tax (INR Cr.)	Formula	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical Revenue*	A	125.82	618.01	803.81	1,010.88	1,244.13	3,802.66
O&M expenses	B	175.98	222.84	327.50	360.77	410.54	1,497.63
Fees payable to Independent Engineer	C	3.41	3.41	3.41	3.41	3.41	17.03
Depreciation**	D	3.55	82.05	220.25	295.78	497.71	1,099.34
PBT	F = A-B-C-D	(57.11)	309.72	252.66	350.92	332.47	1,188.66
Set off of prior period losses		-	(57.11)	-	-	-	
Taxable income	G	(57.11)	252.61	252.66	350.92	332.47	
Tax rate	H	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	G * H		63.58	63.59	88.33	83.68	299.19

* Aero revenue is computed based on ARR; this is subject to revision based on tariff rate card which is to be submitted by the AO. For FY 2022, actual revenue has been considered.

**Computed using WDV method considering useful lives as per IT Act

12.3. Stakeholders' comments on Taxation for the Third Control Period

- 12.3.1. During the Stakeholder consultation process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to Taxation for the Third Control Period. The comments by Stakeholders are presented below.

AIAL's comments on Non-Aeronautical Revenue for the Third Control Period:

- 12.3.2. With respect to AERA's proposal as Para 12.2.2 from page 207 of CP relating to Taxation for the TCP Revenues, AIAL stated the following:

- *"We refer to the direction of the TDSAT in the judgment dated 15th November 2018 in the matter of AERA appeal no 4 of 2013. The Judgment at Para 41(i) remands the matter of considering the S-Factor as part of revenue in calculation of tax, to AERA. AIAL is also of the view that the S Factor should be considered as part of the aeronautical revenue while calculation of tax. Our claim is supported by the following arguments.*

Extract from TDSAT Judgment 15th November 2018

"41. To conclude, we find no good reason to interfere with the impugned tariff order, except to the extent indicated below – (i) In respect of decision XV.a, the question of 'S' as an element of revenue pertaining to aero services for the purpose of calculating 'T' is remanded back. Only to this limited extent, we direct AERA to consider the issue afresh through a consultative process in the next control period that may be falling for consideration."

- *As per AERA guidelines 5.5.1 as provided below, corporate tax paid on income from assets/ amenities/ facilities/ services (emphasis) taken into consideration for determination of Aggregate Revenue Requirement (ARR) will be considered for calculation of taxation component of ARR. Clause 5.5 of the AERA Guidelines is reproduced below:*

5.5. Taxation (T)

5.5.1. Taxation represents payments by the Airport Operator in respect of corporate tax on income from assets/ amenities/ facilities/ services taken into consideration for determination of Aggregate Revenue Requirement.

5.5.2. The Authority shall review forecast for corporate tax calculation with a view to ascertain inter alia the appropriateness of the allocation and the calculations thereof.

Explanation: For avoidance of doubt, it is clarified that any interest payments, penalty, fines and other such penal levies associated with corporate tax, shall not be taken into consideration for calculation of Taxation.

- *Income from Non-Aeronautical services are used in calculating the overall ARR. Therefore, in order to calculate the taxation under the regulatory framework, income from Non-Aeronautical services as proposed by AERA in the CP need to be considered. In case, the Authority does not*

consider income from Non-Aeronautical services for the purposes of taxation, it will be in contradiction to its guidelines.

- *We hereby request the Authority to add the 30% of Non-Aeronautical revenues while determining the tax"*

Other Stakeholders' comments on Non-Aeronautical Revenue for the Third Control Period:

- 12.3.3. FIA stated that – *"Tax efficacies: Airlines are now paying separately for FIC and ITP which was earlier part of ATF pricing. Such FIC and ITP along with GST thereon becomes part of ATF pricing and suffers from Excise Duty and Sales Tax. The additional burden of non-creditable taxes becomes sixty-four (64) % - seventy (70) % on the airlines. We would also like to urge AERA to devise methods or pass an order stating that FIC and ITP should be directly invoiced by fuel farm operator or the services providers to the airlines to avoid circuitous billing and for the sake of 'Ease of doing businesses and 'Transparency'. This will also help in avoiding unnecessary tax on tax to the tune of sixty-four (64) % - seventy (70) % sixty-seven (67) % to Airlines."*

12.4. AIAL's responses to Stakeholders' comments regarding Taxation for the Third Control Period

- 12.4.1. AIAL's response to the Stakeholder comment with respect to Taxation for the Third Control Period is presented below.
- 12.4.2. With respect to FIA's comment, AIAL stated that – *"We believe relevant Authority has been mindful of the undue tax burdens on various players in the aviation ecosystem. This is substantiated by the fact that fuel throughput charges were abolished by AERA/MoCA in Jan 2020 and airport operators were compensated by way of increase in landing charges and airlines were benefitted by way of lower tax burden. Having said the above, we will welcome any new steps that are taken by MoCA/GoI/AERA in this direction. However, as far as billing of FIC and ITP charges is concerned, OMCs (not airlines) are the users of the open access facility and fuel farm operator is appropriately charging FIC and ITP charges to the users of the facility."*

12.5. Authority's analysis of Stakeholders' comments on Taxation for the Third Control Period

- 12.5.1. The Authority has noted the comments of AO and provides its views as under:
- The issue on consideration of 30% NAR in computation of Corporate taxes had been decided by AERA in Chapter 8 of DIAL Tariff Order No. 57/ 2020-21 dated December 30, 2020 for the Third Control Period, wherein the Authority had formed its views after taking in to consideration the views of the various stakeholders as directed by the Hon'ble TDSAT and had decided not to consider S factor as part of Aeronautical Revenue base to compute Corporate Taxes on earnings pertaining to Aeronautical services for the Third Control Period.
 - Hence, the Authority had considered the Hon'ble TDSAT judgement dated November 15, 2018, at the time of finalization of the Tariff Order No. 57/ 2020-21 dated 30th December 2020 for DIAL.
 - Based on the above factors, the Authority decides not to consider the 30% NAR, while computing the Corporate Taxes for AIAL for the Third Control Period.



- 12.5.2. The Authority has noted the comments of FIA and the response of the AO and is of the view that the AO's comments adequately address the issues raised by FIA.
- 12.5.3. Based on the revisions in the O&M expenses and the projected aeronautical revenue, the Authority has recomputed the Taxation for the Third Control Period as shown below.

Table 235: Taxation decided by the Authority for the Third Control Period

Aeronautical Tax (INR Cr.)	Formula	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical Revenue	A	125.82	254.83	550.91	860.56	1,190.67	2,982.79
O&M expenses	B	177.28	227.90	325.37	353.92	400.94	1,485.41
Fees payable to Independent Engineer	C	3.41	3.41	3.41	3.41	3.41	17.03
Depreciation*	D	2.66	81.11	211.30	268.05	299.86	862.98
PBT	$F = A - B - C - D$	(57.53)	(57.58)	10.84	235.18	486.46	617.37
Set off of prior period losses		-	-	(115.11)	-	-	
Taxable income	G	(57.53)	(57.58)	(104.27)	235.18	486.46	
Tax rate	H	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	$G \times H$	-	-	-	59.19	122.44	181.64

*Computed using WDV method considering useful lives as per IT Act

- 12.5.4. As can be seen above, the tax decided by the Authority for TCP is INR 181.64 Cr. as against INR 299.19 Cr. (Refer table 234) proposed at the Consultation stage. The revision is due to the recomputation of aeronautical revenue based on the tariff rate card approved by the Authority (Refer Annexure 1) whereas at the Consultation stage, the tax was computed on the basis of the proposed ARR.

12.6. Authority's decisions regarding Taxation for the Third Control Period

Based on the available facts and analysis thereupon, the Authority decides the following with regard to taxation for the Third Control Period:

- 12.6.1. To consider the Tax for AIAL for the Third Control Period as per Table 235.
- 12.6.2. To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.



13. QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD

13.1. AIAL's submission regarding Quality of Service

- 13.1.1. The AO has submitted that it will abide by the Airport Service Quality (ASQ) performance indicators mentioned in Annexure I to Schedule H in the Concession Agreement.

Clause 23.7.1 of the CA states that:

"The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council International (ACI) or any substitute thereof, conducted every quarter and shall ensure that the Airport achieves and maintains a rating of at least 4.5 (four point five) 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 COD and maintain the same throughout the rest of the Concession Period."

Clause 23.7.2 of the CA states that:

"The Concessionaire shall, within 21 days of the end of each calendar quarter, provide to the Authority a written report on the results of the user survey of ASQ for the immediately preceding quarter, together with its analysis of the results and the action, if any, that it proposes to take for improvement in User satisfaction."

- 13.1.2. The AO has further submitted that adherence and maintenance of these standards will require creation of significant infrastructure, ramp-up of human resource and increase in operations and maintenance costs and that the AO has considered the cost implications, while preparing future projections as part of its MYTP submission.

13.2. Authority's examination regarding Quality of Service for the Third Control Period at the Consultation stage

- 13.2.1. The Authority noted that:

- As per section 13 (1) (d) of the AERA Act, 2008, the Authority shall "monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf."
- As per section 13(1)(a)(ii), the Authority is required to determine the tariff for Aeronautical services taking into consideration "the service provided, its quality and other relevant factors."

- 13.2.2. The Authority noted from AAI's website that the ACI ASQ survey results for AIAL for the FY 2017 to 2020 have been in the range of 4.69 to 4.93 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.71.

Table 236: ASQ rating for AIAL for FY 2017-2022

Financial Year	ASQ rating
2017	4.69
2018	4.77
2019	4.86
2020	4.93
2021 – Q1 and Q2	ASQ was not conducted due to lockdown on account of COVID-19 pandemic
2021 – Q3	4.99
2021 – Q4	4.99

Financial Year	ASQ rating
2022 – Q1	4.99
2022 – Q2	4.99

- 13.2.3. The Authority noted that the ASQ rating awarded to AIAL is higher than the average rating of the AAI airports for the FY 2017 to 2020.
- 13.2.4. The Authority noted that as per the Concession Agreement, the AO is required to maintain an ASQ rating of at least 4.5 out of 5. The Authority further notes that the AO has achieved ASQ rating of 4.99 in the third and fourth quarter of FY 2021 and the first and the second quarter of FY 2022.
- 13.2.5. Based on the above factors, the Authority did not propose any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by AIAL.
- 13.2.6. The Airport Operator should ensure that service quality conforms to the performance standards as indicated in the Concession Agreement over the Third Control Period.

13.3. Stakeholders' comments regarding Quality of Service for the Third Control Period

- 13.3.1. During the Stakeholder consultation process, the Authority has received a comment/view from one Stakeholder in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to Quality of Service for the Third Control Period. The comment by the Stakeholder is presented below.

AIAL's comment on Quality of Service for the Third Control Period:

- 13.3.2. No comments were received from AIAL on Quality of Service for the Third Control Period.

Other Stakeholders' comments regarding Quality of Service for the Third Control Period:

- 13.3.3. IATA stated that - *"Regarding service quality frameworks qualitative, perception-based measures need to be complemented with objective, quantitative measures to be effective and ensure we have a framework that blends functional planning with ambiance. IATA's level of service framework provides an optimum range of space per passenger and queuing times to accomplish this."*

13.4. AIAL's responses to Stakeholders' comments regarding Quality of Service for the Third Control Period

- 13.4.1. AIAL's response to the Stakeholder comment with respect to Quality of Service for the Third Control Period is presented below.
- 13.4.2. With respect to IATA's comment, AIAL stated that – *"AIAL has been obligated to maintain service standards as mentioned in the Concession Agreement and Schedule H of the Concession Agreement. For quick reference the relevant extract from Concession Agreement is re-produced below. 19.6.9 Commencing from the date which is 1 (one) year from the COD, the Concessionaire agrees and undertakes to achieve IATA Level of Service Optimum at the Airport. "IATA Level of Service Optimum" means the minimum service requirements at various airport subsystems as set out in the 'Optimum' category in the 10th edition of IATA's Airport Development Reference Manual, as may be amended, modified or supplemented from time to time, and shall, for the avoidance of doubt, mean any similar level of service framework in the event of IATA discontinuing publication of the Airport Development Reference Manual;"*



13.5. Authority's analysis of Stakeholders' comments on Quality of Service for the Third Control Period

- 13.5.1. The Authority has noted IATA's comments regarding the need for improving the quality-of-service framework. However, such a revision in framework cannot be carried out at an airport level and should be uniformly implemented across all airports. AERA may in future revise its tariff determination philosophy and guidelines, wherein the matter of quality of service would also be clarified appropriately. The Authority would encourage IATA to take up quality performance review in consultation with airports in India as ACI is currently doing for ASQ ratings.
- 13.5.2. Based on the above, the Authority has decided to consider the Quality of Service for the Third Control Period consistent with its proposal in the Consultation Paper No. 10/2022-23.

13.6. Authority's decision relating to Quality of Service for the Third Control Period

Based on the available facts and analysis thereupon, the Authority decides the following with regard to quality of service for the Third Control Period:

- 13.6.1. Not to consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service of AIAL.
- 13.6.2. The Airport Operator should ensure that service quality at SVPIA conforms to the performance standards as indicated in the Concession Agreement over the Third Control Period.



14. AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

14.1. AIAL's submission of ARR for the Third Control Period

- 14.1.1. The AO had submitted the ARR and Yield per Passenger (YPP) for the Third Control Period as per the regulatory building blocks discussed.
- 14.1.2. The summary of ARR and YPP have been presented in the table below.

Table 237: ARR submitted by AIAL for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Average RAB (INR Cr.)	342.78	1,135.33	2,490.98	3,606.69	6,656.52	
FRoR	14.76 %	14.76 %	14.76 %	14.76 %	14.76 %	
Add: FRoR return on average RAB (INR Cr.)	50.58	167.53	367.57	532.20	982.24	2,100.12
Add: Operating expenses (INR Cr.)	213.28	519.51	502.85	538.55	611.60	2,385.78
Add: Depreciation (INR Cr.)	40.99	89.96	175.30	244.54	407.96	958.74
Add: Amortisation of land (INR Cr.)	-	-	-	-	-	-
Add: Taxes (in INR Cr.)	-	-	-	50.76	-	50.76
Add: True-up for next CP* (in INR Cr.)	60.67					60.67
Less: Non – Aero (INR Cr.)	(9.33)	(10.09)	(10.10)	(10.11)	(10.12)	(49.74)
ARR – Aero (INR Cr.)	356.19	766.90	1,035.62	1,355.94	1,991.68	5,506.32
PV Factor as on 01 st April 2021	1.00	0.87	0.76	0.66	0.58	
PV of ARR (INR Cr.)	356.19	668.29	786.41	897.25	1,148.46	3,856.60
Total PAX (Millions)						68.58
Yield per pax (INR)						562.35

*Note: Difference of INR 2.41 Cr. from MYTP submission is due to inclusion of bank and other finance charges and cargo related expenses. (The same has been discussed in Para 5.7.1 to Para 5.7.6).

14.2. Authority's examination of ARR for the Third Control Period at the Consultation stage

- 14.2.1. 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 to consider the regulatory building blocks as discussed in the above chapters.
- 14.2.2. The Authority had included the fees payable to the Independent Engineer in the determination of ARR (shown in the table below), in accordance with Clause 24.3.1 of the Concession Agreement (Refer Para 18.4.9 for the same).
- 14.2.3. The Authority noted that the AO has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period. Whereas the existing traffic base is not sufficient for the complete recovery of ARR in the current Control Period and this would require a significant increase in tariff, which in the present times is likely to adversely impact the recovery of air traffic. Further, a significant increase in aeronautical tariff, is also attributable to the fact that the new Aeronautical tariff proposed by the Authority may be implemented only by the end of the current Financial Year, thereby resulting in only lesser tariff years being available for recovery of the ARR.

- 14.2.4. In this regard, the Authority drew reference to the guiding principles issued by the International Civil Aviation Organization (ICAO) on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies *“that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users.”* The said policy document also emphasizes on balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States. This should be applied particularly during periods of economic difficulty. Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner.
- 14.2.5. This may also be read in conjunction with the objectives of the National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/masses. As per para 12 (c) of the NCAP, *“In case the tariff in one particular year or contractual period turns out to be excessive, the Airport Operator and the Regulator will explore ways to keep the tariff reasonable and spread the excess amount over the future.”* The above has also been conveyed by AERA vide its Order No. 14/2016-17 dated 12th January 2017.
- 14.2.6. Further, as per Schedule B of the Concession Agreement with AAI, the AO is expected to ensure that the *“organization of the spaces and structural design of the terminal should be modular thereby allowing flexibility and ease of expansion”*. It can be noted from the Figure 1 and Table 84 that at the end of the Third Control Period, the combined passenger handling capacity of the Terminal buildings would be 36.8 MPPA against the requirement of 19.85 MPPA. Therefore, there would be considerable capital hangover due to the creation of such excess capacity at the end of the Third Control Period.
- 14.2.7. Based on the above considerations, the Authority had proposed to carry forward some portion of the ARR to the next Control Period in the harmonious interest of all the Stakeholders’ chain including the Airport Operator.



14.2.8. The following tables shows the proposed ARR and YPP as per the Authority at the Consultation stage.

Table 238: ARR proposed to be considered by the Authority for the TCP at Consultation stage

Particulars (INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Average RAB (A)	Table 174	358.07	1,117.88	2,454.35	3,320.69	5,518.82	
FRoR (B)	Table 182	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on RAB (C = A × B)		43.73	136.53	299.76	405.58	674.05	1,559.65
Depreciation (D)	Table 172	28.54	55.32	103.69	137.04	215.93	540.52
Operational expenses (E)	Table 222	175.98	222.84	327.50	360.77	410.54	1,497.63
Independent Engineer's fees (F)		3.41	3.41	3.41	3.41	3.41	17.03
Tax (G)	Table 234	-	63.58	63.59	88.33	83.68	299.19
ARR (H = sum of C to G)		251.66	481.68	797.96	995.12	1,387.61	3,914.03
Non-aero Revenue (NAR)	Table 230	30.08	101.41	127.15	141.81	156.99	557.45
Less: 30% NAR (I)		9.03	30.42	38.15	42.54	47.10	167.23
PV of under-recovery of AAI as on 31 st March 2022 (i)		(7.54)					
PV of under-recovery of AIAL as on 31 st March 2022 (ii)		(39.68)					
Sum of PV of under-recovery of AAI and AIAL as on 31 st March 2022 (J = i + ii)		(47.22)					
Net ARR (K = H - I - J)		289.85	451.26	759.81	952.57	1,340.51	3,794.01
Present Value Factor (L)		1.00	0.89	0.79	0.71	0.63	
PV of ARR as on 31 st March 2022 (K × L)		289.85	402.14	603.41	674.16	845.45	2,815.02
Sum of Present value ARR (M)							2,815.02
Total traffic (in Million) (N)	Table 84						68.10
YPP on Total traffic (in INR) (M ÷ N) × 10							413.36
Departing passengers (in Million) (O = 50% × N)							34.05
Yield per Departing passengers (in INR) (M ÷ O) × 10							826.73

14.2.9. The Authority noted that it was necessary to have the individual year wise tariff card laying down the different aeronautical charges and the workings for the aeronautical revenues, in order to have a constructive Stakeholders' discussion and hence AIAL was directed to submit the detailed Annual Tariff Proposals in line with the ARR and Yield arrived at by the Authority on or before 31st October 2022.

14.3. Stakeholders' comments on ARR for the Third Control Period

14.3.1. During the Stakeholder Consultation Process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 10/2022-23 with respect to ARR for the Third Control Period. The comments by Stakeholders are presented below.



AIAL's comments on ARR for the Third Control Period:

14.3.2. With respect to AERA's proposal as 14.2.2 to 14.2.7 from page 211 of CP relating to Carry forward some portion of ARR, AIAL stated the following:

- *"We request the Authority to take cognizance of the following facts regarding capacity creation: **Investment mobilization through Privatization***

In last 30 years investments of approx. Rs. 750 Crs (approx. Rs. 1,500 Crs inflation adjusted value) has been made in the Ahmedabad Airport, the last major expansion being in the year 2010. During the period FY10 to FY20 traffic had increased significantly whereas Airport capacity was not enhanced to take care of the requirement. Going forward, the annual passenger throughput is expected to grow to 20 million in next 5 years and 30 million over 10 years.

Considering the potential demand and operational requirements, AIAL is mobilizing investment of over Rs 10,000 crores during the control period.

Modular Approach and Capacity Requirement

As explained in Para 4.10.2:

AIAL has adopted modular approach for Airport development, the useable operational capacity of the Airport will be 28.8 million instead of 36.8 mppa, there is no excess capacity hangover at end of the control period.

It is important to mention that infrastructure projects like Airports have large gestation period and future capacity requirement need to be planned well in advance. As per traffic projection (19.8 million in FY26), the Airport will be operating at approx. 70% of its capacity (19.8 mppa / 28.8 mppa). The Airport Operator will be required to start planning for capacity creation over 28.8 mppa immediately after TCP. This has been explained in the Master Plan and during AUCC.

Financial Position of the Airport

In respect to the financial position of the Airport, it is to be noted that: -

- *Ahmedabad Airport has been incurring losses since privatization. AIAL has incurred cash losses in FY21 and FY22 totaling to ~Rs. 250 Crs. The losses are getting accumulated in FY23.*
- *There are certain obligations under the Concession Agreement which are to be met like payment of Adjusted Deemed Initial RAB to AAI, reimbursement of select employee salaries to AAI, monthly concession fees payments to AAI, maintenance of service standards for operation and development.*
- *The existing debt of the company is based on cash flow assumptions including full recovery of the ARR. In case it does not happen, the credit profile of the company will further erode, and it will have cascading impact leading to higher cost of debt. This will ultimately translate into a higher FRoR.*
- *AIAL will need to start planning the next capacity creation nearer to end of TCP.*

Significant Increase in Tariffs

It is mentioned in the CP that recovery of ARR will lead to significant increase in tariff. In this regard we would like to place a sample comparison of recently approved tariff card by AERA as follows: -



Airport	Reference	Yield Per Pax (Rs)	UDF for Domestic / International Departing Pax (Rs)
Hyderabad	TCP Order No. 12/2021-22	430	FY24 700 / 1,360 FY25 750 / 1,500 FY26 750 / 1,500
Bangalore	TCP Order No. 11/2021-22	388	FY24 450 / 1,400 FY25 550 / 1,500 FY26 550 / 1,500
Ahmedabad	CP 10/2022-23	413	FY24 703 / 1,400 FY25 738 / 1,470 FY26 775 / 1,544

Unserviced consideration

- Majority of the capex is being capitalized in the later years of the TCP. The impact of the same in ARR calculation for TCP is limited. The impact of this capex will be a part of the regulatory building blocks like return on RAB, depreciation and operating expenditure (area increase by approx. 180%) in the next control period (FY27 to FY31). It is expected that YPP in next control period will be equal or more than the proposed YPP in the CP. Therefore, the deferment of ARR is not going to serve any purpose other than causing undue cash flow burden to AIAL.

As per AERA Act 2008, Clause 13 (a) (iv) Functions of Authority, the Authority need to consider the economic and viable operations of the Airport while determining the tariffs.

- In light of above, we request the Authority not to carry forward any portion of the ARR which will affect the financial viability of the AO. Further that will jeopardize the efficient operations of the Airport and adversely impact the very purpose of privatization."***

14.3.3. With respect to AERA's proposal as per Para 14.2.9 from page 213 of CP relating to Tariff Card for TCP, AIAL stated the following:

- "The tariff card was submitted to the Authority on 31st October 2022 and subsequently published by the Authority vide Public Notice No. 15/2022-23 dated 31st October 2022.*
- We request the Authority to make suitable adjustments in the ARR after considering the impacts of the requests raised in this document and provide AO an opportunity to revise the tariff card as per the final approved ARR."***

14.3.4. With respect to the point 7.11 as submitted in the MYTP, for easy reference the same is reproduced below:

"Presently SVPIA has a single runway (05-23) orientated in north-east to south-west direction, with length of 3,505 meters and width of 45m which is adequate for Code E aircraft operations. The predominant direction of operation for take-offs and landings is towards the southwest (23 direction). The runway length of 3,505m enables all narrow body aircraft to operate without commercial weight restrictions. (i) Development of mandatory Runway End Safety Area (RESA) of airport, at the end of runway, is essential compliance requirement. (ii) Similarly, development of full-length parallel taxiway is another important necessity for SVPIA to enhance its runway capacity and to improve operational efficiency. (iii) Another important DGCA compliance requirement is to have Runway Basic Strip of 140 m from the centreline.

In order to take up these projects, erstwhile Airport Operator i.e. AAI had initiated discussion with local state authorities for acquiring land measuring approx. 52.84 Acres. After privatization, AIAL has actively carried forward those discussions with AAI and state authorities (refer Annexure - K attached).

Total land of 20.24 Acres out of 52.84 Crs is immediate requirement to cater to critical projects in the Third Control Period.

AIAL acknowledges that acquisition of land is time consuming. It involves multiple stakeholders, various processes and procedures which have variability on the timing and cost of the acquisition of land. Considering these factors, AIAL has not considered the costs of land acquisition and some of the project dependent on availability of land in this MYTP. Therefore, AIAL request the AERA to kindly consider the necessary trueups for the same in the next control period and to provide for eligible return on land acquisition cost. AIAL will keep AERA informed on the developments of the matter from time to time."

AIAL stated the following:

"We observed that there is no mention of the same in the CP. We request Authority to take cognizance of the facts submitted and to allow for necessary true-ups on the basis of actual incurrence in the next control period."

Other Stakeholders' comments on ARR for the Third Control Period:

- 14.3.5. BIAL stated that - *"Deferment of ARR to next control period: We do not agree with the approach adopted by AERA regarding the deferment of ARR to the next control period. Nevertheless, we request Authority to consider the cash flow requirements of the Ahmedabad Airport while making a decision on the deferment of ARR, as such deferment might affect the capacity of the Airport Operator to meet the capex requirements of the Airport. We also request the Authority to publish the cash flow impact on the airport operator, on account of the decision to defer a portion of ARR, as an addendum to the Consultation paper along with the assumptions used therein. Further, we request Authority to take the consent of the Airport Operator on the deferment and not proceed on the same in a unilateral manner. Deferment of ARR may not be in the interest of airport users as well as they will have to pay for the same along with carrying costs, in next Control Period."*
- 14.3.6. APAO stated that - *"Earlier in month of September 2022, we provided our comments on the Consultation Paper for Mangaluru Airport, we look forward for the final order to be released by the Authority and to provide clarity on the important points pertaining to the principles to be adopted for these new Concession Agreement. The approach to be adopted by the Authority is keenly awaited by the private operators, lenders, investors who have shown faith in the Aviation sector. Most of the issues which APAO would like to raise in the SVPIA's Consultation Paper are of similar to that of Mangaluru Airport: Authority's proposal to defer the ARR undermining the cash flow requirements of the Airport Operator."*
- 14.3.7. FIA stated that - *"Para 14.2.3 to 14.2.7: It is submitted that, AERA has noted the AO has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period. Whereas the existing traffic base is not sufficient for the complete recovery of ARR in the current Control Period and this would require a significant increase in tariff, which in the present times is likely to adversely impact the recovery of air traffic. Further, AERA has also observed and considered the "guiding principles issued by the International Civil Aviation Organization (ICAO) on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight" which is to achieve a balance between the interest of Airports and the*



Airport Users. This policy document categorically specifies "that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users". This should be applied particularly during periods of economic difficulty (i.e., airlines incurring adverse financial impact post Covid-19). FIA appreciates that AERA in para 14.2.7 has considered to carry forward some portion of ARR to the next control period. However, FIA requests AERA that, keeping in view the adverse financial health of the airlines as mentioned in this letter, no tariff shall be increased for this control period."

- 14.3.8. BAOA stated that - *"We have not been receiving invitation to be part of AUCC meeting, supposed to be held biannually with all the stakeholders by the airport operator. It is requested that AUCC meetings should have the option to 'join online through VC' to help ensure maximum participation. Since GH and other mandatorily levied airport charges are aeronautical in nature, as provided in AERA Act, it is requested that, going forward, these charges should be included in the CP issued for MYTP by AERA along with all other aeronautical charges like, landing, parking etc. Authority (AERA) is requested to refer to recent letter written by BAOA, Ref. No. BAOA/AERA/04/2022-23, dated 17 November 2022 for kind consideration to ensure aeronautical charges levied on small aircraft in NSOP/GA category are always reasonable and affordable. This would go a long way to support government's recent push for last-mile connectivity in India."*
- 14.3.9. FIA stated that - *"Shrinkage in Control Period: submits that the Hon'ble TDSAT Order dated 16 December 2020 for BIAL stated as follows: '100...However, there is substance in this grievance and AERA will do well to ensure that if delay is caused by the Airport operator, its consequences should not fall upon the users. Tariff orders should be prepared well in time so that the burden of recovery is spread over the entire period for which the order is passed...'. In view of the above, AERA is requested to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines, as the AERA Tariff Order for ALAL - Third Control Period, will now be issued after the commencement of the Control Period i.e., 1 April, 2021."*
- 14.3.10. IATA stated that - *"With regard to procurement and award of capital projects, IATA would like to recommend that the operator must also include disclosures on related-party transactions by Adani Airports. The independent studies should focus on related party transactions within the group and ensure that the award of projects has been through competitive bidding, and does not suffer from infirmities or cost escalation arising from awards to related parties."*

At the consultation meeting held on 9-November 2022, Adani Airports had mentioned that the same consultant engaged by AERA for its independent studies, had infact been retained / engaged by Adani Airports. IATA recommends that there should not be any conflict of interest arising through the engagement of independent consultant, where a consultant assisting the airport operator should not then be engaged by AERA for independent studies, or for scrutiny of proposals for that particular airport operator."

- 14.3.11. With respect to the tariff rate card, FIA stated that:

1. *"ALAL has proposed increase in the Landing Charges (Domestic) on Q-400 (80 & above seater) approximately increase between 153% to 179% from existing charges; and on B-737-800 approximately increase between 89% to 108% from existing charges. Similarly, for Landing Charges (International) on Q-400 (80 & above seater) approximately increase between 169% to 197% from existing charges; and on B-737-800 approximately increase between 81% to 100% from existing charges."*
2. *"ALAL has proposed to increase in the Parking Charges (Domestic) on Q-400 (80 & above seater) approximately increase between 75% to 84% from existing charges; and on B-737-800"*



approximately increase between 254% to 290% from existing charges. Similarly, for Parking Charges (International) on Q-400 (80 & above seater) approximately increase between 486%% to 546% from existing charges; and on B-737-800 approximately increase between 260% to 297%.

3. For Landing and Parking charges, AIAL has reduced the number of tariff slabs, which is contrary to airline interests. We request the AERA to reinstate the current tariff slabs as practiced (Landing & Parking Charges: "up to 25 MT", "Above 25 up to 50 MT", "Above 50 to 100 MT", "Above 100 to 200 MT" and "Above 200 MT") instead of the new proposal of only one slab of "per MT" for domestic and only two slabs "Up to 100 MT" and "Above 100 MT" for international flights.
4. AIAL has proposed increase in the UDF of between 727% on Domestic Passengers and up to 1,547% on International Passengers for the Third Control Period. It is understood that there is no proposal to apply UDF on Disembarking passengers, of which Authority is kindly requested to get a confirmation from AIAL.

It is in the interest of all the stakeholders that the proposed tariffs not be implemented as the proposals are excessive. AERA is requested to reconsider the same, as also keeping in view our points as mentioned in Annex - B of this letter. We humbly request AERA to not implement any increase in the aeronautical tariff in the Third Control Period."

- 14.3.12. With respect to the tariff rate card, FIA stated that - "AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above which is likely to reduce the ARR. This will further ensure the lowering of tariff including UDF, which will be beneficial to passengers and airlines. It is in the interest of all the stakeholders that the proposed excessive hikes in the tariffs be reduced and also in order to encourage middle class people to travel by air, which will help in sharp post-COVID-19 recovery of aviation sector. It is the stated vision of the government to make UDAN ("Ude Desh ka Aam Naagrik") a reality and this can only happen if we have the lowest possible cost structure, such that we can bring more and more people to airports to travel by air.

In addition, we request AERA and AIAL to clarify the following:

1. Ref: User Development Fee (UDF): We request AERA to clarify in the Tariff Order, the date and method of applicability of change in UDF charges, if any (as done through addendums for MAA & CCJ airport vide addendum to order no. 38/2021-22 dated 4th March 2022 and addendum to order no. 39/2021-22 dated 8th March 2022, respectively).

2. Ref: Notes to User Development Fee (UDF) Charges: Collection Charges: We would like to invite AERA's attention to notes 2 of UDF charges in the Public notice 15/2022-23, wherein the rate of collection of UDF charges has been proposed to be reduced by AIAL from the current Rs. 5.00 per embarking/disembarking passenger to Rs. 2.50 per embarking/disembarking passenger. As airlines have not agreed to this reduction, we request AERA to consider the collection charges to be reverted to Rs. 5.00 embarking/disembarking passenger, in line with other Airports. Also, there appears to be inconsistency in the proposed rates by AIAL (Rs. 2.5 in numeric form and Rs. FIVE in the words form), which kindly clarify.

3. Ref: Notes to User Development Fee (UDF) Charges: We further request that in the Collection Charges, the entitlement by airlines for the same may kindly be against AIAL having received the 'undisputed' invoiced UDF amount within the applicable due date. There is no mention of Collection charges for PSF in the MYTP submitted by the Airport operator. In the event the PSF is subsumed in the UDF, then airlines may kindly be eligible to claim collection charges at 2.5% of PSF per passenger, is being done currently. If PSF is not subsumed in the UDF, then current practices may kindly be continued.



4. CUTE, CUPPS, CUSS: As these are aeronautical revenues, we could neither find a proposal for the same in the MYTP submitted by the AIAL for the Third Control Period, nor any comment by AERA on regulating these charges in the CP for the Third Control Period. We would like to state that (i) the current prices are excessive; (ii) whatever bouquet of services is agreed between the AIAL and the service provider, this is enforced upon the airlines; (iii) the airlines have no say on the prices (unbundling), even if the airlines do not require all the services; and (iv) are in foreign currency at certain airports, making airlines vulnerable due to currency fluctuations. AERA is kindly requested to inform us the guidelines for price regulation on the same.

5. Table on Landing Charges from 1st February 2023 to 31st March 2026 (International Flights):

Query: Whether rates will be charged in INR or US\$ for international flight?

6. Parking Charges effective from 1st February 2023 to 31st March 2026:

"3. Parking time will be calculated based on On-Blocks and Off-Blocks time as recorded at the Airport Operations Control Centre. (AOCC)."

Comment: As per standard practice, 15mins time each after touchdown and before takeoff of aircraft is provided as an exemption. We would want to propose the same industry practice to be implemented here.

7. Parking Charges effective from 1st February 2023 to 31st March 2026:

"6. In case of an aircraft being parked beyond 24 hours due to technical or any other reasons, the parking charges shall be levied on a weekly basis in-line with the governing tariff order.

Query: Please clarify which governing tariff order is being mentioned above. Please provide the corresponding rate card.

8. Parking Charges effective from 1st April 2025 to 31st March 2026:

"4. For calculating chargeable parking time, part of an hour shall be rounded off to the next hour"

It is submitted that for calculating chargeable parking time, part of an hour shall be rounded off to nearest hour"

9. UDF effective from 1st February 2023 to 31st March 2026:

(I) Query: Will the above UDF effective date shall be considered as Travel date or Sale date or Both-travel and sale date?

(III) Comment to No. 2 of Collection Charges: Please note that the same is paid by airport operator to airlines separately after airlines raises an invoice against the same as a standard industry practice. We request the same practice is applied.

10. Variable Tariff Plan for Scheduled Passenger Airlines:

1. "New Route: A flight to a new destination that is currently unserved from Ahmedabad by any airline already operating at Ahmedabad. (Destination must be unserved for the previous 36 months)"

Query: We understand "Unserved" means no scheduled operations. Please confirm.

2. In the table of VTP Applicable Rates for Scheduled Passenger Airlines, Rate per MTOW (MTOW > 100 MT) appears to be repeated, with no additional conditions. Please clarify the same.

11. AERA to review our comment at Sr. No. 4 (Traffic) above."



14.3.13. Mukesh Bhandari stated that - *"With respect to "Increase of User Development Fees (UDF) for Sardar Vallabhai Patel International Airport (SVPIA), Ahmedabad by Rs.700/- and Rs.1500 for domestic and International departing passenger respectively from the current Rs.100/-". In my view, there should not be any increase in the tariff Please consider the following points to support my views. Earlier, the Airport was operated by the Airport Authority of India (AAI). The salaries of government employees are not less, and certainly not many more people have been employed till date. The average fare of domestic airline tickets range from Rs.4,000 to Rs.10,000 depending on the distance and destination. Over and above, this added amount of Rs.600 & Rs.1400 per ticket for domestic and International travel respectively is very high and an additional burden to the passengers. I would also like to add that during the time when the Airport was managed by the Airport Authority, the operations were not so efficient. The Government had decided on privatizing the operations keeping in mind, the efficiency in the system at a lower cost for the people. So, with the increased efficiency, the tariff should in fact be reduced. However, a marginal increase of about 50% (Rs.150) on Domestic and 100% (Rs.200) on International departures seems appropriate to take care of the additional expenses."*

14.3.14. IATA stated that - *"Increase in Tariff & UDF: We see the significant increase that has been proposed by AIAL in its Tariff card – on account of both landing & parking charges, as also in the UDF.*

- *The proposed tariffs by AIAL would see a significant increase in charges, both landing and parking, as well as UDF, in the first year of the control period from 1 February 2023, followed by yearly increases.*
- *We request that AERA adopts the same approach as in the determination for other airports in moderating the increases to facilitate a strong recovery in traffic rather than curtailing its full potential which would be detrimental to all parties as a result of the lower traffic and underutilized capacity.*
- *In the case of AMD airport, given that the users are getting the vast part of capital expansion only in the last phase of the control period, IATA recommends that at least 50% of the ARR recovery should be carried forward to the 4th Control period. We note that a greater percentage of the ARR has been carried forward to the next control period in the case of other recent tariff orders like for BOM and HYD.*
- *Lastly on Tariffs, we see that Adani Airports' approach seems to be to propose UDF for both embarking and disembarking passengers – similar to the one proposed in the case of Mangalore. This is not in sync with the charging of UDF only for departing pax which seems to be the norm for airports in India. Any departure from this practice takes away from the simplicity of the existing practice. Moreover, disembarking passengers do not expect / or enjoy the same level of airport usage, or even services, compared to embarking passengers."*

14.3.15. FFFAI stated that,

"1. Under Appendix B (1) and Appendix B (2) Serial no E and 5 respectively – Type of charges mentioned as "Handling of Shippers built ULD" and Rate per KG is "50% of applicable Handling Charges". There is no mention of AFS Built up Pallet Cargo rate. We suggest the Type of Charges should be mentioned as "Handling of AFS Built & Shippers built ULD".

2. We find the escalation in overall cargo handling rates in the Third control period (FY-2022-2026 for SVPIA) as proposed by Ahmedabad International Airport Limited. We should also synchronize the cargo industries and the business volume which is not doing well for last few years. We suggest this escalation is not justified."



14.4. AIAL and AAI's responses to Stakeholders' comments regarding ARR for the Third Control Period

- 14.4.1. AAI and AIAL's response to the various Stakeholders' comments with respect to ARR for the Third Control Period is presented below.
- 14.4.2. With respect to FIA's statements regarding the tariff rate card, AIAL stated that - *"Since last 10 years, no major capital investment has been undertaken at Ahmedabad Airport, the last being the New International Terminal Building T2 in Year 2010-11. In addition, the existing airport infrastructure is not commensurate with the growth achieved in traffic throughput, which can be correlated from the fact that the existing Airport terminals capacity is 7.5 mppa whereas the Airport had handled more than 11.4 mppa during FY19-20 (Pre-COVID). Accordingly, AIAL has planned investments in the third control period to create capacity, to rectify the deficiencies, meet compliance requirements, essential safety, and security requirements. The investment planned is essential to meet the requirements of the Concession Agreement signed with Airport Authority of India and is necessary to provide safe & secure Airport operations. AIAL is committed to providing the best-in-class experience to its users. The tariff card is an outcome of the ARR computed as per the Regulatory Building blocks after rationalization of many capex and opex items by AIAL as well as AERA. Further, the increase in tariff also considers the under recovery of charges during the Second Control Period and almost 2 years of the current control period. The cumulative impact of these developments has affected the tariffs. The percentage increase as projected by FIA is on account of the fact that base was low as already brought out in the preceding paras."*
- 14.4.3. With regard to FIA's comment on *"Para 14.2.3 to 14.2.7; It is submitted that, AERA has noted the 'AO has on-going capital expenditure projects...'"*, AIAL stated that - *"In order to avoid repetitions on this matter", please refer AIAL's comments on CP as mentioned in Para 14.3.2*
- 14.4.4. On FIA's comment on *"AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above which is likely to reduce the ARR. This will further ensure the lowering of tariff including UDF, which will be beneficial to passengers and airlines....."*, AIAL stated that - *"AIAL appreciates the vision of the Government to introduce UDAN scheme. We will continue to abide by all the orders of the Authority to boost regional connectivity whereby no landing charges are charged to Airlines and no UDF is charged to the departing passenger."*
- 14.4.5. Regarding FIA's comment on *"We request AERA to clarify in the Tariff Order, the date and method of applicability of change in UDF charges."*, AIAL stated that - *"We understand that by virtue of the above-mentioned addendum orders, AERA has stated that revised UDF charges are applicable for tickets issued on or after the effective date of the tariff order. This was done based on the request made by AAI in order to bring clarity regarding the applicability of revised UDF charges. We request Authority to put similar clause in AIAL order as well."*
- 14.4.6. With respect to FIA's comment on, *"Collection Charges: We would like to invite AERA's attention to notes 2 of UDF charges in the Public notice 15/2022-23, wherein the rate of collection of UDF charges..."*, AIAL stated that - *"Collection charges paid to airlines is pass through expense for airport operator. Reduction in collection charges is in interest of all airport users. With respect to the inconsistency in numeric and words form, AIAL would request AERA to consider "Rupees Two and Half only" in place of "Rupees Five only".*
- 14.4.7. With regard to FIA's comment on, *"We further request that in the Collection Charges, the entitlement by airlines for the same may kindly be against AIAL..."* AIAL stated that - *"As approved by AERA for other airports, airlines entitlement to collection charges should only be against full and timely payment of all outstanding dues."*



- 14.4.8. On FIA's comment on, "There is no mention of Collection charges for PSF in the MYTP submitted by the Airport operator. In the event the PSF is subsumed.", AIAL stated that - "When AIAL took over the operation in Nov-2020, there was only UDF in the tariff card and PSF (facilitation) component was mentioned NIL in the then prevailing rate card. The same tariff card is carried forward by AIAL with the necessary approval of AERA."
- 14.4.9. With regard to FIA's comment on, "CUTE, CUPPS, CUSS: As these are aeronautical revenues, we could neither find a proposal for the same in the MYTP submitted by the Airport operator.", AIAL stated that - "At AIAL, the CUTE/CUPPS/CUSS (CUTE) charges are charged by third party concessionaire who in turn shares certain portion of these charges with AIAL. AIAL is not directly charging the users. The arrangement was existing before COD when AAI was operating the Airport and it is novated to AIAL from COD onwards as per terms of the CA. Kindly refer the point 5 of the covering letter no. AIAL/CO/AERA-MYTP/2022/3 dated 31st October 2022, whereby it is clarified upfront that CUTE revenue has been considered Aeronautical and it has been suitably accounted while determining the tariff card. Therefore, other aeronautical charges like landing, UDF etc, calculated to provide the recovery of ARR, as provided in the tariff card are arrived after reducing contribution of revenues from CUTE services from eligible ARR. In simple terms, Present value of eligible ARR = Present value of Aeronautical Revenues other than revenues from CUTE services + Present value of revenues from CUTE services. Any reduction in revenues from CUTE services will increase landing/parking charges by that amount as the ARR to be recovered is a fixed number."
- 14.4.10. With respect to FIA's comment on, "Query: Whether landing charges will be charged in INR or US\$ for international flight..", AIAL stated that - "Kindly refer General Conditions point 3 in the proposed tariff card, it is mentioned that all the charges to Indian Carriers (including international operations) will be done in INR terms and to international carriers in USD terms."
- 14.4.11. Regarding FIA's comment on, "As per ATP proposed by AIAL "Parking time will be calculated based on On-Blocks and Off-Blocks time as recorded at the Airport Operations..", AIAL stated that - "On Block and Off Block time are much cleaner to monitor and is more relevant from a true parking time perspective unlike touch-down / take-off which is highly variable in nature."
- 14.4.12. On FIA's comment on, "As per ATP proposed by AIAL "In case of an aircraft being parked beyond 24 hours due to technical or any other reasons, the parking charges shall be levied on a weekly basis in-line with the governing tariff order...", AIAL stated that - "There is no such statement mentioned in the rate card which has wording "governing tariff order"."
- 14.4.13. With respect to FIA's comment on, "As per ATP proposed by AIAL "For calculating chargeable parking time, part of an hour shall be rounded off to the next hour...", AIAL stated that - "We have found "Next hour" is a standard in tariff card for all Airports like BIAL, HIAL and AAI Airports. The statement was existing in the previous tariff card for the Ahmedabad Airport which was approved by AERA when the Airport operations were managed by AAI."
- 14.4.14. With regard to FIA's comment on, "With respect to effectiveness of UDF from 1st February 2023 "Will the above UDF effective date shall be considered as Travel date or Sale date or Both-travel and sale date?", AIAL stated that - "As per recent orders approved by the Authority, revised UDF charges are applicable on tickets issued on or after effective date of tariff order. We request similar practice may be followed for AIAL as well."
- 14.4.15. With respect to FIA's comment on, "With respect to Collection Charges "Please note that the same is paid by airport operator to airlines separately after airlines raises an invoice against the same as a standard industry practice...", AIAL stated that - "Once AIAL receives the UDF amount within the due date as mentioned in the invoice, and there are no overdue on any account with AIAL, the



collection charges payable to the Airlines will be paid as per due dates mentioned on the invoice. However, no collection charge shall be payable by AIAL to the airline if the airline fails to make UDF invoice payment within aforesaid applicable time limit/credit period. This is as per the existing provisions made in the AERA order for other airports."

- 14.4.16. On FIA's comment on, "With respect to Variable Tariff Plan for Scheduled Passenger Airlines "New Route: A flight to a new destination that is currently unserved from Ahmedabad by any airline already operating at Ahmedabad. (Destination must be unserved for the previous 36 months)...", AIAL stated that - "Same is confirmed."
- 14.4.17. With respect to FIA's comment on, "In the table of VTP Applicable Rates for Scheduled Passenger Airlines Rate per MTOW (MTOW >100 MT) appears to be repeated, with no additional conditions. Please clarify the same...", AIAL stated that - "We are not able to find such anomaly in the VTP rate card. For quick reference the table is re-produced below:

Table 10: VTP Applicable Rates for Scheduled Passenger Airlines

Type	Rack Rate (RR) per MT in INR	Existing flight	New Route	New Route	New Route
Landing Charges			Year 1	Year 2	Year 3
International Flights					
Rate per MTOW (MTOW ≤ 100 MT)	RR	0	0.50*RR	0.75*RR	0.90*RR
Rate per MTOW (MTOW > 100 MT)	RR	0	0.50*RR	0.75*RR	0.90*RR

- 14.4.18. Regarding FIA's comment on, "FIA submits that the Hon'ble TDSAT Order dated 16 December 2020 for BIAL stated as follows: '100... However, there is substance in this grievance and AERA will do well to ensure that if delay is...', AIAL stated that - "It is to be noted that AIAL started commercial operations from 7th November 2020. As per the clause 28.11.1 of the CA, AIAL shall have not less than 365 days from the COD to seek revision of the Aeronautical Charges from AERA. The existing tariffs were extended till 31st March 2023 or till the determination of tariff for Third Control Period. AIAL had submitted its MYTP to AERA on 4th February 2022 and complied with provisions of CA."
- 14.4.19. With respect to IATA's comment, AIAL stated that - "With respect to IATA's comment on relating to Carry forward some portion of ARR, please refer our comments in point 9.1 of AIAL's comments on CP. With respect to IATA's comment on UDF for embarking and disembarking passengers, please note, we have proposed UDF only on embarking passengers at AMD." (Refer Para 14.3.2 of this Tariff Order)
- 14.4.20. On IATA's comment on "With regard to procurement and award of capital projects...", AIAL stated that - "In respect to award of contract, all the contracts are awarded as per competitive bidding process as defined in the approved procurement policy and as per requirements under the Concession Agreement and provisions of Companies Act. Moreover, as sought by AERA's consultants, contracts and process have also been provided for their examination. Likewise, we request AERA to take cognizance of price discovery happened for Non-Aeronautical revenues as per competitive bidding."
- 14.4.21. With respect to IATA's comment on "At the consultation meeting held on 9-November 2022, Adani Airports had mentioned that the same consultant engaged by AERA for its independent studies...", AIAL stated that - "The consultant was engaged by AIAL before the submission of MYTP to help in conducting certain independent studies. These studies helped AIAL in taking informed decision while submitting the MYTP proposal to AERA and some of these studies were provided as annexure of the MYTP."

- 14.4.22. On FFFAI's comment on "1. Under Appendix B (1) and Appendix B (2) Serial no E and 5 respectively – Type of charges mentioned as "Handling of Shippers built ULD" and...", AIAL stated that - "We are fine with the changes suggested as "Handling of AFS Built Or Shippers built ULD". The same will be incorporated in the final order."
- 14.4.23. With regard to FFFAI's comment on "We find the escalation in overall cargo handling rates..", AIAL stated that - "The rates upto FY24 are the same which are already approved for the market and is being applied for AIAL. The future increase taken is only 5% YoY in-line with inflation increase."
- 14.4.24. With respect to BAOA's comment, AIAL stated that - "a. AIAL has conducted the virtual AUCC in Jan-2022. We will make sure BAOA representatives are duly invited in future AUCCs for all Adani Airports. b. AERA has published the tariff card vide Public Notice No. 15/2022-23 dated 31st October 2022 for comments by the stakeholder. c. The matter is not related to the subject consultation paper."
- 14.4.25. With regard to Mr.Mukesh Bhandari's comment, AIAL stated that - "The airline flight ticket prices are dependent on multiple variables like airline strategy for the routes, time of booking of tickets, capacity deployed by the airline on particular sector, competition amongst the airlines etc. The airport tariff card is an outcome of the ARR computed as per the Regulatory Building blocks after rationalization of many capex and opex items by AIAL as well as AERA. AIAL has considered the rate card after considering the full recovery of the proposed ARR by AERA during the control period. In last 30 years investments of approx. Rs. 750 Crs has been made in the Ahmedabad Airport by AAI, the last major expansion being in the year 2010. During the period FY10 to FY20 traffic had increased significantly whereas Airport capacity was not enhanced to take care of the requirement. Going forward, the annual passenger throughput is expected to grow to 20 million in next 5 years and 30 million over 10 years. Considering the potential demand and operational requirements, AIAL is mobilizing investment of over Rs 10,000 crores during the control period. AIAL believes that the investment proposed will debottleneck the current infrastructure issues at the Airport and enhance the service levels. AIAL will aim to exceed the satisfaction level of consumers."
- 14.4.26. With respect to BIAL's comment on deferment of ARR to next control period, AAI stated that - "AAI agrees with the comments of BIAL regarding the deferment of ARR to next control period but whatever is implemented by AERA may be applicable uniformly for all airports. AERA has carried forward substantial amount of Shortfall in respect of Chennai, Kolkata, Calicut & Goa Airports to the next control period. The extract from Consultation Paper in respect of above airports are enclosed here with. For a meaningful discussions similar exercise may be carried in respect of Ahmedabad airport for the benefit of stakeholders." (AAI had attached the relevant extracts for Chennai, Kolkata, Calicut & Goa Airports in their responses to Stakeholder comments)
- 14.4.27. Regarding BIAL and APAO's comments on deferment of ARR, AIAL has stated that BIAL and APAO have supported AIAL's submissions and comments regarding the same. AIAL has also submitted its detailed explanations and justifications on all the matters as part of its response to the Consultation Paper. Further, AIAL requests the Authority to consider the well-reasoned comments provided by AIAL which are duly supported by the aforementioned Stakeholders.

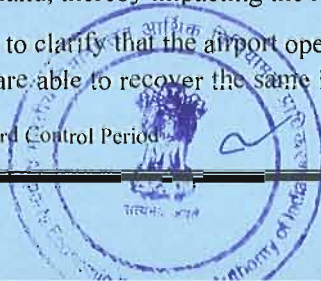
14.5. Authority's analysis of Stakeholders' comments on ARR for the Third Control Period

- 14.5.1. The Authority has noted the comments of the AO, BIAL and APAO on carry forward of some portion of the ARR and has the following views:
- The Authority notes that the AO has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period, whereas the existing traffic base is not sufficient for the complete recovery of ARR in the current Control Period and



this would require a significant increase in tariff, which in the present times is likely to adversely impact the recovery of air traffic.

- ii. The Authority is also cognizant of the fact that there are certain obligations under the Concession Agreement, which need to be fulfilled by the AO. Further, the new Aeronautical tariff proposed by the Authority may be implemented only by the end of the current Financial Year, thereby resulting in only lesser tariff years being available for recovery of the ARR.
- iii. In this regard, the Authority would like to draw reference to the guiding principles issued by the International Civil Aviation Organization ("ICAO") on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies that "*caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users*". The said policy document also emphasizes on balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States. This should be applied particularly during periods of economic difficulty.
- iv. Further, it is pertinent to note that considerable investments in capacity have already been made which would be sufficient for the foreseeable future. Therefore, the subsequent control periods are expected to witness lower capital expenditure requirements while catering to a larger traffic base.
- v. The Authority had also drawn reference of the National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/masses. Adhering to the aim of the country's NCAP to make the air travel affordable is all the more important at this juncture when the entire civil aviation sector is going through an unprecedented, turbulent, once-in-a-century pandemic whereby the air travel has taken a nose-dive. Further as per para 12 (c) of the NCAP, "*In case the tariff in one particular year or contractual period turns out to be excessive, the airport operator and regulator will explore ways to keep the tariff reasonable, and spread the excess amount over the future.*" The above has also been conveyed by the AERA vide its Order No. 14/2016-17 dated 12th January 2017.
- vi. It is pertinent to note here that due to COVID -19 pandemic, the air traffic demand has been impacted substantially. While the capital expenditure continued to be incurred by the airport operators, the demand for air travel nose-dived during this period leading to overhang of capacity creation vis-à-vis the traffic demand. In this backdrop, it is not possible to recover 100% of the ARR in one Control Period without further harming the aviation sector.
- vii. Further, the period available for recovery of ARR through revised tariffs is short owing to the delays in the tariff determination process as a result of the provisions of the CA.
- viii. Keeping the above intent of the NCAP, Regulatory Guidelines of the AERA, ICAO manuals, Stakeholders' comments on record, the Authority has adjusted the rate card and tariff growths over the Third Control Period and has decided to carry forward INR 292.68 Cr. (11.98% of the ARR (in NPV terms as on 31st March 2022) subject to true up in the next control period. This is in order to protect the interest of all Stakeholders, including the Airport Operators, Airlines as well as the Users as the same will lower the burden on the Airport Users and strengthen the revival of the Aviation sector in the post pandemic years by ensuring that all the Stakeholders including the passengers and the airlines are not burdened with higher charges leading to decrease in air traffic demand, thereby impacting the revival of the aviation sector.
- ix. The Authority would like to clarify that the airport operator would not suffer losses due to carry forward of ARR as they are able to recover the same in NPV terms in the next Control Period.



Hence, the airport operators are better placed to absorb the impact of the pandemic compared to the passengers/other airport users who do not have the option for such a true up of prior period losses.

With regard to AAI's comment on BIAL's submission (Refer para 14.4.26), AERA has noted the points made by AAI regarding the ARR to be carried forward to the next Control Period for SVPIA on similar lines as done for AAI airports (Chennai, Kolkata, Calicut & Goa). AERA would like to state that for all the Airports where the tariff determination process has been done by it in the background of the COVID 19 pandemic, some portion of the ARR had been carried forward to the next Control Period. The amount that is carried forward varies from Airport to Airport on account of the traffic load of any particular Airport. If the traffic is more, the carried forward amount is lower and vice versa. The Authority would like to suggest to AAI to compare the ARR carried forward for the above mentioned AAI Airports with PPP Airports having similar traffic load.

- 14.5.2. With respect to AIAL's comment relating to Tariff Card for TCP, the Authority would like to state that based on the Authority's decisions regarding the various regulatory building block, the ARR has been revised by the Authority and necessary adjustments have been made to the tariff rate card.
- 14.5.3. The Authority has noted the comments of the AO relating to point 7.11 as submitted in the MYTP. The Authority would like to state that based on the developments on acquisition on land submitted by the AO, the cost of acquisition and other factors, the Authority will determine the return on land, in accordance with its Guidelines (Order No. 42/ 2018-19 dated March 5, 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", at the time of determination of tariff for the next Control Period.
- 14.5.4. The Authority has noted the comments of FIA on Tariff Rate Card proposed by the AO and the response of the AO. The Authority would like to point out that as part of the tariff determination exercise, the Authority had rationalized the regulatory building blocks such as CAPEX (by changing the year of capitalization of certain projects, rationalizing the cost of the capital projects or by shifting the projects to the next Control Period, rationalizing the Terminal Building ratio etc), O&M expenses, NAR etc submitted by the AO for the Third Control Period. The Authority has considered only the efficient and justifiable CAPEX which are necessary for the smooth/safe operation of the Airport in the TCP. Further, the Authority decides to not consider the cost towards NITB Phase I as part of the capital expenditure for TCP. It is pertinent to note that the new Aeronautical tariff may be implemented only by the end of the current Financial Year, thereby resulting in only lesser tariff years being available for recovery of the ARR. Further, the Authority has decided to carry forward a certain portion of the ARR (11.98% of the ARR) to the next Control Period in the harmonious interest of all the Stakeholders. The Authority has thus revised the tariff rate card proposed by the AO, by increasing the Aeronautical tariff in a progressive manner after making the necessary revisions in the regulatory building blocks based on detailed analysis as given in the relevant paras of the Tariff Order.

AERA would like to state that the proposed tariff card submitted by AO is not the final decision of the Authority and is purely to aid the consultation process so that Stakeholder may have a better understanding of the potential changes in tariff while preparing the responses. The Authority does its own due diligence with respect to the same and the tariff rates have been finalized based on the comments of all the Stakeholders. AERA ensures a balanced approach so that no Stakeholder benefits at the cost of others.

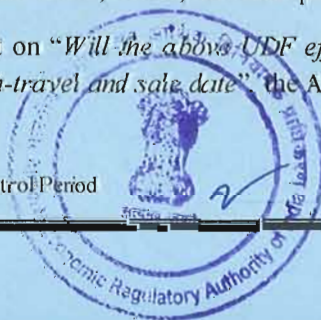


- 14.5.5. With respect to FIA's comment on Tariff Rate Card (Refer para 14.3.11), The Authority would like to state that as confirmed by AIAL, they have proposed UDF only on embarking passengers at AMD

With respect to FIA's comment regarding the tariff rate slabs, the Authority would like to state that the slabs suggested by the AO are similar as seen in case of other PPP Airports. Therefore, the Authority decides to consider the slabs as submitted by the AO.

- 14.5.6. With respect to FIA's comment on Tariff Rate Card (Refer para 14.3.12), the Authority reviewed FIA's comment and is of the view that as mentioned in the previous paras, the Authority has already undertaken detailed scrutiny on the essentiality and reasonableness of each of the component of various regulatory building blocks before deciding on the same for the Third Control Period. Additionally, the Authority states the following:

1. UDF: The date and method of applicability of the UDF has been stated in the Tariff Order of AIAL for the Third Control Period.
2. Notes to UDF (Collection charges): The Authority has reviewed the comments of FIA and the response of AO on the collection charges and is of the opinion that the collection charges is a matter between the Airport Operator and the Airlines.
3. With respect to FIA's comment on PSF, The Authority has noted the same, however, no PSF charges are being levied at SVPIA. Therefore, the issue of collection charges on PSF does not arise.
4. The revenue from CUTE, CUSS, CUPPS are part of Aeronautical Revenue and the same treatment is followed at other airports as well. This revenue component is used for recovery of ARR and helps in reducing Aeronautical tariff levied towards Landing and Parking charges.
5. With respect to FIA's comment on "*Query: Whether rates will be charged in INR or US\$ for international flight?*", The Authority would like to state that the currency of payment and the conversion rates to be considered are mentioned in the Tariff Rate Card.
6. The Authority has noted the comments of FIA which states that, "*As per standard practice, 15mins time each after touchdown and before takeoff of aircraft is provided as an exemption. We would want to propose the same industry practice to be implemented here*" and is of the view that Parking time will be calculated based on ON BLOCK and OFF BLOCK time as recorded at Airport Operations Control Centre (AOCC). Therefore, there is no need to separately budget for taxiing time. Further, the practice of recording parking time based on ON BLOCK and OFF BLOCK time is generally followed at other PPP airports as well.
7. With respect to FIA's comment on "*In case of an aircraft being parked beyond 24 hours due to technical or any other reasons, the parking charges shall be levied on a weekly basis in-line with the governing tariff order. Query: Please clarify which governing tariff order is being mentioned above*", the Authority has noted the comments of FIA and the response of AO and would like to mention that AIAL's comment addresses FIA's issue regarding the governing tariff order.
8. With respect to FIA's comment on "*It is submitted that for calculating chargeable parking time, part of an hour shall be rounded off to nearest hour*", the Authority has carefully examined FIA's comment and is of the view that it is a standard practice of rounding off part of an hour to the next hour. In case of other Airports like BIAL, HIAL, the same practice is followed.
9. With respect to FIA's comment on "*Will the above UDF effective date shall be considered as Travel date or Sale date or Both-travel and sale date*" the Authority has noted the comments of



FIA and the response of AO and would like to mention that AIAL's comment addresses FIA's issue regarding UDF effective date

10. **Variable Tariff Plan:** The Authority notes FIA's comment on the Variable Tariff Plan and the AO's response and would like to state the following:

- The Authority has examined the Variable Tariff Plan (VTP) submitted by AIAL and has decided to consider the VTP for the TCP as this will aid in developing new routes leading to generation of additional revenue. This will help to reduce aeronautical charges in long term and also to encourage growth in international traffic.
- The Authority directs the AO to ensure that the proposed VTP will not be discriminatory, as mandated by ICAO.
- Accordingly, the Authority agrees to accept the VTP as this will help in developing new international routes leading to additional revenue generation and will also help in decreasing the aeronautical tariff in the long run. The Authority would like to further state that it will be beneficial for the airline in the current situation and will help to revive the traffic.
- The Authority also directs the AO to keep a separate record of accounts for incentives granted, revenue generated, and the expenditure incurred in this regard during the TCP for the information of all the Stakeholders and the Authority, so as to take a considered view during tariff determination for the next Control Period.
- Based on its examination, the Authority decides to consider the Variable Tariff Plan effective from the date of effect of the Tariff Rate Card as mentioned in Annexure 1-B of this Tariff Order.

The Authority has noted the comments of FIA which states that *"In the table of VTP Applicable Rates for Scheduled Passenger Airlines, Rate per MTOW (MTOW >100 MT) appears to be repeated, with no additional conditions. Please clarify the same"* and the response of AO and would like to state that as mentioned by AIAL, there is no anomaly with respect to the VTP rate card.

11. With respect to FIA's comment on *"AERA to review our comment at Sr. No. 4 (Traffic) above"*, the Authority views as per Para 6.5.1 can be referred to.

14.5.7. The Authority has noted FIA's concerns on the recovery burden on account of shrinkage in the Control Period. The Authority would like to emphasize that the tariff determination exercise was carried out for AIAL in accordance with AERA Act, AERA Guidelines 2011 and the necessary provisions of the Concession Agreement (CA). Further, it is pertinent to note that the COD was achieved after almost 8 months from the date of signing the CA. Furthermore, there were delays in the submission of MYTP and other details by AAI and the new Concessionaire due to delays in the hand-over/ take-over of the Airport on account of unforeseen circumstances such as the COVID -19 pandemic. Also, the Authority had sought clarification from time to time, from AAI and the new Concessionaire on the various regulatory building blocks, based on which aeronautical tariff has been determined by the Authority. In the background of the special circumstances involving change of AO, provisions of Concession Agreement and two Airport Operators being involved in the tariff determination process, it has resulted in the time lag in the determination of tariff for the Third Control Period for AIAL. However, AERA would like to highlight that the Authority had intervened to expedite the process from time to time.

14.5.8. The Authority has noted the comments of BAOA and IATA on AUCC and would like to state that the as mentioned in Para 7.12.14 of this Tariff Order, the Authority would like to state that the Appendix



1 of AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 clearly stipulates the procedure to be followed with respect to AUCC. The Authority directs the AO to strictly adhere to the same and include all the relevant Stakeholders in the process.

As per the Guidelines, the minimum requirements include:

1. Justification, for the project, including if it will result in improvement in the quality of service, provision of new facilities among such other improvements.
2. Options for development
3. Airport traffic forecast and methodology thereof
4. Project cost estimates and funding, including relevant benchmark information on costs
5. Likely impact on Tariff(s) including, UDF, if any immediate and over the next 5 year period
6. Proposed funding mechanism

With respect to BAOA's comment on Ground Handling, AERA would like to clarify that a separate Consultation process is being followed for ground handling services and the Stakeholders can express their views/comment on the same as and when the Consultation Paper is issued by AERA

With respect to the aeronautical charges levied on small aircraft in NSOP/GA category, AERA would like to point out that the charges are fixed on a per metric ton basis, therefore, for smaller aircrafts, it is evident that the charges will be lower as compared to that of larger aircrafts.

14.5.9. The Authority has reviewed the comments of IATA and the response of the AO with respect to the monthly passenger fees and the Authority would like to confirm that the same will not be considered as a pass through, in accordance with the terms of the Concession Agreement.

14.5.10. The Authority notes IATA's comment on disclosures on related-party transactions and is of the view that the Authority proposes to undertake an independent study to assess the efficiency and reasonableness of the capital expenditure incurred, based on the outcomes of which the Authority would take the necessary decisions with respect to the capital expenditure requirements for the next Control Period.

The Authority wishes to clarify that the Consultants engaged by AERA has carried out certain studies for the parent company of the AO in the past, prior to being engaged by AERA. However, there is no conflict of interest for the Consultant in the present engagement, as the past engagements were completed prior to the commencement of the tariff determination exercise for SVPIA and the necessary declarations have been taken from the consultants before being appointed. The Consultant had declared their involvement in such past projects while participating in the bidding process for this opportunity.

14.5.11. The Authority has noted the comments of Mr. Mukesh Bhandari and IATA on Tariff Rate Card proposed by the AO and the response of the AO. The Authority would like to point out that as part of the tariff determination exercise, the Authority had rationalized all the regulatory building blocks such as CAPEX (by changing the year of capitalization of certain projects, rationalizing the cost of the capital projects or by shifting the projects to the next Control Period, rationalizing the Terminal Building ratio etc), O&M expenses (by revising the allocation, consideration of suitable inflation rates, capping of R&M etc), NAR etc submitted by the AO for the Third Control Period. As mentioned in Para 7.12.1, the Authority decides to not consider the cost towards NITB Phase 1 as part of the capital expenditure for TCP. Further, the Authority has decided to carry forward a certain portion of the ARR (11.98% of the ARR) to the next Control Period. All these steps shall ensure that the interests of all the Stakeholders are protected and no one benefits at the expense of the others. The Authority has thus re-



computed the tariff rate card proposed by the AO after considering the revisions to the individual building blocks, by increasing the Aeronautical tariff in a progressive manner.

With respect to IATA's comment on UDF pertaining to disembarking passengers, the Authority has noted the comments of IATA and states that as confirmed by AIAL, they have proposed UDF only on embarking passengers at AMD.

- 14.5.12. The Authority has noted the comments of FFFAI and the response of AO and would like to mention that for the issue related to the "Handling of Shippers built ULD", the same will be included in the final tariff rate card.

As for the cargo handling rates for AFS Cargo, the Authority has drawn inference from the Policy guidelines on 'Air Freight Station' (AFS) issued by Ministry of Civil Aviation (MoCA), in October 2014. This Policy shall create an off airport common user facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

- Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/ export goods, loaded and empty Unit Load devices (ULDs) and cargo in bulk/loose for outright export.
- Create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.
- Authorizing some of the ICDs to cater to the International Air Cargo operations, the existing facilities in these ICDs, could be fully utilized

The Authority notes that the above Policy Guidelines on AFS has larger national intent and it aims to strengthen and develop air cargo logistics in the Country and the same is expected to reduce the bottlenecks in air cargo logistics and help in ease of doing business, particularly for exporters.

In this background, if such facility is developed by any AFS Operator as per Guidelines of GoI in this regard and wants to use the Cargo facilities at SVPIA in future, AERA shall issue appropriate directions in this regard, including the charges to be levied on AFS Cargo

With respect to FFFAI's comment on cargo handling rates, the Authority is of the view that increase proposed by AIAL for the cargo handling rates is nominal and the same shall be applicable only in the last two years i.e., FY 2025 and FY 2026.



- 14.5.13. Based on the decisions taken by the Authority with respect to the various regulatory building block in the Second Control Period and the Third Control Period and the tariff plan approved by the Authority, the recomputed ARR for the Third Control Period is given below.

Table 239: ARR decided by the Authority for the Third Control Period

Particulars (INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Average RAB (A)	Table 177	344.24	1,069.36	2,303.79	2,958.10	3,411.51	
FRoR (B)	Table 182	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on RAB (C = A × B)		42.04	130.61	281.38	361.29	416.67	1,231.99
Depreciation (D)	Table 176	27.84	55.10	100.29	125.42	149.78	458.42
Operational expenses (E)	Table 223	177.28	227.90	325.37	353.92	400.94	1,485.41
Independent Engineer's fees (F)		3.41	3.41	3.41	3.41	3.41	17.03
Tax (G)	Table 235	-	-	-	59.19	122.44	181.64
ARR (H = sum of C to G)		250.57	417.01	710.44	903.23	1,093.23	3,374.49
Non-aero Revenue (NAR)	Table 232	30.08	101.41	127.10	141.67	156.77	557.03
Less: 30% NAR (I)		9.03	30.42	38.13	42.50	47.03	167.11
PV of under-recovery of AAI as on 31 st March 2022 (i)	Table 51	(7.55)					
PV of under-recovery of AIAL as on 31 st March 2022 (ii)	Table 75	(46.58)					
Sum of PV of under-recovery of AAI and AIAL as on 31 st March 2022 (J = i + ii)		(54.12)					
Net ARR (K = H - I - J)		295.67	386.59	672.31	860.73	1,046.20	3,261.50
Present Value Factor (L)		1.00	0.89	0.79	0.71	0.63	
PV of ARR as on 31 st March 2022 (K × L)		295.67	344.51	533.92	609.16	659.83	2,443.09
Sum of Present value ARR (M)							2,443.09
Total traffic (in Million) (N)	Table 86						68.10
YPP on Total traffic (in INR) (M ÷ N) × 10							358.75
Departing passengers (in Million) (O = 50% × N)							34.05
Yield per Departing passengers (in INR) (M ÷ O) × 10							717.50



- 14.5.14. The Authority, based on the revised ARR and accordingly the tariffs decided by it, computed the projected Aeronautical Revenue for SVPIA for the Third Control Period as follows:

Table 240: Projected Aeronautical Revenue decided by the Authority for the Third Control Period

Particulars (INR Cr.)	Ref.	FY 2022*	FY 2023	FY 2024	FY 2025	FY 2026	Total
PV of ARR as on 31st March 2022 (Refer Table 239)	A	295.67	344.51	533.92	609.16	659.83	2,443.09
Aeronautical Revenue:							
Landing Revenue	B	48.51	91.85	175.38	216.95	262.87	795.57
Parking & Housing Revenue	C	5.12	3.89	7.04	8.71	10.56	35.32
UDF Revenue	D	23.36	70.53	212.90	443.71	698.41	1,448.92
CUTE Revenue	E	5.37	10.73	12.40	14.84	17.37	60.71
Ground Handling Revenue	F	13.62	32.78	39.98	47.23	54.64	188.25
Cargo Revenue	G	18.98	35.99	52.28	59.83	68.38	235.47
Fuel Revenue	H	-	9.05	41.28	48.59	55.73	154.65
Rentals	I	9.81	-	-	-	-	9.81
Hangars and GSE	J	-	-	9.65	20.70	22.70	53.04
Others	K	1.05	-	-	-	-	1.05
Total Aeronautical Revenue (Sum B : K)	L	125.82	254.83	550.91	860.56	1,190.67	2,982.79
PV Factor	M	1.00	0.89	0.79	0.71	0.63	
PV of Aero Revenue as on 31st March 2022	N=L×M	125.82	227.10	437.51	609.04	750.94	2,150.41
Under-recovery for Third Control Period							292.68

*Aeronautical Revenue for FY 2022 is based on actuals

- 14.5.15. The Authority notes that based on the projected Aeronautical Revenue determined by it (considering Aeronautical Tariff as per the approved Tariff Rate Card in Annexure 1), there would be an under-recovery (shortfall) of INR 292.68 Cr. as on 31st March 2022, which the Authority decides to carry forward to the next Control Period.

14.6. Authority's decisions regarding Aggregate Revenue Requirement for the Third Control Period

Based on the available facts and analysis thereupon, the Authority decides the following with regard to ARR for the Third Control Period:

- 14.6.1. To consider the ARR and YPP for the Third Control Period for AIAL as per Table 239 and true up the same at the time of determination of tariffs for the Fourth Control Period.
- 14.6.2. To consider projected Aeronautical Revenue and under-recovery for AIAL for the Third Control Period as per Table 240.
- 14.6.3. To consider VTP effective from 01st February 2023 as given in Annexure 1-B of this Tariff Order.
- 14.6.4. To direct AIAL to keep a separate record of landing charges earned, expenditure incurred, and incentives granted under VTP during the Third Control Period for information of stakeholders and AERA so as to take a considered view for determination of Aeronautical Tariff for the next Control Period. The Authority further directs AIAL to ensure compliance with the ICAO principles of non-discrimination.



- 14.6.5. To direct AIAL to maintain separate accounts for its Cargo Handling and Fuel services and submit Annual Compliance Statement (ACS) for each accounting year (ending on 31st March) as per AERA CGF Guidelines.
- 14.6.6. To consider Tariff Rate Card for AIAL for the Third Control Period as per Annexure 1.



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AERA



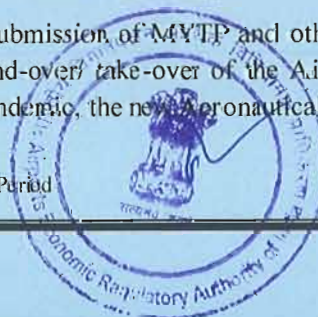
15. NOTE ON KEY ISSUES ARISING FROM IMPACT OF CONCESSION AGREEMENT AND THE COVID-19 PANDEMIC

15.1. Background

- 15.1.1. The outbreak of COVID-19 has severely impacted the Aviation Industry globally and consequently India, as well. The lockdown and travel restrictions imposed by various Governments/ Countries had brought down air travel substantially during FY 2021, both domestic and international. Though, the traffic is now recovering, the pandemic has had a significant impact on air travel demand and consequentially airport revenues in the last year of the Second Control Period and the first year of the Third Control Period. The impact of the pandemic is not just isolated to these two years, moreover, the pandemic has set back the traffic growth trajectory of the airport by two to three years. The combined domestic and international passenger throughput in FY 2022 was only 54% of the FY 2020 levels. With this effect of COVID pandemic, the total passenger traffic for the Third Control Period for SVPIA is estimated to be 68.1 million.
- 15.1.2. It is pertinent to note that the tariff determination process for SVPIA has been carried out by the Authority under special circumstances wherein there had been a change in the AO (due to concessioning of SVPIA), which had necessitated involvement of two Airport Operators in the process of determination of Aeronautical tariff and adherence to the provisions of the Concession Agreement.
- 15.1.3. The new Airport Operator, i.e., AIAL has proposed a considerable amount of capital expenditure to meet the capacity requirements of the Airport which has resulted in a higher ARR for the Third Control Period. Whereas the traffic base is now just fully recovering from the impact of the pandemic and is not sufficient for complete recovery of ARR in the current Control Period as it would require a significant increase in tariff. Such an increase in present times is likely to adversely impact the recovery of air traffic. The tariff rates would be exceptionally high due to double impact of increased ARR and decreased traffic and the same may be counter-productive to the growth of the aviation industry.
- 15.1.4. AERA as a regulator is expected to look into the interest of all the stakeholders while determining the tariff of the Airport. It is also expected to look into the economic and viable operation of the Airport. Section 13 (1) (a) (vii) of the AERA act allows AERA to consider any other factor relevant for the determination of the Tariff. In the background of the above stated facts arising out of peculiarities in the current Control Period, the Authority while determining the tariff of the Airport and considering the viability and the cash flow requirement for the sustainability of the airport, has taken the following factors into consideration while finalising its decisions on the tariff for the Third Control Period:

15.2. Concession of SVPIA

- 15.2.1. AAI and the Airport Operator had entered into a Concession Agreement on 14th February 2020, for the Operation, Development, Maintenance and Management of SVPIA for a period of 50 years from the Commercial Operation Date (COD) i.e., 07th November 2020. As per clause 28.11.1 of the Concession Agreement – *"The Concessionaire shall seek revision of Aeronautical Charges by the Regulator as per applicable Regulatory Framework for the next applicable Control Period. Notwithstanding the above, the Concessionaire shall have not less than 365 (three hundred and sixty-five) days from the COD to seek such revision of the Aeronautical Charges."* The MYTP was submitted by the AO on 04th February 2022.
- 15.2.2. As there was time-lag involved in the submission of MYTP and other details by AAI and the new Concessionaire due to delays in the hand-over/ take-over of the Airport on account of unforeseen circumstances such as the COVID -19 pandemic, the new Aeronautical Tariff decided by the Authority



may be implemented only by the end of the current Financial Year, thereby resulting in only lesser tariff years being available for the recovery of the ARR.

15.3. Recovery of certain portion of ARR in the Fourth Control Period

- 15.3.1. As highlighted above, air traffic demand is now returning to normalcy after a prolonged period of challenges created by the COVID-19 pandemic and the resultant slowdown in the economy. Further, the new Airport Operator has planned significant capital expenditure to prepare the Airport to meet the capacity requirements of the Airport, which has resulted in a higher ARR. Whereas, the existing traffic base is not sufficient for the complete recovery of ARR (which included prior period losses being true up) in the current control period, as this would require a significant increase in tariffs. But the increase in tariffs during present times is likely to adversely impact the growth in air traffic.
- 15.3.2. During the stakeholder consultation process, the Authority received various comments from stakeholders requesting for no increase or moderated increase in tariffs in the light of disruptions caused by the COVID-19 pandemic. The Authority has examined such comments and is of the considered view that keeping the tariff at present level for the entire control period and postponing the entire recovery of shortfalls to the next control period would create a huge recovery burden and lead to steep upward revision of tariffs in the Fourth Control Period. Further, this would also adversely affect the cash flows of the Airport Operator in the present control period. Nevertheless, the Authority understands that targeting a full recovery at this point of time would not be fair to all the stakeholders and be counterproductive to the growth in demand. The Authority finds that airport operators are relatively better placed in such a situation due to provision for true up of any shortfalls in revenue recovery in the next control period. With a growing traffic base, the subsequent control periods are expected to witness relatively moderate tariff rates.
- 15.3.3. The Authority has taken a balanced approach in this regard and had decided that the recovery of a certain portion of the ARR would be postponed to the Fourth Control Period in view of the reasons stated above.

15.4. Progressive increase in Aeronautical Tariffs

- 15.4.1. The Authority has decided to increase Aeronautical tariffs (Landing charges, UDF etc) in a progressive manner, with a view to not burden the airport users, who are already suffering and still recovering from the impact of the COVID-19 pandemic. The same has been shown in the Tariff Rate card for SVPIA for the Third Control Period in Annexure 1 to this Tariff Order.
- 15.4.2. With a view to protect the interest of all stakeholders, including the Airport Operators, Airlines as well as the Users and to strengthen the revival of the Aviation sector in the post pandemic years by ensuring that all the stakeholders including the passengers and the airlines are not burdened with higher charges leading to decrease in air traffic demand, the Authority has decided to carry forward INR 292.68 Cr. (11.98% of the ARR in NPV terms as on 31st March 2022) subject to true up in the next Control Period.



16. SUMMARY OF AUTHORITY'S DECISIONS

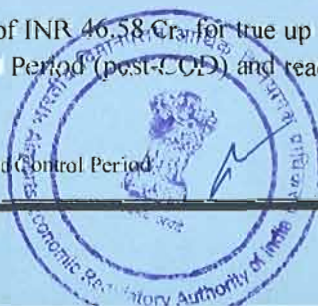
The summary of the Authority's decisions with respect to tariff determination for the Third Control Period is given below:

Chapter 4: True Up of AAI for the Second Control Period from FY 2017 till COD

- 4.15.1. To consider true up of the Passenger traffic and ATM for the Second Control Period (pre-COD) as per Table 9.
- 4.15.2. To consider true up of RAB for AAI for the Second Control Period (pre-COD) as per Table 15.
- 4.15.3. To consider Deemed Initial RAB as INR 301.77 Cr. as on 07th November 2020 for AIAL as per Para 4.5.20.
- 4.15.4. To consider true up of Depreciation for AAI for the Second Control Period (pre-COD) as per Table 23.
- 4.15.5. To consider true up of FRoR for AAI for the Second Control Period (pre-COD) as per Table 26.
- 4.15.6. To not consider return on the cost of land for AAI for true up of the Second Control Period (pre-COD).
- 4.15.7. To consider true up of Aeronautical O&M expenses for AAI for the Second Control Period (pre-COD) as per Table 34.
- 4.15.8. To consider true up of Non-aeronautical Revenue for AAI for the Second Control Period (pre-COD) as per Table 40.
- 4.15.9. To consider true up of Aeronautical Revenue for AAI for the Second Control Period (pre-COD) as per Table 44.
- 4.15.10. To consider true up of Aeronautical Tax for AAI for the Second Control Period (pre-COD) as per Table 49.
- 4.15.11. To consider the under-recovery of INR 7.55 Cr (as on 31st March 2022) for true up of AAI for the Second Control Period (pre-COD) as per Table 51 and readjust the same in the ARR for the Third Control Period.

Chapter 5: True Up of the Airport Operator for the Second Control Period from COD till 31st March 2021

- 5.12.1. To consider true up of RAB for AIAL for the Second Control Period (post-COD) as per Table 58.
- 5.12.2. To consider true up of Depreciation for AIAL for the Second Control Period (post-COD) as per Table 61.
- 5.12.3. To consider true up of FRoR for AIAL for the Second Control Period (post-COD) as per Table 63.
- 5.12.4. To consider true up of aeronautical O&M expenses for AIAL for the Second Control Period (post-COD) as per Table 67.
- 5.12.5. To consider true up of Non-aeronautical Revenue for AIAL for the Second Control Period (post-COD) as per Table 71.
- 5.12.6. To consider true up of Aeronautical revenue for AIAL for the Second Control Period (post-COD) as per Table 73.
- 5.12.7. To consider true up of Aeronautical Tax for AIAL for the Second Control Period (post-COD) as detailed in Para 5.10.4.
- 5.12.8. To consider the under recovery of INR 46.58 Cr. for true up of the AO as on 31st March 2022, as per Table 75 for the Second Control Period (post-COD) and readjust the same in the ARR for the Third Control Period.



Chapter 6: Traffic projections for the Third Control Period

- 6.6.1. To consider the ATM, Passenger traffic and Cargo traffic for the Third Control Period for SVPIA as per Table 86.
- 6.6.2. To true up the traffic volume (ATM, Passengers and Cargo) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

Chapter 7: Capital expenditure, Depreciation and Regulatory Asset Base (RAB) for the Third Control Period

- 7.13.1. To consider the Terminal Area Ratio as 90 : 10 (aeronautical : non-aeronautical) as mentioned in Para 7.12.2 for the Third Control Period.
- 7.13.2. To allow only IDC in the TCP and not to allow Financing Allowance and true up IDC as mentioned in Para 7.12.10.
- 7.13.3. To consider the capitalisation of aeronautical capital expenditure for the Third Control Period as per Table 175.
- 7.13.4. To reduce (adjust) 1% of the uncapped project cost from the ARR in case any particular capital project is not completed / capitalised as per the approved capitalisation schedule, as per Table 175. The same will be examined during the true up of the Third Control Period, at the time of determination of tariff for the Fourth Control Period.
- 7.13.5. To true up the Aeronautical Capital Expenditure based on actuals, cost efficiency and reasonableness at the time of determination of tariff for Fourth Control Period.
- 7.13.6. To consider Aeronautical Depreciation for the Third Control Period as per Table 176.
- 7.13.7. To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalisation during the tariff determination of the Fourth Control Period.
- 7.13.8. To consider average RAB for the Third Control Period for AIAL as per Table 177.
- 7.13.9. 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 for GST at the time of determination of tariffs for the Fourth Control Period as explained in Para 7.12.11.
- 7.13.10. To commission an independent study to assess the efficiency and reasonableness of the capital expenditure incurred along with the asset allocation and to take corrective action as necessary at the time of determination of tariffs for the Fourth Control Period.
- 7.13.11. To true up the RAB based on actuals at the time of tariff determination for the Fourth Control Period.

Chapter 8: Fair Rate of Return (FRoR) for the Third Control Period

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

Chapter 9: Inflation for the Third Control Period

- 9.6.1. To consider Inflation for the Third Control Period for AIAL as per Table 185.



Chapter 10: Operation and Maintenance Expenditure for the Third Control Period

- 10.6.1. To consider O&M Expenses for AIAL for the Third Control Period as per Table 223.
- 10.6.2. To consider the O&M expenses incurred by the Airport Operator during the Third Control Period subject to reasonableness and efficiency, at the time of determination of tariffs for the Fourth Control Period.

Chapter 11: Non-aeronautical Revenue for the Third Control Period

- 11.6.1. To consider non-aeronautical revenue for AIAL for the Third Control Period as per Table 232.
- 11.6.2. The AO should make efforts to substantially increase the NAR of SVPIA for the TCP, in line with other similar Airports.

Chapter 12: Taxation for the Third Control Period

- 12.6.1. To consider the Tax for AIAL for the Third Control Period as per Table 235.
- 12.6.2. To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

Chapter 13: Quality of Service for the Third Control Period

- 13.6.1. Not to consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service of AIAL.
- 13.6.2. The Airport Operator should ensure that service quality at SVPIA conforms to the performance standards as indicated in the Concession Agreement over the Third Control Period.

Chapter 14: Aggregate Revenue Requirement (ARR) for the Third Control Period


- 14.6.1. To consider the ARR and YPP for the Third Control Period for AIAL as per Table 239 and true up the same at the time of determination of tariffs for the Fourth Control Period.
- 14.6.2. To consider projected Aeronautical Revenue and under-recovery for AIAL for the Third Control Period as per Table 240.
- 14.6.3. To consider VTP effective from 01st February 2023 as given in Annexure 1-B of this Tariff Order.
- 14.6.4. To direct AIAL to keep a separate record of landing charges earned, expenditure incurred, and incentives granted under VTP during the Third Control Period for information of stakeholders and AERA so as to take a considered view for determination of Aeronautical Tariff for the next Control Period. The Authority further directs AIAL to ensure compliance with the ICAO principles of non-discrimination.
- 14.6.5. To direct AIAL to maintain separate accounts for its Cargo Handling and Fuel services and submit Annual Compliance Statement (ACS) for each accounting year (ending on 31st March) as per AERA CGF Guidelines.
- 14.6.6. To consider Tariff Rate Card for AIAL for the Third Control Period as per Annexure 1.



17. ORDER

- 17.1.1. In exercise of powers conferred by Section 13(1)(a) of the AERA Act, 2008 and based on the above decisions, the Authority hereby determines the aeronautical tariffs to be levied at Sardar Vallabhbhai Patel International Airport (SVPIA), Ahmedabad for the Third Control Period (01st April 2021 to 31st March 2026), as seen in Annexure 1 (1-A, 1-B & 1-C) to the Order.
- 17.1.2. In exercise of powers conferred by Section 13(1)(b) of the AERA Act, 2008 read with Rule 89 of the Aircraft Rules, 1937, the Authority hereby determines the rate of UDF as indicated in the rate card at Annexure 1 to the Order for the current Control Period.
- 17.1.3. This tariff order shall be made effective from 01st February 2023.
- 17.1.4. The tariffs determined herein are the ceiling rates, exclusive of taxes, if any.
- 17.1.5. AIAL shall submit its MYTP submission to the Authority for the Fourth Control Period in a timely manner as per Authority's Regulatory Guidelines, 2011.

By the order of and in the name of the Authority


(Col. Manu Sooden)
Secretary, AERA

To,

Mr. Arun Bansal
CEO – Adani Airport Holdings Limited,
Adani Corporate House,
Shantigram, S.G Highway,
Ahmedabad – 382421
Gujarat, India

Copy to:

1. **Secretary**, Ministry of Civil Aviation, Rajiv Gandhi Bhavan, Safdarjung Airport, New Delhi – 110003
2. **Directorate General of Civil Aviation**: for issue of AIC
3. **Chairman**, Airports Authority of India



18. ANNEXURES

18.1. Annexure 1 – Tariff Rate Card

Tariff Card Pertaining to Sardar Vallabhbhai Patel International Airport (SVPIA), Ahmedabad for the Third Control Period as approved by the Authority:

Effective from 01st February 2023 to 31st March 2026

Annexure 1-A: Landing Charges, Parking Charges and UDF

a) Landing Charges

Applicable rates from 01st February 2023 to 31st March 2026

(Rate in INR per MT)

Flight	Weight of aircraft	01 st February 2023 to 31 st March 2024	01 st April 2024 to 31 st March 2025	01 st April 2025 to 31 st March 2026
Domestic	Upto 100 MT	400	420	441
International	Upto 100 MT	600	630	662
	Above 100 MT	700	735	772

Notes:

- Weight of an aircraft means Maximum Take Off Weight MTOW in MT (1000 kg) as indicated in the Certificate of Airworthiness (CoA) filed with DGCA.
- Landing charges shall be calculated on the basis of nearest MT (i.e., 1000 kg)
- All domestic legs of international routes flown by Indian operators to be treated as domestic flights as far as landing charges are concerned, irrespective of the flight numbers assigned to such flights.
- No landing charges shall be payable in respect of:
 - Aircrafts with a maximum certified passenger capacity of less than 80 seats, being operated by domestic scheduled operators at the airport.
 - All types of helicopters operated by Indian operators
 - DGCA approved flying schools/flying training institutes
- Military aircraft (Government of India) including para-military forces such as BSF, Coast Guard etc. are exempted from paying Landing charges.



b) Parking Charges**Applicable rates from 01st February 2023 to 31st March 2024***(Rate in INR per MT)*

Details	Weight of aircraft	Domestic	International
Parking charges (First two hours after free parking period)	Upto 100 MT	18.22	18.55
	Above 100 MT		17.50
Parking charges (beyond four hours)	Upto 100 MT	36.44	37.10
	Above 100 MT		35.00

Applicable rates from 01st April 2024 to 31st March 2025*(Rate in INR per MT)*

Details	Weight of aircraft	Domestic	International
Parking charges (First two hours after free parking period)	Upto 100 MT	19.13	19.48
	Above 100 MT		18.37
Parking charges (beyond four hours)	Upto 100 MT	38.26	38.96
	Above 100 MT		36.74

Applicable rates from 01st April 2025 to 31st March 2026*(Rate in INR per MT)*

Details	Weight of aircraft	Domestic	International
Parking charges (First two hours after free parking period)	Upto 100 MT	20.09	20.45
	Above 100 MT		19.29
Parking charges (beyond four hours)	Upto 100 MT	40.18	40.90
	Above 100 MT		38.58

Notes:

- Weight of an aircraft means Maximum Take Off Weight MTOW in MT (1000 kg) as indicated in the Certificate of Airworthiness (CoA) filed with DGCA
- Free parking is allowed on all aircraft stands (Contact and Remote) for the first two hours.
- For the next two hours, normal parking rates as mentioned above shall be applicable. After this period, the charges shall be double of the normal parking charges.
- Parking time will be calculated based on On-Blocks and Off-Blocks time as recorded at the Airport Operations Control Centre (AOCC).
- For calculating chargeable parking time, part of an hour shall be rounded off to the next hour.
- The charges set forth herein shall be calculated based on the nearest rounded off MT.
- In case of an aircraft being parked beyond 24 hours due to technical or any other reasons, the parking charges shall be levied on a weekly basis in-line with this tariff card.



c) User Development Fee (UDF)Applicable rates from 01st February 2023 to 31st March 2024*(Rate in INR per PAX)*

Type of passenger	Domestic Flight	International Flight
Embarking passenger	250.00	550.00

Applicable rates from 01st April 2024 to 31st March 2025*(Rate in INR per PAX)*

Type of passenger	Domestic Flight	International Flight
Embarking passenger	450.00	880.00

Applicable rates from 01st April 2025 to 31st March 2026*(Rate in INR per PAX)*

Type of passenger	Domestic Flight	International Flight
Embarking passenger	600.00	1190.00

Notes:

- Collection charges on User Development Fee (UDF): If payment is made within 15 days from receipt of invoice, the collection charges per departing passenger shall be paid by AIAL as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AIAL within the credit period of 15 days or in case of any part payment.
- For calculating UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the first fortnight and rate as on 15th of the month for tickets issued in the second fortnight shall be adopted.
- Revised UDF will be applicable on the tickets issued on or after **01st February 2023**.

General Terms and Conditions

- Exemptions on levy and collection of UDF at the airports:** In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 the following categories of persons are exempted from levy and collection of UDF.
 - Children (under the age of 2 years).
 - Holders of Diplomatic Passport.
 - Airlines crew on duty including sky marshals and airline crew on board for particular flight only (this would not include Dead Head Crew or Ground Personnel).
 - Persons travelling on official duty on aircraft operated by Indian Armed Forces.
 - Persons travelling on official duty for United Nations Peace Keeping Missions.
 - Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger).

- Passengers Embarking from the Indian airports due to involuntary re-routing i.e., technical problems or weather conditions.
- ii. Aviation Security Fee (ASF) (previously Passenger Service Fee (PSF) - Security) shall be applicable as prescribed by Government of India from time to time.
- iii. Flight operating under **Regional Connectivity Scheme** will be exempted from charges as per Order No. 20/2016-17 dated 31.03.2017 of the Authority from the date the scheme is operationalised by the GoI as amended from time to time.
- iv. All above mentioned charges (Landing, Parking, UDF) are exclusive of applicable taxes and shall be payable to AIAL.
- v. All the above charges are excluding of GST. GST at the applicable tax rates is payable in addition to above charges.
- vi. All the charges to Indian Carriers (including international operations) will be done in INR terms and to international carriers in USD terms.
- vii. For all the above charges, the Airlines will be allowed a credit period as may be decided by AIAL from time to time.

d) Fuel Infrastructure Charges

The following fuel infrastructure charges per KL of fuel will be charged

Applicable from 01st February 2023 to 31st March 2026

Fuel Infrastructure Cost (Including Aircraft Refueling)	Aircraft Defueling	Re-fueling of defueled product	
		Within 24 hrs	Beyond 24 hours
Rs. 1,600 per KL	Rs. 280 per KL	Rs. 330 per KL	Rs. 380 per KL

Notes:

- i. Rate are excluding applicable taxes, which will be levied at applicable rates announced by Gol from time to time.
- ii. If the invoice for any of the charges is not paid within the credit period by any User, interest shall be charged as per the arrangement between the User and the AO.



Annexure 1-B: Variable Tariff Plan

(For SVPIA for the TCP as approved by the Authority effective from 01st February 2023)

Variable Tariff Plan (VTP) shall be limited to below mentioned categories only and applicable for schedule domestic and international passenger airlines.

Type	Rack Rate (RR)# per MT in INR	Existing flight	New Route		
Landing Charges			Year 1	Year 2	Year 3
International					
Rate per MTOW (MTOW<=100 MT)	RR	-	0.50*RR	0.75*RR	0.90*RR
Rate per MTOW (MTOW >100 MT)	RR	-	0.50*RR	0.75*RR	0.90*RR

#Rack Rates are the rates approved for Landing charges in this Tariff Order.

Definition of Category:

- Existing flights: Flights that are currently being operated at Ahmedabad
- New Route: A flight to a new destination that is currently unserved from Ahmedabad by any airline already operating at Ahmedabad. (Destination must be unserved for the previous 36 months) to / from regions of Africa, Europe/US and Far East. e.g., Airline A introduces a new route Ahmedabad-Male, which is currently unserved from Ahmedabad by any airline.

Validity: The VTP for applicable international flights is valid from the date of commencement of operations and for the duration of 36 months for new international route.

Notes:

- No discount over and above the Variable Tariff Plan is applicable
- VTP is applicable only for scheduled passenger and freighter airlines, as applicable in the table above.
- Scheduled airline must operate VTP eligible flights for a minimum of 42 weeks within a rolling 12-month period to qualify for the incentive
- The payment of landing charges should be done by the airline in full without any deductions, as per the invoicing by Ahmedabad International Airport Limited. The settlement shall be provided in the form of a 'Credit Note' at the end of each 12-month period
- Ahmedabad International Airport Limited reserves the right to change any term or condition of this VTP, withdraw or replace any of the category, at any time at its absolute discretion, by way of prior approval of AERA.



Annexure 1-C: Cargo charges**DOMESTIC CARGO HANDLING CHARGES****1. DOMESTIC CARGO HANDLING CHARGES – CITY SIDE****a) Domestic outbound**Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Terminal, Storage and Processing Charges		
General Cargo	1.48	41.00
Express Cargo		
Special Cargo*	3.09	206.00
Courier Cargo	2.06	41.00
Demurrage Charges	Per day per KG	Per day
General Cargo	1.48	103.00
Express Cargo		
Special Cargo*	3.09	

Applicable charges from 01st April 2024 to 31st March 2025

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Terminal, Storage and Processing Charges		
General Cargo	1.60	44.00
Express Cargo		
Special Cargo*	3.34	222.00
Courier Cargo	2.22	44.00
Demurrage Charges	Per day per KG	Per day
General Cargo	1.55	108.00
Express Cargo		
Special Cargo*	3.24	

Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Terminal, Storage and Processing Charges		
General Cargo	1.73	48.00
Express Cargo		
Special Cargo*	3.61	240.00
Courier Cargo	2.40	48.00
Demurrage Charges	Per day per KG	Per day
General Cargo	1.63	113.00
Express Cargo		
Special Cargo*	3.40	



b) Domestic inbound

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Terminal, Storage and Processing Charges		
General Cargo	1.55	41.00
Express Cargo		
Special Cargo*	3.09	206.00
Courier Cargo	2.06	41.00
Demurrage Charges	Per day per KG	Per day
General (beyond free period and up to 4 days)	1.55	103.00
General (beyond 4 days and up to 15 days)	1.92	
Express (beyond free period and up to 4 days)	1.55	
Express (beyond 4days and up to 15 days)	1.92	
Special* (beyond free period and up to 4 days)	3.09	
Special* (beyond 4 days and up to 15 days)	5.67	

Applicable charges from 1st April 2024 to 31st March 2025

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Terminal, Storage and Processing Charges		
General Cargo	1.67	44.00
Express Cargo		
Special Cargo*	3.34	222.00
Courier Cargo	2.22	44.00
Demurrage Charges	Per day per KG	Per day
General (beyond free period and up to 4 days)	1.63	108.00
General (beyond 4 days and up to 15 days)	2.02	
Express (beyond free period and up to 4 days)	1.63	
Express (beyond 4days and up to 15 days)	2.02	
Special* (beyond free period and up to 4 days)	3.24	
Special* (beyond 4 days and up to 15 days)	5.95	



Applicable charges from 1st April 2025 to 31st March 2026

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Terminal, Storage and Processing Charges		
General Cargo	1.80	48.00
Express Cargo		
Special Cargo*	3.61	240.00
Courier Cargo	2.40	48.00
Demurrage Charges	Per day per KG	Per day
General (beyond free period and up to 4 days)	1.71	113.00
General (beyond 4 days and up to 15 days)	2.12	
Express (beyond free period and up to 4 days)	1.71	
Express (beyond 4 days and up to 15 days)	2.12	
Special* (beyond free period and up to 4 days)	3.40	
Special* (beyond 4 days and up to 15 days)	6.25	

c) Miscellaneous Charges

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Amendment of Airway Bill	per AWB	227.00
Return Cargo Charges	per AWB	
Packing/Repacking/Strapping Charges	per Carton/bag	21.00

Applicable charges from 1st April 2024 to 31st March 2025

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Amendment of Airway Bill	per AWB	238.00
Return Cargo Charges	per AWB	
Packing/Repacking/Strapping Charges	per Carton/bag	22.00

Applicable charges from 1st April 2025 to 31st March 2026

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Amendment of Airway Bill	per AWB	250.00
Return Cargo Charges	per AWB	
Packing/Repacking/Strapping Charges	per Carton/bag	23.00

Notes:

- Consignment of human remains, coffins including baggage of deceased & human eyes will be exempted from the purview of TSP charge.



- ii. TSP charges is inclusive of forklift use inside the terminal. No additional forklift charges will be levied.
- iii. Charges will be on the "gross weight" or the "chargeable weight" of consignment, whichever is higher. Wherever the "gross weight" and (or) volume weight is wrongly indicated on the AWB and is actually found more, charges will be levied on the "actual gross weight" or the "actual volumetric weight" whichever is higher.
- iv. (*)Special cargo consists of perishable and temperature sensitive products, live animals, hazardous goods, valuables and/ or any other such cargo which requires/ have special handling/storage instructions and Valuable cargo (VAL).
- v. Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, traveler's cheque, diamonds (including diamonds of industrial use), diamond jewellery & watches made of silver, gold, platinum and Items valued at USD 1000 per kg & above.
- vi. Penal charges for misdeclaration of weight

% variation in weight except valuable cargo	% of applicable TSP
Upto 2%	NIL
2-5%	200%
6-10%	300%
Above 10%	500%

- vii. All invoice will be rounded off to nearest Rs. 5. As per IATA Tact Rule book Clause 5.7.2, rounding off procedure, when rounding off unit is 5.

When the results of calculations are between/and	Rounded off amount will be
102.5 – 107.4	105
107.5 – 112.4	110

- viii. In case of premium service request, such service shall be provided at a premium of 25% over normal handling rates.



2. DOMESTIC CARGO HANDLING CHARGES – AIRSIDE

a) Domestic Outbound

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Cargo Handling Charges		
General Cargo	2.27	155.00
General Cargo Bulk	1.77	103.00
Express Cargo	2.27	155.00
Express Cargo Bulk	1.77	103.00
Special Cargo*	2.49	647.00
Cargo Handling (full handling inclusive of document handling and data management)		
General Cargo	4.72	515.00
General Cargo Bulk	3.09	445.00
Express Cargo	4.72	515.00
Express Cargo Bulk	3.09	445.00
Special Cargo*	4.33	1,649.00

Applicable charges from 1st April 2024 to 31st March 2025

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Cargo Handling Charges		
General Cargo	2.45	167.00
General Cargo Bulk	1.91	111.00
Express Cargo	2.45	167.00
Express Cargo Bulk	1.91	111.00
Special Cargo*	2.70	699.00
Cargo Handling (full handling inclusive of document handling and data management)		
General Cargo	5.10	556.00
General Cargo Bulk	3.34	481.00
Express Cargo	5.10	556.00
Express Cargo Bulk	3.34	481.00
Special Cargo*	4.68	1,781.00



Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Cargo Handling Charges		
General Cargo	2.65	180.00
General Cargo Bulk	2.06	120.00
Express Cargo	2.65	180.00
Express Cargo Bulk	2.06	120.00
Special Cargo*	2.92	755.00
Cargo Handling (full handling inclusive of document handling and data management)		
General Cargo	5.51	600.00
General Cargo Bulk	3.61	519.00
Express Cargo	5.51	600.00
Express Cargo Bulk	3.61	519.00
Special Cargo*	5.05	1,923.00

b) Domestic Inbound

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Cargo Handling Charges		
General Cargo	3.90	155.00
General Cargo Bulk	1.77	103.00
Express Cargo	3.90	155.00
Express Cargo Bulk	1.77	103.00
Special Cargo*	2.49	647.00
Cargo Handling (full handling inclusive of document handling and data management)		
General Cargo	4.72	515.00
General Cargo bulk	2.78	
Express Cargo	4.72	
Express Cargo bulk	2.78	
Special Cargo*	4.12	1,649.00



Applicable charges from 1st April 2024 to 31st March 2025

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Cargo Handling Charges		
General Cargo	4.21	167.00
General Cargo Bulk	1.91	111.00
Express Cargo	4.21	167.00
Express Cargo Bulk	1.91	111.00
Special Cargo*	2.70	699.00
Cargo Handling (full handling inclusive of document handling and data management)		
General Cargo	5.10	556.00
General Cargo bulk	3.00	
Express Cargo	5.10	
Express Cargo bulk	3.00	
Special Cargo*	4.45	1,781.00

Applicable charges from 1st April 2025 to 31st March 2026

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Cargo Handling Charges		
General Cargo	4.55	180.00
General Cargo Bulk	2.06	120.00
Express Cargo	4.55	180.00
Express Cargo Bulk	2.06	120.00
Special Cargo*	2.92	755.00
Cargo Handling (full handling inclusive of document handling and data management)		
General Cargo	5.51	600.00
General Cargo bulk	3.24	
Express Cargo	5.51	
Express Cargo bulk	3.24	
Special Cargo*	4.81	1,923.00



c) Domestic transfer, security handling and other charges

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Domestic Cargo Handling for transfer		
All types of cargo	2.06	155.00
Domestic Security Handling		
If inclusive of X-Ray/Physical Exam	4.12	216.00
If exclusive of X-Ray/Physical Exam	2.06	206.00
Other charges		
Handling of Shipper Build ULD or handling of full ULD for delivery to Consignee – per kg	50% of applicable handling charges	NA
Miscellaneous Charges (maximum tariff @Per kg and minimum charge @per AWB)	3.61	1,031.00
DRY Ice Checklist charges – per AWB	NA	1,237.00
DGR Acceptance fee per AWB		1,558.00
Live Animal Acceptance Check and delivery – per AWB		2,062.00
Valuable & Vulnerable escort service to and fro aircraft to terminal – per AWB		1,313.00
DGR-fee, in case shipment above 20 pieces per additional unit		103.00

Applicable charges from 01st April 2024 to 31st March 2025

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Domestic Cargo Handling for transfer		
All types of cargo	2.22	167.00
Domestic Security Handling		
If inclusive of X-Ray/Physical Exam	4.12	216.00
If exclusive of X-Ray/Physical Exam	2.06	206.00
Other charges		
Handling of Shipper Build ULD or handling of full ULD for delivery to Consignee – per kg	50% of applicable handling charges	NA
Miscellaneous Charges (maximum tariff @Per kg and minimum charge @per AWB)	3.79	1,083.00
DRY Ice Checklist charges – per AWB	NA	1,299.00
DGR Acceptance fee per AWB		1,636.00
Live Animal Acceptance Check and delivery – per AWB		2,165.00
Valuable & Vulnerable escort service to and fro aircraft to terminal – per AWB		1,379.00
DGR-fee, in case shipment above 20 pieces per additional unit		108.00



Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of Cargo	Rate per KG	Minimum rate per consignment/AWB
Domestic Cargo Handling for transfer		
All types of cargo	2.40	180.00
Domestic Security Handling		
If inclusive of X-Ray/Physical Exam	4.12	216.00
If exclusive of X-Ray/Physical Exam	2.06	206.00
Other charges		
Handling of Shipper Build ULD or handling of full ULD for delivery to Consignee – per kg	50% of applicable handling charges	NA
Miscellaneous Charges (maximum tariff @Per kg and minimum charge @per AWB)	3.98	1,137.00
DRY Ice Checklist charges – per AWB		1,364.00
DGR Acceptance fee per AWB		1,718.00
Live Animal Acceptance Check and delivery – per AWB	NA	2,273.00
Valuable & Vulnerable escort service to and fro aircraft to terminal – per AWB		1,448.00
DGR-fee, in case shipment above 20 pieces per additional unit		113.00

Notes:

- Charges will be on the "gross weight" or the "chargeable weight" of consignment, whichever is higher. Wherever the "gross weight" and (or) volume weight is wrongly indicated on the AWB and is actually found more, charges will be levied on the "actual gross weight" or the "actual volumetric weight" whichever is higher.
- (*)Special cargo consists of perishable and temperature sensitive products, live animals, hazardous goods, valuables and/ or any other such cargo which requires/ have special handling/storage instructions and Valuable cargo (VAL).
- Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, traveler's cheque, diamonds (including diamonds of industrial use), diamond jewellery & watches made of silver, gold, platinum and Items valued at USD 1000 per kg & above.
- In case of premium service request, such service shall be provided at a premium of 25% over normal handling rates
- Demurrage will be applicable to airlines if customs cleared cargo is stored in the warehouse beyond the free period in case of export cargo.
- Miscellaneous Charges includes special service requests from customers other than services already mentioned in the above tariff chart.



INTERNATIONAL CARGO OPERATIONS

3. INTERNATIONAL CARGO HANDLING CHARGES – CITYSIDE

a) Export Cargo

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Terminal, Storage and Processing Charges		
General Cargo	0.70	110.00
Express Cargo	0.70	
Perishable & Cold Storage	1.75	200.00
DGR/VAL/Silver & Live Animals	2.00	250.00
Special (Gold, gold plain jewellery, & precious stones)	50.00	1100.00
Diamond	As per the \$ tariff list	
Demurrage (Export)		
General (Up to 96 hrs incl free period per kg per day)	1.30	225.00
General (between 96 to 696 hrs per kg per day)	2.60	
General (beyond 696 hrs per kg per day)	3.90	
Express (Up to 96 hrs incl free period per kg per day)	1.30	
Express (between 96 to 696 hrs per kg per day)	2.60	
Express (beyond 696 hrs per kg per day)	3.90	
Perishable & Cold Storage, DGR, & Live Animals (Up to 96 hrs incl free period per kg per day)	3.25	350.00
Perishable & Cold Storage, DGR, & Live Animals (between 96 to 696 hrs per kg per day)	4.50	
Perishable & Cold Storage, DGR, & Live Animals (beyond 696 hrs per kg per day)	6.25	
Valuable & Silver (Up to 96 hrs incl free period per kg per day)	4.50	500.00
Valuable & Silver (between 96 to 696 hrs per kg per day)	8.50	
Valuable & Silver (beyond 696 hrs per kg per day)	12.00	
Gold, gold plain or studded with precious/semi-precious stones (Up to 96 hrs incl free period per kg per day)	50.00	1000.00
Gold, gold plain or studded with precious/semi-precious stones (between 96 to 696 hrs per kg per day)	50.00	
Gold, gold plain or studded with precious/semi-precious stones (beyond 696 hrs per kg per day)	50.00	
Security Charge		
If inclusive of X-Ray/Physical Exam	4.12	216.00
If exclusive of X-Ray/Physical Exam	2.06	206.00
Bonding Charges		
	1.00	



Applicable charges from 01st April 2024 to 31st March 2025

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Terminal, Storage and Processing Charges		
General Cargo	0.76	120.00
Express Cargo	0.76	
Perishable & Cold Storage	1.91	218.00
DGR/VAL/Silver & Live Animals	2.20	273.00
Special (Gold, gold plain jewellery, & precious stones)	55.00	1199.00
Diamond	As per the \$ tariff list	
Demurrage Export		
General (Up to 96 hrs incl free period per kg per day)	1.37	236.00
General (between 96 to 696 hrs per kg per day)	2.73	
General (beyond 696 hrs per kg per day)	4.10	
Express (Up to 96 hrs incl free period per kg per day)	1.37	
Express (between 96 to 696 hrs per kg per day)	2.73	
Express (beyond 696 hrs per kg per day)	4.10	
Perishable & Cold Storage, DGR, & Live Animals (Up to 96 hrs incl free period per kg per day)	3.41	368.00
Perishable & Cold Storage, DGR, & Live Animals (between 96 to 696 hrs per kg per day)	4.73	
Perishable & Cold Storage, DGR, & Live Animals (beyond 696 hrs per kg per day)	6.56	
Valuable & Silver (Up to 96 hrs incl free period per kg per day)	4.73	525.00
Valuable & Silver (between 96 to 696 hrs per kg per day)	8.93	
Valuable & Silver (beyond 696 hrs per kg per day)	12.60	
Gold, gold plain or studded with precious/semi-precious stones (Up to 96 hrs incl free period per kg per day)	53.00	1050.00
Gold, gold plain or studded with precious/semi-precious stones (between 96 to 696 hrs per kg per day)	53.00	
Gold, gold plain or studded with precious/semi-precious stones (beyond 696 hrs per kg per day)	53.00	
Security Charge		
If inclusive of X-Ray/Physical Exam	4.12	216.00
If exclusive of X-Ray/Physical Exam	2.06	206.00
Bonding Charges		
	1.09	



Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Terminal, Storage and Processing Charges		
General Cargo	0.83	131.00
Express Cargo	0.83	
Perishable & Cold Storage	2.08	238.00
DGR/VAL/Silver & Live Animals	2.40	298.00
Special (Gold, gold plain jewellery, & precious stones)	60.00	1307.00
Diamond	As per the \$ tariff list	
Demurrage (Export)		
General (Up to 96 hrs incl free period per kg per day)	1.44	248.00
General (between 96 to 696 hrs per kg per day)	2.87	
General (beyond 696 hrs per kg per day)	4.31	
Express (Up to 96 hrs incl free period per kg per day)	1.44	
Express (between 96 to 696 hrs per kg per day)	2.87	
Express (beyond 696 hrs per kg per day)	4.31	
Perishable & Cold Storage, DGR, & Live Animals (Up to 96 hrs incl free period per kg per day)	3.58	386.00
Perishable & Cold Storage, DGR, & Live Animals (between 96 to 696 hrs per kg per day)	4.97	
Perishable & Cold Storage, DGR, & Live Animals (beyond 696 hrs per kg per day)	6.89	
Valuable & Silver (Up to 96 hrs incl free period per kg per day)	4.97	551.00
Valuable & Silver (between 96 to 696 hrs per kg per day)	9.38	
Valuable & Silver (beyond 696 hrs per kg per day)	13.23	
Gold, gold plain or studded with precious/semi-precious stones (Up to 96 hrs incl free period per kg per day)	56.00	1103.00
Gold, gold plain or studded with precious/semi-precious stones (between 96 to 696 hrs per kg per day)	56.00	
Gold, gold plain or studded with precious/semi-precious stones (beyond 696 hrs per kg per day)	56.00	
Security Charge		
If inclusive of X-Ray/Physical Exam	4.12	216.00
If exclusive of X-Ray/Physical Exam	2.06	206.00
Bonding Charges		
	1.19	



b) Import Cargo

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Terminal, Storage and Processing Charges		
General Cargo	4.25	120.00
Express Cargo	4.25	
PER/DGR/VAL/Silver & Live Animals	8.00	220.00
Diamond	As per the \$ tariff list	
Gold, Gold Plain Jewellery, & Precious Stones	50.00	1000.00
Overtime Charges	300 per SB or AWB	
Demurrage (Import)		
General (Up to 96 hrs)	1.30	225.00
General (between 96 and 696 hrs)	2.60	
General (beyond 696 hrs)	3.90	
Express (Up to 96 hrs)	1.30	
Express (between 96 and 696 hrs)	2.60	
Express (beyond 696 hrs)	3.90	
Perishable cold storage, Hazardous (upto 96 hrs)	3.25	350.00
Perishable cold storage, Hazardous (Between 96 hrs and 696 hrs)	4.50	
Perishable cold storage, Hazardous (Beyond 696 hrs)	6.25	
Valuable & Silver (Up to 96 hrs)	4.50	500.00
Valuable & Silver (between 96 to 696 hrs)	8.50	
Valuable & Silver (beyond 696 hrs)	12.00	
Gold Plain or studded with precious/semi-precious stones, Diamond, & Jewellery (Up to 96 Hrs)	After stipulated free period of 48 hours Rs.50/- per kg per day on 3rd and 4th day on non-cumulative basis. From 5th day onwards the charge will be levied on cumulative basis from the date & time of actual arrival of cargo	1000



Applicable charges from 01st April 2024 to 31st March 2025

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Terminal, Storage and Processing Charges		
General Cargo	4.63	131.00
Express Cargo	4.63	
PER/DGR/VAL/Silver & Live Animals	8.72	240.00
Diamond	As per the \$ tariff list	
Gold, Gold Plain Jewellery, & Precious Stones	55.00	1090.00
Overtime Charges	315 per SB or AWB	
Demurrage		
General (Up to 96 hrs)	1.37	236.00
General (between 96 and 696 hrs)	2.73	
General (beyond 696 hrs)	4.10	
Express (Up to 96 hrs)	1.37	
Express (between 96 and 696 hrs)	2.73	
Express (beyond 696 hrs)	4.10	
Perishable cold storage, Hazardous (upto 96 hrs)	3.41	368.00
Perishable cold storage, Hazardous (Between 96 hrs and 696 hrs)	4.73	
Perishable cold storage, Hazardous (Beyond 696 hrs)	6.56	
Valuable & Silver (Up to 96 hrs)	4.73	525.00
Valuable & Silver (between 96 to 696 hrs)	8.93	
Valuable & Silver (beyond 696 hrs)	12.60	
Gold Plain or studded with precious/semi-precious stones, Diamond, & Jewellery (Up to 96 Hrs)	After stipulated free period of 48 hours Rs.53/- per kg per day on 3rd and 4th day on noncumulative basis. From 5 th day onwards the charge will be levied on cumulative basis from the date & time of actual arrival of cargo	1050



Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Terminal, Storage and Processing Charges		
General Cargo	5.05	143.00
Express Cargo	5.05	143.00
PER/DGR/VAL/Silver & Live Animals	9.50	262.00
Diamond	As per the \$ tariff list	
Gold, Gold Plain Jewellery, & Precious Stones	60.00	1188.00
Overtime Charges	331 per SB or AWB	
Demurrage		
General (Up to 96 hrs)	1.44	248.00
General (between 96 and 696 hrs)	2.87	
General (beyond 696 hrs)	4.31	
Express (Up to 96 hrs)	1.44	
Express (between 96 and 696 hrs)	2.87	
Express (beyond 696 hrs)	4.31	
Perishable cold storage, Hazardous (upto 96 hrs)	3.58	386.00
Perishable cold storage, Hazardous (Between 96 hrs and 696 hrs)	4.97	
Perishable cold storage, Hazardous (Beyond 696 hrs)	6.89	
Valuable & Silver (Up to 96 hrs)	4.97	551.00
Valuable & Silver (between 96 to 696 hrs)	9.38	
Valuable & Silver (beyond 696 hrs)	13.23	
Gold Plain or studded with precious/semi-precious stones, Diamond, & Jewellery (Up to 96 Hrs)	After stipulated free period of 48 hours Rs.56/- per kg per day on 3rd and 4th day on non-cumulative basis. From 5th day onwards the charge will be levied on cumulative basis from the date & time of actual arrival of cargo	1103



c) Polished Diamonds and Jewellery

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in USD)

Type of cargo	Rate per KG	Minimum rate per consignment
Polished Diamonds and Jewellery		
1 to 50,000	525.00	NA
50,001 to 1,00,000	770.00	
1,00,001 to 1,50,000	875.00	
1,50,001 to 2,00,000	910.00	
2,00,001 to 2,50,000	980.00	
2,50,001 to 3,00,000	1050.00	

Applicable charges from 01st April 2024 to 31st March 2025

(Rate in USD)

Type of cargo	Rate per KG	Minimum rate per consignment
Polished Diamonds and Jewellery		
1 to 50,000	572.00	NA
50,001 to 1,00,000	839.00	
1,00,001 to 1,50,000	954.00	
1,50,001 to 2,00,000	992.00	
2,00,001 to 2,50,000	1068.00	
2,50,001 to 3,00,000	1144.00	

Applicable charges from 01st April 2025 to 31st March 2026

(Rate in USD)

Type of cargo	Rate per KG	Minimum rate per consignment
Polished Diamonds and Jewellery		
1 to 50,000	623.00	NA
50,001 to 1,00,000	915.00	
1,00,001 to 1,50,000	1040.00	
1,50,001 to 2,00,000	1081.00	
2,00,001 to 2,50,000	1164.00	
2,50,001 to 3,00,000	1247.00	



d) Courier Handling charges (Export/Import)**Applicable charges from 01st February 2023 to 31st March 2024***(Rate in INR)*

Type of cargo	Rate per KG
Handling (Export)	4.00
Handling (Import)	6.00
X-ray charges	4.00

Applicable charges from 01st April 2024 to 31st March 2025*(Rate in INR)*

Type of cargo	Rate per KG
Handling (Export)	4.20
Handling (Import)	6.30
X-ray charges	4.20

Applicable charges from 01st April 2025 to 31st March 2026*(Rate in INR)*

Type of cargo	Rate per KG
Handling (Export)	4.41
Handling (Import)	6.62
X-ray charges	4.41



e) Miscellaneous charges

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Miscellaneous Charges		
Special Handling (Pharmaceutical, to maintain product temperature on request)	2000.00	
Back to Town	50% of TSP Charges	50.00
Amendment/Cancellation Charges	175.00 per SB/AWB	
MOT Charges beyond custom hours	300.00 per SB/AWB	
Inspection/Repacking /Bonding & Hand over	1 per KG from bonded truck	
Duplicate copy	200 per document	
Overtime Charges	300 per SB or AWB	

Applicable charges from 01st April 2024 to 31st March 2025

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Miscellaneous Charges		
Special Handling (Pharmaceutical, to maintain product temperature on request)	2100.00	
Back to Town	50% of TSP Charges	53.00
Amendment/Cancellation Charges	184.00 per SB/AWB	
MOT Charges beyond custom hours	315.00 per SB/AWB	
Inspection/Repacking /Bonding & Hand over	1.09 per KG from bonded truck	
Duplicate copy	210 per document	
Overtime Charges	315 per SB or AWB	

Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Miscellaneous Charges		
Special Handling (Pharmaceutical, to maintain product temperature on request)	2205.00	
Back to Town	50% of TSP Charges	56.00
Amendment/Cancellation Charges	193.00 per SB/AWB	
MOT Charges beyond custom hours	331.00 per SB/AWB	
Inspection/Repacking /Bonding & Hand over	1.19 per KG from bonded truck	
Duplicate copy	221 per document	
Overtime Charges	331 per SB or AWB	



f) Forklift charges

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Forklift Charges		
1-250kgs	75.00	
251-500kgs	100.00	
501-1000kgs	150.00	
1001 to 1500kgs	200.00	

Applicable charges from 01st April 2024 to 31st March 2025

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Forklift Charges		
1-250kgs	79.00	
251-500kgs	105.00	
501-1000kgs	158.00	
1001 to 1500kgs	210.00	

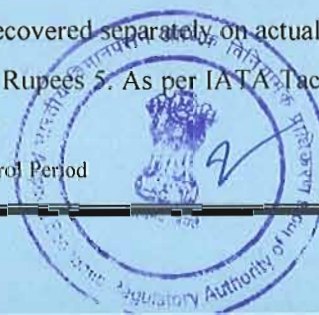
Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Forklift Charges		
1-250kgs	83.00	
251-500kgs	110.00	
501-1000kgs	166.00	
1001 to 1500kgs	221.00	

Notes:

- Charges will be on the "gross weight" or the "chargeable weight" of consignment, whichever is higher. Wherever the "gross weight" and (or) volume weight is wrongly indicated on the AWB and is actually found more, charges will be levied on the "actual gross weight" or the "actual volumetric weight" whichever is higher.
- Special cargo consists of perishable and temperature sensitive products, live animals, hazardous goods, valuables and/ or any other such cargo which requires/ have special handling/storage instructions.
- For mis declaration of weight above 2% and up to 5% of declared weight penal charges double the applicable TSP charges will be levied. For variation above 5%, the penal charges will be three times the applicable TSP charges of the differential weight. No penal charges will be there for variation up to and inclusive of 2%.
- Custom cost charges if applicable will be recovered separately on actuals in addition to above charges.
- All invoices will be rounded off to nearest Rupees 5. As per IATA Tact Rule book clause 5.7.2, rounding off procedure, when rounding off Unit is 5.



When the results of calculations are between/and	Rounded off amount will be
102.5 – 107.4	105
107.5 – 112.4	110

- vi. Free period for export and import cargo will be as per MOCA Order No. AV-16011/3/2016-ER dated 02.12.2016 and as decided by Government of India from time to time
- vii. All the Charges mentioned above include the prevailing Concession Fee, Royalty, airport levy charged by the airport operator
- viii. All the Charges mentioned above are excluding statutory taxes and other levies.



4. INTERNATIONAL CARGO HANDLING CHARGES - AIRSIDE**a) Export handling charges (Airside)**

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
General Cargo	1.89	
Express Cargo	1.89	
Special (PER/VAL/DGR)	3.78	
Special (Courier)	4.73	
Transfer Cargo (Subject to minimum of Rs.168/- for 1st Feb 23-31st Mar 24)	2.10	168.00

Applicable charges from 01st April 2024 to 31st March 2025

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
General Cargo	2.06	
Express Cargo	2.06	
Special (PER/VAL/DGR)	4.12	
Special (Courier)	5.16	
Transfer Cargo (Subject to minimum of Rs.183/- for 1st Feb 23-31st Mar 24)	2.29	183.00

Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
General Cargo	2.25	
Express Cargo	2.25	
Special (PER/VAL/DGR)	4.49	
Special (Courier)	5.62	
Transfer Cargo (Subject to minimum of Rs.199/- for 1st Feb 23-31st Mar 24)	2.50	199.00

b) Import handling charges (Airside)

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
General Cargo	1.89	
Express Cargo	1.89	
Special (PER/VAL/DGR)	3.78	
Special (Courier)	4.73	
Transfer Cargo (Subject to minimum of Rs.168/- for 1st Feb 23-31st Mar 24)	2.10	168.00



Applicable charges from 01st April 2024 to 31st March 2025

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
General Cargo	2.06	
Express Cargo	2.06	
Special (PER/VAL/DGR)	4.12	
Special (Courier)	5.16	
Transfer Cargo (Subject to minimum of Rs.183/- for 1st Feb 23-31st Mar 24)	2.29	183.00

Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
General Cargo	2.25	
Express Cargo	2.25	
Special (PER/VAL/DGR)	4.49	
Special (Courier)	5.62	
Transfer Cargo (Subject to minimum of Rs.199/- for 1st Feb 23-31st Mar 24)	2.50	199.00

c) Demurrage charges (Airsides)**Applicable charges from 01st February 2023 to 31st March 2024**

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
General (Up to 96 hrs incl free period per kg per day)	1.30	225.00
General (between 96 to 696 hrs per kg per day)	2.60	
General (beyond 696 hrs per kg per day)	3.90	
Express (Up to 96 hrs incl free period per kg per day)	1.30	
Express (between 96 to 696 hrs per kg per day)	2.60	
Express (beyond 696 hrs per kg per day)	3.90	
Perishable & Cold Storage, DGR, & Live Animals (Up to 96 hrs incl free period per kg per day)	3.25	350.00
Perishable & Cold Storage, DGR, & Live Animals (between 96 to 696 hrs per kg per day)	4.50	
Perishable & Cold Storage, DGR, & Live Animals (beyond 696 hrs per kg per day)	6.25	
Valuable & Silver Cargo (Up to 96 hrs incl free period per kg per day)	4.50	500.00
Valuable & Silver Cargo (between 96 to 696 hrs per kg per day)	8.50	
Valuable & Silver Cargo (beyond 696 hrs per kg per day)	12.00	
Gold, gold plain or studded with precious/semi-precious stones (Up to 96 hrs incl free period per kg per day)	50.00	1000.00
Gold, gold plain or studded with precious/semi-precious stones (between 96 to 696 hrs per kg per day)	50.00	
Gold, gold plain or studded with precious/semi-precious stones (beyond 696 hrs per kg per day)	50.00	



Applicable charges from 01st April 2024 to 31st March 2025

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
General (Up to 96 hrs incl free period per kg per day)	1.37	236.00
General (between 96 to 696 hrs per kg per day)	2.73	
General (beyond 696 hrs per kg per day)	4.10	
Express (Up to 96 hrs incl free period per kg per day)	1.37	
Express (between 96 to 696 hrs per kg per day)	2.73	
Express (beyond 696 hrs per kg per day)	4.10	
Perishable & Cold Storage, DGR, & Live Animals (Up to 96 hrs incl free period per kg per day)	3.41	368.00
Perishable & Cold Storage, DGR, & Live Animals (between 96 to 696 hrs per kg per day)	4.73	
Perishable & Cold Storage, DGR, & Live Animals (beyond 696 hrs per kg per day)	6.56	
Valuable & Silver Cargo (Up to 96 hrs incl free period per kg per day)	4.73	525.00
Valuable & Silver Cargo (between 96 to 696 hrs per kg per day)	8.93	
Valuable & Silver Cargo (beyond 696 hrs per kg per day)	12.60	
Gold, gold plain or studded with precious/semi-precious stones (Up to 96 hrs incl free period per kg per day)	53.00	1050.00
Gold, gold plain or studded with precious/semi-precious stones (between 96 to 696 hrs per kg per day)	53.00	
Gold, gold plain or studded with precious/semi-precious stones (beyond 696 hrs per kg per day)	53.00	

Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
General (Up to 96 hrs incl free period per kg per day)	1.44	248.00
General (between 96 to 696 hrs per kg per day)	2.87	
General (beyond 696 hrs per kg per day)	4.31	
Express (Up to 96 hrs incl free period per kg per day)	1.44	
Express (between 96 to 696 hrs per kg per day)	2.87	
Express (beyond 696 hrs per kg per day)	4.31	
Perishable & Cold Storage, DGR, & Live Animals (Up to 96 hrs incl free period per kg per day)	3.58	386.00
Perishable & Cold Storage, DGR, & Live Animals (between 96 to 696 hrs per kg per day)	4.97	
Perishable & Cold Storage, DGR, & Live Animals (beyond 696 hrs per kg per day)	6.89	
Valuable & Silver Cargo (Up to 96 hrs incl free period per kg per day)	4.97	551.00
Valuable & Silver Cargo (between 96 to 696 hrs per kg per day)	9.38	
Valuable & Silver Cargo (beyond 696 hrs per kg per day)	13.23	
Gold, gold plain or studded with precious/semi-precious stones (Up to 96 hrs incl free period per kg per day)	56.00	1103.00
Gold, gold plain or studded with precious/semi-precious stones (between 96 to 696 hrs per kg per day)	56.00	
Gold, gold plain or studded with precious/semi-precious stones (beyond 696 hrs per kg per day)	56.00	



d) Security and other charges (Airside)

Applicable charges from 01st February 2023 to 31st March 2024

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Security Charge		
If inclusive of X-Ray/Physical Exam	4.12	216.00
If exclusive of X-Ray/Physical Exam	2.06	206.00
Handling of shipper built ULD	50% of applicable Handling Charges	
Export perishable temperature check as per CHM	200.00	
Valuable escort service to & fro aircraft	1100.00	
ULD cleaning charges	5000.00	
Dry ice checklist charges	1000.00	
DGR acceptance fee	2000.00	
DGR fee, in case shipment is above 20 pcs	50.00	
Special Handling (Pharmaceutical, to maintain product temperature on request by shipper/airline)	2000.00 per AWB	
Full AWB data capture per HAWB	100.00 per AWB	
Miscellaneous charges	2.50	

Applicable charges from 01st April 2024 to 31st March 2025

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Security Charge		
If inclusive of X-Ray/Physical Exam	4.12	216.00
If exclusive of X-Ray/Physical Exam	2.06	206.00
Handling of shipper built ULD	50% of applicable Handling Charges	
Export perishable temperature check as per CHM	210.00	
Valuable escort service to & fro aircraft	1,155.00	
ULD cleaning charges	5,250.00	
Dry ice checklist charges	1,050.00	
DGR acceptance fee	2,100.00	
DGR fee, in case shipment is above 20 pcs	53.00	
Special Handling (Pharmaceutical, to maintain product temperature on request by shipper/airline)	2,100.00 per AWB	
Full AWB data capture per HAWB	105.00 per AWB	
Miscellaneous charges	2.63	

Applicable charges from 01st April 2025 to 31st March 2026

(Rate in INR)

Type of cargo	Rate per KG	Minimum rate per consignment
Security Charge		
If inclusive of X-Ray/Physical Exam	4.12	216.00
If exclusive of X-Ray/Physical Exam	2.06	206.00
Handling of shipper built ULD	50% of applicable Handling Charges	
Export perishable temperature check as per CHM	221.00	
Valuable escort service to & fro aircraft	1,213.00	
ULD cleaning charges	5,513.00	
Dry ice checklist charges	1,103.00	
DGR acceptance fee	2,205.00	
DGR fee, in case shipment is above 20 pcs	56.00	
Special Handling (Pharmaceutical, to maintain product temperature on request by shipper/airline)	2,205.00 per AWB	
Full AWB data capture per HAWB	110.00 per AWB	
Miscellaneous charges	2.76	

Notes:

- Demurrage will be applicable to airlines if customs cleared cargo is stored in the warehouse beyond the free period as per the prescribed norms issued by the GoI from time to time, in case of export cargo.
- Free period for export and import cargo will be as per MOCA Order No. AV-16011/3/2016-ER dated 02.12.2016 and as decided by Government of India from time to time.
- Charges will be on the "gross weight" or the "chargeable weight" of consignment, whichever is higher. Wherever the "gross weight" and (or) volume weight is wrongly indicated on the AWB and is actually found more, charges will be levied on the "actual gross weight" or the "actual volumetric weight" whichever is higher.
- In case of premium service request, such service shall be provided at a premium of 25% over normal handling rates.
- Custom cost charges if applicable will be recovered separately on actuals in addition to above charges.
- Miscellaneous Charges includes special service requests from customers other than services already mentioned in the above tariff chart.
- All the Charges mentioned above include the prevailing Concession Fee, Royalty, airport levy charged by the airport operator.
- All the Charges mentioned above are excluding statutory taxes and other levies.



18.2. Annexure 2 – Summary of Study on Allocation for SVPIA for the Second Control Period

18.2.1. Background

RAB is one of the fundamental elements in the process of tariff determination. The return to be provided on the RAB forms a considerable portion of the Aggregate Revenue Requirement (ARR) for an airport operator. Airports require capital intensive investments. To safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return is provided solely on the assets related to the core operations (i.e., aeronautical services/ activities) of the airport. Any consideration of assets, which are not directly related to the provision of aeronautical services, may have a significant impact on the ARR and would result in increased charges for the users. Given this and shared till approach, the allocation of assets into aeronautical and non-aeronautical components becomes an important part of the tariff determination process.

RAB is a dynamic building block that evolves continuously on account of capitalisation of new assets, replacement of obsolete assets at end of useful life, sales or transfer of assets to other entities, changes in various asset allocation ratios, and depreciation.

The allocation of an asset towards RAB also depends on the type of asset (building & civil works, plant & machinery, equipment, etc.), the usage (provision of various services – aeronautical, non-aeronautical, common or ANS) of the asset and its ownership (airport operator, concessionaire or subsidiary). Based on these factors, the rationale for allocation of each asset into the appropriate category needs to be determined diligently.

To this end, AERA has decided to conduct a study on asset allocation/ segregation between aeronautical and non-aeronautical assets for true-up of the SCP and to help determine the Deemed Initial RAB (as on COD).

18.2.2. Classification of assets

The Study intends to allocate the total assets of the airport into the following:

- **Aeronautical Assets:** All assets that are exclusively used for the provision of aeronautical services/ activities have been classified as 'Aeronautical Assets'. Such assets would include runway(s), taxiways, drainage and culverts, aprons, etc.
- **Non-Aeronautical Assets:** All assets that are exclusively used for the provision of non-aeronautical services / activities have been classified as 'Non-Aeronautical Assets'. Such assets would include duty free, car parking, commercial projects etc.
- **ANS Assets:** Assets that are used for the provision of Air Navigation Services have been classified as 'ANS Assets'. These services are managed separately by AAI and the tariffs for the same are not regulated by the Authority. Therefore, such assets have been excluded from aeronautical assets.
- **Common Assets:** All assets that cannot be directly allocated to either Aeronautical Assets, Non-aeronautical Assets or ANS Assets have been classified as 'Common Assets'. Such assets, as the name suggests, get utilised commonly for aeronautical, non-aeronautical or ANS activities. They would include terminal building, select terminal equipment, office equipment etc.

18.2.3. Summary of Reclassifications till COD

Terminal buildings and related assets:



- Details of asset: Civil, mechanical, plumbing, electrical, furniture, repair, replacement and modification works of terminal buildings and assets commonly utilised for the terminal buildings.
- Allocation proposed by AAI: Though at a broad level AAI has classified such assets as Common, certain assets were classified as Aeronautical.
- Issue: The allocation of terminal building and related assets should be based on the terminal area usage ratio (between the area towards aeronautical and non-aeronautical activities). However, some line items in this segment were found to be classified as Aeronautical by AAI. Accordingly, such items have been reclassified as Common.
- Allocation proposed by the Study: Common
- Impact: Reclassifying these assets from Aeronautical to Common reduces the aeronautical capital additions to the extent of INR 0.58 Cr.

Offices and office equipment:

- Details of asset: Assets including improvements to office complexes, video conferencing systems, cash counting machines and other equipment.
- Allocation proposed by AAI: Though at a broad level AAI has classified such assets as Common, certain assets were classified as Aeronautical.
- Issue: Certain office equipment that would get utilised for the overall operations of the airport were classified as 100% aeronautical. Such assets were reclassified as common as they benefit all activities at the airport.
- Allocation proposed by the Study: Common
- Impact: Reclassifying these assets from Aeronautical to Common reduces the aeronautical capital additions to the extent of INR 0.23 Cr.

Procurement of Computer, Printer and Photocopiers:

- Details of asset: Assets purchased commonly for the airport and for ANS
- Allocation proposed by AAI: Common
- Issue: Certain assets such as computers and printers were purchased and issued to the airport and ANS. The assets have been bifurcated between aeronautical and ANS assets in the ratio of the actual number of units that were issued to the airport and ANS. However, the assets that are being used for the airport operations were not further bifurcated between aeronautical and non-aeronautical.
- Allocation proposed by the Study: Common
- Impact: Bifurcating the assets issued for the airport between aeronautical and non-aeronautical reduces the aeronautical capital additions to the extent of INR 0.01 Cr.

Guest House:

- Details of asset: Procurement of furniture for Guest House
- Allocation proposed by AAI: Aeronautical



- Issue: Since the Guest House is not an aeronautical activity and its use is chargeable, the assets related to the same cannot be considered Aeronautical. Therefore, this asset has been reclassified as Non-aeronautical.
- Allocation proposed by the Study: Non-aeronautical
- Impact: Reclassifying this asset from Aeronautical to Non-aeronautical reduces the aeronautical capital additions to the extent of INR 0.03 Cr.

Car Parking:

- Details of asset: Development of additional parking area
- Allocation proposed by AAI: Aeronautical
- Issue: Car parking is a non-aeronautical activity that is chargeable to users. Therefore, the works and assets related to the same should be classified as Non-aeronautical. Accordingly, this asset has been reclassified as Non-aeronautical in the absence of any additional information to justify the original classification.
- Allocation proposed by the Study: Non-aeronautical
- Impact: Reclassifying this asset from Aeronautical to Non-aeronautical reduces the aeronautical capital additions to the extent of INR 0.26 Cr.

Advanced Surface Movement Guidance and Control System (ASMGCS):

- Details of asset: Assets related to ASMGCS
- Allocation proposed by AAI: Aeronautical
- Issue: As per the submissions of AAI, the construction of the ASMGCS tower was classified as ANS and excluded from aeronautical capital additions. However, the electrical work, frangible mast and furniture for ASMGS was classified as aeronautical. Since these assets are associated with ASMGCS, there is no reason to apply a different treatment for these assets, unless a valid justification is provided by AAI for such treatment. Therefore, in the absence of a valid justification for the original classification of the ASMGCS related assets, the same have been reclassified to ANS and has been excluded from aeronautical capital additions.
- Allocation proposed by the Study: ANS (Excluded from RAB)
- Impact: Reclassifying these assets from Aeronautical to ANS and thereby excluding it from RAB reduces the aeronautical capital additions to the extent of INR 1.57 Cr.

Runway Visual Range (RVR):

- Details of asset: Assets related to RVR
- Allocation proposed by AAI: Aeronautical
- Issue: As per the submissions of AAI, the installation of RVR instrument and the electrical works for RVR were classified as aeronautical. However, Schedule Q of the Concession Agreement between AAI and AIAL (Clause 4.1.6) states that, "AAI shall at its cost and expense, procure aviation meteorological facilities and services from Indian Meteorological Department, GOI for provision of the AAI Services". RVR is operated by the Indian Meteorological Department (IMD) and as stated in the Concession Agreement, it is the responsibility of AAI to procure these facilities



and services from IMD for the provision of ANS. Therefore, the RVR related assets have been reclassified to ANS and has been excluded from aeronautical capital additions.

- Allocation proposed by the Study: ANS (Excluded from RAB)
- Impact: Reclassifying these assets from Aeronautical to ANS and thereby excluding it from RAB reduces the aeronautical capital additions to the extent of INR 0.10 Cr.

18.2.4. Impact of revised terminal allocation ratio

The Authority had at the time of determination of tariffs for the Second Control Period decided to adopt the Terminal Area Ratio as 92.5 : 7.5 (aeronautical : non-aeronautical) to encourage the growth of non-aeronautical revenues which would cross-subsidise aeronautical charges. However, AAI is yet to achieve such allocation as directed by the Authority. Further it can be observed that in its computations AAI has considered only the specific areas allocated to commercial activities as non-aeronautical. The common areas have not been identified and further bifurcated between aeronautical and non-aeronautical. Therefore, in light of the above, the Terminal Area Ratio has been revised to 92.5 : 7.5 (aeronautical : non-aeronautical) in line with the Authority's decision in Order No. 14/2018-19.

The impact of the Study due to revision of Terminal Area Ratio is a reduction of INR 0.36 Cr. in aeronautical capital additions by AAI in SCP (till COD).

18.2.5. Summary of adjustments to RAB till COD

The following table summarises the total proposed adjustments for the aeronautical additions submitted by AAI till COD.

Table 241: Adjustments made by the Study to aeronautical capital additions in SCP by AAI (until COD)

Fixed Asset Adjustment	INR Cr.
Aeronautical Additions in Second Control Period as per AAI (A)	142.83
Adjustments to aeronautical additions as per the Study	
Terminal buildings and related assets (B)	(0.58)
Offices and office equipment (C)	(0.23)
Procurement of computer, printers and photocopiers (D)	(0.01)
Guest House (E)	(0.03)
Car Parking (F)	(0.26)
ASMGCs (G)	(1.57)
RVR (H)	(0.10)
Reclassification of assets (I = B + C + D + E + F + G + H)	(2.78)
Impact of revision of Terminal Area Ratio (J)	(0.36)
Total adjustments to aeronautical capital additions for the Second Control Period (until COD) (K = I + J)	(3.14)
Revised additions to Aeronautical Gross Block in SCP (until COD) (A + K)	139.69



The break-up of the revised aeronautical capital additions given above, across the Second Control Period till COD is as follows.

Table 242: Revised aeronautical capital additions in SCP (until COD) as per the Study

Aeronautical capital additions in SCP (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (until COD)	Total
As per AAI (A)	30.46	14.36	33.74	62.16	2.12	142.83
Revised as per the Study (B)	28.38	14.14	33.37	61.75	2.06	139.69
Difference (A – B)	2.09	0.21	0.37	0.41	0.06	3.14

As detailed above, the aeronautical capital addition by AAI in the SCP (till COD) was determined by the Study to be INR 139.69 Cr. as against INR 142.83 Cr. as per the submission of AAI.

18.2.6. Summary of Reclassifications post-COD

Asset allocation assessment and reclassification for assets commissioned by AIAL in SCP (post-COD) as per the Study

The Study examined the individual asset items capitalised by AIAL and classified them suitably based on the information regarding the assets shared by the Airport Operator. The summary of the reclassification of these assets is given below.

Table 243: Classification of assets capitalised by AIAL in SCP as per the Study

Asset group	# of assets	Value capitalised (INR Cr.)	Classification	Aero Ratio (%)	Aeronautical addition (INR Cr.)
Apron and runway work	2	32.74	Aeronautical	100%	32.74
Safety & Security related assets	3	2.56	Aeronautical	100%	2.56
Terminal equipment	6	0.70	Common	92.5%	0.65
Office Equipment	52	2.87	Common	92.5%	2.66
Office Software	8	1.51	Common	92.5%	1.40
Furniture	12	0.37	Common	92.5%	0.34
Advertising	1	0.77	Non-aero	0%	-
Car Parking asset	1	0.01	Non-aero	0%	-
Visitor Lounge	1	0.08	Non-aero	0%	-
Total	86	41.61			40.34
Difference (Refer Exhibit 3 of Study)					1.27

Normative assessment of capital expenditure

For an asset item named “Domestic Apron, Link Taxi Track Extension”, the Study compared the actual costs incurred against the inflation adjusted normative benchmarks prescribed by AERA as per Order No. 07/2016-17 dated 13th June 2016. The inflation rates and normative costs considered by the Study are as follows:

Table 244: Rate of inflation and normative costs for Apron considered by the Study

Financial Year	2016	2017	2018	2019	2020	2021
WPI Inflation ¹⁰	Base year	1.73%	2.96%	4.26%	1.68%	1.20%
Normative cost	4700.00	4781.31	4922.84	5132.55	5218.78	5281.40

¹⁰ https://eaindustry.nic.in/Key_Economic_Indicators/Price_Statistics.pdf

Based on the above, the cost incurred towards “Domestic Apron, Link Taxi Track Extension” after excluding GST, appears to be within the normative limits prescribed by AERA. The comparison is given below:

Table 245: Normative adjustment to cost of apron as per the Study

Particulars	Formula	As per AAI	As per Normative Limits
Area of apron (SQM)	A	61426	61246
Cost Incurred (INR Cr.)	B	32.65	
Cost excluding GST (INR Cr.)	$C = B \times 100 \div 118$	27.67	
Cost per SQM (INR)	$C \div A$	4517.50	5281.40
Costs considered (INR Cr.)		32.65	

Based on the above, the Authority has considered the cost towards “Domestic Apron, Link Taxi Track Extension” as submitted by the AIAL.

Pre-COD expenses capitalised as intangible assets

Along with the assets, AIAL has also capitalised an amount of INR 25.55 Cr. as an intangible asset. The asset is a notional item, the value of which constitutes certain pre-COD expenses incurred by AIAL, AEL and AAHL in the process of winning the concession rights to the airport and until the COD was achieved.

Clause 5.1.1 of the Concession Agreement or any other clauses in the Concession does not specifically provide for intangible asset, or expenditure which constitutes salary and consulting costs incurred prior to COD, to be included in the RAB. Accordingly, the intangible asset has been excluded from the aeronautical capital additions considered for the Second Control Period.

Financing Allowance

The capitalisation proposed by AIAL for the SCP includes financing allowance of INR 0.97 Cr. on the average WIP in FY 2021 (post-COD). However, as per AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28th February 2011, financing allowance is not applicable to assets/projects which have been acquired/initiated and commissioned within the same Tariff Year. Since all the assets of AIAL submitted as part of capital additions in FY 2021 (post-COD) were acquired in FY 2021 itself, there arises no need for the provision of financing allowance on these assets.

Therefore, no financing allowance has been considered on the assets capitalised by AIAL in FY 2021.

18.2.7. Summary of adjustments to RAB post-COD

Based on the revisions, the adjustments made by the Study to aeronautical capital additions proposed by AIAL for the Second Control Period (post-COD) are as follows:

Table 246: Adjustments made by the Study to aeronautical capital additions in SCP (post-COD) by AIAL

Fixed Asset Adjustment	INR Cr.
Additions to RAB in Second Control Period as per AIAL (A)	68.12
Asset adjustments made by the Study:	
Classification of assets into Aero, Non-aero and Common (B)	(1.27)
	66.85
Exclusion of pre-COD expenses capitalised as intangible assets (C)	(25.55)
	41.30
Exclusion of financing allowance on assets commissioned in FY 2021 (D)	(0.97)
	40.34

Fixed Asset Adjustment	INR Cr.
Total adjustments to capital additions for the Second Control Period (post-COD) (E = B + C + D)	(27.78)
Additions to RAB in SCP (post-COD) till 31 st March 2021 as per the Study (F = A + E)	40.34
Additions to Aeronautical Gross Block in SCP (post-COD) as per AIAL (G = A × 97.7%)	66.55
Impact of the Study on aeronautical capital additions by AIAL (F – G)	(26.22)

As can be seen above, post classification of assets, normative adjustments to cost of apron extension, exclusion of intangible asset (pre-COD expenses) and exclusion of Financing Allowance, the aeronautical capital additions in the Second Control Period (post-COD) as per the Study is INR 40.34 Cr.



18.3. Annexure 3 – Summary of Study on Efficient Operations and Maintenance Expenses for SVPIA

18.3.1. Background

Establishing efficient Operation and Maintenance expenses and their reasonableness is pivotal to the effective execution of tariff determination for aeronautical services. Across airports in India, the O&M expenditure has consistently been increasing, driven by investments in expanding, modernizing and improving operational efficiency of the airports.

Assessment of Operation and Maintenance expense requires examination of financial information submitted by the airport operator, and independent examination of the baseline operating expense levels, expense reduction, efficiency initiatives and conduct of benchmarking exercises.

The Authority had commissioned a study to determine efficient Operations and Maintenance expenses for SVPIA in the Second Control Period.

18.3.2. Allocation of O&M expenses

The principle for segregation of costs followed by the study is as follows:

- **Aeronautical:** The expenses which are incurred for operation and maintenance of Aeronautical assets have been categorised as Aeronautical expenses.
- **Non-Aeronautical:** Expenses which are incurred for operation and maintenance of Non-Aeronautical assets have been categorised as Non-Aeronautical expenses.
- **Common:** Expenses primarily incurred for provision of Aeronautical services but are also used for provision of Non-Aeronautical services and expenses which are used for general corporate purposes including legal, administration and management affairs. Common expenses have been further apportioned into Aeronautical and Non-Aeronautical using an appropriate ratio.
- **Air Navigation Services (ANS):** Expenses which are incurred for the operation and maintenance of ANS Assets have been classified as Air Navigation Services.

18.3.3. Impact due to the revision in terminal area ratio and employee ratio till COD

The recomputation of the terminal area ratio has led to the reduction of INR 0.58 Cr in the aeronautical O&M expenses as per the Study and the recomputation of employee ratio has led to the reduction of INR 11.60 Cr in the aeronautical O&M expenses as per the Study.

18.3.4. Summary of segregation of expenses proposed by the Study till COD

The summary of reallocation of expenses and their impact as per the Study is given below.

Table 247: Basis for allocation of expenses as revised by the Study

Expense Category	Expense Sub-Category / Description	Expenses classification as per		Impact (INR Cr.)
		AAI	Study	
Manpower expenses	Salary, wages & bonus	Common (Employee Ratio)	Common (Employee Ratio)	
	Retirement benefits	Aeronautical	95 :5 (aero : non aero)	0.86
A&G Expenses	Rent; Communication Expense; Travelling and Conveyance; Advertisement; Printing and Stationary	Common (Employee Ratio)	Common (Employee Ratio)*	

Expense Category	Expense Sub-Category / Description	Expenses classification as per		Impact (INR Cr.)
		AAI	Study	
	Collection Charges – UDF	Aeronautical	Aeronautical	-
	Consumption Of electrical spares , Arbitration expenses and Legal Fee	Aeronautical	Common (Gross block)	0.16
	Municipal Taxes	Aeronautical	Reclassified	1.38
	Int./Penalties-Government	Common (Employee Ratio)	Common (Excluded)	2.68
	CSR-Capex	Common (Employee Ratio)	Common (Average aero PBT)	-
	Fuel expenses and office consumables	Aeronautical	Common (Employee Ratio)	0.05
	Other consumables	Aeronautical	Common (Terminal ratio)	0.07
R&M Expenses	R&M costs for buildings, Plant & Machinery and Roads, and culverts	Aeronautical	Aeronautical	-
	Buildings, common equipment power back-up systems, special repairs	Aeronautical	Common (Gross block)	5.07
	Communication and navigation equipment	Aeronautical	Common (Excluded)	0.20
	Vehicles, offices and residential buildings	Aeronautical	Common (Employee Ratio)	0.49
CHQ/RHQ Expenses	CHQ/RHQ expenses allocated to SVPIA	Common (95%)	Reallocated	154.17
Utility Expenses	Power, fuel and DG set charges	Common (Electricity Ratio)	Common (Electricity Ratio)	-
	Water Charges	Common (Employee Ratio)	Common (Gross block)	0.06
Total	Impact of reallocation of expenses			165.72

18.3.5. Rationalisation of allowable expenses based on benchmarking by the Study

The Study has considered the rationalisation of R&M expenses based on 6% of the opening RAB of AAI, in the absence of sufficient justification for the significant deviation.

The adjustments as mentioned in the above paras are shown in the following table:

Table 248: Rationalisation of R&M expense of AAI based on benchmarking as per the Study

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
R&M expense (A)	20.84	24.06	32.07	27.51	11.45	115.92
Opening RAB of AAI (B)	293.75	299.09	288.39	295.62	328.92	
6% of the opening RAB of AAI as per the Study (C = 6% * B)	17.62	17.95	17.30	17.74	19.74	90.35
As per the Study						
Rationalized R&M expenses (D = Minimum of A, C)	17.62	17.95	17.30	17.74	11.45	82.06
Rationalized R&M expenses inclusive of runway recarpeting expense	24.39	24.71	24.07	24.50	18.22	115.88
Impact due to capping of R&M expenses (A - D)	3.21	6.11	14.76	9.77	-	33.86

18.3.6. Efficient O&M expenses till COD

The aeronautical expenses of AAI as per the Study after taking into account the revision of ratios, re-allocation of expenses and the rationalisation of R&M expenses is shown in the following table.

Table 249: Aeronautical expenses for AAI for SCP till COD as per the Study

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Employee Benefit	21.69	29.00	35.74	38.14	15.22	139.79
Administrative & Other Expenses	8.90	13.33	15.84	24.53	24.96	87.55
CHQ/RHQ	34.26	39.80	23.39	36.76	36.72	170.92
Repairs & Maintenance	24.39	24.71	24.07	24.50	18.22	115.88
Utility Expenses	18.47	19.89	20.30	20.77	10.04	89.47
Miscellaneous & Other Outflows	0.62	1.49	0.13	0.47	0.39	3.09
Total	108.32	128.23	119.46	145.16	105.55	606.72

As can be seen in the table above, the aeronautical O&M expenses for AAI in SCP till COD was determined to be INR 606.72 Cr. as against INR 818.48 Cr. submitted by AAI. There was an impact of INR 211.76 Cr. due to the revisions made by the Study.

18.3.7. Summary of segregation of expenses proposed by the Study post COD

The total impact on various heads under O&M expenses as a result of the proposed reallocation are shown below.

Table 250: Summary of adjustment made by the Study to the O&M expenses submission of AIAL

Expense Category (INR Cr)	Expense Sub-Category / Description	Expenses classification as per		Impact
		AIAL	Study	
Manpower expenses	Payroll expenditure – AAI employees	Aeronautical	Common (Employee ratio of 98.67%)	0.16
	Payroll expenditure – AIAL employees	Common (Department wise cost of 97%)	Common (Employee ratio of 93.22%)	3.63
A&G Expenses	Professional and Consultancy Charges	Common (Gross Block Ratio of 97.7%)	Common (Gross Block Ratio of 93.66%)	0.08
	Office Expenses			0.03
	Consumption of Stores & Spares			0.03
	Travelling and Conveyance			0.02
	Foreign Exchange Loss (net)			0.00
	Payment to Auditors			0.00
	Insurance			0.04
	Rates and taxes	Common (Terminal Area Ratio of 94.9%)		0.02
R&M Expenses	R&M expenses related to Annual Repairs and Maintenance of Civil Works for Cargo Buildings, CISF Barrack, Services Order for Job Work for Passenger Baggage Trolley (PBT) Retrieval services etc.	Common (Terminal Area Ratio of 94.9%)	Aeronautical	(0.18)



Expense Category (INR Cr)	Expense Sub-Category / Description	Expenses classification as per		Impact
		AIAL	Study	
	R&M expenses related to Operation & Maintenance of E&M Installations of Terminal Building, Sub-Station, Service Order for AMC T-1 Building & Power House		Common (Terminal Area Ratio of 92.5%)	0.08
	R&M expenses related to Annual repairs and maintenance of Civil works for Terminal-2, MT building, Adjoining Areas, misc work etc		Common (Gross Block Ratio of 93.66%)	0.05
CHQ/RHQ Expenses	Corporate support services	Common (Gross Block Ratio of 97.7%)	Common (Employee ratio of 93.22%)	0.73
Utility Expenses		Aero (net of recoveries)	Aero (net of recoveries)	-
Other outflow expenses	Outsource Manpower Cost for Airport Operations- Security Services from - M/s Modern Veer		Common (Ratio of 31.25%, i.e., aero : total employees of security dept.)	0.90
	Outsource Manpower Cost for Airport Operations- Security Services from - M/s G4S Solutions		Non-aero	0.98
	Outsource Manpower Cost- ILBS, Cargo and manpower	Common (Terminal Area Ratio of 94.9%)	100% Aero	(0.13)
	Horticulture Expenses		Common (Terminal Area Ratio of 92.5%)	0.01
	Housekeeping Expenses-MESS and Service Order		Common (Terminal Area Ratio of 92.5%)	0.10
	Housekeeping Expenses- Appointment of Contractor for landside cleaning work at Ahmedabad Airport		Non-aero	1.02
	IT expenses	Common (Gross Block Ratio of 97.7%)	Common (Terminal Area Ratio of 92.5%)	0.09
	Security expenses		Aeronautical	(0.03)
	Cargo expenses	Aeronautical	Aeronautical	-
	Bank and other finance charges- Expenses for providing Performance Bank Guarantee	Aeronautical	Aeronautical	-
	Bank and other finance charges- Bank Processing Charges and other bank charges	Aeronautical	Common (Gross Block Ratio of 93.66%)	0.04
Total				7.68

As per the submission of AIAL, the aeronautical total expenses as per AIAL is INR 71.11 Cr. Certain reclassifications and revisions have been carried out in the Study as can be seen from the table above as a result of which the aeronautical total expenses as per the Study is INR 63.44 Cr. This led to an overall reduction of INR 7.68 Cr in the total expenses. The breakup of the expenses is provided below.

Table 251: Aeronautical expenses for AIAL for SCP post-COD as reallocated by the Study

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Payroll expenditure – AAI employees	11.97
Payroll expenditure – AIAL employees	9.95
A&G expense	5.78
CSS expense	6.25
Utilities	6.31
R&M expenditure	10.42
Other outflows	12.76
Total	63.44

The overall impact as a result of the proposed reallocation and rationalisation of the O&M expenses by the Study is shown below.

Table 252: Overall impact on O&M expenses of AIAL as per the Study

Particulars (INR Cr.)	FY 2021 (till COD)
Total aeronautical expenses as per AIAL (A)	71.11
Total impact of reallocation (B)	7.68
Aeronautical O&M Expenses post reclassification as per the Study (C = A – B)	63.44
Impact due to rationalisation of R&M expenses (D)	3.23
Aeronautical O&M Expenses as per the Study (C-D)	60.21
Total impact of Study (B + D)	10.91

As can be seen in the table above, the aeronautical O&M expenses for AIAL in SCP post-COD was determined to be INR 60.21 Cr. as against INR 71.11 Cr. submitted by AIAL. There was an impact of INR 10.91 Cr. due to the revisions made by the Study.

18.3.8. Efficient O&M expenses post COD

The aeronautical expenses of AIAL as per the Study after taking into account the revision of ratios, re-allocation of expenses and the rationalisation of R&M expenses is shown in the following table.

Table 253: Breakup of O&M expenses of AIAL as per the Study

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Payroll expenditure – AAI employees	11.97
Payroll expenditure – AIAL employees	9.95
A&G expense	5.78
CSS expense	6.25
Utilities	6.31
R&M expenditure	7.19
Other outflows	12.76
Total	60.21



18.4. Annexure 4 – Clauses of the Concession Agreement entered between AAI and AIAL

18.4.1. The Airports Authority of India (AAI) entered into a Concession Agreement with Ahmedabad International Airport Limited (Airport Operator) on 14th February 2020 for the Operation, Development, Maintenance and Management of Sardar Vallabhbhai Patel International Airport for a period of 50 years from the Commercial Operation Date (COD) i.e., 07th November 2020 in accordance with the terms and conditions mentioned in the Concession Agreement.

18.4.2. The relevant Clause of the Concession Agreement may be read as under:

- *Clause 3.1.1 – "Subject to and in accordance with the provisions of this Agreement, Applicable Laws and the Applicable Permits, the Authority hereby grants to the Concessionaire, the concession set forth herein including the exclusive right, lease and authority to operate, manage and develop the Airport ("Concession") for a period of 50 (fifty) years commencing from the COD, 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"*
- *Clause 3.1.12 – "Subject to and in accordance with the provisions of this Agreement, the Authority, Applicable Laws and the Applicable Permits, the Concession hereby granted shall oblige or entitle (as the case may be) the Concessionaire to:*
 - (a) the Right of Way, access and lease to the Site for the purpose of and to the extent conferred by the provisions of this Agreement.*
 - (b) finance the development and expansion of the Airport.*
 - (c) operate, maintain and manage the Airport and regulate the use thereof by third parties.*
 - (d) demand, collect and appropriate Fee from Users liable for payment of Fee for using the Airport or any part thereof and refuse entry of any such User if the Fee due is not paid.*
 - (e) perform and fulfil all of the Concessionaire's obligations under and in accordance with this Agreement.*
 - (f) save as otherwise expressly provided in this Agreement, bear and pay all costs, expenses, Taxes and charges in connection with or incidental to the performance of the obligations of the Concessionaire under this Agreement; and*
 - (g) neither assign, transfer or create any lien or encumbrance on this Agreement, or the Concession hereby granted or on the whole or any part of the Airport nor transfer, or part possession thereof, save and except as expressly permitted by this Agreement or the Substitution Agreement.*
- *Clause 27.1.1 – "Subject to Clause 27.3, the Concessionaire agrees to pay to the Authority, during the Concession Period, a monthly concession fee calculated as follows (the "Monthly Concession Fee"):*

$$\begin{array}{ccccccc} \text{Per Passenger Fee} & & \text{International Passenger} & & \text{Per Passenger Fee} & & \text{Domestic Passenger} \\ \text{for International} & \times & \text{Throughput for that} & + & \text{for Domestic} & \times & \text{Throughput for that} \\ \text{Passengers} & & \text{month} & & \text{Passengers} & & \text{month} \end{array}$$

Where:

"Per Passenger Fee for Domestic Passengers" means Rs. 177 (Rupees One Hundred and Seventy Seven), as may be revised pursuant to Clause 27.3;

"Per Passenger Fee for International Passengers" means 2 (two) times the Per Passenger Fee for Domestic Passengers;

"Domestic Passenger Throughput" for any month shall mean the total domestic Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time;

"International Passenger Throughput" for any month shall mean the total international Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time;

Provided further that, in the first and that last month of the Concession Period, the International Passenger Throughput and Domestic Passenger Throughput shall be prorated by the number of the days in such months as reckoned with respect to the COD or Transfer Date, as relevant."

- Clause 27.1.2 – "The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same."
- Clause 20.1.1 – "The Concessionaire acknowledges and agrees that only the Designated GOI Agencies are authorised to undertake the following services ("**Reserved Services**") at the Airport:

- (a) CNS/ATM Services;
- (b) security services;
- (c) meteorological services;
- (d) mandatory health services;
- (e) customs control;
- (f) immigration services;
- (g) quarantine services;
- (h) any other services, as may be notified by GOI;

Provided that, subject to the Applicable Laws and the Applicable Permits, nothing in this Agreement shall restrict the Authority from requiring the Concessionaire to undertake any or all of the Reserved Services on such terms and conditions as may be mutually agreed between the Parties."

18.4.3. Clause 19.4.1. of the Concession Agreement relating to obligations of the Airport Operator towards cargo facilities is reproduced below:

- Clause 19.4.1 (a) – "The Concessionaire shall upgrade, develop, operate and maintain the Cargo Facilities in accordance with the provisions of this Agreement, Applicable Laws, Applicable Permits, relevant ICAO Documents and Annexes and Good industry Practice."
- Clause 19.4.1 (b) – "Notwithstanding anything to the contrary provided in this Clause 19.4 and Clause 23.5, it is clarified that, where Cargo Facilities have been earmarked for AAICLAS in Schedule A (i) the Concessionaire will not be responsible for operations, development, maintenance and management thereof, nor shall the Concessionaire be bound by the obligations set out elsewhere in this Clause 19.4; and (ii) AAICLAS shall be granted access to the airside by the Concessionaire free of cost."



- *Clause 19.4.1 (c) – “It is further clarified that, where Cargo Facilities have been earmarked for AAICLAS in Schedule A, there shall be no restriction on the upgradation and/ or development of Cargo Facilities by the Concessionaire, including on grounds of quantum of cargo volumes at the Airport, business potential or impact of such additional facilities on Cargo Facilities earmarked for AAICLAS.”*

18.4.4. As per Annexure IV of Schedule A to the Concession Agreement, under Carved Out Assets and Areas, It is clarified that the Site and Project Assets shall not include the following:

Table 254: Assets not included under Site and Project Assets

Assets	Acres (Approx.)
Cargo Complex	17.50
1. Land requirement for CNS ATM, & staff quarters (16 acres) 2. Admin Block (1 acres) 3. ATC tower (2.5 acres) 4. Existing school (3 acres)	22.50
Land allotted / to be allotted to IAF	34
Total	74

18.4.5. Clause 19.2 relating to Airport Operator's obligation towards Ground Handling Services is given below:

- *Clause 19.2 – “The Concessionaire shall provide or cause to be provided as per Applicable Laws and Good Industry Practice, at its own cost and expense, the infrastructure required for operation of the ground handling services required at the Airport for and in respect of the Users, like aircrafts, passengers and cargo, which shall include ramp handling, 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.*

18.4.6. Clause 19.3 relating to Airport Operator's obligation towards Aircraft Fueling Services is given below:

- *Clause 19.3 – “The Concessionaire shall provide, or cause to be provided the infrastructure required for operation of fueling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice.”*

18.4.7. Clause 28.11.1 relating to Airport Operator's obligation towards revision of aeronautical charges is given below:

- *Clause 28.11.1 – “The Concessionaire shall seek revision of Aeronautical Charges by the Regulator as per applicable Regulatory Framework for the next applicable Control Period. Notwithstanding the above, the Concessionaire shall have not less than 365 (three hundred and sixty five) days from the COD to seek such revision of the Aeronautical Charges.”*

18.4.8. Clause 23.7.1 relating to Airport Operator's obligation towards participation in the user survey of ASQ undertaken by ACI is given below:

- *Clause 23.7.1 – “The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council International (ACI) or any substitute thereof, conducted every quarter and shall*



ensure that the Airport achieves and maintains a rating of at least 4.5 (four point five) 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 COD and maintain the same throughout the rest of the Concession Period."

18.4.9. Clause 24.1 relating to the Independent Engineer's appointment, duties & functions and remuneration are stated below:

- *Clause 24.1.1 – "The Authority (AAI) and the Concessionaire shall appoint a consulting engineering firm substantially in accordance with the selection criteria set forth in Schedule K, to be the independent consultant under this Agreement ("Independent Engineer"). The Independent Engineer shall be appointed in accordance with the provisions of Schedule K."*
- *Clause 24.1.2 – "The appointment of the Independent Engineer shall be made within 90 (ninety) days of the date of execution of this Agreement, and such appointment shall be valid for a period of 3 (three) years. On the expiry or termination of the said appointment, the Authority shall appoint an Independent Engineer for a further term of 3 (three) years in accordance with the provisions of Schedule K, and such procedure shall be repeated after expiry of each appointment."*
- *Clause 24.2.1 – "The Independent Engineer shall discharge its duties and functions substantially in accordance with the terms of reference set forth in Schedule L."*
- *Clause 24.3.1 – "The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator."*

18.4.10. The Schedule B of Annex 1 the Concession Agreement which states the description and requirements of various project facilities to be provided at the Airport is given below.

Annex 1

(Schedule B)

DESCRIPTION OF ASSETS / PROJECT FACILITIES

The objective of this Schedule is to provide the broad description and requirements of various Project Facilities to be provided at Airport. The Concessionaire shall operate, manage and develop Project Facilities in accordance with the provisions of this Agreement.

1. Assets:

- a. Aerodrome control services
- b. Airfield
- c. Airfield Ground lighting
- d. Runways
- e. Apron and Road Lighting
- f. Taxiways including Rapid Exit Taxiways
- g. Aircraft rescue and firefighting (ARFF)



- h. Airside and landside access roads and forecourts including traffic signals, signage and monitoring
- i. Security Check Points
- j. Common hydrant infrastructure for aircraft fuelling services by authorised providers
- k. Apron area
- l. Apron control and allocation of aircraft stands
- m. Manoeuvring Areas
- n. Airfield Signage and Airfield Markings
- o. Bird scaring
- p. Cargo Terminal
- q. Into the Plane services for Aircraft Refuelling
- r. Airport Operations Control Center
- s. Associated facilities to be constructed and operated on the Site such as sewage collection and recycling / water treatment / storm water planning
- t. Ground Service Equipment (GSE) Maintenance Building and parking area
- u. General aviation services (other than those used for commercial air transport services ferrying passengers or cargo or a combination of both)

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- v. Hangars
- w. Flight Catering Services
- x. Vehicle parking
- y. Airport Maintenance Building (MRO)
- z. Airport Maintenance Building Hangar (MRO Hangar)
- aa. Police Station and Customs Building

The capacity of assets will be as per the perspective plan, as updated by the Concessionaire as part of the Master Plan in compliance with ICAO Documents and Annexes, DGCA Civil Aviation Requirements and Good Industry Practice.

2. Description of Terminal Building

The guiding principles for planning and design of the Terminal Building are provided below. The Concessionaire shall develop an integrated terminal building, which is efficiently planned, flexible for phase-wise development, sustainable and economical.

Efficiency

The organization of the terminal should be straightforward and efficient with clear way finding. Passenger and baggage circulation should be organized so that departing and arriving passengers as well as domestic and international passengers do not mingle at any point on the airside of the building. The terminal building should allow for direct and efficient means of passenger and baggage flow for all passengers arriving and departing at the airport.

The distribution of domestic and international gates should ideally be organized to allow swing capabilities and maintain equidistant travel path from the terminal processing area. The terminal building should have integrated landscaping.

Flexibility

The organization of the spaces and structural design of the terminal should be modular thereby allowing flexibility and ease of expansion. The terminal processor should allow for phase-wise development of key functions such as baggage claim halls and processing areas.



Sustainability

Sustainable strategies should be integrated into the planning and architecture of the terminal. Renewable energy production, such as, solar panels should be explored. Landscaping along with green strategies, such as rain water harvesting should be employed. It should have minimum GRIHA -4 rating.

Economy

The new integrated terminal should be constructed using cost effective and environmental friendly technology. It should employ the use of local materials and resources.

Facilities

The Passenger Terminal Building must incorporate mandatorily the following facilities:

- n. Arrivals concourses and meeting areas
- b. In Line minimum CT X-Ray based Baggage systems including outbound and reclaim
- c. Departure concourse with conventional and self-service check-in desks with Common User Passenger Processing System (CUPPS) compatible systems and Common User Self Service (CUSS).
- d. Check-in concourses and Self Baggage Drop System.
- e. Cleaning, heating, lighting and air conditioning public areas
- f. Customs and immigration halls
- g. Exclusion Room
- h. Emergency services
- i. Facilities for the disabled and other special needs people
- j. Fire service
- k. Flight information and public-address systems
- l. Foul and surface water drainage
- m. Guidance systems and marshalling
- n. Information desks
- o. Inter-terminal transit systems
- p. Lifts, escalators and passenger conveyors
- q. Loading bridges
- r. Lost property
- s. Passenger and hand baggage search
- t. Policing and general security, including CCTC systems and related security equipment
- u. Prayer Rooms
- v. Signage
- w. Toilets and nursing mother's rooms
- x. Waste and refuse treatment and disposal
- y. X-Ray service for carry on and checked-in luggage
- z. VIP / special lounges / ceremonial lounge / Martyrs platform
- aa. Airline lounges
- bb. Refreshment facilities at the Terminal Building;



aa. Facilities for tour operators and travel agents;

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bb. Facilities for hiring of taxis and transportation;

cc. Banks and foreign exchange facilities;

dd. Public access telephones;

ee. Tree plantation and landscaping

ff. Porter service

gg. Postal Services

hh. Airport offices

Finishes and other layout elements of the terminal building shall include, at a minimum:

- i. Air conditioning throughout appropriate areas in the terminal building;
- ii. Comfort rooms with optimal layout through the terminal and finishes that emphasize use of water saving devices, etc.
- iii. Escalators with optimal layout through the terminal;
- iv. Elevators with optimal layout through the terminal;
- v. Public seating areas with appropriate capacity;
- vi. Public flight information display system with screens and flat panel boards in sufficient numbers throughout the Passenger Terminals; and
- vii. Signage which are informational, directional and emergency related.

The airport ICT system should comprise:

- i. Data communications networks including wireless;
- ii. Airport information management systems, including Airport Operational Data Base (AODB);
- iii. Baggage reconciliation systems;
- iv. Airport and airline systems, with ability to integrate new Information and Communication Technologies (ICTs)
- v. Information kiosks;
- vi. Public address systems; and
- vii. Close Circuit Television (CCTV) security system to monitor the Airport
- viii. Automatic Tray Retrieval System

The Concessionaire shall provide and maintain a safe and efficient airport Baggage Handling System including:

- i. In-Line Baggage Screening System providing 100% (one hundred percent) security screening of all hold baggage for all domestic and international operations, meeting minimum

requirements of ICAO Annex 17 SARPs and requirements of the relevant Government Instrumentality responsible for providing or overseeing security at the Airport, subject to space constraints, if any, in the terminal;

- ii. Handling of check-in and arriving, transfer and outsized baggage;
- iii. Baggage claim facilities; and
- iv. Handling and storage of lost baggage.

It is clarified that, where an In-Line Baggage Screening System does not exist currently at the Airport, the Concessionaire shall be entitled but not obligated to provide such system in the existing Terminal Building. It is further clarified that, in the event of the construction of a new Terminal Building, an In-Line Baggage Screening System shall be provided for in respect thereto.

The capacity of the Terminal Building will be as per the perspective plan, as updated by the Concessionaire as part of the Master Plan in compliance with ICAO Documents and Annexes, DGCA Civil Aviation Requirements and Good Industry Practice.

3 Specifications and Standards

All assets (including Terminal Building(s)) shall be in conformity with the Specifications and Standards specified in Schedule C.

- 18.4.11. The Schedule U of the Concession Agreement which pertains to the list of capital expenditure projects as proposed by AAI is given below.

SCHEDULE U

LIST OF WORKS PROPOSED BY THE AUTHORITY

In case of composite work / project for which AA&ES has already been sanctioned but, the some of the packages are yet to be awarded								
								Rs. In Lakhs
Sr. No.	Name of the main project/ Scheme	Total A/A & E/S Value	Name of the sub-package / work under sanctioned project, et to be taken up	Estimated value of work/ sub-package	Status of Tender Invitation	Likely date of award of work	Likely completion period of work	Remarks
1	Construction of New Control Tower cum Technical Block and staff canteen i.e. electrical works at C.A. Ahmedabad	16647.00		16647.00	Tenders to be invited	30.06.2019	18 Months	A/A & E/S amounting to Rs. 166.47 Cr. accorded by AAI Board on 20.06.2018
2	Extension of existing parallel taxi-track towards 23 end of runway. (Construction of part parallel taxi along with angular Taxiway at S.V.P.I. Airport Ahmedabad (Civil + Electrical))	11027.00		11027.00	Tenders to be invited	30.04.2018	18 Months	A/A & E/S accorded on 30.10.2018 by AAI Board
3	Composite rate contract for minor capital works in Residential area including CISF barracks at SVPI Airport, Ahmedabad (2018-19).	150.00		150.00	Bid received Work to be awarded	20.11.2018	30.06.2019	Bid received Work to be awarded
4	Provision of Immigration counters for Terminal-2 at S.V.P.I. Airport, Ahmedabad.	23.90		23.90	Bid received Work to be awarded	15-12-2018		Bid received Work to be awarded
5	Composite rate contract for minor capital works in Operational area and Terminal buildings at SVPI Airport, Ahmedabad (2018-19).	350.00						Planning Stage
6	Shifting of GAGAN INRES Building at S.V.P.I. Airport, Ahmedabad. (Civil Works.)	23.28		103.81 (CIVIL & ELECTRICAL)	To be invited	01-03-2019	31-08-2019	T/S Stage



A 3 List of works that are in planning stage and the works can be deferred and AA&ES not issued

S.No	Name of work/ scheme planned	Line Estimate (Cost) of work	Status of obtaining AA & ES	Whether the work is essential for operational requirement	If so, the Date of commencement to be specified for meeting operational requirement	Completion Period to be specified for the work
1	Construction of New Domestic Terminal Building	131900.00	Planning Stage			

4. List of other works/ projects for which AA&ES has already been sanctioned but, the work is not yet awarded

Sr. No.	Name of project / Scheme	Total A/A & E/S Value	Status of detailed estimate/ technical sanction	Probable date of inviting tender	Likely date of award of work	Likely date of completion	Remarks (Reasons for not inviting tender yet.)
1	Construction of New Control Tower cum Technical Block and staff canteen i.e. electrical works at CA Ahmedabad	16647.00					A/A & E/S amounting to Rs. 166.47 Cr. accorded by AAI Board on 20.06.2018.

2	Composite rate contract for minor capital works in Residential area including CISF barracks at SVPI Airport, Ahmedabad (2018-19).	150.00	Dr. 29/06/2018 Rs. 155.00 lacs	Tender process completed	30.11.2018	31.12.2019	Work yet to be awarded
3	Extension of existing parallel taxi-track towards 23 end of runway. (Construction of part parallel taxi along with angular Taxiway at S.V.P.I Airport, Ahmedabad (Civil + Electrical))	11827.00					A/A & E/S amounting to Rs. 118.27 Cr. accorded by AAI Board on 30.10.2018.

5 List of works that are in planning stage and the works cannot be deferred for operational reasons, but AA&ES not issued

S.No	Name of work/ scheme planned	Line Estimate (Cost) of work	Status of obtaining AA & ES	Whether the work is essential for operational requirement	If so, the Date of commencement to be specified for meeting operational requirement	Completion Period to be specified for the work
1	Proposed modification in Domestic T-1 at Ahmedabad Airport (Civil & Elect works)	9037.35	Planning Stage	Yes		
2	Composite rate contract for minor capital works in Operational area and Terminal buildings at SVPI Airport, Ahmedabad (2018-19).	350.00	Planning Stage	Yes		
3	Construction of cargo and courier terminal by demolishing old International Terminal T-3 (For construction of New Domestic terminal Building)	5000.00	Planning Stage	Yes		



Indicative CAPEX to be listed out based on available land with AAI:

Sl. No.	Name of Work/ Scheme	Trigger Point	Date of Start	Date of completion	Remarks
1	Construction of New Control Tower Cum Technical Block and staff canteen i.e. electrical works at C.A. Ahmedabad	Immediate	30.06.2019	31.12.2020	Est cost Rs. 166.50 Cr.
2	Extension of existing parallel taxi-track towards 23 end of runway. (construction of part parallel taxi along with angular Taxiway at S.V.P.I. Airport, Ahmedabad. (Civil + Electrical))	Immediate	30.04.2019	31.10.2020	Est cost Rs. 118.3 Cr.
3	Composite rate contract for minor capital works in Residential area including CISF barracks at SVPI Airport, Ahmedabad (2018-19)	Immediate	30.11.2018	30.06.2019	Est cost Rs. 1.50 Cr.
4	Provision of Immigration counters for Terminal-2 at S.V.P.I. Airport, Ahmedabad	Immediate	15.12.2018	31.03.2019	Est cost Rs. 0.24 Cr.
5	Composite rate contract for minor capital works in Operational area and Terminal buildings at SVPI Airport, Ahmedabad (2018-19)	Immediate	30.03.2019	30.09.2019	Est cost Rs. 3.50 Cr.
6	Shifting of GAGAN INRES Building at S.V.P.I. Airport, Ahmedabad. (Civil Works)	Immediate	01.03.2019	31.08.2019	Est cost Rs. 1.04 Cr.
7	Construction of New Domestic Terminal Building	Immediate	31.12.2019	30.06.2022	Est cost Rs. 1319.0 Cr.
8	Proposed modification in Domestic T-1 at Ahmedabad Airport (Civil & Electric Works)	Immediate	31.10.2019	30.04.2021	Est cost Rs. 90.40 Cr.
9	Construction of cargo and courier terminal by demolishing old International Terminal T-3 (For construction of New Domestic Terminal Building)	Immediate	30.09.2019	31.05.2020	Est cost Rs. 50.00 Cr.

18.4.12. The Schedule L of the Concession Agreement which pertains to the roles and responsibility of the Independent Engineer is given below:

SCHEDULE L

TERMS OF REFERENCE FOR INDEPENDENT ENGINEER

(See Clause 24.2)

1 Scope

1.1 These Terms of Reference for the Independent Engineer ("TOR") are being specified pursuant to the Concession Agreement dated [●] ("Agreement"), which has been entered into between the Authority and [●] ("Concessionaire") for the Airport in city of *[insert name of city where airport is located]* in the State of *[insert name of state where the airport is located]*, and a copy of which is annexed hereto and marked as Annex A to form part of this TOR.

1.2 This TOR shall apply to operations, management and development of the Airport.

2 Definitions and Interpretation

2.1 The words and expressions beginning with or in capital letters used in this TOR and not defined herein but defined in the Agreement shall have, unless repugnant to the context, the meaning respectively assigned to them in the Agreement.

2.2 References to Articles, Clauses and Schedules in this TOR shall, except where the context otherwise requires, be deemed to be references to the Articles, Clauses and Schedules of the Agreement, and references to Paragraphs shall be deemed to be references to Paragraphs of this TOR.



- 2.3 The rules of interpretation stated in Clauses 1.2, 1.3 and 1.4 of the Agreement shall apply, *mutatis mutandis*, to this TOR.

3 Role and functions of the Independent Engineer

- 3.1 The role and functions of the Independent Engineer shall include the following:

- (a) review of the designs, drawings, and documents as set forth in Paragraph 4;
- (b) review, inspection and monitoring of Construction Works as set forth in Paragraph 4;
- (c) reviewing and witnessing the Tests on completion of construction and assisting the Authority in issuing Completion Certificate/ provisional certificate as set forth in Paragraph 4;
- (d) review, inspection and monitoring of O&M as set forth in Paragraph 5;
- (e) review, inspection and monitoring of Divestment Requirements as set forth in Paragraph 6;
- (f) determining, as required under the Agreement, the costs of any works or services and/or their reasonableness;
- (g) determining, as required under the Agreement, the period or any extension thereof, for performing any duty or obligation;
- (h) assisting the Parties in resolution of Disputes as set forth in Paragraph 8;
- (i) undertaking all other duties and functions in accordance with the Agreement; and

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- (j) assisting the Concessionaire in determining the Scheduled Completion Dates and Phase Milestones.

- 3.2 The Independent Engineer shall discharge its duties in a fair, impartial and efficient manner, consistent with the highest standards of professional integrity and Good Industry Practice.

4 Development Period

- 4.1 During the Development Period, the Independent Engineer shall undertake a detailed review of the designs and drawings to be furnished by the Concessionaire along with the supporting data, including the geo-technical and hydrological investigations, characteristics of materials from borrow areas and quarry sites, topographical surveys and traffic surveys. The Independent Engineer shall complete such review and send its comments/observations to the Authority and the Concessionaire within 15 (fifteen) days of receipt of such Development Plan and Drawings. In particular, such comments shall specify the conformity or otherwise of, Development Plan and such Drawings with the Scope of the Project and Specifications and Standards.

- 4.2 The brief scope of Independent Engineer at this stage includes, but not limited to, the following:

- 4.2.1 Review of all design, Drawings, specifications and procurement documents:

- (a) design basis;
- (b) comments on the design, Drawings, quantities and cost shall be submitted to Authority;
- (c) all design and specifications shall be reviewed as per the development standards and requirements;
- (d) to verify the list of items and quantities of all items in the bill of quantities of various procurement documents submitted by the Concessionaire and propose modification to the same, if necessary, along with financial implication.

- 4.2.2 Review of award of works and commercial contracts by the Concessionaire:
- (a) contract document shall be reviewed for technical (design, construction, completion and commissioning) and commercial conditions;
 - (b) review and comment on capability of contractors;
 - (c) review the procedure of tendering and award of contract adopted by the Concessionaire.
- 4.3 The Independent Engineer shall review any modified drawings or supporting documents sent to it by the Authority and furnish its comments within 7 (seven) days of receiving such drawings or documents to the Authority.
- 4.4 The Independent Engineer shall review the drawings in accordance with Schedule I and furnish its comments thereon to the Authority and the Concessionaire within 7 (seven) days of receiving such Drawings.
- 4.5 The Independent Engineer shall review the detailed design, construction methodology, quality assurance procedures and the procurement, engineering and construction time schedule sent to it by the Authority, which is prepared by the Concessionaire and furnish its comments within 15 (fifteen) days of receipt thereof.
- 4.6 Upon reference by the Authority, the Independent Engineer shall review and comment on the EPC Contract or any other contract for construction of the relevant Phase of Airport, and furnish its comments within 7 (seven) days from receipt of such reference from the Authority.
- 4.7 The Independent Engineer shall review the progress reports furnished by the Concessionaire with respect to the following and send its comments thereon to the Authority within 7 (seven) days of receipt of such report:
- (a) compliance with Development Plan, Drawings, Specifications and Standards;
 - (b) ensure that the reports prepared by the Concessionaire has been in line with all the requirements of Development Plan and the Agreement;
 - (c) review and assessment of quantities of works and time lines for completion of the same;
 - (d) review and verify all the development works mentioned in the report physically on the ground with respect to the requirements as per the Specifications and Standards;
 - (e) review and provide its comments on quality of the works and identify any work or part of work required to be rectified before completion of the work; and
 - (f) review and adopt a project controls perspective, adequacy of resources that integrates cost and schedule, projecting potential trends (both negative and positive) and claims which may affect the approved construction cost.
- 4.8 The Independent Engineer shall inspect the Construction Works once every month, preferably after receipt of the monthly progress report from the Concessionaire, but before the 20th (twentieth) day of each month in any case, and make out a report of such inspection ("Inspection Report") setting forth an overview of the status, progress, quality and safety of construction, including the work methodology adopted, the materials used and their sources, and conformity of Construction Works with the Scope of the Project and the Specifications and Standards. In a separate section of the Inspection Report, the Independent Engineer shall describe in reasonable detail the lapses, defects or deficiencies observed by it in the construction of the Airport. The Independent Engineer shall send a copy of its Inspection Report to the Authority and the Concessionaire within 7 (seven) days of the inspection.
- 4.9 The Independent Engineer may inspect the Airport more than once in a month if any lapses, defects or deficiencies require such inspections.
- 4.10 For determining that the Construction Works conform to Specifications and Standards, the Independent Engineer shall require the Concessionaire to carry out, or cause to be carried out, tests on a sample basis, to be specified by the Independent Engineer in accordance with Good Industry Practice for quality assurance. For purposes of this Paragraph 4.10, the tests specified in the relevant manuals specified by the Authority in relation to structures, buildings and equipment ("Quality Control Manuals") or any modification/ substitution thereof shall be deemed to be tests conforming to Good Industry Practice for quality assurance. The Independent Engineer shall issue necessary directions to the Concessionaire for ensuring that the tests are conducted in a fair and efficient manner, and shall monitor and review the results thereof.

- 4.11 The sample size of the tests, to be specified by the Independent Engineer under Paragraph 4.10, shall comprise 10% (ten percent) of the quantity or number of tests prescribed for each category or type of tests in the Quality Control Manuals, provided that the Independent Engineer may, for reasons to be recorded in writing, increase the aforesaid sample size by up to 10% (ten percent) for certain categories or types of tests.
- 4.12 The timing of tests referred to in Paragraph 4.10, and the criteria for acceptance/ rejection of their results shall be determined by the Independent Engineer in accordance with the Quality Control Manuals. The tests shall be undertaken on a random sample basis and shall be in addition to, and independent of, the tests that may be carried out by the Concessionaire for its own quality

assurance in accordance with Good Industry Practice.

- 4.13 In the event, the Concessionaire carries out any remedial works for removal or rectification of any defects or deficiencies, the Independent Engineer shall require the Concessionaire to carry out, or cause to be carried out, tests to determine that such remedial works have brought the Construction Works into conformity with the Specifications and Standards, and the provisions of this Paragraph 4 shall apply to such tests.
- 4.14 In the event that the Concessionaire fails to achieve any of the Phase Milestones, the Independent Engineer shall undertake a review of the progress of construction and identify potential delays, if any. If the Independent Engineer shall determine that completion of the Airport is not feasible within the time specified in the Agreement, it shall, through the Authority, require the Concessionaire to indicate within 15 (fifteen) days, the steps proposed to be taken to expedite the progress, and the period within which Completion shall be achieved. Upon receipt of such a report from the Authority, the Independent Engineer shall review the same and send its comments to the Authority forthwith.
- 4.15 If at any time during the Development Period, the Independent Engineer determines that the Concessionaire has not made adequate arrangements for the safety of workers and Users in the zone of construction, or that any work is being carried out in a manner that threatens the safety of the workers and the Users, it shall make a recommendation to the Authority forthwith, identifying the whole or part of the Construction Works that should be suspended for ensuring safety in respect thereof.
- 4.16 In the event that the Concessionaire carries out any remedial measures to secure the safety of suspended works and Users, the Authority may, by notice in writing, require the Independent Engineer to inspect such works, and within 3 (three) days of receiving such notice, the Independent Engineer shall inspect the suspended works and make a report to the Authority forthwith, recommending whether or not such suspension may be revoked by the Authority.
- 4.17 If suspension of Construction Works is for reasons not attributable to the Concessionaire, the Independent Engineer shall recommend the extension of dates set forth in the Phase Completion Schedule for Phase I and also for subsequent Phases, to which the Concessionaire is reasonably entitled, and shall notify the Authority of the same.
- 4.18 The Independent Engineer shall witness all the Tests being undertaken by the Concessionaire and based on the outcome of the Tests specified in Schedule G, submit a report on Completion or Provisional Completion, as the case may be. For carrying out its functions under this Paragraph 4.18 and all matters incidental thereto, the Independent Engineer shall act under and in accordance with the provisions of Article 14 and Schedule G.
- 4.19 Upon reference from the Authority, the Independent Engineer shall make a fair and reasonable assessment of the costs of providing information, works and services as set forth in Article 17 and certify the reasonableness of such costs for payment by the Authority to the Concessionaire.

5 Concession Period

- 5.1 In respect of the drawings, documents and reports received by the Independent Engineer for its review and comments during the Concession Period, the provisions of Paragraph 4 shall apply, *mutatis mutandis*.
- 5.2 The Independent Engineer shall review the annual maintenance programme furnished by the Concessionaire and send its comments thereon to the Authority and the Concessionaire within 15 (fifteen) days of receipt of the maintenance programme.
- 5.3 The Independent Engineer shall review the monthly and quarterly status report furnished by the Concessionaire and send its comments thereon to the Authority and the Concessionaire within



7 (seven) days of receipt of such report.

- 5.4 The Independent Engineer shall inspect the Airport, once every month, preferably after receipt of the monthly and quarterly status report from the Concessionaire, but before the 20th (twentieth) day of each month in any case, and make out an O&M inspection report setting forth an overview of the status, quality and safety of O&M including its conformity with the Key Performance Indicators, maintenance requirements and safety requirements. In a separate section of the O&M inspection report, the Independent Engineer shall describe in reasonable detail the lapses, defects or deficiencies observed by it in O&M of the Airport. The Independent Engineer shall send a copy of its O&M inspection report to the Authority and the Concessionaire within 7 (seven) days of the inspection.
- 5.5 The Independent Engineer may inspect the Airport more than once in a month, if any lapses, defects or deficiencies require such inspections.
- 5.6 The Independent Engineer shall in its O&M inspection report specify the tests, if any, that the Concessionaire shall carry out, or cause to be carried out, for the purpose of determining that the Airport is in conformity with the maintenance requirements. It shall monitor and review the results of such tests and the remedial measures, if any, taken by the Concessionaire in this behalf.
- 5.7 In respect of any defect or deficiency referred to in Paragraph 3 of Schedule I, the Independent Engineer shall, in conformity with Good Industry Practice, specify the permissible limit of deviation or deterioration with reference to the Specifications and Standards and shall also specify the time limit for repair or rectification of any deviation or deterioration beyond the permissible limit.
- 5.8 The Independent Engineer shall determine if any delay has occurred in completion of repair or remedial works in accordance with the Agreement, and shall also determine the Damages, if any, payable for such delay.
- 5.9 The Independent Engineer shall examine the request of the Concessionaire for closure of the Airport for undertaking maintenance/repair thereof, keeping in view the need to minimise disruption in traffic and the time required for completing such maintenance/repair in accordance with Good Industry Practice.
- 5.10 In the event that the Concessionaire notifies the Authority and the Independent Engineer of any modifications that it proposes to make to the Airport, the Independent Engineer shall review the same and send its comments to the Authority and the Concessionaire within 15 (fifteen) days of receiving the proposal.
- 5.11 The Independent Engineer shall, at least once every month, conduct an audit of the systems installed by the Concessionaire, to check its accuracy.
- 5.12 The Independent Engineer shall at the end of the Concession Period (including, extension, if any) provide assistance on transfer of the Project Assets from the Concessionaire to the Authority and assist the Authority in undertaking all necessary activities required for issuance of Vesting Certificate to the Concessionaire in accordance with the terms of the Agreement.

6 Termination

- 6.1 At any time, not earlier than 90 (ninety) days prior to Termination, but not later than 15 (fifteen) days prior to such Termination, the Independent Engineer shall, in the presence of a representative of the Concessionaire, inspect the Airport for determining compliance by the Concessionaire with the Divestment Requirements set forth in Article 36 and, if required, cause tests to be carried out at the Concessionaire's cost for determining such compliance. If the Independent Engineer determines that the status of the Airport is such that its repair and rectification would require a larger amount than the sum set forth in Clause 37.2, it shall

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recommend retention of the required amount in the Escrow Account and the period of retention thereof.



- 6.2 The Independent Engineer shall inspect the Airport once in every 15 (fifteen) days during a period of 90 (ninety) days after Termination for determining the liability of the Concessionaire under Article 37, in respect of the defects or deficiencies specified therein. If any such defect or deficiency is found by the Independent Engineer, it shall make a report in reasonable detail and send it forthwith to the Authority and the Concessionaire.

7. Determination of costs and time

- 7.1 The Independent Engineer shall determine the costs, and/or their reasonableness, that are required to be determined by it under the Agreement.
- 7.2 The Independent Engineer shall determine the period, or any extension thereof, that is required to be determined by it under the Agreement.

8. Assistance in Dispute resolution

- 8.1 When called upon by either Party in the event of any Dispute, the Independent Engineer shall mediate and assist the Parties in arriving at an amicable settlement.
- 8.2 In the event of any disagreement between the Parties regarding the meaning, scope and nature of Good Industry Practice, as set forth in any provision of the Agreement, the Independent Engineer shall specify such meaning, scope and nature by issuing a reasoned written statement relying on good industry practice and authentic literature.

9. Other duties and functions

The Independent Engineer shall perform all other duties and functions specified in the Agreement.

10. Miscellaneous

- 10.1 The Independent Engineer shall notify its programme of inspection to the Authority and to the Concessionaire, who may, in their discretion, depute their respective representatives to be present during the inspection.
- 10.2 The Independent Engineer shall retain at least 1 (one) copy each of all drawings and documents received by it, including 'as-built' Drawings, and keep them in its safe custody.
- 10.3 Upon completion of its assignment hereunder, the Independent Engineer shall duly classify and list all drawings, documents, results of tests and other relevant records, and hand them over to the Authority or such other person as the Authority may specify, and obtain written receipt thereof. 2 (two) copies of the said documents shall also be furnished in their editable digital format or in such other medium or manner as may be acceptable to the Authority.
- 10.4 Wherever no period has been specified for delivery of services by the Independent Engineer, the Independent Engineer shall act with the efficiency and urgency necessary for discharging its functions in accordance with Good Industry Practice.

18.4.13. Clause 2.3 relating to Airport Operator's obligation towards Reserved Services at the Airport is given below:

- *Clause 2.3.1 – The GOI shall, throughout the Term, provide, or cause to be provided, at the Airport, the following services ("Reserved Services"):*
 - a) *Customs Control;*
 - b) *Immigration Services;*
 - c) *Plant Quarantine Services;*
 - d) *Animal Quarantine Services;*
 - e) *Health Services;*



f) Meteorological Services; and

g) Security Services.

- Clause 2.3.2 – The Concessionaire shall at all times ensure to provide the Designated GOI Agencies with (a) such access and facilities at the Airport, and (b) the space requirements, as may be required by any or all of them to perform the Reserved Services at the Airport".

18.4.14. The Schedule T of the Concession Agreement which pertains to the different types of pre-existing contracts at the Airport, along with contract for additional work that has already been awarded is given below:



SCHEDULE T EXISTING CONTRACTS

The revenue contracts at the Airport are indicated as follows:

S.No.	Name of Facility/ License/Space/sapce Allotted / Awarded	Party name / Address	Period of the contract in year / month		Regular Contract/Adhoc or extension
			From	To	
01	Advertising Rights	M/s. TDI International Ltd. 42, Ranu Jhansi Road New Delhi - 110 055	28.02.2019	27.02.2020	Regular Contract
02	Repeater Station	M/s. Bharati Airtel Ltd., SCM Department, 2nd Floor, M/s. Bharati Airtel Ltd. SCM Department, Zodiac Square, 2nd Floor, S.G. Road, Zodiac Square, Opp. Gurudwara, Ahmedabad- 380 054.	01.01.2014	Till date	Extension
03	Repeater Station	M/s. Reliance Jio Infocomm Ltd. FF-101 Saffron, Panchvati S Rasta, Nr. Bank of Baroda, Ahmedabad PIN - 38006	22.11.2016	Till date	Extension
04	Repeater Station	M/s. Bharat Sanchar Nigam Limited, D.E.(CMTS Pkg.) ATD., Building, Gulbai Tekra, Ahmedabad-380009	01.01.2008	Till date	Extension
05	Car Rental Service (T-1)	M/s. Akbar Travels of India, Domestic Building (T-1) S.V.P. International Airport, AHMEDABAD-380 003.	16.11.2010	Till date	Extension
06	Snack bar (outside-T-2 Dep. area)	M/s. Saptagiri Restaurant L-73/285 Mahipal Pur Extn, New Delhi - 110 037	16.10.2018	15.10.2019	Regular Contract
07	Tea Coffee vending machine (T-2)	M/s. Saptagiri Restaurant - AS ABOVE----	07.03.2014	Till date	Extension
08	Snack Bar (outside T-1)	M/s. Saptagiri Restaurant - AS ABOVE----	01.10.2014	Till date	Extension
09	Branded Snack Bar (SHA T-1)	M/s. Saptagiri Restaurant - AS ABOVE----	01.01.2018	Till date	Extension
10	Cellular Facility (T-1)	M/s. Vodafone Idea Limited, Vodafone House, Building A, Corporate Prahladnagar off. S.G. Highway, Ahmedabad- 380051	15.05.2015	Till date	Extension
11	Repeater Station	M/s. Vodafone Idea Limited -AS ABOVE--	01.01.2014	Till date	Extension
12	Restaurant Cum staff Canteen	M/s. RBA Hospitality Pvt.Ltd., C-19 - Jay Yogiraj Society, Nr-Sardarnagar Police Station, Sardarnagar, Ahmedabad-382475 (Guj.)	15.07.2014	Till date	Extension
	Branded Snack Bar (SHA-T-2)	M/s. RBA Hospitality Pvt.Ltd. ---AS ABOVE ---	25.06.2018	24.06.2019	Regular Contract

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Additional works already awarded:

Sl. No.	Name of Work/Scheme	Contractor Name/ Address	Estimated Cost or Work	Awarded Value (in Lakhs)	Date of Start	Stipulated date of Completion	Likely Physical progress up till 30th June 2019 (in % age)	Likely Financial Progress up till 30th June 2019
1	Renovation of toilets in T-1 (New Name: Modification and renovation of toilets in Ter-1 at SVPI Airport, Ahmedabad. (Civil Work)	M/s K. B. Patel Procon Pvt. Ltd. B.165, Sakar-7, Nr. Nehru Bridge Corner, Ashram Road, Ahmedabad-380007.	382.60	221.48	16.03.2018	15.03.2019	100%	250.00
2	Construction of Domestic Apron including link Taxi Track, extension of International Apron, Turning Pad at Runway 23, Construction of balance perimeter road and allied works (Civil & Electrical) at S.V.P.I. Airport, Ahmedabad (Civil & Electrical)	M/s M. S. Khurana Engineering Ltd., (Engineers & Infrastructure Developers), 2nd Floor, "MSK" Passport Office to Panjrapole Road, Ambawadi, Ahmedabad - 380015 Gujarat, India	6363.00	4572.99	07.04.2018	06.12.2019	60%	1500.00
3	Relocation of Localizer and Glideslope Building at S.V.P.I. airport, Ahmedabad.	M/s. Saumya Construction, "Shantikunj" 2nd Floor, Near Dhanlaxmi Complex, Opp. Thakkar Nagar BRTS Bus Stand, N.H. 8, Thakarnagar, Ahmedabad - 382260	187.57	144.89	18.02.2018	17.08.2018 30.11.2018	100%	200.00



List of capital work-in-progress/ works already awarded

Sl. No.	Name of Work/Scheme	Contractor Name/ Address	Estimated Cost or Work	Awarded Value (in Lakhs)	Date of Start	Stipulated date of Completion	Likely Physical progress up till 30th June 2019 (in % age)	Likely Financial Progress up till 30th June 2019
1.00	Integration & upgradation of Arrival & departure AC Plant of Terminal -I	M/s Zamil Air Conditioners India Pvt. Ltd., A-403, 4th Floor, Safal Pegasus, 100 ft Road, Ahmedabad-380015	234.05	199.81	01.04.18	30.11.18	100%	199.81
2.00	Modification of existing Departure Baggage handling system to accommodate CTX based ILBS system at International Terminal, Ahmedabad Airport. SH: Supply of Baggage Handling System. (FOB portion)	M/s. Pteris Global Limited, Singapore	SGD 12,04,914	602.46	24.06.18	15.02.19	100%	602.46
3.00	Modification of existing Departure Baggage handling system to accommodate CTX based ILBS system at International Terminal, Ahmedabad Airport. SH: Installation, Testing and Commissioning of Baggage Handling System. (INR portion)	M/s. Three D Integrated Solution Ltd., 1109, Tower A-1, Space itech park, Sector-49, Sohna Road, Gurgaon 122002	122.36	122.36	24.06.18	15.02.19	100%	122.36
4.00	Modification of existing Departure Baggage Handling System to accommodate CTX based ILBS system at Ahmedabad Airport (Domestic Terminal)	M/s Vandelande, Industries Pvt Ltd, Unit 702, Pentagon P-4, Magarpatta city, Hadapsar, Pune-411028	191.43	191.43	10.06.18	20.01.19	100%	191.43
5.00	Renovation of toilets in T-1 at SVPI Airport, Ahmedabad, (Electrical works)	M/s Taral Electricals, 212 Binani Complex, Baranpura, Opp. Torrent Power Office, Naranpura, Ahmedabad	64.62	59.38	30.07.18	30.6.19	100%	59.38
6.00	Improvement of lighting-energy saving by replacement of conventional light fitting with LED fitting.	M/s Energy Efficiency Services Limited, 4th Floor, Seva Bhawan, R.K. Puram, New Delhi.	144.71	144.71	23.07.18	22.11.18	100%	144.71



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7.00	Installation of DVOR/ILS equipments under replacement plan at Ahmedabad Airport. SH 2: Electrical works for ILS shifting.	M/s Yash Energy Pvt. Ltd. 408, Hash Business Centre, Near Ankur School Fatehpura, Palda, Ahmedabad- 380007	40.84	34.57	15.06.18	12.12.18	100%	34.57
8.00	Miscellaneous Electrical Works in SVPI airport, Ahmedabad (2018-19) SH: Internal & External Electrical Works	M/s Shree Sai Electricals and Instrumentation, Shop no.2, 3rd Floor, Time Square Building, Adajah, Surat - 395009	16.54	14.21	26.10.18	25.07.19	100%	14.21
Total			6708.29					



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- 18.4.15. Clause 2 of Schedule B relating to development philosophy with respect to planning for facilities for future demand and Airport Operator's obligation towards them is given below:

SCHEDULE B

DEVELOPMENT OF THE AIRPORT

(See Clause 2.1)

1. Development of the Airport

The planning approach to be used to facilitate the achievement of a well-developed Airport should be to establish airside, terminal development and other facility requirements on the basis of forecasted future traffic for various Phases. Facility requirements should be the outcome of the application of technical and service level standards to the relevant forecast data throughout the planning period to ensure that sufficient facilities are available to accommodate the forecast traffic volumes from the COD of the Airport till the end of the Concession Period.

The most important systems that affect overall airport capacity and level of service to users are the Runway/ taxiway system and the passenger Terminal Building (and the domestic and international split), as well as the number of apron stands and contact gates. The development of the Airport in Phases shall be as per provisions mentioned in Schedule A.

In addition, regular investments are needed to periodically maintain and upgrade the facilities, replace equipment and meet other requirements in order to ensure the Airport infrastructure caters to the projected traffic meeting the service level standards prescribed in this Agreement.

2. Development Philosophy

The purpose of any planning effort is to determine the facilities required to support a forecast demand, with the near-term planning being used as means of identifying the initial development required. However, it is also imperative the planning efforts do not initiate development that precludes or significantly complicates the ability to develop latter stages of the Airport. Additionally, the planning effort must result in a scheme that remains flexible while also definitely establishing a coordinated plan for the incremental growth of specific elements of the Airport.

Sustainability

Environmental conservation is an important element of consideration for all work proposed for the Site. The Master Plan shall consider this from various lenses, considering overall site sustainability with respect to how the project is situated on the Site, how it impacts the area in and around the Site boundaries, for example through transportation to and lighting of the Site.

- **Water:** How is water demand managed, and how is water treated on the site?

Sustainable, site-wide water strategies must first promote demand reduction, through management of water demand for building use, irrigation, and fire safety. Building demands should be managed by provision of water efficient fixtures, namely sinks and toilets. Irrigation requirements should be minimized by use of native species that are drought tolerant. Strategies should be pursued that promote the collection of graywater and stormwater for non-potable uses, including irrigation and aircraft washing.

- **Energy:** How is energy provided on or delivered to the site in sustainable ways, and how efficiently do building systems that require energy to operate?

The ultimate EPI (Energy Performance Index) of the airport shall be less than the industry average as amended time to time.

A large part of the energy required to operate the buildings on site is required for the conveyance systems, equipment, special systems (such as baggage handling), and

18.4.16. The relevant clauses of the concession agreement with regard to the Deemed Initial RAB are given below:

- *Clause 28.11.3 (a) - It is agreed by the Parties that the Concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical Assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment ("**Deemed Initial RAB**").*
- *Clause 28.11.3 (b) – The estimated depreciated value of investments made by the Authority in the Aeronautical Assets at the Airport as on March 31, 2018, is Rs. 271,00,00,000 (Rupees Two Hundred and Seventy-One Crores) ("**Estimated Deemed Initial RAB**"). It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.*



18.5. Annexure 5 – Note on Corporate Cost allocation as submitted by AIAL

Corporate Allocation

- i. Ahmedabad International Airport Limited (AIAL) is a group company of Adani Group. Adani Enterprises Limited (AEL) holds 51% shareholding in AIAL directly and 49% shareholding indirectly through Adani Airport Holdings Limited (AAHL).
- ii. AEL is a flagship company for Adani Group which has promoted various businesses like Power, Renewable, Ports, Logistics, Airports, Data Center, Défense etc.
- iii. AAHL is a special purposes holding company incorporated with an aim to promote Airport and airport related activities. As on date AAHL has portfolio of 8 Airports i.e. Mangaluru, Lucknow, Ahmedabad, Guwahati, Jaipur, Thiruvanthapuram, Mumbai and Navi Mumbai.
- iv. AEL and AAHL have developed various capabilities, infrastructure and processes in various areas ("Corporate Support Services").
 - a. AEL has consolidated various strategic functions/activities like corporate finance, legal, central procurement, green initiative, ESG, Information technology, taxation, management assurance, internal audit, shared service for financial transactions. human resource management. AEL also includes various strategic and leadership functions like Chairman office, Group CFO office, Corporate Communication and Branding etc. AEL provides support on these functions to all group companies including but not limited to Power, Renewable, Ports, Logistics, Airports, Data Center, Défense etc.
 - b. AAHL houses a team of specialised subject matter expert in Aviation sector having domain knowledge and expertise in Airports Operation, Airside Management, Master Planning, Designing, Airport Development, Airport Regulatory, Human Resources, Transition Management, Hospitality, Customer management, Finance Management, Legal expertise, Cargo Development and Management, Airline Marketing, Retail, Commercial, Space Leasing, Non-Aeronautical etc.
- v. These capabilities, infrastructure, and processes (retained under AEL and AAHL) are very much important for sustainable operations of any business including Airports.
- vi. The cost is incurred by AEL and AAHL on overall basis to provide these services and support to various group companies (including Airports) by AEL and to various Airport companies in case of AAHL respectively. The major composition of these costs includes salaries and administrative cost related.



- vii. These costs (except shareholders services and non-Aeronautical services) are recovered by AEL and AAHL through appropriate allocation method/keys. AEL and AAHL do not allocate the costs which are related to shareholders services (activities performed by AEL / AAHL for their own benefits like consolidation of accounts, secretarial etc.) and Non-Aeronautical services.
- viii. The cost is allocated on cost-to-cost basis "without any mark-up". As on date Adani Group has portfolio of 8 Airports. In case these services are to be maintained by each Airport on standalone basis then the summation of cost incurred by each Airport will be much higher than the consolidated cost incurred by AEL and AAHL to maintain these services.
- ix. Corporate cost allocation has various benefits like: -
1. Leveraging on best practices
 2. Centralized monitoring and control
 3. Efficiencies and economies of scale
- x. It has been a common practice across all the industries operated by big business houses including private Airport entities and AAI, whereby cost allocation process is prevalent. The similar corporate cost allocation practice is used by aviation companies For e.g., GMR Infrastructure Limited (GIL) and GMR airports Limited (GAL) provides services to DIAL and GHIAL and their costs are allocated based on suitable drivers. Similar practice is followed by AAI as well in allocating its Central Head Quarters (CHQ) / Regional Head Quarters (RHQ) costs to various airports.
- xi. For FY20-21 i. e. from COD 07th Nov 2020 to 31st March 2021, it was first year of operations, Corporate cost of AAHL was bifurcated amongst Mangalore, Lucknow and Ahmedabad in proportion to the revenues earned by each of these Airports, which is also in line with the practice adopted by AAI to allocate its CHQ/RHQ costs to its Airports.

Below is the breakup of corporate cost allocation (Allocated in the ratio of revenue earned by Mangalore, Lucknow and Ahmedabad) from AAHL to AIAL from COD i.e. 07th Nov 2020 to 31st March 2021

Particulars	Amount (Rs. In Crs)
Admin	1.77
Personal Cost	5.38
Total	7.14



xii. However in FY21-22 with the acquisition of Mumbai & Navi Airport and achievement of COD for Jaipur, Guwahati, and Thiruvanthapuram Airports, AAHL felt need to devise more robust allocation methodology and has hired an independent consultant to undertake a study on Corporate Cost Allocation who have opined that consolidation of support services have benefits like: -

- a) Leveraging on best practices
- b) Centralized monitoring and control
- c) Efficiencies and economies of scale

The independent consultant also opined that such corporate cost allocation practice is adopted by various large corporates including Aviation companies in India and overseas. Further the independent consultant has advised that, non-allocation of shareholders cost, non-allocation of non-aeronautical services at AAHL, recovery at cost to cost without mark-up and allocation based on various drivers, are suggested approach for allocation methodology.

Based on the above suggestions, allocation keys for FY21-22 onwards have been revised and given effect accordingly.



18.6. Annexure 6 – Details regarding capital expenditure for the Third Control Period

18.6.1. Minor Projects - Terminal Building

Table 255: Cost towards Minor Projects – Terminal Building as decided by the Authority

S. No.	Asset Description	Amount (INR Cr.)		
		by AO	Considered in TCP	Deferred/ To be trued up
1	Conversion of Existing Ceremonial Lounge into GA Terminal	11.56	9.40	2.16
2	Waterproofing work at T1, T3 & T4	0.60	0.21	0.39
3	Light Motion Sensor 300 Nos	0.05	0.01	0.03
4	Terminal -2 Roof modification to avoid leakage waterproofing issues	10.00	8.31	1.69
	Adjusted total base cost	22.21	17.94	4.27

18.6.2. Minor Projects - Runway & Taxiway

Table 256: Cost towards Minor Projects – Runway & Taxiway as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Development of RESA for RWY	Aero	2.60	-	2.60
2	Demolition of Existing Pavement	Aero	0.34	-	0.34
3	Demolition of existing Bomb cooling pit	Aero	0.01	-	0.01
4	Bomb Cooling Pit and associated Boundary wall works (South of Runway) incld. additional Road, Electrical & Watch Tower Works in BCP Area	Aero	1.80	-	1.80
5	GSE Staging - (Rigid Pavement)	Aero	14.56	-	14.56
6	Demolition of Existing Boundary wall	Aero	0.02	-	0.02
7	Into Plane Facility Building	Aero	0.24	-	0.24
8	Access & Circulation Area/ Site Development	Aero	0.38	-	0.38
9	Runway Recarpeting	Aero	2.50	-	2.50
10	Airside Signages	Aero	1.83	0.15	1.68
	Adjusted total base cost		21.67	0.15	21.53
	Aero (A)			0.15	
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			0.15	

18.6.3. Minor Projects - Roads

Table 257: Cost towards Minor Projects – Roads as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Landside signages	Common	0.40	0.15	0.25
2	Recarpeting of landside roads	Common	6.96	3.31	3.65
3	Perimeter road recarpeting & widening at few areas	Aero	10.60	10.60	-
	Adjusted total base cost		17.96	14.06	3.90
	Aero (A)			10.60	

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
	Common (B)			3.46	
	Non-aero			-	
	Aero base cost (A + B × Terminal Building Ratio)			13.71	
	Aero cost including indexation			15.90	

18.6.4. Minor Projects - Boundary wall

Table 258: Cost towards Minor Projects – Boundary wall as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Landside Boundary Wall / Landside Airport Compound Wall (New Construction on North side)	Common	0.49	0.49	-
2	Perimeter wall height extension, repair & Monkey Fencing removal & reinstallation	Aero	3.00	-	3.00
3	Boundary Wall Protection, Watch tower	Aero	0.80	-	0.80
	Adjusted total base cost		4.29	0.49	3.80
	Aero (A)			-	
	Common (B)			0.49	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			0.44	

18.6.5. IT Equipment

Table 259: Cost towards IT Equipment as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	IOT (Internet of things) system for passenger process mapping	Aero	2.00	-	2.00
2	Smart Door for AOCC	Aero	0.03	-	0.03
3	IT equipment upgradation in Apron Control/AOCC	Aero	2.00	-	2.00
4	CRM Software	Common	0.06	-	0.06
5	IT Infrastructure Development	Common	0.80	0.08	0.76
6	Asset Management- Software for T2	Common	0.25	-	0.25
7	Incident Management- Software for T2	Common	0.25	-	0.25
8	Server and Storage Tech Refresh	Common	1.00	-	1.00
9	Network Switch and Cabling Tec Refresh	Common	1.50	-	1.50
10	Readers for biometric AEP	Common	0.39	-	0.39
11	OFC network CCTV, Other building connectivity's	Aero	0.70	-	0.70
12	Switches and hardware	Common	1.20	-	1.20
13	IT Infra & DC	Common	4.49	-	4.49
14	Innovation & Technology Lab	Common	0.90	-	0.90
15	Technology Change / Upgradation of Systems	Common	2.50	2.50	-
16	Strategic Projects	Common	3.50	0.75	3.23
17	BU Growth	Common	4.32	4.32	2.02
18	Asset Level Technology Refresh	Common	3.65	1.79	2.54

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
	Adjusted total base cost		29.54	9.43	20.11
	Aero (A)			-	
	Common (B)			9.43	
	Non-aero			-	
	Aero base cost (A + B × Terminal Building Ratio)			8.49	
	Aero cost including indexation			9.64	

18.6.6. Security Equipment

Table 260: Cost towards Security Equipment as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Birds scaring / wildlife prevention equipment's	Aero	2.0	0.06	1.94
2	Aerodrome Safeguarding Equipment	Aero	0.2	0.10	0.05
3	O2, Explosive, Toxic analyser , Confined space air blower with duct , Vapor proof light	Common	0.2	-	0.20
4	Life enhancement of 5 Nos CFT	Aero	2.5	2.50	-
5	Optical Fiber cable from IAPP camera to ACR	Aero	0.5	-	0.50
6	Upgradation of Airside access gates/ crash gates	Aero	1.6	-	1.60
7	BDDS Equipment's (Set)	Aero	9.0	-	9.00
8	Guard Tour System	Aero	0.1	-	0.05
9	Video Management System license software	Aero	0.6	0.15	0.49
10	QRT Vehicle	Aero	1.0	0.56	0.44
11	RT Sets	Aero	1.2	-	1.20
12	Artificial Intelligence for cameras for T2	Aero	0.5	-	0.50
13	Counter Drone System	Aero	0.3	-	0.25
14	Forceable entry prevention (Crash Barriers/bollards/Tyre killers	Aero	0.3	-	0.25
15	Intrusion detection system	Aero		-	-
16	Key Management System	Aero	0.1	-	0.05
17	CCTV Cameras	Aero	3.8	3.80	-
18	CISF Kitchen Equipment	Aero	0.3	0.21	0.06
19	HHMD / DFMD	Aero	0.8	0.75	-
	Adjusted total base cost		24.71	8.13	16.58
	Aero (A)			8.13	
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			8.13	

18.6.7. Minor Projects - Plant and Machinery

Table 261: Cost towards Minor Projects – Plant and Machinery as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Demolition of Existing Boundary wall	Aero	0.01	0.01	-

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
2	Fuel Station (Petrol Pump)	Aero	0.42	-	0.42
3	Access & Circulation Area/ Site Development	Aero	0.40	0.40	-
4	Triturator	Aero	5.00	-	5.00
5	Circulation for Triturator	Aero	0.18	0.18	-
6	Passenger Chairs	Common	0.90	-	0.90
7	Baggage repacking area, provision of Weighing scales	Aero	0.10	-	0.10
8	Passenger Baggage trolleys	Aero	2.20	-	2.20
9	Thermal screening infrastructure	Aero	1.00	-	1.00
10	Dustbin	Common	0.60	-	0.60
11	AEDs	Aero	0.20	-	0.20
12	Prams	Aero	0.10	-	0.10
13	Q Managers	Aero	1.00	-	1.00
14	Baggage Tub (200 per year, Total – 1000)	Aero	0.25	-	0.25
15	Environment Management	Aero	1.50	-	1.50
16	Airside Safety Budget	Aero	1.20	-	1.20
17	PU flooring for BBA/BMA	Aero	1.00	-	1.00
18	Domestic/aerial Fire Tender with ladder	Aero	1.00	-	1.00
19	Portable Fire equipment's, Mobile DG lights, various cutting tools,	Aero	0.30	-	0.30
20	ALCMS replacement	Aero	0.16	0.16	-
21	Replacement of CCRs & electrical panels of CCR's	Aero	0.72	0.18	0.54
22	Sun control film on PBB glass	Aero	0.48	-	0.48
23	Harmonic filter for electrical panels	Common	1.80	-	1.80
24	Bob cat for airside works	Aero	0.30	-	0.30
25	Water cooler at Airside	Aero	0.03	-	0.03
26	Percolation Well 8 Nos	Aero	0.32	-	0.32
27	Replacement of PAPI cables	Aero	0.50	0.50	-
28	Oil water separator	Aero		-	-
29	Aircraft toilet waste disposal	Aero	0.10	-	0.10
30	T1 & T2 Apron HPSV & Halogen light replacement with LED Lighting	Aero	0.53	0.53	-
31	8 Nos PBB Interior development & Rectification at T1 & T2	Aero	0.50	-	0.50
32	Safety Hoop 6 Nos for PBB	Aero	0.06	-	0.06
33	UPS for PBB 4 Nos, 10 KVA	Aero	0.12	0.12	-
34	Airside Electrical Panel, lighting poles bollard, other assets protection	Aero	0.60	0.08	0.52
35	Dual power supply for M-LAT	Aero	0.25	0.25	-
36	ASKA Light for ARFF	Aero	0.10	0.10	-
37	Portable 25 KVA DG Set	Aero	0.08	-	0.08
38	Replacement of Terminal -1 old chillers with Energy Efficient chillers – 2 Nos	Common	1.62	-	1.62
39	Automated chemical dosing system with at Terminal 1 & Terminal -2 cooling tower plant	Common	0.20	-	0.20
40	Tube cleaning system at Terminal -2 chillers	Common	0.35	-	0.35
41	Paver blocks at T1, & T2 Substation to avoid water ponding, pest infestation improving safety	Common	0.30	-	0.30
42	Side stream filters in cooling towers	Common	0.50	-	0.50

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
43	Old AHU's coil & Fan replacement by new coil	Common	3.00	-	3.00
44	Fire Detection & Protection system at buildings & Substation	Common		-	-
45	Pre-paid Energy & Water Meters	Common		-	-
46	Air purifiers	Common	0.20	-	0.20
47	Replacement of ATC Lift & T-1 Departure lift	Common	0.60	0.10	0.50
48	Replacement / modification of T1, T2 LT panels and providing metering arrangement for select areas i.r.o. of O&M	Common	2.20	-	2.20
49	Replacement of LT Panel in ATC block	Aero	0.30	-	0.30
50	Energy efficient pumping system for T-1 & T2, STP	Common	0.40	-	0.40
51	BMS & Energy management system for Terminals	Common	1.00	-	1.00
52	CCTV for Plant rooms, store, STP	Aero	0.45	-	0.45
53	Airside cable pit rectification, levelling and covers	Aero	0.90	0.12	0.78
54	AVDGS upgrade & replacement	Aero	0.70	-	0.70
55	Water metering	Common	0.30	-	0.30
56	Building Fire Fighting system improvements (Electrical panels temperature sensor in panels, fire hydrant & fire extinguisher in few locations)	Aero	0.50	0.28	0.22
57	UPS for Emergency lighting	Aero	0.38	-	0.38
58	Prepaid energy meter for concessionaries, offices	Non Aero	0.30	-	0.30
59	Old Split AC replacement, GHG Compatible	Common	0.90	0.42	0.48
60	Landside & Airside FRP Drain Covers	Common	0.60	-	0.60
61	Modification of T-1 landside drain for addressing monsoon	Non Aero	0.50	-	0.50
62	Mobile Auto prime Pumps (for dewatering) & Sump pit	Common	0.60	0.26	0.34
63	Child barrier for BHS 55 Nos Counters safety	Aero	0.08	-	0.08
64	PRM Alarm for washroom	Aero	0.02	-	0.02
65	Washroom Exhaust improvement (Blowers)	Common	0.20	-	0.20
66	Urinal Sensors	Aero	0.03	-	0.03
67	SS Fender	Common	0.10	0.08	0.02
68	HVLS Fans for T1 & T2	Common	0.50	0.18	0.32
69	Photometric testing workshop equipment	Aero	0.50	-	0.50
70	Mobile photometric testing equipment for AGL	Aero	0.75	-	0.75
71	Torque calibration equipment along with software, DGPS (Differential GPS) for AGL	Aero	0.35	-	0.35
72	Building management systems (BMS) System at Terminal -2 (Energy, Water, Air)	Aero		-	-
73	CCR old 140 KVA UPS replacement 2Nos 250 KVA along with accessories	Aero	0.96	0.96	-
74	Cooling Tower replacement	Common	1.30	0.18	1.12
75	Radar AC replacement	Aero	0.50	-	0.50
76	Redundant water supply line for Terminal -2	Common	0.30	-	0.30
77	Portable 5 KVA DG Set	Aero	0.01	-	0.01
78	Friction Tester	Aero	1.40	-	1.40
79	Rubber Deposit Removal Vehicle	Aero	6.40	5.33	1.07
80	Mechanical Runway Sweeper	Aero	3.00	3.00	-
81	DG Exhaust Scrubber	Common	1.70	-	1.70



S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
82	T-1 Smart Street light Pole	Common	0.25	-	0.25
83	DG & Panel Replacement	Common	1.00	-	1.00
84	Electrical Charging stations at Landside & Terminal side	Non Aero	1.30	0.02	1.28
85	Water Treatment plant	Common	0.40	-	0.40
86	Electrostatic filter for AHU's to handle pandemic, killing germs	Common	0.50	-	0.50
87	APFC Panels	Common	0.30	-	0.30
	Adjusted total base cost		62.65	13.43	49.22
	Aero (A)			12.19	
	Common (B)			1.22	
	Non-aero				
	Aero base cost (A + B × Terminal Building Ratio)			13.28	
	Aero cost including indexation			14.50	

18.6.8. Minor Projects - Other buildings

Table 262: Cost towards Minor Projects – Other buildings as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	CCR Building	Aero	4.88	-	4.88
2	Access & Circulation Area/ Site Development	Aero	1.28	1.28	-
3	New Airside Gates - 2	Aero	1.82	1.82	-
4	New Airside Gates - 1	Aero	1.82	1.82	-
5	SMR Facilities (New CONSTRUCTION)	Aero	0.23	0.23	-
6	Access & Circulation Area/ Site Development	Aero	0.02	0.02	-
7	Hazardous Waste Storage	Aero	0.33	-	0.33
8	Circulation for Hazardous Waste Storage	Aero	0.05	0.05	-
9	Rainwater Harvesting Ponds (RWH 1 & 2)	Common	0.76	-	0.76
10	Airside Cafeteria	Non Aero	0.40	-	0.40
11	Airside Toilet Facility	Aero	0.30	-	0.30
12	New Airside washroom & Few CNS equipment canopies as per operations requirement	Aero	0.35	0.35	-
13	Watchtowers 6 Nos for CISF & Porta Toilets 6 Nos	Aero	0.27	-	0.27
14	Porta Cabins Sentry post CISF	Aero	0.05	-	0.05
15	Office development	Common	2.50	-	2.50
16	Airline Office development	Aero	1.20	0.97	0.23
17	Stores Infrastructure Development	Aero	0.20	-	0.20
18	Scrap Yard	Non Aero	0.25	-	0.25
19	ATC refurbishment	Aero	0.75	0.75	-
20	Utility rooms refurbishment	Common	0.50	-	0.50
21	ASTI	Aero	4.00	1.82	2.18
	Adjusted total base cost		21.96	9.10	12.86
	Aero (A)			9.10	
	Common (B)			-	

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
	Non-aero			-	
	Aero base cost (A + B × Terminal Building Ratio)			9.10	
	Aero cost including indexation			10.01	

18.6.9. Minor Projects - Vehicles

Table 263: Cost towards Minor Projects – Vehicles as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Airside Operation Vehicles	Aero	0.30	0.30	-
2	Vehicle recovery Van	Aero	0.15	0.10	0.04
3	Follow ME Vehicle	Aero	0.70	-	0.70
4	Ambulances	Aero	1.05	0.38	0.67
5	Mini Road Roller	Common	0.10	-	0.10
	Adjusted total base cost		2.30	0.79	1.51
	Aero (A)			0.79	
	Common (B)			-	
	Non-aero			-	
	Aero base cost (A + B × Terminal Building Ratio)			0.79	
	Aero cost including indexation			0.88	

18.6.10. Minor Projects - Cargo Equipment

Table 264: Cost towards Cargo Equipment as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Cargo Equipment and Cargo Screening System & IT System	Aero			
1.1	Movable Equipment for ICT (Refer table 266)	Aero	9.33	4.66	4.66
1.2	MHE Equipment (Refer table 265)	Aero	67.50	67.50	-
1.3	IT System, Equipment Dom+Intl+Exp	Aero	3.36	1.68	1.68
1.4	Ancillary Services	Aero	26.40	13.20	13.20
	Total		106.59	87.05	19.55

Table 265: Cost towards Cargo Equipment- MHE Equipment list as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Civil-PEB-Electrical-FFS (Related to Equipment installation)	Aero	18.84	18.84	-
2	PCHS (Pallet container handling system) 100 locations for storing ULD(Pallet/Container), 2 Elevated Transfer Vehicle, Integrated Workstation with integrated weighing bridges for pallet and container etc.	Aero	30.65	30.65	-

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
3	SRS (Stacking and Retrieval system) 3000 Locations, 5 heights, 5 stackers	Aero	9.00	9.00	-
4	Handling Equipment In line cargo conveyor with auto weighing, dimension measurement, barcode reading and piece counting. Flexible conveyors for loading/ unloading.	Aero	3.00	3.00	-
5	IT Infrastructure (MHS Related)	Aero	6.01	6.01	-
					-
	Total Amount Including Taxes but excluding contingency	Aero	67.50	67.50	-

Table 266: Cost towards Cargo Equipment- Movable Equipment for ICT list as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	10 Feet Pallet Dolly	Aero	0.20		
2	10 Ton Weighing Scale	Aero	0.02		
3	2 Ton Weighing Scale	Aero	0.02		
4	3 Ton Battery operated Forklift with additional battery & Charger	Aero	0.51		
5	5T battery operated forklift with one additional battery and charger	Aero	1.00		
6	5 Ton Weighing Scale	Aero	0.02		
7	Battery operated Tractor with additional battery and charger	Aero	0.70		
8	Bulk Trolley	Aero	-		
9	Cattle Cages	Aero	-		
10	Dock Levellers	Aero	0.20		
11	Hand Pallet Trucks (HPT)	Aero	0.05		
12	Industrial Fans	Aero	0.04		
13	Warehouse rack storage locations	Aero	0.11		
14	Slave Pallets 10 ft	Aero	0.48		
15	Truck Ramps	Aero	0.00		
16	Warehouse Pallets - Plastic - 1mX1m	Aero	0.19		
17	Radio Sets & Repeaters	Aero	-		
18	ETD	Aero	0.35		
19	XIBS (100x100 DV)	Aero	-		
20	XIBS (145x180 DV)	Aero	3.00		
21	EHMD (Handheld Metal Detector)	Aero	-		
22	DFMD (Door Frame Metal Detector)	Aero	0.02		
23	Other misc. (binoculars / thermal cameras, temporary tyre killers etc)	Aero	-		
24	Traffic Signages, Cones, Chains and equipment for Traffic Management	Aero	-		
25	Tyre Killers at city side (subject to clearance from local authorities)	Aero	-		
26	Security Cabins	Aero	-		
27	Boom Barriers with Accessories and Application (Set of 1 In / Out Barriers)	Aero	0.05		
28	Under Vehicle Scanner & ANPR	Aero	0.60		

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
29	Dome Camera with Switching and Accessories	Aero	0.30		
30	PTZ Camera Outdoors with Switching and Accessories	Aero	0.08		
31	Poles - 8 Mtrs	Aero	0.03		
32	Software Licence/ camera	Aero	0.05		
33	Base Licence	Aero	-		
34	Access Control licenses	Aero	-		
35	Flap Barriers with smart card access control single lane	Aero	-		
36	Access Control Controllers / door	Aero	0.02		
37	Card based Readers and Accessories/ door	Aero	0.04		
38	Indoor Intrusion detection system / Per sensor (PIR)	Aero	0.00		
39	Intrusion Detection Panel with Junction box, Power Supply, Software licence and accessories	Aero	0.01		
40	Intrusion Panel Repeater Unit	Aero	0.00		
41	Biometric Attendance Devices for initial period for Adani employees / Device	Aero	-		
42	Servers (1 Management, 1 Archival, 1 FO Archival) - Common Infra at Airport Terminal	Aero	-		
43	Storage - Sct 2	Aero	0.05		
44	Chair	Aero	-		
45	LED TV	Aero	0.02		
46	Meeting Room Chairs	Aero	-		
47	Tables	Aero	-		
48	Desktops	Aero	-		
49	Handheld Devices	Aero	1.12		
50	Printer	Aero	0.05		
51	Duty Mobile	Aero	-		
52	Document Scanner	Aero	-		
53	Phones - Station In charge	Aero	-		
54	Barcode Printer	Aero	-		
55	Radio Sets	Aero	-		
	Adjusted total base cost		9.33	4.66	4.66
	Aero (A)			4.66	
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			4.66	

18.6.11. Minor Projects - Cargo Building

Table 267: Cost towards Minor Projects – Cargo Building as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	MT Workshop	Aero	12.6	7.96	4.66
	Adjusted total base cost		12.6	7.96	4.66
	Aero (A)			7.96	

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			7.96	

18.6.12. Minor Projects - Misc. Cargo Equipment

Table 268: Cost towards Minor Projects – Misc. Cargo Equipment as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	T3 Renovation	Aero	2.1	2.1	-
2	MS Azure (IT)	Aero	0.1	0.1	-
3	Equipment Carry Forward	Aero	4.0	4.0	-
	Adjusted total base cost		6.17	6.17	-
	Aero (A)			6.17	
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			6.17	

18.6.13. Minor Projects - Fuel Farm

Table 269: Cost towards Minor Projects – Fuel Farm as decided by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Product (dead stock)	Aero	2.80	2.80	-
	Adjusted total base cost		2.80	2.80	-
	Aero (A)			2.80	
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			2.80	



18.6.14. T1&T2 refurbishment- BOQ Details

Table 270: Summarized BOQ - T1 Refurbishment Works as proposed by the Airport Operator

S. No.	Asset Description	Total (INR Cr.)
1	Demolition Works	0.85
2	Barricading works	5.51
3	Doors and Windows	0.89
5	False Ceiling	2.70
6-A	Connecting Bridge	-
7	Flooring	3.39
8	Furniture	2.19
9	Gir Forest Area Structure Addition	8.92
10	Glass Partition	1.88
12	PEB Structure for BHS and BRH Area	7.39
12-A	Structural glazing and Doors for BRH	0.95
13	Services	-
a)	Electrical	12.18
b)	FFTG	3.19
c)	HVAC	22.61
d)	ICT	9.18
e)	Plumbing	0.70
14	SS Railing	0.35
15	Structure Addition & Modifications	3.38
16	Toilets	2.82
16-A	Plumbing & Sanitaryware	1.76
18	Wall Finish	9.67
	Total Amount (In Rupees)	100.51

Table 271: Summarized BOQ – T2 Refurbishment Works as proposed by the Airport Operator

S. No.	Asset Description	Total (INR Cr.)
1	Temporary Barricading	7.88
2	Demolition Works	1.70
3	BOQ_ Door Works	1.82
4	False Ceiling Works	15.43
5	FAÇADE & GATE Works	-
5.1	Bus Gate Façade	0.81
5.2	Departure Gate Façade	1.53
5.3	FF gate Façade	1.09
5.4	Service Vestibule Façade	1.28
5.5	Façade- International Immigration Area	0.90
5.6	Façade- T2 Connecting Bridge	3.38
5.7	Façade and Vestibule-Additional Quantities	0.49
6	Flooring Works	7.10
7	SS Railing Works	0.76



S. No.	Asset Description	Total (INR Cr.)
8	Immigration Expansion Block	7.22
8.1	Departures-New Building (Additional Quantities)	23.54
9	FLB Work (Revised BOQ)	29.46
10	GLASS PARTITION Works	6.23
11	PLUMBING Works (Revised BOQ)	1.84
11.1	Plumbing Works- Sanitary Installations	2.36
11.2	Plumbing Works- Sanitary Installations (Additional Quantities)	0.50
12	Wall finish Works	12.37
13	Structural Addition & Modifications Works - R1	1.70
14	BOQ Furniture Works	4.30
14.1	Furniture Works (Additional Quantities)	0.68
15	Terminal Plantation	0.65
16	Toilet Block (New and renovation work)	6.12
16.1	Toilet Block (New)- Additional Quantities	0.97
	MEP	
17	Fire Protection Works (Revised Quantities)	7.36
18	ELECTRICAL WORKS (Revised Quantities)	19.03
19	Bill Of Quantity HVAC Works (Revised Quantities)	41.53
20	AMD T2 - Schedule of Escalator	1.93
20.1	AICMC for 7 Years including 2 years DLP	2.32
21	AMD T2 - Schedule of Elevators	1.18
21.1	AICMC for 7 Years including 2 years DLP	2.32
22	ICT Works (Revised BOQ)	21.81
23	BHS	36.03
24	SECURITY SYSTEM (Revised Quantities)	7.90
24.1	AICMC for 7 Years including 2 years DLP	0.98
25	PBB (passenger Boarding Bridge)	19.60
25.1	AICMC & O&M for 7 Years including 2 years DLP	14.18
26	VDGS (Visual Docking Guidance System)	2.20
26.1	AICMC & O&M for 7 Years including 2 years DLP	3.80
	Total Contract Value	324.28

18.6.15. Bifurcation of expenses towards modification of existing terminals between Aero and Non-aero

Table 272: Bifurcation of expenses towards modification of existing terminals

Particulars (INR Cr.)	Refer	Cost as per the Authority (INR Cr.)		
		Total	% Aero	Aero
A.4 Expansion and modification of existing terminal buildings				
T1 & T2 Refurbishment Works*		543.78	90%	489.40
Artworks	Table 102	22.73	90%	20.46
Passenger amenities at landside	Para 7.5.4	164.47	50%	82.24
Total		730.98	81.00%	592.09
Total including indexation		791.80	81.00%	641.36

18.6.16. Break-up of awarded portion of cost towards Passenger Amenities at Landside

Table 273: Break-up of awarded portion of cost towards Passenger Amenities at Landside

Particulars	Amount (INR Cr.)
Forecourt	79.47
Façade	14.14
PEB	18.19
Plumbing	4.70
HVAC	4.63
EFS	1.24
Electrical	5.65
Total	128.01
Total including GST and BOCW* CESS	152.33**

*Building and Other Construction Workers Welfare (BOCW)

**awarded portion only

18.6.17. List of projects dropped by the Airport Operator in due course post submission of MYTP

Table 274: List of Projects dropped by the Airport Operator

S. No.	Normative Cost Calculation	Amount (INR Cr.)
A.6	Minor Works – Terminal Buildings	75.09
	Terminal work	75.09
B.6	Minor Works – Runway & Taxiway	2.60
	Development of balance portion of RESA for Runway 05 & 23 End	2.60
F.9	T1 Utility Complex	88.00
	Relocation of Torrent Power Station / Construction of New Power Station	88.00
G.2	Security Equipment	0.02
	Intrusion detection system	0.02
G.4	Minor Projects – Plant & Machinery	2.45
	Oil water separator	0.05
	Fire Detection & Protection system at buildings & Substation	0.80
	Pre-paid Energy & Water Meters	0.60
	Building management systems (BMS) System at Terminal -2 (Energy, Water, Air)	1.00
	Solar Panels	29.23
	Total	197.39



18.6.18. Details of LoA for MMTH Road Project



Service Order

Ref No.: PROCAIAL/22-23/126
Date : 06th July 2022

To,
M/s. AIC Infrastructures Private Limited,
B-7, Vimal Apts, Juhu Lane,
Andheri (West),
Mumbai - 400058 (India)

Kind Attn: Mr. Kritarth Raja (Managing Director)

Subject: Apron & Landside Civil Works at Sardar Vallabhbhai Patel International Airport, Ahmedabad ("Airport")

Reference: a) Our RFP for the subject works published on dt. 18.02.2022.
b) Your final offer for subject works dated 01.04.2022.

Dear Sir,

We are pleased to issue this Service Order (SO) for subject works as per the terms and conditions mentioned below:

- 1) The total value of the Service Order (SO) is **Rs. 76,64,73,355/- [Rupees Seventy-six Crore Sixty-four Lac Seventy-three Thousand Three Hundred and Fifty-five Only]** including all taxes and duties but excluding Goods & Service Tax (GST) and BOCW cess, which shall be paid as extra by Employer to Contractor as applicable on submission of requisite documents.
- 2) Time period will be as follows:
Commencement Date : 01.04.2022
Completion Date : All works shall be completed for
 - Package-1 & 2 - (Civil works for Aprons for Terminal T1&T2) in **6 months** from the Commencement date
 - Package-3 - (Civil work for landside development) in **7 months** from the Commencement date
- 3) The currency or currencies in which payments are made to the Contractor under this Contract shall be **Indian Rupees**.
- 4) The Contract shall be interpreted, construed, and governed by the Laws of India. Subject to Determinations, Claims, Disputes and Arbitration, the courts situated at **Ahmedabad**, in the State of Gujarat, India shall have exclusive jurisdiction in all matters relating to the Contract.
- 5) All other terms and Contract Conditions & Technical specifications shall be as per the documents annexed herewith.

Please acknowledge and send us one copy duly signed and stamped on each page as a token of unconditional acceptance of this SO.

Thanking you,

Yours faithfully,
For, Ahmedabad International Airport Ltd.,

Received and unconditionally accepted,
For, AIC Infrastructures Pvt. Ltd.,

Hitarth Mankodi
Hitarth Mankodi (U16 10721872 GNT (53))

Authorized Signatory

[Signature]
Authorized Signatory



Enclosures:

1. Annexure - I - Price Schedule
2. Annexure - II - Special Conditions of Contract
3. Annexure - III - General Conditions of Contract

Sr. No.	Description	Amount
1	T1 Apron	3,78,87,321
1.1	Earth work	29,82,055
1.2	Pavement work	1,00,01,006
1.3	Paint marking work	5,36,800
1.4	Pipe culvert - Utility duct	17,02,128
1.5	Road Signage	70,000
1.6	Road side Drain(Open drain)	1,17,91,889
1.7	Utility Duct	41,52,502
1.8	IT work	23,34,250
1.9	Electrical works	33,86,337
1.10	Demolition and dismantling	9,30,354
2	T2 Apron	25,96,74,778
2.1	Earth work	2,36,33,866
2.2	Pavement work	13,43,04,222
2.3	Paint marking work	26,01,403
2.4	IT system	39,42,133
2.5	AGL Civil	15,09,930
2.6	AGL Electrical	15,19,077
2.7	Electrical work	1,83,54,462
2.8	Utility duct/Duct Bank	3,22,71,172
2.9	Demolition	1,87,94,273
2.10	Extra Items - Provisioning of Road, new Steel gate & MS pipes, Sentry post	13,11,110
2.11	Additional Items	2,14,33,130
3	Landside	46,89,11,256
3.1	Civil Works	35,76,75,557
3.2	Drain Work	3,73,46,585
3.3	Electrical	3,86,27,483
3.4	Parking_Electrical	2,01,50,802
3.5	ICT	1,51,10,829
Basic Amount including all taxes and duties and excluding GST and BOCW		76,64,73,355

Nikuni Adani

Nikuni Adani LLP, 2022-17-48 DPT-13-31

Annexure - 1 to Work BOD

Apron and Landside Works at AHD

Page 1 of 11

18.6.19. Executive Summary of NATS Study



Executive Summary

This study was commissioned by Adani to provide an independent high-level review of the infrastructure and forecast demand contained in the Ahmedabad Airport Master Plan.

The airport master plan sets out ambitious targets to grow to 18M passengers annually in 2026 (Master Plan Phase 1), 28M passengers annually in 2030 (Master Plan Phase 2) and 40M passengers annually in 2040.

Desktop analysis was carried out to review the runway, stand, taxiway, and airspace infrastructure provided by the Master Plan phases and compare against forecast demand.

The main findings are summarised in the table below.

	Phase 1 - 2026	Phase 2 - 2030	2040
Adani Forecast demand, annual passengers	18M	28M	42M
Adani Forecast demand, annual movements	123k	184k	318k
Runway capacity			Limited to 36 movements per hour unless A-D-A separations are reduced
Stand capacity		Demand for overnight stands is likely to approach capacity	Demand for overnight stands is likely to exceed capacity
Taxiway infrastructure	Runway 23 operations will be challenging as demand approaches 2030 levels		The taxiway infrastructure is likely to become constrained as traffic levels increase
Airspace infrastructure		5NM minimum radar separation may limit airspace capacity	5NM minimum radar separation may limit airspace capacity

Table 1: Summary of Airport Capacity

The table below provides a qualitative estimate of peak theoretical capacity based on analysis in this report and benchmarking with other busy single runway airports.

	Annual Passengers	Annual Movements	Average Daily Demand	Peak Hourly Demand
Ahmedabad (Theoretical Peak Capacity)	34M	220K	603	36

Table 2: Ahmedabad Theoretical Peak Capacity

This study makes several recommendations to support the enhancement of the airport's capacity.



18.6.20. Detailed cost estimates for additional cable and associated accessories provided by AIAL

Estimated Cost for the for additional cables and other associated accessories

Sr. No.	Item Description	Qty		Rate (In Lakh Rs.)	Amount (In Lakh Rs.)
For 66 KV Substation					
1	Cable for 66 KV and 33 KV Single core copper cable (within Substation)	1	Job	30	30
2	66 KV Cable from Torrent Substation to RSS Substation (7 x .85)	6000	Mtrs	0.2	1,200
3	Cable Joint & Termination	24	Nos.	4	96
4	Statutory Charges/ Service Charges	1	Job	22.5	23
For 33 KV Substation					
1	Cable for 33 KV Single core & 11 KV single core copper cable (within Substation)	1	Job	50	50
2	33 KV Cable	1500	Mtrs	0.06	90
3	Cable Joint & Termination	1	Job	50	50
4	Other Services (Cap Bank, Earthing, Lightning arrestor) etc.	1	Job	90	90
5	Statutory Charges/ Service Charges	1	Job	15	15
Total					1,644

18.6.21. Detailed cost estimates for STP, Storage Tanks and Pumphouse work provided by AIAL

Table 275: Detailed BOQ for STP, Storage Tanks and Pumphouse work submitted by the Airport Operator

S. No.	Description of Item	Unit	Rate (INR)	Quantity	Amount (INR Cr.)
1	Fresh Water tank with Pump House				
1.1	Water storage Tank	KL	23,400	17,750	41.54
1.2	Pump House	Sqm	28,300	388	1.10
1.3	Hydro pneumatic Water Supply System	LPM	1,800	2,833	0.51
2	STP & Storage Tanks, Pump House associated Buildings				
2.1	Demolition for Roadways				
2.1.1	Demolition of Flexible Pavement	Sqm	730	595.0	0.04
2.2	Demolition of Existing Structure	Sqm	3,300	696.0	0.23
2.3	Demolition of Existing Boundary wall	Rmt	2,100	135.0	0.03
2.4	2.0 MLD STP	MLD	59,000,000	2.0	11.80
2.5	Recycled Water storage Tank	KL	23,400	3,600	8.42
2.6	Hydro pneumatic Water Supply System	LPM	1,800	2,083	0.37
2.7	Pump House	Sqm	28,300	112	0.32
2.8	Solid Waste Facility	Sqm	25,900	5,626	14.57
2.9	Access & Circulation Area/ Site Development for Solid Waste Facility	Sqm	4,400	1,000	0.44
	Total				79.37

Office of The Superintendent of Stamps

Stamp & Registration Bhavan,

Kha - 5 Circle, Sector - 14,

Gandhinagar - 382016 Gujarat

Phone Fax & No.: 079 - 23288265

No. Stamp/ashan/35/2020/5942

dt. 06/02/2022

To,

The Director,

Adani Ahmedabad International Airport Limited,

Adani Corporate House, Shanti Gram, S.G. Highway,

Ahmedabad - 382421.

Subject: - Seeking Advice for Stamp Duty Under Gujarat Stamp Act - 1958 Section A-31 (Ka-31).

Reference: - An application dated 18/08/20 submitted by you for content 'Concession Agreement'.

It is to inform that an application dated 18/08/20 which has been submitted by you for Seeking Advice on Stamp Duty Under Gujarat Stamp Act - 1958 Section - 31, in respect of content Concession Agreement. On study of the content, it reveals that Concession Agreement has been made between Airport Authority of India and Adani Ahmedabad International Airport Limited. This Concession Agreement has been made on the day of dt. 14/02/202.

On study of the content, it reveals that Concession Agreement has been made for Operation, Management and Development. And taken responsibility for development.

In this content, two dealings have been inclusive i.e. A.NO. (1) Development Agreement and A. NO. (2) Concession means Lease. In this context, since, two different dealings are involved, under Section 5, duties for two different dealings are to be levied accordingly.

As per Gujarat Stamp Act - 1958 under Article - 45 (g) (Ja) for construction of any immoveable property or development or sale or transfer (by any how) known in the name of anybody or given to



developer, duty will be levied Rs. 3 and paise 50 on bazar value of Rs. 100. As such, total stamp duty to be levied at the tune of Rs. 2,32,65,193/- (Rupees two crore thirty-two lacs sixty-five thousand one hundred ninety-three only) at the calculation of rate Rs. 3.50 of total bazar value of Rs. 66,47,19,800/- in respect of developing land.

Taking in the account content of the matter and affidavit submitted by the applicant, the concession agreement has been made between Airport Authority of India. As per agreement Rs. 2,77,41,00,000/- has been paid to Airport Authority of India by them. Except that no amount has to be paid. Hence, the amount to the tune of Rs. 277,41,00,000/- would be as per provision of Article - 30 (b) (kha) of Schedule - 1 of Gujarat Stamp Act 1958,

As per Article - 30 (b) (kha), amount of premium of stamp duty would be levied Rs. 13,59,30,900/- (Rupees thirteen crore fifty-nine lacs thirty thousand nine hundred only) taking in calculation of amount Rs. 277,41,00,000/- on transfer letter of ownership.

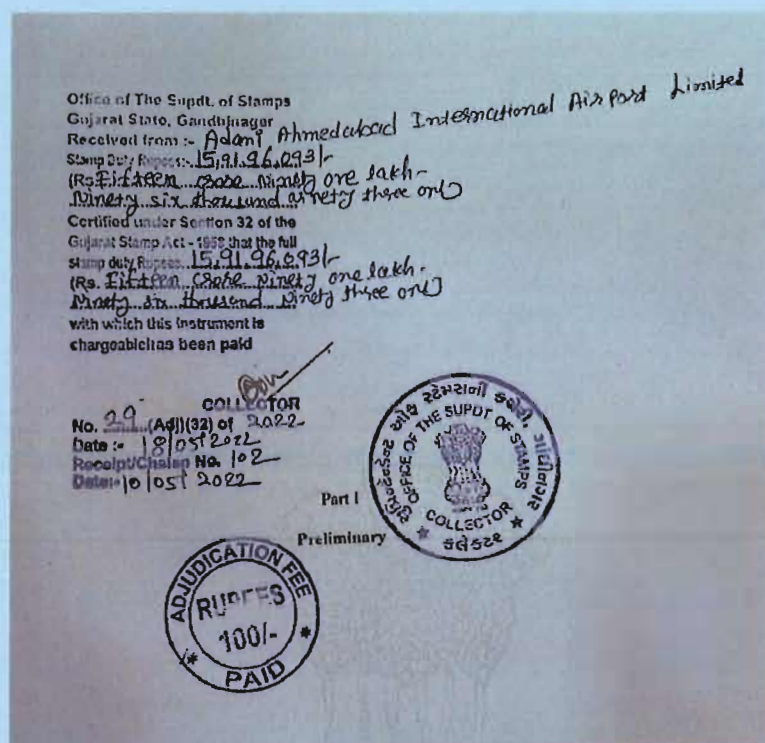
As such overall amount would be Rs. 15,91,96,093/- (Rupees fifteen crore ninety-one lacs ninety-six thousand ninety-three only) taking in the account of Rs. 2,32,65,193/- as per Article - 45 (g) (Ja), bazar value of transfer of developing land and Rs. 13,59,30,900/- as per Article - 30 (b) (kha), premium amount of concession agreement, that is concession agreement 4.90% as per Article - 20 (a) (ka), as decided.

- (1) Rs. 100/- as Judiciary Decision Fee has been received by this office

Sig.
Collector
And
Additional Supt. Of Stamps
Gujarat State, Gandhinagar

Note: - Above amount may be sent by Cheque/Demand draft/Pay order in the name of Collector and Additional Supt. Of Stamps Gujarat State, Gandhinagar for certifying the content.





18.6.23. Adjusted normative cost towards main pavement for Hangars as decided by the Authority

Table 276: Adjusted normative cost towards main pavement for Hangars as decided by the Authority

Particulars (in INR Cr.)	Amount
Normative Cost in FY 2022	5,664.44
AGL*	849.67
Drains*	849.67
Airside Operational Constraints**	368.19
Subtotal (A)	7,731.96
Adjustment for impact of GST@additional 6% (B)	712.02
Total (A + B)	8,443.99

*Based on AO's submission

**Revised from 15% as per AO's submission to 5%

18.7. Annexure 7 – Details regarding O&M Expenses for the Third Control Period

The table below shows the detailed breakup of the proposed employee headcount for the Select employees as submitted by AIAL for TCP vide email dated 23rd April 2022.

Table 277: Employee ratio of the Select employees as per AIAL as on 31st March 2022

Department	Classification	As on 31st March 2022 (in No.)
Security	Aero	1
Information Technology	Common	1
Terminal and Operation	Aero	21
Non-Aero Commercial	Non-Aero	1
Human Resources and Admin	Common	23
Finance	Common	6
Engineering & Maintenance	Aero	37
Fire Fighters	Aero	83
	Total	173
	Aero	142
	Non-Aero	1
	Common	30
	Total	173
Allocation of Common		
Aero%	99.30%	
Non-Aero%	0.70%	
Total after adding allocation of common		
Aero	171.8	
Non-Aero	1.2	
Total	173.000	
Aero%	99.30%	
Non-Aero%	0.70%	

The table below shows the detailed breakup of the proposed employee headcount of the AIAL employees for the various departments as submitted by AIAL for TCP vide email dated 23rd April 2022.



Table 278: Detailed headcount summary as per the submission of AIAL for TCP

Department	FY 22	FY 23	FY 24	FY 25	FY 26	Justification as per AO
Chief Airport Office (CAO office)	2	2	3	3	3	As per Concession Agreement, Clause 6.5.3. AAI employees with designation over DGM and above have been transferred out by AAI and they are not associated with the Airport after 3 months from CoD. Accordingly, Airport Director and all HoDs have been transferred out and are not working at Mangaluru Airport CAO stands for Chief Airport Officer. He is responsible for overall operations and management of the Airport. Department is akin to erstwhile Office of Airport Director. He is supported by relevant staff for analysis, reviews, KPI management, regular review, action taken follow-ups, stakeholder management etc.
Air Cargo	2	3	3	3	3	AIAL is handling it's own cargo facility as the AAICLAS facility has been carved out. Accordingly, inhouse manpower for monitoring of operations is considered.
Environment & Sustainability	1	1	2	2	2	As per Clause 18.1.1 (o) of CA, AIAL is expected to protect and conserve the environment. Also there is requirement to get the Environment Audit done as per clause 18.13. Accordingly, the manpower requirement has been considered.
Horticulture	1	1	2	2	2	As part of environmental sustainability measures to develop SVPIA as a green airport, statutory requirements of tree transplantation/plantation and to create natural ambience befitting a landmark international airport, the manpower requirement has been considered.
Techno Commercial (Procurement department)	3	8	11	11	11	AAI do not have any local purchase department at site. All the procurement at AAI are done centrally through tendering process. Techno commercial function is responsible for procurement of various requirement of user department, management of contract, RFP issue, onboarding of vendor, etc.
Corporate communication	1	2	2	2	2	As per Clause 18.1.1 (q) of CA, AIAL is required to have public relation officer who will interface with various stakeholders. The same has been considered to fulfill the mandated requirement.
Corporate Affairs	0	1			1	Position required to interact with various state government, local municipalities, utility boards, local police, land department etc. on day to day basis.

Department	FY 22	FY 23	FY 24	FY 25	FY 26	Justification as per AO
Security	6	13	20	20	22	<p>Currently there is no person deputed for carrying out Security function at the Airport. At present AAI was only performing pass section function with an outsourced support. However there are various activities which need to be performed by AIAL like CISF Documentation, Airport Security Program, Kerb Side Management, Traffic Management, Airport Operator Security Control Room, Tout Management, Security System Maintenance, Encroachment outside and perimeter area, Intelligence and Vigilance Gathering, Avsec Training and Compliances, Landside Operations, BCAS Compliance requirements. AIAL will be carrying out functions with a combination of On roll and outsourced employees. Sovereign agencies and security set up of the airport operator have clearly defined mandates. NACASP 2018 vide Para4.2.2(xxii) stipulates that the Airport Operator is responsible for implementation of security controls at the airports through the CSO. The Asset CSO is bestowed with all the powers to implement security controls at the airport level and overall coordination with other agencies at the airport(Para5.2.1(ii)ofNCASPrefers).</p> <p>AIAL has assumed employees onrolls is a composition of CSO, Pass Section, Avsec Audit and Compliances, Loss Prevention and Automation, landside operations and others. Other operations like Kerb side, Tout Management, Traffic Management, Encroachment Prevention, Security System Maintenance etc. are expected to be mix of in-house and outsourced.</p> <p>Further there is New Integrated Passenger Terminal is expected to get operationalise in FY25-26.</p>
Legal	1	3	4	4	4	<p>AAI does not have legal positions at the Airport. Composition includes 1 HoD and 3 department supporting staff.</p>
Safety	1	3	4	4	4	<p>As per Concession Agreement clause 18.15.4, AIAL is expected to create Airport Safety Management Unit (ASMU) and designate one of its officers to be in-charge of the ASMU. Composition includes Aviation Safety Expert and its associates.</p>



Department	FY 22	FY 23	FY 24	FY 25	FY 26	Justification as per AO
Quality	2	5	6	6	6	Under clause 23.1 of concession Agreement, AIAL is obligated to monitor and measure quality of service on the parameters prescribed in the Concession Agreement. Further as per Concession Agreement, AIAL is expected to maintain relevant ISO certification and other quality certifications for all the facilities controlled and managed by AIAL. Composition includes Quality Expert and its associates.
Customer Engagement	0	1	3	3	4	AIAL is expected to perform ASQ rating and take customer feedback on the various facilities, improvement areas at the Airport. Composition includes 1 HoD and 3 its associates.
Information Technology	1	5	6	6	8	AAI does not have Information technology team to support the IT functioning of the Airport. IT is a backbone of the Aviation and all the critical systems need to be running with zero downtime. Critical systems includes AODB, FIDS, PDAs, SAP, Business Analytics, Integration with ATC, VGDS, Radio Sets, Desktops, Laptops, Billing Softwares, Document Management System, Access Control System etc. Composition includes 1 HoD, Support staff.
Airside Management	16	48	50	50	60	As per Clause 18.1.1 (d), (f) and (g), AIAL is responsible to maintain and operate Airside including Runway, Taxiways, Apron, Approach Areas etc. Also it is mentioned in the CNS-ATM Agreement about the airside obligations to be performed by AIAL. AIAL is responsible to establish Apron Management Service, Airside safety, aerodrome safeguarding and aeronautical information services. Previously some of these services were performed by ANS team of AAI and some of the services were not done at all. Post CoD all these functions are to be performed by AIAL. Further these activities are strictly regulated by DGCA as part of legal framework of Aerodrome Operating License under CAR section 4, series F part 1. Lastly as a part of capex expansion plan, there are new Airside facilities need to be made like Part Parallel Taxi Track, New Apron, RESA, Taxiway C, Apron Expansion, Utilities etc. There

Department	FY 22	FY 23	FY 24	FY 25	FY 26	Justification as per AO
						<p>will be requirement for additional manpower to operate these facilities.</p> <p>The composition includes In Charge Airside, Duty Managers, Duty Officers, Airside Executive, Airside Ground Maintenance, Aerodrome Licencing, Aerodrome Safeguarding, Wildlife Hazard Management, Environment Sustainability</p> <p>Further there is New Integrated Passenger Terminal is expected to get operationalise in FY25-26.</p>
Regulatory	1	1	2	2	2	New position to support in regulatory filing with AERA.
Terminal and Operation	28	35	35	35	45	<p>AIAL is expected to maintain and improve quality of service to passengers. In that connection, AIAL will deploy various positions of Terminal Managers, Duty Managers, Shift Incharge, Protocol services. Two terminal T1 and T2 will have increase in area by 20% as per Master Plan</p> <p>Further there is New Integrated Passenger Terminal is expected to get operationalise in FY25-26.</p>
Non-Aero Commercial	6	9	10	10	10	AIAL is expected to deploy various strategies/innovations to monitor the Non-Aeronautical Income and development of city side area. There is likelihood of increase in Manpower over time.
Human Resources and Admin	2	6	8	8	8	AIAL is expected to consolidate and automate various positions/functions and will employ limited staff which will be comprising of HoD, HR Operations, Talent Acquisition, Compliances and Admin purposes.
Finance	2	8	9	9	10	Composition includes 1 HoD, and support staff for various functions under finance and accounts

Department	FY 22	FY 23	FY 24	FY 25	FY 26	Justification as per AO
Engineering & Maintenance	1	17	20	20	30	<p>Currently AAI has approx. 10-12 people each in Civil, Technical and Engineering sections.</p> <p>AIAL is expected to outsource some of the non-core activities. Second there will be increase in Terminal Area by 20%, Increase in Airside Facilities, Increase in landside facilities, Utilities etc, there will be requirement of more manpower in Engineering and Maintenance department to cater to these increased facilities.</p> <p>Considering all the above factor, AIAL is expected to consolidate the function and will have only 20 people on-roll.</p> <p>Further there is New Integrated Passenger Terminal is expected to get operationalise in FY25-26.</p>
Aviation Rescue and Fire Fighting (ARFF)	0	4	8	8	8	There is no deficiency of Fire Fighters at the AMD. The deficiency is in Fire Control room and Ambulance staff which will be outsourced.
Fire Fighters	0	0	85	85	85	Keeping in view the importance of ARFF activities in the Airport, there is requirement of additional position to fill like Head of Department, Station In Charge, Fire Prevention, Training Cell, Shift Managers etc.
ILBS / Screeners	84	125	125	125	125	New department / positions
Total	161	301	419	419	455	
Aero	145	258	365	365	397	
Non-aero	6	9	10	10	10	
Common	10	34	44	44	48	
Total	161	301	419	419	455	
Allocation of Common						
Aero%	96%	97%	97%	97%	98%	
Non-Aero%	4%	3%	3%	3%	2%	
Total after allocation of Common						
Aero	154.6	290.9	407.8	407.8	443.8	
Non-aero	6.4	10.1	11.2	11.2	11.2	
Total	161	301	419	419	455	
Aero%	96%	97%	97%	97%	98%	
Non-Aero%	4%	3%	3%	3%	2%	

Source: Clarifications received from AIAL



The summary of reclassification of departments of AIAL as proposed by the Authority for TCP is shown in the following table.

Table 279: Summary of reclassification of departments of AIAL as proposed by the Authority for TCP

Department	Classification as per AIAL	Classification as proposed by the Authority	Remarks as per the Authority
Chief Airport Office (CAO office)	Aero	Common	AIAL with regard to this department has stated that "He is responsible for overall operations and management of the Airport." The duties of the CAO is not limited to the aeronautical activities at the airport but extends to the commercial activities as well. Hence, the Authority has proposed to reclassify this department as Common.
Air Cargo	Aero	Aero	
Environment & Sustainability	Aero	Aero	
Horticulture	Aero	Common	AIAL has not provided the location-wise break-up of these expenses. Given that an improvement in sense of place provides commercial advantages through enhanced spending by passengers, the Authority proposes to consider this department as common. This allocation is also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA
Techno Commercial (Procurement department)	Common	Common	
Corporate communication	Common	Common	
Corporate Affairs	Common	Common	
Security	Aero	<p>No. of employees considered as Aero in TCP for each year: FY 2022: 6 FY 2023: 12 FY 2024: 15 FY 2025: 15 FY 2026: 15</p> <p>No of excluded employees in TCP for each year: FY 2022: 0 FY 2023: 1 FY 2024: 5 FY 2025: 5 FY 2026: 7</p>	The Authority is of the view that the Security related matters are primarily managed by Central Industrial Security Force (CISF). AIAL has also mentioned that this function will be carried out with a mix of on-roll employees and outsourced employees. Additionally, it can be observed from the above table that the responsibilities of the Security department pertains primarily to the land side. Hence, the Authority proposes to consider 6 employees for FY 2022 (as submitted by AIAL). For FY 2023, the Authority proposes to consider 12 employees in this department and for FY 2024 till FY 2026, the Authority proposes to consider 15 employees in this department.
Legal	Common	Common	
Safety	Aero	Aero	
Quality	Aero	Common	Matters of Quality do not pertain purely to aeronautical activities, it would also involve ensuring customer satisfaction and experience across the

Department	Classification as per AIAL	Classification as proposed by the Authority	Remarks as per the Authority
			airport including commercial activities. Hence, the Authority proposes to reclassify this department as Common. This allocation is also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA
Customer Engagement	Common	No. of employees considered as Aero in TCP for each year: FY 2022: 0 FY 2023: 1 FY 2024: 2 FY 2025: 2 FY 2026: 2	For FY 2022, the headcount in this department is zero. For FY 2023, the Authority proposes to consider the employee headcount of 1 as submitted by AIAL. However, the Authority proposes to consider the Employee Headcount at 2 for the last three (3) tariff years for Customer Engagement department as against 3 employees claimed by the AO in FY 2024 and FY 2025 and 4 employees claimed by the AO in FY 2026, as the Authority feels that this function relates to ASQ rating activity, which is performed only on a quarterly basis, that too through outsourced Consultancy Firms.
		No of excluded employees in TCP for each year: FY 2022: 0 FY 2023: 0 FY 2024: 1 FY 2025: 1 FY 2026: 2	
Information Technology	Common	Common	
Airside Management	Aero	No. of employees considered as Aero in TCP for each year: FY 2022: 12 FY 2023: 36 FY 2024: 39 FY 2025: 42 FY 2026: 45	The Authority notes that AIAL has proposed to deploy 16 employees in this department for FY 2022 which appears to be unreasonably high as the domestic PAX at SVPIA will return to Pre-COVID levels in FY 2023 and for international PAX and ATM, the same will happen in FY 2024. Hence, 75% of the employee headcount projected by the Airport Operator in FY 2022 and FY 2023. From FY 2024 till FY 2026, the Authority proposes to consider 39, 42 and 45 aero employees respectively, owing to the significant increase in ATM traffic post recovery.
		No of excluded employees in TCP for each year: FY 2022: 4 FY 2023: 12 FY 2024: 11 FY 2025: 8 FY 2026: 15	
Regulatory	Aero	Aero	
Terminal and Operation	Aero	Aero	
Non-Aero Commercial	Non-Aero	Non-Aero	



Department	Classification as per AIAL	Classification as proposed by the Authority	Remarks as per the Authority
Human Resources and Admin	Common	No. of employees considered as Common in TCP for each year: FY 2022: 2 FY 2023: 2 FY 2024: 8 FY 2025: 8 FY 2026: 8	The Authority observes that AIAL has proposed to deploy 2 employees and 6 employees in this department for FY 2022 and FY 2023 respectively. As per the Study on Efficient Operation and Maintenance Expenses for SVPIA, it is noted that the number of aeronautical employees considered in this department was 3 for the period from COD till 31 st March 2021. Hence, the Authority is of the view that number of employees considered in this department for FY 2022 is reasonable. However, for FY 2023, the number of employees seems on the higher side considering that there are 23 AAI employees deployed in this department. Hence, the Authority proposes to consider the two employees (same as FY 2022) in this department for FY 2023. For the remaining three (3) tariff years of TCP, the Authority proposes to consider the number of employees as submitted by AIAL as the Deemed Deputation Period will end in FY 2024.
		No of excluded employees in TCP for each year: FY 2022: 0 FY 2023: 4 FY 2024: 0 FY 2025: 0 FY 2026: 0	
Finance	Common	Common	
Engineering & Maintenance	Aero	Common	For this department, the Authority notes that AIAL has stated that "Increase in Airside Facilities, Increase in landside facilities, Utilities etc, there will be requirement of more manpower in Engineering and Maintenance department to cater to these increased facilities." From this statement, it can be inferred that these employees will be involved in non-aeronautical activities as well. Hence, the Authority has proposed to reclassify this department to Common.
Aviation Rescue and Fire Fighting (ARFF)	Aero	No. of employees considered as Aero in TCP for each year: FY 2023: 4 FY 2024: 5 FY 2025: 5 FY 2026: 5	For FY 2022, the headcount in this department is zero. The Authority notes that AO has projected 8 employees for ARFF department for the last three (3) tariff years and 4 employees in FY 2023 in the Third Control Period and as for FY 2022, the AO has proposed zero AIAL employee for this department. The Authority is of the view that the AO has already projected 85 employees for Firefighting for the last Three (3) tariff years. These employees are also involved in related activities. Hence, the Authority proposes to consider 5 employees for ARFF department for
		No of excluded employees in TCP for each year: FY 2023: 0 FY 2024: 3 FY 2025: 3	

Department	Classification as per AIAL	Classification as proposed by the Authority	Remarks as per the Authority
		FY 2026: 3	the last three (3) tariff years and for FY 2023, the Authority proposes to consider the employee headcount of 4 as submitted by AIAL.
Fire Fighters	Aero	Aero	
ILBS / Screeners	Aero	No. of employees considered as Aero in TCP for each year: FY 2022: 84 FY 2023: 84 FY 2024: 89 FY 2025: 107 FY 2026: 125 No of excluded employees in TCP for each year: FY 2022: 0 FY 2023: 41 FY 2024: 36 FY 2025: 18 FY 2026: 0	The Authority notes that AIAL has proposed to deploy 84 employees in FY 2022 and deploy 125 employees in this department from FY 2023 till FY 2026. The Authority proposes to consider the headcount as submitted by AIAL in FY 2022 and consider the same headcount of 84 in FY 2023 as well. However, from FY 2024 till 2026, the Authority proposes to rationalize the headcount such that number of employees increases with the traffic growth rate to reach 125 in FY 2026, which is the requirement of AIAL for TCP.

Based on the above reclassifications, the employee ratio of AIAL for TCP was recomputed as shown in the following table.

Table 280: Employee ratio proposed by the Authority for TCP

Department	Classification as proposed by the Authority	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Chief Airport Office (CAO office)	Common	2	2	3	3	3
Air Cargo	Aero	2	3	3	3	3
Environment & Sustainability	Aero	1	1	2	2	2
Horticulture	Common	1	1	2	2	2
Techno Commercial (Procurement department)	Common	3	8	11	11	11
Corporate communication	Common	1	2	2	2	2
Corporate Affairs	Common		1	1	1	1
Security	Aero	6	12	15	15	15
Legal	Common	1	3	4	4	4
Safety	Aero	1	3	4	4	4
Quality	Common	2	5	6	6	6
Customer Engagement	Common	-	1	2	2	2
Information Technology	Common	1	5	6	6	8
Airside Management	Aero	12	36	39	42	45
Regulatory	Aero	1	1	2	2	2
Terminal and Operation	Aero	28	35	35	35	45

Department	Classification as proposed by the Authority	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Non-Aero Commercial	Non-Aero	6	9	10	10	10
Human Resources and Admin	Common	2	2	8	8	8
Finance	Common	2	8	9	9	10
Engineering & Maintenance	Common	1	17	20	20	30
Aviation Rescue and Fire Fighting (ARFF)	Aero	-	4	5	5	5
Fire Fighters	Aero			85	85	85
ILBS / Screeners	Aero	84	84	89	107	125
	Total	157	243	363	384	428
	Aero (A)	135	179	279	300	331
	Non-Aero (B)	6	9	10	10	10
	Common (C)	16	55	74	74	87
	Total (A + B + C)	157	243	363	384	428
Allocation of Common						
	Aero $[D = A \div (A + B)]$	95.74%	95.21%	96.54%	96.77%	97.07%
	Non-Aero $[E = B \div (A + B)]$	4.26%	4.79%	3.46%	3.23%	2.93%
Total after adding allocation of common						
	Aero $(F = A + D \times C)$	150.32	231.37	350.65	371.36	415.45
	Non-aero $(G = B + E \times C)$	6.68	11.63	12.56	12.39	12.55
	Total $(F + G)$	157	243	363	384	428
	Aero% $\{F \div (F + G)\}$	95.74%	95.21%	96.54%	96.77%	97.07%
	Non-aero% $\{G \div (F + G)\}$	4.26%	4.79%	3.46%	3.23%	2.93%



19. APPENDICES

Appendix 1 – Study on Allocation of Assets for SVPIA for the Second Control Period
(https://aera.gov.in/uploads/stack_holder/16662540988074.pdf)

Appendix 2 – Study on Efficient O&M Expenses for SVPIA for the Second Control Period
(https://aera.gov.in/uploads/stack_holder/16662541501282.pdf)

Appendix 3 – Study on NATS Study submitted by AIAL
(https://aera.gov.in/uploads/stack_holder/16662542305366.pdf)

