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Order No. 08/2026-27



सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India

बीपीसीएल केआईएएल फ्यूल फार्म प्राइवेट लिमिटेड (बीकेएफएफपीएल) के संबंध में
कन्नूर अंतर्राष्ट्रीय हवाईअड्डा, कन्नूर में फ्यूल फार्म और इन-टू-प्लेन
सेवाओं के लिए द्वितीय नियंत्रण अवधि (01 अप्रैल, 2023 - 31 मार्च, 2028)
के लिए टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF DETERMINATION OF
TARIFF FOR FUEL FARM AND INTO PLANE SERVICES IN RESPECT
OF BPCL KIAL FUEL FARM PVT. LIMITED (BKFFPL)
AT KANNUR INTERNATIONAL AIRPORT, KANNUR
FOR THE SECOND CONTROL PERIOD
(1st April 2023 – 31st March 2028)

जारी करने की तारीख : 27 मई, 2026

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तृतीय तल/ 3rd Floor,
उड़ान भवन/ Udaan Bhawan,
सफदरजंग हवाईअड्डा/ Safdarjung Airport
नई दिल्ली/ New Delhi - 110003



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List of Abbreviations

Abbreviations	Expansion
AAI	Airports Authority of India
ACS	Annual Compliance Statement
AERA / Authority	Airports Economic Regulatory Authority of India
AO	Airport Operator
ARR	Aggregate Revenue Requirement
ATF	Aviation Turbine Fuel
ATM	Air Traffic Movement
ATP	Annual Tariff Proposal
BCAS	Bureau of Civil Aviation Security
BKFFPL	BPCL Kannur Fuel Farm Private Limited
BPCL	Bharat Petroleum Corporation Limited
BSSPL	Bharat Star Service Private Limited
CA	Concession Agreement
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CGF	Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft
CPI	Consumer Price Index
FAR	Fixed Assets Register
FCP	First Control Period
FHS	Fuel Hydrant System
FIF	Fuel Infrastructure Fee
FRoR	Fair Rate of Return
FY	Financial Year
GOI	Government of India
HPCL	Hindustan Petroleum Corporation Limited
INR or ₹	Indian Rupees
IOCL	Indian Oil Corporation Limited
ITP	Into Plane Services
JV	Joint Venture
KL	Kilo Litre
KIAL	Kannur International Airport Limited
MCLR	Marginal Cost of Fund Based Lending Rate
MoM	Minutes of Meeting
MYTP	Multi Year Tariff Proposal
O&M	Operation & Maintenance Expenditure
OMC	Oil Marketing Companies
OPEX	Operating Expenditure
P.A.	Per Annum
PAX	Passenger(s)
PSU	Public Sector Undertaking
RAB	Regulatory Asset Base
SBI	State Bank of India
SCP	Second Control Period
Sq.m.	Square Meter



1. BACKGROUND

1.1 Introduction

- 1.1.1 Kannur International Airport is a Greenfield airport located close to Mattannur in Kannur district of Kerala. It is built under the Public Private Partnership (PPP) model. It has been promoted by Govt. of Kerala with equity participation from PSUs (BPCL and Kerala PSUs), AAI and private sector.
- 1.1.2 KIAL (Airport Operator) and BPCL entered into a Joint Venture Agreement on 29.12.2014 and subsequently, a Joint Venture Company, namely, BPCL KIAL Fuel Farm Private Limited (BKFFPL) was incorporated on 18.05.2015. The company was formed to design, develop, construct, manage, maintain, upgrade and operate the Aviation Fuel Farm with allied facilities and Hydrant System at Domestic and International Terminals of Kannur International Airport for the supply of ATF on exclusive basis.
- 1.1.3 BKFFPL, accordingly, has the right to operate the fuel farm at the Kannur International Airport for a period of 30 years, extendable by another 30 years on mutually agreed terms and conditions.
- 1.1.4 Currently, Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Indian Oil Corporation Limited (IOCL) and Shell MRPL are supplying oil to the Fuel Farm facility at Kannur airport. BKFFPL is providing services relating to the receipt, storage, and delivery of ATF to the aircrafts.
- 1.1.5 BKFFPL commenced its commercial operations related to Fuel Farm/ ITP services on 09.12.2018 (same as COD of the airport).
- 1.1.6 Shareholding pattern of BKFFPL is given below:

Table 1: Shareholding Pattern of BKFFPL

S. No.	Particular of the Shareholder	Percentage of Shareholding (%)
1	Bharat Petroleum Corporation Limited	74 %
2	Kannur International Airport Limited	26 %
	Total	100 %

1.2 Tariff Determination History

- 1.2.1 The Authority initially approved an Ad-hoc Tariff for BKFFPL vide Order No. 34/2018-19 dated 04.12.2018, effective from the COD up to 30.06.2019, to enable the BKFFPL to commence its commercial operations at Kannur airport. Subsequently, the validity of this ad-hoc order was extended up 30.12.2019, through interim orders, issued from time to time.
- 1.2.2 The Authority approved regular tariff for the ISP in respect of 2nd & 3rd tariff year i.e., FY 2019-20 & FY 2020-21 of the First Control Period (FY 2018-19 to FY 2022-23) vide Order No. 14/2019-20 dated 28.10.2019.



- 1.2.3 Thereafter, the Authority, vide Order No. 44/2021-22 dated 15th March, 2022 determined tariff for the 4th & 5th Tariff Year of the First Control Period (FY 2021-22 and FY 2022-23) along with the true up of FY 2019-20 and FY 2020-21 [2nd & 3rd tariff year of First Control Period (FCP)].

The Authority, through various interim orders has extended the validity of tariff in respect of Fuel Farm and ITP Services (prevailing as on 31.03.2021) for BKFFPL at Kannur International Airport up to 30.09.2026 as an interim measure, pending finalization of regular tariff for the Second Control Period.

1.3 Submission of Multi Year Tariff Proposal (MYTP) for the Second Control Period (SCP)

- 1.3.1 BKFFPL, vide letter dated 02.01.2025 submitted the revised MYTP in respect of the Second Control Period (FY 2023-24 to FY 2027-28) for the determination of regular tariff in respect of the Fuel Farm and ITP Services being provided by it at the Kannur International Airport.

- 1.3.2 In its MYTP, BKFFPL had requested the Authority to consider, inter-alia, the under-recovery amounting to ₹ 10.80 Crores for the First Control Period (FY 2018-19, FY 2021-22 and FY 2022-23). M/s BKFFPL submitted the audited financial statements for a company as a whole for the FY 2022-23 and FY 2023-24.

The Authority obtained the requisite clarifications & additional details from BKFFPL, from time to time pertaining to various aspects of tariff determination process, including regulatory building blocks, such as, Capex, Operation & Maintenance expenditure etc., to assess the reasonableness of the proposed Capex, Opex etc. for finalizing this Consultation Paper. The sequential timeline of the events starting with submission of MYTP up to finalization of Consultation Paper is presented in the table below:

Table 2: Timelines for submission of MYTP and other information by BKFFPL

Event	Date
MYTP submitted by BKFFPL for the Second Control Period along with true up of FY 2021-22 and FY 2022-23	02.01.2025
First Set of queries raised by the Authority related to agreement, Opex, etc.	13.03.2025
Reminder sent to BKFFPL regarding queries	02.04.2025
Partial data shared by BKFFPL related to agreements, Opex etc.	07.04.2025
Second Set of queries raised by the Authority along with the pending queries	29.04.2025
Reminder sent to BKFFPL regarding queries	14.05.2025
Partial data shared by BKFFPL related to Repayment Schedule,	15.05.2025
Third Set of queries raised by the Authority	01.07.2025
Revised MYTP submitted by the ISP	03.07.2025
Fourth Set of queries raised by the Authority	22.07.2025
Revised MYTP submitted by the ISP	06.08.2025
Data shared by the ISP with regard to Depreciation	23.08.2025
Information sought regarding Depreciation, Loan details	09.10.2025
Reply received incorporating the information	16.10.2025
Submission of final version of MYTP with actual financials including FY 2024-25	29.10.2025



Event	Date
Clarification sought regarding steep increase in few components of Operator Charges and Other Expenses for FY 2025-26 to FY 2027-28	06.11.2025
Break up of operator charges received from ISP	11.11.2025
Breakup of CAPEX for FY 2025-26 received by the ISP	05.01.2026
Audited Financials for FY 2024-25 received	27.01.2026

1.3.3 BKFFPL is the sole service provider in respect of the Fuel Farm and Into Plane Services at Kannur International Airport. Accordingly, in its MYTP, the ISP had proposed a consolidated fee of ₹ 2608.04 /KL for both the above-mentioned services (FF & ITP Services).

1.3.4 The Authority noted that BKFFPL conducted the Users Consultation Meeting on 19.09.2025 in respect of its Fuel Farm & ITP Services being provided at Kannur International Airport and had submitted the Minutes of the Meeting (MoM) to AERA. As per the minutes of said meeting, representative of Airlines' associations like FIA, Airlines, Shell Aviation and Oil Marketing Companies had attended the meeting.

From the MoM submitted by BKFFPL, the Authority observed that ISP shared key aspects of its proposal including brief on the storage tank capacity, allied facilities, operational aspects, organizational structure, and details of capital expenditure was also given. It was also highlighted that no major investments are currently planned, except for meeting essential requirements wherein the expenditure will be minor.

1.3.5 Mr. Ganesh Iyer, representing IndiGo, requested that the Company consider a reduction in Fuel Infrastructure Charges (FIC), to make it attractive for the airlines to uplift fuel. In response, the CEO of BKFFPL encouraged airlines to enhance traffic by deploying additional flights and, where feasible, consider upgrading smaller aircraft to wide-body aircraft to enable the company to further optimize operations and work towards a lower tariff.

1.3.6 The Authority reviewed the MYTP submission by BKFFPL with respect to various regulatory building blocks and issued CP No. 09/2025-26 dated 24.03.2026, invited suggestions/comments from the Stakeholders on various proposals contained in the CP with the following timelines:

- Date for submission of written comments by Stakeholders: 14.04.2026
- Date for submission of Counter comments by ISP: 21.04.2026

1.3.7 The Authority received comments from stakeholders namely, M/s BKFFPL i.e. ISP & M/s BPCL and the same were uploaded on the AERA website vide Public Notice No. 03/2026-27 dated 16.04.2026.

1.3.8 The Authority after examining the comments of the stakeholders i.e. M/s BKFFPL and M/s BPCL on the above referred CP and after considering all the relevant aspects of the case, has finalized this Tariff Order.



2. METHODOLOGY FOR TARIFF DETERMINATION

2.1 Principles for Determination of Tariff for the “Aeronautical Services”

- 2.1.1 The Authority, vide Order No. 12/2010-11 dated 10.01.2011 finalized its approach 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 (CGF Services) at the major airports. Accordingly, the Authority issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and supply of Fuel to the Aircraft) Guidelines, 2011 (“the CGF Guidelines”) vide Direction No. 04/2010-11 dated 10.01.2011.
- 2.1.2 The Tariff for CGF Services is determined by the Authority in accordance with CGF Guidelines, 2011, either under the ‘Light Touch’ or ‘Cost Plus’ regulatory approach. The regulatory approach for the determination of tariff for the Independent Service Provider (ISP) is adopted by the Authority, inter-alia, based the assessment of the materiality, competition etc. pertaining to the regulated service(s) provided by the ISP at a major airport.
- 2.1.3 In accordance with the above mentioned CGF Guidelines (clause 4.3.), the following procedure is adopted for determination of the Materiality Index of Regulated Service:

Materiality Assessment (MI_F):

$$= \frac{\text{Fuel Throughput in Kilolitres at Kannur International Airport}}{\text{Total Fuel Throughput in Kilolitres at all Major Airports}} \times 100$$

The Materiality Index in respect of service relating to supply of fuel to the aircrafts at Kannur International Airport (based on the fuel throughput data for FY 2024-25) is as under:

$$MI_F = (47,532 / 97,84,340) \times 100 = 0.49\%$$

- 2.1.4 The percentage share of Fuel Throughput at Kannur International Airport in respect of the FY 2024-25 is 0.49 %, which is lower than Materiality Index (MI_F) of 5% for the regulated service (Fuel Farm & ITP Services). Hence, the regulated service is deemed “Not Material” at Kannur International Airport during the Second Control Period.

Competition Assessment:

- 2.1.5 The CGF Guidelines provides that where a regulated service is being provided at a major airport by two or more Service Provider(s), it shall be deemed "competitive" at that airport and if such service is provided by less than two Service Providers, it shall be deemed "not competitive".

The Guidelines also provide that the Authority may in its discretion consider such other additional evidence regarding reasonableness of competition, as it may deem fit and the determination of number of Service Provider(s) at a major airport shall include the Airport Operator, if the Airport Operator is also providing Regulated Service(s) at that major airport.



2.1.6 Fuel Farm services at Kannur International Airport are being provided solely by BKFFPL. Hence, the service is deemed as "not competitive".

2.1.7 The Authority noted that BKFFPL is the sole operator of the Fuel Farm and ITP Services at Kannur International Airport and is operating in a monopolistic environment/ situation. Considering that the aviation turbine fuel is the main cost driver for the Airlines, the Authority, therefore examined the MYTP submission of the ISP, including various regulatory building blocks, in detail to ensure that only efficient Capex and Operating Expenses are considered while determining tariff for the Second Control Period, in respect of the BKFFPL's Fuel Farm & ITP Services at Kannur International Airport.

The Authority, as part of its tariff determination process endeavors to strike a balance between the interest of service provider and users of regulated services.

2.1.8 The Authority noted that ISP itself has submitted its MYTP for the Second Control Period under the Cost-Plus Regulatory Approach. Further, the Authority, in the past has determined the regular tariff for the First Control Period (FY 2019-20 to FY 2022-23) in respect of Fuel Farm services at Kannur International Airport under the Cost-Plus regulatory approach. Accordingly, the Authority proposed to consider **Cost Plus regulatory approach** for determination of the tariff in respect of the Second Control Period.

2.1.9 The formula for determining the Aggregate Revenue Requirement (ARR) for the Control Period is as follows:

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

where:

't' is the Tariff Year in the Control Period;

ARR_t is the Aggregate Revenue Requirement for year 't';

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

RAB_t is the Regulatory Asset Base for the year 't';

D_t is the Depreciation corresponding to the RAB for the year 't';

O_t is the Operation and Maintenance Expenditure for the year 't', which includes all expenditures incurred the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandate operating costs;

T_t is the corporate tax for the year 't' paid by the airport operator on the aeronautical profits; and NAR_t is the revenue from services other than aeronautical services for the year 't'.

2.1.10 All the figures presented in this Tariff Order have been rounded off up to two decimal points.

2.1.11 All Cash flows have been assumed on last day of the Financial Year for the purpose of computing PV of Revenues & Expenses.



2.2 Authority's Decision regarding Methodology for the Determination of Tariff in respect of Fuel Farm & ITP Services at Kannur International Airport for the Second Control Period

Based on the material before it and its analysis, the Authority decides the following regarding Methodology for the Determination of Aeronautical Tariff in respect of BKFFPL's operations at Kannur International Airport for the Second Control Period:

- 2.2.1 To adopt "Cost Plus Approach" on Single Till basis, for the Determination of Tariff in respect of the Fuel Farm & ITP Services, in respect of the Second Control Period (FY 2023-24 to FY 2027-28).



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3. TRUE UP FOR THE FY 2021-22 AND FY 2022-23 OF THE FIRST CONTROL PERIOD

3.1 BKFFPL's submission in respect of true up for the First Control Period (FY 2021-22 and FY 2022-23)

3.1.1 M/s BKFFPL submitted a true up of the ARR for the First Control Period (FY 2021-22 and FY 2022-23) amounting to ₹ 20.14 crores (NPV ₹ 24.11 crores) with net under recovery of ₹ 7.30 crores (for FY 2021-22 & FY 2022-23) as a part of its MYTP submission for the Second Control Period.

The BKFFPL's submission regarding shortfall in Target Revenue for the First Control Period (FY 2021-22 and FY 2022-23) is presented in the table given below:

Table 3: Shortfall in Revenue Recovery for the First Control Period (FY 2021-22 and FY 2022-23) submitted by BKFFPL

(₹ in crores)

Particulars	Reference	FY 2021-22	FY 2022-23	Total
Opening RAB	A	15.24	14.33	
Closing RAB	B	14.33	13.44	
Average RAB	C	14.78	13.88	
Fair Rate of Return (FRoR)	D	11.70%	11.70%	
Return on RAB*	E = C*D	1.73	1.62	3.35
Depreciation	F	0.90	0.90	1.80
O&M Expenses	G	4.75	5.28	10.03
Taxation	H	-	-	0.00
Return on Security Deposit	I	0.08	0.16	0.24
Less: Other Income	J	-0.09	-0.11	-0.20
Under Recovery (FY 2019-20 & 2020-21)	K	4.92	-	4.92
Aggregate Revenue Requirement (ARR)	L = Sum (E:K)	12.30	7.85	20.14
Actual Aero Revenue	M	5.24	10.62	15.86
Under/(Over) Recovery	N=L-M	7.06	(2.77)	4.28
FRoR	O	11.70%	11.70%	
PV Factor	P	1.25	1.12	
Compounding of ARR	Q = L*P	15.34	8.77	24.11
Compounding of Aero Revenue	R = M*P	6.54	11.86	18.40
Shortfall to be recouped	S = Q-R	8.80	(3.09)	5.71
Under/ (Over) Recovery in PV Terms		11.24	(3.94)	7.30

3.1.2 The Authority had already trued-up Aggregate Revenue Requirement (ARR) for 2nd & 3rd tariff years of the First Control Period (FY 2019-20 and FY 2020-21) vide Tariff Order No. 44/2021-22 dated 15.03.2022.

Accordingly, the Authority, as part of tariff determination for the Second Control Period, proposed to consider the true up of ARR for BKFFPL at Kannur International Airport in



3.4 True up of Capital Expenditure for the First Control Period (FY 2021-22 and FY 2022-23)

3.4.1 The actual capital expenditure incurred on the Fuel Farm & ITP Services at Kannur International Airport pertaining to the First Control Period (FY 2021-22 and FY 2022-23) as submitted by BKFFPL is given in the table below:

Table 6: BKFFPL's submission in respect of the actual CAPEX incurred for the First Control Period (FY 2021-22 and FY 2022-23)

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	Total
1.	Furniture and Fixtures	0.00	0.0005	0.0005
2.	Office Equipment	0.0019	0.0034	0.0053
3.	Plant & Machinery	0.0011	0.0028	0.0039
	Total	0.0030	0.0068	0.0098

3.5 Authority's Examination regarding the True up of Capital Expenditure (CAPEX) for the FY 2021-22 and FY 2022-23 of the First Control Period at Consultation Stage

3.5.1 The ISP proposed nil CAPEX for the FY 2021-22 and FY 2022-23 (First Control Period); accordingly, Nil CAPEX was considered in the Tariff Order No. 44/2021-22 for the FCP. However, due to operational requirements a negligible CAPEX of ₹ 0.98 Lakh had been incurred by the BKFFPL during the First Control Period (FY 2021-22 and FY 2022-23).

3.5.2 The Authority, for true up of Capex for the FY 2021-22 & FY 2022-23, proposed to consider the actual CAPEX incurred by BKFFPL amounting to ₹ 0.98 lakh as per Table 6.

3.6 True up of Depreciation for the First Control Period (FY 2021-22 and FY 2022-23)

3.6.1 BKFFPL submitted the useful life and depreciation rates pertaining to various Assets as per the table given below:

Table 7: Useful life and Depreciation Rates in respect of various Assets proposed by BKFFPL for the First Control Period (FY 2021-22 and FY 2022-23)

Sl. No.	Particulars	Useful life (in years)	Depreciation Rates
1.	Buildings	26.74	3.74%
2.	Computers & Peripherals	3	33.33%
3.	Computers & Peripherals – UPS System	10	10%
4.	Culverts & Drains	24	4.17%
5.	Dead Stock	-	-
6.	Electrical Installations & Equipment	10	10%

7.	Electrical Installations & Equipment – Transformers, Panels, etc.	26.74	3.74%
8.	Furniture & Fixtures	10	10.00%
9.	Intangible Assets	5	20.00%
10.	Lab Equipment	10	10.00%
11.	Land Improvement	26.74	3.74%
12.	Office Equipment	5	20.00%
13.	Plant & Machinery	15	6.67%
14.	Plant & Machinery – ATF Collection vessel, sampling pit, etc	8	12.50%
15.	Plant & Machinery – DG Set, Panel, Compressors, Filters, etc.	26.74	3.74%
16.	Roads	10	10.00%
17.	Tanks	25	4.00%

3.6.2 BKFFPL proposed true up of the depreciation of assets relating to Fuel Farm & ITP Facilities at Kannur International Airport, Kannur pertaining to the FY 2021-22 and FY 2022-23 of the First Control Period, as per the table given below:

Table 8: Depreciation for the true up of the First Control Period (FY 2021-22 and FY 2022-23) proposed by BKFFPL

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	Total
1.	Buildings & Civil Works	0.24	0.23	0.47
2.	Computers & Peripherals	-	-	0.00
3.	Culverts & Drains	0.04	0.04	0.08
4.	Electrical Equipment	0.09	0.09	0.18
5.	Furniture & Fixtures	0.03	0.03	0.05
6.	Lab Equipment	0.01	0.01	0.01
7.	Office Equipment	0.02	0.02	0.04
8.	Plant & Machinery	0.08	0.08	0.16
9.	Roads	0.25	0.25	0.49
10.	Tanks	0.07	0.07	0.14
11.	Dead Stock	-	-	0.00
12.	Land Improvement	0.08	0.08	0.15
	Total	0.90	0.90	1.80

The Depreciation approved by the Authority for the FY 2021-22 and FY 2022-23 of the First Control Period in the Order No.44/ 2021-22 is presented in the table below:

Table 9: Depreciation approved in the order for the FY 2021-22 and FY 2022-23 of the First Control Period

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	Total
1.	Buildings & Civil Works	0.16	0.16	0.32
2.	Computers & Peripherals	0.0008	0.0008	0.0016
3.	Culverts & Drains	0.034	0.034	0.068
4.	Electrical Equipment	0.079	0.079	0.16
5.	Furniture & Fixtures	0.026	0.026	0.05
6.	Lab Equipment	0.005	0.005	0.01
7.	Office Equipment	0.024	0.024	0.049
8.	Plant & Machinery	0.07	0.07	0.14
9.	Roads	0.25	0.25	0.49
10.	Tanks	0.07	0.07	0.14
11.	Dead Stock	-	-	0.00
12.	Land Improvement	0.03	0.03	0.06
	Total	0.74	0.74	1.49

3.7 Authority's Examination on True up of Depreciation for the FY 2021-22 and FY 2022-23 of the First Control Period at Consultation Stage

3.7.1 The Authority noted that as per the MYTP submission, BKFFPL, for computing depreciation for the true up of the First Control Period (FY 2021-22 and FY 2022-23), had considered Useful Life of Assets of various assets like Buildings, Plant & Machinery, Furniture and fixtures etc., which is different from the 'Useful Life of Airport Assets' as given in the AERA Order No. 35/2017-18 dated 12th January 2018, read with Amendment No. 01 to Order No. 35/2017-18. Further, the depreciation approved by the Authority in Order No. 44/2021-22 for the First Control Period amounts to ₹ 1.49 crores, which is slightly lower than the amount submitted by the ISP for true-up i.e., ₹1.80 crores.

3.7.2 For the purpose of true up of the depreciation for FY 2021-22 & FY 2022-23 (First Control Period), the Authority proposed to consider the useful life of assets and depreciation rates as per AERA Order No. 35/2017-18 relating to the 'Useful Life of Assets' and the depreciation proposed to be considered by the Authority for the true up is presented below:

Table 10: True up of Depreciation proposed by the Authority for the FY 2021-22 and FY 2022-23 (First Control Period) at Consultation Stage

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	Total
1.	Buildings	0.24	0.23	0.47
2.	Plant & Machinery	0.13	0.13	0.26
3.	Furniture & Fixtures	0.05	0.05	0.10
4.	Computers & Peripherals	0.0016	0.00	0.0016
5.	Lab Equipment	0.0033	0.0033	0.01
6.	Electrical Installations & Equipment	0.19	0.19	0.39
7.	Office Equipment	0.03	0.03	0.06
8.	Culverts & Drains	0.04	0.04	0.08
9.	Tanks	0.07	0.07	0.15
10.	Intangible Assets	0.0004	0.0003	0.0007
11.	Land Improvement	0.07	0.07	0.15
12.	Roads	0.27	0.27	0.54
	Total	1.11	1.09	2.20

3.8 True up of Regulatory Asset Base (RAB) for the First Control Period (FY 2021-22 and FY 2022-23)

3.8.1 BKFFPL had submitted the Regulatory Asset Base (RAB) for the true up of the FY 2021-22 and FY 2022-23 of the First Control Period as per the table given below:

Table 11: True up of RAB for the FY 2021-22 and FY 2022-23 of the First Control Period submitted by BKFFPL

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	Total
1.	Opening RAB	15.24	14.33	
2.	Additions	0.00	0.01	0.01
3.	Deletions	0.00	0.00	0.00
4.	Depreciation	0.90	0.90	1.80
5.	Closing RAB	14.33	13.44	
6.	Average RAB	14.78	13.88	

3.9 Authority's Examination of the True up of Regulatory Asset Base (RAB) for the First Control Period (FY 2021-22 and FY 2022-23) at Consultation Stage

3.9.1 After making adjustments in the depreciation in accordance with AERA Order No.35/2017-18, read with Amendment No. 01, the Authority re-computed the RAB, as presented in the table given below:



Table 12: RAB proposed by the Authority for true up of First Control Period (FY 2021-22 and FY 2022-23) at Consultation Stage

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	Total
1.	Opening RAB	15.23	14.13	
2.	Additions	-	0.01	0.01
3.	Deletions	-	-	-
4.	Depreciation	1.11	1.09	2.20
5.	Closing RAB	14.13	13.04	
6.	Average RAB	14.68	13.58	

3.10 Stakeholders' comments and Authority's analysis regarding CAPEX, Depreciation and RAB for the period from 05.01.2023 to 31.03.2023

3.10.1 The Authority received no comments from the stakeholders regarding CAPEX, Depreciation and RAB for the FY 2021-22 and FY 2022-23 of the First Control Period. Hence, the Authority decides to consider CAPEX, Depreciation and RAB for the FY 2021-22 and FY 2022-23 of the First Control Period as proposed at the Consultation Stage, as per Table 6, and Table 12 respectively.

3.11 True up of Fair Rate of Return (FRoR) for the First Control Period (FY 2021-22 and FY 2022-23)

3.11.1 The Authority noted that BKFFPL, in its MYTP submission had claimed true-up of Fair Rate of Return (FRoR) @11.70% in respect of the FY 2021-22 and FY 2022-23. BKFFPL, in its submission considered Cost of Debt as 7.31% for the FY 2021-22, 8.68% for the FY 2022-23 and Cost of Equity as 16% and had computed an average FRoR for the two tariff years at 11.70% which is depicted in the following table:

Table 13: True up of FRoR for the First Control Period (FY 2021-22 and FY 2022-23) submitted by BKFFPL

(₹ in crores)

Sl. No.	Particulars	Reference	FY 2021-22	FY 2022-23
1.	Debt	A	10.63	10.24
2.	Equity	B	9.00	9.00
3.	Debt + Equity	C = A+B	19.63	19.24
4.	Cost of Debt	D	7.31%	8.68%
5.	Cost of Equity	E	16.00%	
6.	Gearing	F=A/C	54.16%	53.22%
7.	FRoR	G=D*F+E*(1-F)	11.29%	12.11%
8.	Average FRoR		11.70%	

3.12 Authority's Examination regarding True up of Fair Rate of Return (FRoR) for the First Control Period (FY 2021-22 and FY 2022-23) at Consultation Stage

- 3.12.1 The Authority noted from BKFFPL's submission that CAPEX on Fuel Farm & ITP Facilities at Kannur International Airport had been funded through a mix of Debt and Equity.
- 3.12.2 The Authority observed that the ISP had considered Working Capital loan as a part of long-term Debt for the computation of FRoR, however, the working capital is utilized for short term cash management for day-to-day operations. Accordingly, it was not considered as a component of long-term debt, for the purpose of computation of the Fair Rate of Return. Therefore, the interest charged by the bank on the ECLGS (working capital) is considered under the Operating Expenses of the ISP.
- 3.12.3 As regard to true up of the Cost of Equity, the Authority proposed to consider Cost of Equity @14% as decided by the Authority in the Tariff Order no. 44/2021-22 for the First Control Period.
- 3.12.4 Based on the above, Authority proposed true up of FRoR in respect of BKFFPL, for the FY 2021-22 and FY 2022-23 (First Control Period) as per the table given below:

Table 14: True up of the FRoR proposed by the Authority for the FY 2021-22 and FY 2022-23 (First Control Period) at Consultation Stage

(₹ in crores)

Particulars	Reference	FY 2021-22	FY 2022-23
Opening Equity	A	9.00	9.00
Closing Equity	B	9.00	9.00
Average Equity	C = Avg (A:B)	9.00	9.00
Opening Debt	D	8.95	8.95
Closing Debt	E	8.95	8.95
Average Debt	F = Avg (D:E)	8.95	8.95
Debt+ Equity	G = C+F	17.95	17.95
Gearing (%)	H = F/G	49.85%	49.85%
Cost of Debt (%)	I	7.14%	8.66%
Cost of Equity (%)	J	14.00%	14.00%
Weighted Average Gearing	K = sum(G*H)/ sum(G)	49.85%	
Average Cost of Debt	L = avg (I)	7.90%	
Average Cost of Equity	M = avg (J)	14.00%	
FRoR (%)	N = K*L+M*(1-K)	10.96%	

3.13 Stakeholders' comments and Authority's analysis regarding Fair Rate of Return (FRoR) for the FY 2021-22 and FY 2022-23 of the First Control Period

- 3.13.1 The Authority received no comments from the stakeholders regarding Fair Rate of Return (FRoR) for the FY 2021-22 and FY 2022-23 of the First Control Period. Hence, the Authority decides to consider Fair Rate of Return (FRoR) for the FY 2021-22 and FY 2022-23 of the First Control Period as proposed at the Consultation Stage as per Table 14.



3.14 True up of Operation & Maintenance Expenses for the FY 2021-22 and FY 2022-23 of the First Control Period

3.14.1 BKFFPL submitted the true up of the Operation & Maintenance expenses for the FY 2021-22 and FY 2022-23 of the First Control Period as per table given below:

Table 15: True up of the Operation and Maintenance Expenses submitted by BKFFPL for the FY 2021-22 and FY 2022-23 of the First Control Period

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	Total
Salaries	0.18	0.15	0.33
Land Lease Rent	1.37	1.49	2.86
Insurance	0.03	0.02	0.05
Power Charges	0.10	0.12	0.22
Operator Charges to BPCL	2.92	3.30	6.22
Repair and Maintenance	0.0001	0.0001	0.0002
Other Expenses	0.15	0.19	0.34
Total	4.75	5.28	10.03

3.14.2 The Operation & Maintenance Expenses approved by the Authority for the FY 2021-22 and FY 2022-23 in the Tariff Order for the First Control Period is presented in the Table below:

Table 16: Operation and Maintenance Expenses approved by the Authority in the First Control Period

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	Total
Salaries	0.16	0.17	0.33
Land Lease Rent	1.37	1.49	2.86
Insurance	0.01	0.01	0.02
Power Charges	0.10	0.12	0.21
Operator Charges to BPCL	3.18	3.34	6.52
Repair and Maintenance	0.02	0.02	0.04
Other Expenses	0.41	0.43	0.83
Total	5.25	5.57	10.82

3.15 Authority's Examination on true up of Operation & Maintenance expenses for the FY 2021-22 and FY 2022-23 of the First Control Period at Consultation Stage

3.15.1 The Authority vide Order No.44/2021-22 approved Operation & Maintenance Expenses amounting to ₹ 10.82 crores. Further, it was observed that out of the true up of the O&M expenses for the First Control Period (FY 2021-22 and FY 2022-23), amounting to ₹ 10.03 crores submitted by BKFFPL, a major portion i.e. ₹ 6.22 crores (62%) of O&M expenses are related to Operator Charges paid to BPCL and ₹ 2.86 crores (28.51%) for the land lease rent.

3.15.2 In response to AERA query seeking break-up of the Operator Charges to BPCL, the ISP vide email dated 15.05.2025 submitted the break up for the Operator Charges paid to BPCL and the same is presented in Table 40.

Considering that Operator Charges paid to BPCL are essential for day-to-day operations of FF & ITP services in a safe & efficient manner and charges proposed for true up for the FY 2021-22 and FY 2022-23 are as per the audited accounts, the Authority proposed to consider Operator Charges of ₹ 6.22 crores, as submitted by the ISP.

3.15.3 As regard to the ECLGS loan amounting to ₹ 1.80 crores, the Authority observed that the ISP had considered it as a part of long-term debt while computing the Fair Rate of Return (FRoR). In this regard, the Authority is of the view that the ECLGS Loan, amounting to ₹1.80 crores, is in the nature of a working capital facility and is distinct in purpose and character from the Term Loan. Accordingly, the interest charged by the bank on the ECLGS (working capital) loan was considered under the Operating Expenses, as the said loan is utilized for short term cash management for day-to-day operations, instead it being considered as a component of long-term debt, for the purpose of computation of the Fair Rate of Return.

3.15.4 The true-up of O&M expenses for FY 2021-22 and FY 2022-23 proposed by the Authority is presented in the table given below:

Table 17: True up of the Operation and Maintenance Expenses proposed by the Authority for the FY 2021-22 and FY 2022-23 (First Control Period) at Consultation Stage
(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	Total
Salaries	0.18	0.15	0.33
Land Lease Rent	1.37	1.49	2.86
Insurance	0.03	0.02	0.05
Power Charges	0.10	0.12	0.22
Operator Charges to BPCL	2.92	3.30	6.22
Repair and Maintenance	0.0001	0.0001	0.0002
Other Expenses	0.154	0.193	0.35
Interest on Working Capital	0.15	0.14	0.29
Total	4.90	5.42	10.32

3.16 Stakeholders' comments and Authority's analysis regarding Operation and Maintenance Expenditure for the FY 2021-22 and FY 2022-23 of the First Control Period

3.16.1 The Authority received no comments from the stakeholders regarding true up of the Operation and Maintenance Expenditure for the FY 2021-22 and FY 2022-23 of the First Control Period. Hence, the Authority decides to consider true up of the Operation and Maintenance Expenditure for the FY 2021-22 and FY 2022-23 of the First Control Period as proposed at the Consultation Stage, as per Table 17.



3.17 True up of Taxation for the FY 2021-22 and FY 2022-23 (First Control Period)

3.17.1 BKFFPL had submitted true up of taxation for the FY 2021-22 and FY 2022-23 as under:

Table 18: True up of taxation for the FY 2021-22 and FY 2022-23 submitted by BKFFPL
(₹ in crores)

Particulars	Ref.	FY 2021-22	FY 2022-23
Earning Before Tax	A	-1.25	3.53
Add: Book Depreciation	B	0.90	0.90
Less: IT Depreciation	C	1.35	1.21
Adjusted Profit/ (Loss)	D = A + B – C	-1.69	3.22
Opening Losses	E	-6.65	-8.34
Set Off	F	-1.69	3.22
Accumulated Losses	G = E + F	-8.34	-5.12
Taxable Income	H = D – F	-	-
Tax as per IT ACT	I = H * 25.17%	-	-

3.18 Authority's Examination of true up of Taxation for the FY 2021-22 and FY 2022-23 (First Control Period) at Consultation Stage

3.18.1 The Authority noted that there was nil taxable income of BKFFPL in respect of its Fuel Farm & ITP services at Kannur International Airport, as the ISP incurred losses in the FY 2021-22 and FY 2022-23. The ISP, in its MYTP submission had carried forward the losses for the First Control Period amounting to ₹ 5.12 Crores to the first tariff year of the Second Control Period i.e., FY 2023-24. The Authority recomputed the taxation for the FY 2021-22 and FY 2022-23 (First Control Period) and the same is given in the table below:

Table 19: True up of Aeronautical Taxation proposed by the Authority for the FY 2021-22 and FY 2022-23 (First Control Period) at Consultation Stage
(₹ in crores)

Particulars	Ref.	FY 2021-22	FY 2022-23	Total
Aeronautical Revenue (Refer Table 3)	A	5.24	10.62	15.86
Operating Expenditure (Refer Table 17)	B	4.90	5.42	10.32
Depreciation as per IT Act	C	1.41	1.24	2.65
Profit/ (Loss) Before Tax	D = A-(B+C)	-1.07	3.96	2.89
Set off of Prior Period Losses	E	-6.21*	-7.28	-
Taxable Income	F = D+E	-7.28	-3.32	-
Tax as per IT Act	G = F*25.17%	-	-	-

*As per Order No.44/ 2021-22.

As the ISP incurred losses in the FY 2021-22 and FY 2022-23 (First Control Period), the Authority proposed to consider nil tax for the above said period, as per the above table.



3.19 Stakeholders' comments and Authority's analysis regarding Taxation for the FY 2021-22 and FY 2022-23 of the First Control Period

3.19.1 The Authority received no comments from the stakeholders regarding true up of the Taxation for the FY 2021-22 and FY 2022-23 of the First Control Period. Hence, the Authority decides to consider Taxation for the FY 2021-22 and FY 2022-23 of the First Control Period as proposed at the Consultation Stage, as per Table 19.

3.20 True up of Aggregate Revenue Requirement (ARR) for the FY 2021-22 and FY 2022-23 of the First Control Period

3.20.1 BKFFPL submitted the true up of the ARR for the FY 2021-22 and FY 2022-23 (First Control Period) as per the table given below:

Table 20: True up of Aggregate Revenue Requirement submitted by BKFFPL for the FY 2021-22 and FY 2022-23 of the First Control Period

(₹ in crores)

Particulars	Reference	FY 2021-22	FY 2022-23	Total
Opening RAB	A	15.24	14.33	
Closing RAB	B	14.33	13.44	
Average RAB	C = (A+B) / 2	14.78	13.88	
Fair Rate of Return (FRoR)	D	11.70%	11.70%	
Return on RAB	E = C * D	1.73	1.62	3.35
Depreciation	F	0.90	0.90	1.80
O&M Expenses	G	4.75	5.28	10.03
Taxation	H	-	-	-
Return on Security Deposit	I	0.08	0.16	0.24
Less: Other Income	J	-0.09	-0.11	-0.20
Under Recovery for FY 2019-20 & FY 2020-21	K	4.92	-	
Aggregate Revenue Requirement (ARR)	L = Sum (E: I) – J+K	12.30	7.85	20.15
Actual Aero Revenue	M	5.24	10.62	15.86
Under/ (Over) Recovery	N = L – M	7.06	-2.77	4.29
Compounding Rate	O	11.70%	11.70%	
Compounding Factor	P	1.25	1.12	
Compounding of ARR	Q = L * P	15.34	8.77	24.11
Compounding of Aero Revenue	R = M * P	6.54	11.86	18.40
Shortfall to be recouped	S = Q - R	8.80	-3.09	5.71
Shortfall carried forward considering compounding at 12.96%		11.24	-3.94	7.30



3.20.2 BKFFPL proposed to carry forward the under recovery of ARR pertaining to the First Control Period (FY 2021-22 and FY 2022-23) amounting to ₹ 7.30 crores to the Second Control Period.

3.21 Authority's examination of true up of Aggregate Revenue Requirement (ARR) for the FY 2021-22 and FY 2022-23 of the First Control Period at Consultation Stage

3.21.1 Based on the review of regulatory building blocks for the purpose of truing up, as discussed in the previous sections and after considering other relevant factors, the Authority re-computed the ARR in respect of FY 2021-22 and FY 2022-23, as shown in the table given below:

Table 21: True up of Aggregate Revenue Requirement proposed by the Authority for the FY 2021-22 and FY 2022-23 of the First Control Period at Consultation Stage

(₹ in crores)

Particulars	Reference	FY 2021-22	FY 2022-23	Total
Opening RAB	A	15.23	14.13	
Closing RAB	B	14.13	13.04	
Average RAB (refer Table 12)	C	14.68	13.58	
Fair Rate of Return (FRoR) (refer Table 14)	D	10.96%	10.96%	
Return on RAB	E = C * D	1.61	1.49	3.10
Depreciation (refer)	F	1.11	1.09	2.20
O&M Expenses (refer Table 17)	G	4.90	5.42	10.32
Taxation (refer Table 19)	H	-	-	-
Return on Security Deposit @5%	I	0.04	0.05	0.09
Under Recovery (FY 2019-20 & 2020-21)*	J	4.92	-	4.92
Less: Other Income	K	0.09	0.11	0.21
Aggregate Revenue Requirement (ARR)	L = Sum (E:J) - K	12.49	7.93	20.42
Actual Aero Revenue	M	5.24	10.62	15.86
Under/ (Over) Recovery	N= L-M	7.25	-2.69	4.56
FRoR	O	10.96%	10.96%	
PV Factor	P	1.23	1.11	
Compounding of ARR	Q = L * P	15.37	8.80	24.17
Compounding of Aero Revenue	R = M * P	6.45	11.78	18.23
Under/ (Over) Recovery in PV Terms	S = Q-R	8.92	-2.98	5.94

* Carry forward of ₹ 4.92 crores from the First Control Period to the Second Control Period as per Order No. 44/ 2021-22

3.21.2 The Authority determined the PV of Under Recovery, for FY 2021-22 and FY 2022-23 amounting to ₹ 5.94 crores, (as on 31.03.2024), as against PV of Under Recovery claimed by the BKFFPL amounting to ₹ 7.30 crores. The major reasons of variance in the Under Recovery, as proposed by the Authority vis-à-vis the claim of BKFFPL, are as under:



- i. Determination of FRoR by the Authority @10.96% as against 11.70% claimed by BKFFPL, resulting in reduction of Return on RAB amounting to ₹ 0.25 crore.
- ii. Proposed 5% Return on Security Deposit in place of 16% Return considered by the BKFFPL, resulting in reduction of Return on Security Deposit by ₹ 0.15 crore.

3.21.3 Based on the calculations as per the above table, the Authority proposed true up of the ARR for the FY 2021-22 and FY 2022-23 of the First Control Period amounting to ₹ 20.42 crores. Whereas, the actual revenue earned from Fuel Farm & ITP services during the same period amounted to ₹ 15.86 crores, thus resulting in an under recovery of ₹ 4.56 crores (₹ 5.94 crores in PV terms).

3.22 Stakeholders' comments regarding true up of the Aggregate Revenue Requirement (ARR) for the FY 2021-22 and FY 2022-23 of the First Control Period

3.22.1 BKFFPL's comments regarding the True up of First Tariff Year i.e. FY 2018-19 of the First Control Period are as under:

It is observed that the Authority has not considered the true-up of the first tariff year, i.e. FY 2018-19, while determining the shortfall proposed to be carried forward from the First Control Period. The Consultation Paper also does not set out the specific basis for excluding the said year from the true-up exercise.

In this regard, the Operator respectfully requests that the Authority consider the true-up for FY 2018-19 as part of the tariff determination for the Second Control Period, particularly in view of the submissions already made by BKFFPL in paragraph 3.1.2 of the MYTP, which are reproduced below for ease of reference:

- *BKFFPL commenced Fuel Farm and Into Plane services at KIAL from the first week of December 2018 and accordingly submitted the MYTP to the Authority in October 2018.*
- *The Authority in its Order No. 34/2018-19 dated 4th December 2018 had allowed BKFFPL to levy Rs. 1,900 per KL as Fuel Infrastructure Fee on Ad-hoc basis. In the same Order, The Authority also decided to consider the tariff determination under the "Price Cap" Methodology and to consider the actual traffic and actual cost of Operation before 31st March 2019 to determine the tariff post 30th June 2019.*
- *Relevant extracts of Order No. 34/2018-19 are given below.*

"3.2 The Authority notes that only BKFFPL would operate the Fuel Farm at Kannur International Airport and would supply fuel into-plane currently with refuellers and later on from a Hydrant system. The Authority notes that while operations are not material, in view of no competition, the Authority may evaluate submissions on a "Price-cap"

approach to deter charging high rate and this will be decided by the Authority during regular tariff determination."

" 3.5 As the Airport is stipulated to commence operation effective 1st week of December, 2018 and it will not be possible for the agency to provide service without any approved rate. The Authority is unable to finalise any rate in absence of any reliable tariff data, and estimated required capital expenditure for Hydrant system. Accordingly, the Authority hereby decides

to approve Ad- hoc tariff of Rs. 1900/KL for Fuel Farm operation until June, 2019 to make the airport operational as proposed by BKFFPL or determination of tariff whichever is earlier. The Authority also decided to approve defueling charges and refueling of defueled fuel charges on Ad-hoc basis up to 30.06.2019 as proposed by BKFFPL. M/s BKFFPL should submit updated proposal considering the actual traffic and actual cost of Operations before March, 2019.

4.3 M/s BKFFPL should submit updated proposal **considering the actual traffic and actual cost of Operations before 31.03.2019** in order to assess the situation and determine the traffic post 30.06.2019.”

- Subsequently for the tariff determination for FY 2019-20 and FY 2020-21 (Order No. 14/2019-20 dated 28th October 2019). BKFFPL had submitted the workings for the entire First Control period, i.e., from FY 2018-19 to FY 2022-23 and had requested for the fee to be revised to Rs. 1846 per KL, which was duly approved by the authority.

- Relevant extracts of order No. 14/2019-20 are given below.

“2. BKFFPL vide letter no. BKFFPL/AERA/2019-20/01 dated 29th April, 2019 **submitted their Multi Year Tariff proposal (MYVP) from FY 2018-19 to FY 2022-23 and Annual Tariff proposal (ATP) for FY 2019-20 (from 01.07.2018-31.03.2023) towards determination of tariff for Fuel Farm and Into Plane Services at Kannur International Airport (KIAL). Considering the Aggregate Revenue Requirement, and estimated traffic volumes, BKFFPL proposed July 2019 to March 2021.....**”

9. Upon careful consideration of material available on record, as well as submissions made by M/s BKFFPL the Authority in exercise of powers conferred by Section 13(1) (a) of the AERA Act, 2008 hereby orders that:

(i) M/s BPCL Kannur Fuel Farm Private Limited (BKFFPL) is **allowed to charge the “fuel infrastructure fee” (FIF) of Rs. 1846/- KL (including Aircraft Refueling) for the 2nd tariff year FY 2019-20 and tariff year Fy 2020-21 of the first control period, for its Fuel Farm and Into Plane services at Kannur International Airport as per the tariff card attached as “Annexure I”. This rate will be effective from 1st November 2019.**”

- Further, since BKFFPL operates under a regulated tariff framework, any recovery of shortfall is possible only through the tariff approved by the authority. Accordingly, the true-up should cover the entire First Control Period, including FY 2018-19, consistent with the approach adopted by the Authority in order No. 14/2019-20, where the assessment was undertaken for the full control period.

In View of the above, the Operator respectfully requests that the Authority include the ARR true-up for FY 2018-19 while finalising the tariff for the Second Control Period, so that the cost recovery mechanism remains complete and reflective of the full regulated period.



3.22.2 BKFFPL's comments with regard to Return on Security Deposit are as under:

"With regard to the Consultation Paper allowing a 5% return on the Security Deposit placed with KIAL, the Operator respectfully submits that such treatment does not adequately capture the economic cost associated with this blocked fund.

i) Nature and Treatment of Security Deposit

The Security Deposit was a mandatory contractual requirement for securing the concession rights for fuel farm operations at Kannur Airport. As the amount remains locked for the tenure of the arrangement and is not deployable for either operational requirements or capital investment, it effectively represents capital employed in the regulated business.

From an economic standpoint, this locked amount carries a clear opportunity cost. Had the same funds remained available to the Operator, they could either have been utilised towards capital expenditure earning the approved return under the tariff framework or alternatively invested in generating market-linked returns. Accordingly, limiting the return to a flat 5% understates the actual financing burden borne by the Operator.

ii) Precedent in Other AERA Tariff Orders

The Authority's own precedents in airport tariff matters, including treatment of refundable security deposits in cases such as DIAL and CIAL, support the principle that such deposits should be accorded a return linked to the cost of debt or equivalent financing benchmark, particularly where the funds remain unavailable to the regulated entity, in alignment with the judgment of the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) in the case of Delhi International Airport Limited (DIAL).

Relevant excerpts from past Orders are as follows:

• **DIAL – Third Control Period (Order No. 57/2020-21)**

Para 1.3.1 (vii):

"Refundable Security Deposit (RSD) raised by the airport operator to fund the Project cannot be a zero-cost debt. Its cost needs to be ascertained and made available to the airport operator through appropriate fiscal exercise at the time of next tariff redetermination."

Para 3.3.12:

"Authority proposed to consider return on RSD as equivalent to the cost of debt... consistent with the proposal... regarding true-up of WACC for the First Control Period..."

Para 3.3.18:

"Authority... is of the view that the airport users benefitted from zero-cost financing that DIAL was able to raise from Non-Transfer Assets... Accordingly, the Authority has decided to consider the cost of RSD as equivalent to the actual cost of debt at 9.28% for the Second Control Period..."

• **CIAL – Third Control Period (Order No. 08/2021-22)**

Para 7.2.7:



“Since the RSD of INR 150 crores deposited by the fuel farm operator was utilised by CIAL for the creation of assets, the Authority proposed to provide a return on RSD at the cost of debt in line with the judgment of TDSAT in the case of DIAL.”

Para 7.2.8:

“As refundable security deposits are treated as debt, they were effectively included in the notional gearing ratio of 48% and hence did not require any separate treatment.”

These precedents affirm the principle that Security Deposits, when locked and not available for use by the operator, warrant a return commensurate with the cost of debt.

Accordingly, the operator respectfully requests that the return on the security deposit be aligned to the prevailing cost of debt benchmark, specifically the SBI one-year MCLR, consistent with the Authority’s establishment regulatory practice in the other tariff orders for computing the notional cost of debt.”

3.23 Authority’s analysis on Stakeholders’ comments regarding true up of the ARR for the FY 2021-22 and FY 2022-23 of the First Control Period

- 3.23.1 With respect to the ISP’s comments regarding True up of the FY 2018-19 of the First Control Period, the Authority notes that ISP has already challenged the AERA’s decision in the Tariff Order No. 14/ 2019-20 dated 28.10.2019 regarding true up of FY 2018-19 before the Hon’ble TDSAT vide appeal No. 05/ 2022 dated 22.04.2022. The above appeal of the ISP is pending before the Hon’ble TDSAT. As the matter is still sub-judice, the Authority has no further view in the matter at this stage.
- 3.23.2 In view of the above, the Authority, decides to maintain the same stand in the matter of true up of 4th and 5th tariff year of the First Control Period as was proposed at Consultation Stage.
- 3.23.3 The Authority notes the comments of BKFFPL with respect to Return on Security Deposit proposed by the Authority @ 5%. In this regard, the Authority’s view is that Refundable Security Deposit (RSD) in case of the Airport Operator (AO) is not similar to SD in ISP’s case, as AO raises resources through receipt of Interest free RSD and uses the same for aeronautical purposes. Whereas, BKFFPL has paid Interest free Security Deposit to the AO, and outflow of the funds in form of SD are not utilized for provision of any aeronautical service.

AERA views that payment of interest on SD at rate equivalent to FRoR would result in higher ARR, which in turn would lead to higher charges for users, for which they don’t receive any service/facility from the ISP. However, considering the commercial arrangement between Airport Operator and the ISP, whereby ISP is contractually obliged to give interest free SD to AO for getting license/concession to operate at the airport, AERA decides to consider some interest/return on SD to cover the loss in value of SD due to inflation etc.

Accordingly, AERA has considered return/ interest on SD @ 5% which is close to interest rates on long term FDs presently given by banks, so as to compensate the ISP for erosion in the value of funds locked in form of SD due to inflation etc. Recently, AERA considered the same percentage of return on SD for BPCL at Mopa Goa airport, and same is also being uniformly followed for other ISPs.



Considering the above, AERA maintains the same view with regard to Return on SD and decides to consider return on SD @5%, as was proposed at the CP stage.

3.23.4 Accordingly, the Authority decides to consider true up of the Aggregate Revenue Requirement for the FY 2021-22 and FY 2022-23 of the First Control Period as proposed at the Consultation Stage, as per Table 21.

3.24 Authority's Decisions regarding true up of ARR for the FY 2021-22 and FY 2022-23 of the First Control Period

Based on the material before it and its analysis, the Authority, with respect to true up of ARR for the FY 2021-22 and FY 2022-23 of the First Control Period decides:

3.24.1 To consider Fuel Throughput Volume as per Table 4.

3.24.2 To consider Capital Additions as per Table 6.

3.24.3 To consider Aeronautical Depreciation as per Table 10.

3.24.4 To consider RAB as per Table 12.

3.24.5 To consider FRoR as per Table 14.

3.24.6 To consider the O&M Expenses as detailed in Table 17.

3.24.7 To consider Taxation as per Table 19.

3.24.8 To consider ARR and Under-Recovery as per Table 21 and to adjust this shortfall in the ARR of the Second Control Period.

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Second Control Period

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4. FUEL THROUGHPUT (VOLUME) FOR THE SECOND CONTROL PERIOD

4.1 BKFFPL's submission regarding the projection of Fuel Throughput for the Second Control Period for Kannur Airport.

4.1.1. BKFFPL submitted the actual fuel throughput for the first tariff year (FY 2023-24) and second tariff year (FY 2024-25) and projections for the remaining tariff years of the Second Control Period, along with growth rates assumed for fuel throughput on Y-o-Y basis, as shown in the table given below:

Table 22: Fuel Throughput Projections submitted by BKFFPL for the Second Control Period

(in KL)

Particular	FY 2023-24*	FY 2024-25*	FY 2025-26	FY 2026-27	FY 2027-28	Total
Fuel Throughput in KL	35,839	47,532	55,800	58,590	61,520	2,59,281
Growth %	-	33%	17%	5%	5%	

*Actuals

4.2 Authority's Examination regarding Fuel Throughput Projection for the Second Control Period at Consultation Stage

4.2.1 BKFFPL, as part of its original MYTP submission considered the actual fuel throughput for the FY 2023-24 and projections for the remaining tariff years of the Second Control Period.

4.2.2 In response to AERA query regarding the actual Fuel Throughput Volumes for FY 2024-25, the ISP vide email dated 06.08.2025 submitted the revised traffic projections for the Second Control Period based on the actual fuel throughput volumes for the FY 2024-25.

4.2.3 Further, vide email dated 11.11.2025, the ISP submitted the revised traffic projections for the Control Period, considering the revised winter schedule announced by Air India for FY 2025-26. Accordingly, the updated traffic projection submitted by the ISP is presented in the table below:

Table 23: Revised Fuel Throughput projection submitted by BKFFPL for the Second Control Period

Particular	FY 2023-24*	FY 2024-25*	FY 2025-26	FY 2026-27	FY 2027-28	Total
Fuel Throughput in KL	35,839	47,532	50,347	52,864	55,508	2,42,090
Growth %	-	33%	6%	5%	5%	

*Actuals

4.2.4 The Authority proposed the Fuel Throughput volumes for the Second Control Period, considering the actual fuel throughput for FY 2023-24 & FY 2024-25, and projection for FY

2025-26. The Authority projected the fuel throughput volumes for the last two tariff years of the Second Control Period, considering the ATM growth rate as had been adopted in the Tariff Order for the Kannur Airport for the Second Control Period i.e., 8% p.a. The Fuel Throughput Volume proposed by the Authority for BKFFPL for its Second Control Period is presented in the table below:

Table 24: Fuel Throughput proposed by the Authority for the Second Control Period at Consultation Stage

(in KL)

Particular	FY 2023-24*	FY 2024-25*	FY 2025-26	FY 2026-27	FY 2027-28	Total
Fuel Throughput in KL	35,839	47,532	50,347	54,375	58,725	2,46,818
Growth %	-	33%	6%	8%	8%	

4.3 Stakeholders' comments regarding Fuel Throughput for the Second Control Period

4.3.1 BKFFPL's comments with regard to the fuel throughput for the Second Control Period are as under:

"The Operator submits that the actual fuel throughput achieved in FY 2025-26 was 46,861 KL, as against the projected volume of 50,347 KL, considered in the Consultation Paper based on the response to the Authority's queries dated 11th November 2025. The shortfall is primarily attributable to a reduction in flight movements during the winter schedule, coupled with the adverse impact of the ongoing geopolitical conflict involving Iran during March 2026, which affected flight operations and fuel uplift at the airport. The Operator further submits that the impact of the said conflict is expected to continue during the current and ensuing month and therefore may continue to moderate throughput in the near term.

Further, while the Authority's has considered an 8% year-on-year escalation in fuel throughput for FY 2026-27 and FY 2027-28, the Operator has adopted a more conservative 5% escalation for the balance years of the second Control Period. This is considered more appropriate since fuel uplift decisions of airlines are driven by the overall landed cost competitiveness of fuel at Kannur, including transportation and logistics cost, supply-chain economics, and comparison with nearby or source airport from where aircraft may alternatively uplift fuel. These commercial factors materially influence airline tankering and uplift decisions and therefore may limit the extent to which traffic growth translates into equivalent fuel throughput growth.

Also, it is worthwhile to mention that since the Ministry of Civil Aviation is not permitting foreign carriers to operate from Kannur Airport, this scenario has resulted in limiting the growth potential of the airport as well as the Fuel Farm to recover its CAPEX and operating costs due to lower volumes.

Further, owing to capacity constraints, Indian carriers are prioritizing operations in Tier I cities, thereby limiting their presence in airports such as Kannur. At present, only IndiGo and Air India Express operate from Kannur Airport, while other domestic carriers have not



commenced operations. This has further restricted the growth of the Fuel Farm in terms of fuel uplift.

As such lower tariff in airports with lower volumes do not justify the recoverability of costs compared to other airports with higher volumes and lower tariff.

Accordingly, since the actual performance for FY 2025-26 now provides a firmer basis for forecasting the balance years of the Second Control Period, the Operator has revisited the throughput estimates for FY 2026-27 and FY 2027-28 as set out below:

Particulars (in KL)	FY 24	FY 25	FY 26	FY 27	FY 28
As per Consultation Paper	35,839	47,532	50,347	54,375	58,725
Based on Actuals up to FY 2025-26	35,839	47,532	46,861	49,204	51,664

These revised projections are considered more representative of the prevailing traffic outlook and the practical fuel uplift behaviour of airlines at Kannur and therefore provide a more reliable basis for determination of the per-KL tariff.

In view of the above, the Operator respectfully requests the Authority to adopt the revised throughput estimates set out above for the balance years of the Second Control Period, so that the final tariff is based on realistic and sustainable volume assumptions.”

4.3.2 BPCL’s comments with regard to lower traffic is as under

“Kannur International Airport continues to exhibit structural characteristics of a low-volume airport, with limited airline base, high dependence on point-to-point international operations, and absence of hub or transfer traffic permissions from Government. The relatively lower fuel throughput at the airport is not indicative of inefficiency on part of the fuel farm operator but is a direct outcome of the airport’s inherent traffic and market structure. In such circumstances, per-unit fuel infrastructure tariffs are naturally going to be higher, and comparison with metro or hub airports is neither appropriate nor equitable.

Moreover, the proposed tariff reduction is not supported by firm or binding fuel through put commitments from airlines or oil marketing companies. In the absence of assured uplift volumes or minimum guaranteed throughput, tariff moderation becomes speculative and exposes the operator to significant downside risk, despite continued obligation to maintain infrastructure, safety standards, and service quality. A tariff framework based on optimistic volume assumptions without corresponding safeguards undermines long-term sustainability.

Also, it may be noted that an improvement in air traffic does not necessarily result in a proportionate increase in fuel throughput. The actual fuel uplift decisions of airlines are driven by the overall landed cost competitiveness of fuel at Kannur, including transportation and logistics cost, supply-chain economics, and comparison with nearby or source airports from where aircraft may alternatively uplift fuel. These commercial factors materially influence airline tankering and uplift decisions and therefore may limit the extent to which traffic growth translates into equivalent fuel throughput growth.

Also, it is worthwhile to mention that since the Ministry of Civil Aviation is not permitting foreign carriers to operate from Kannur Airport, this scenario has resulted in limiting the growth potential of the airport as well as the Fuel Farm to recover its CAPEX and operating costs due to lower volumes.

Further, owing to capacity constraints, Indian carriers are prioritizing operations in Tier I cities, thereby limiting their presence in airports such as Kannur. At present, only IndiGo and Air India Express operate from Kannur Airport, while other domestic carriers have not commenced operations. This has further restricted the growth of the Fuel Farm in terms of fuel uplift.”

4.4 BKFFPL’s response to Stakeholder’s comments regarding Fuel Throughput for the Second Control Period

4.4.1 *“BKFFPL concurs with the submission that Kannur Airport exhibits structural characteristics of a low-volume airport, including limited airline base, absence of hub traffic, and dependence on point-to-point international operations.*

In this context, BKFFPL reiterates that:

- *Fuel throughput is structurally constrained*
- *Per-unit costs are inherently higher due to lower volumes*
- *Benchmarking with metro or hub airports is not appropriate*

As detailed in our response to the Consultation Paper, the Authority's assumptions on throughput do not adequately reflect these structural realities.

BKFFPL submits that there are no firm or binding commitments from airlines or oil marketing companies regarding fuel uplift at Kannur Airport.

As elaborated in our Consultation Paper response:

*Fuel uplift decisions are driven by landed fuel cost competitiveness
Airlines actively engage in tankering based on price differentials
Throughput is therefore not directly proportional to traffic growth*

*In the absence of minimum guaranteed volumes, downward tariff revision based on assumed growth exposes the operator to significant under-recovery risk.
Therefore, BKFFPL requests the Authority to consider the fuel throughout volumes as submitted in the response to the consultation paper shared on _13/04/2026.”*

BKFFPL reiterates that fuel throughput is not directly correlated with air traffic growth.

As detailed in our Consultation Paper submission, airline fuel uplift decisions depend on:

- *Comparative fuel prices across airports*
- *Logistics and supply chain economics*
- *Tankering strategies*



Accordingly, the assumption of a linear relationship between traffic growth and fuel throughput is not appropriate and may lead to overestimation of volumes.

4.4.2 *BKFFPL concur with BPCL's assertion that the absence of Point of Call (PoC) status for Kannur Airport significantly constrains the entry of foreign carriers, thereby limiting traffic growth potential.*

Further:

- *Domestic carriers are prioritizing operations in Tier I airports*
- *Limited airline presence (currently IndiGo and Air India Express) restricts fuel demand growth.*

These structural constraints have a direct bearing on fuel throughput and must be factored into tariff determination.”

4.5 Authority's analysis on Stakeholders' comments regarding Fuel Throughput Projection for the Second Control Period

4.5.1 The Authority notes the comments of BKFFPL regarding the revised Fuel Throughput projections considered by AERA for the period from FY 2025-26 to FY 2027-28. Based on ISP's submission as part of stakeholder's comments, the Authority decides to revise ATF Projection for the Second Control Period considering the actual fuel throughput for the FY 2023-24 to FY 2025-26 & projections for the remaining tariff years with 8% Y-o-Y increase.

4.5.2 The Authority notes the issues raised by BKFFPL & BPCL relating to low upliftment of ATF by airlines at Kannur Airport due to factors like:

- i. Reduction in flight movements during the winter schedule
- ii. Ministry of Civil Aviation is not permitting foreign carriers to operate from Kannur Airport
- iii. Owing to capacity constraints, Indian carriers are prioritizing operations from Tier 1 cities, thereby limiting their presence in airports such as Kannur.

As per the Authority, these are predominately commercial matters which are not falling under the regulatory ambit of AERA. AERA is of the view that both the Airport Operator (AO) and the Independent Service Provider (ISP) have to work for increasing traffic base of the Kannur Airport to benefit from economies of scale, thereby resulting in lower operating cost and reasonable user charges. Further, as per the Authority, there is a positive co-relation between aircraft movements & ATF upliftment, though the ATF upliftment at the Airport may not increase exactly in same percentage as the increase in the number of aircraft movements, but clearly both moves in the same direction.

4.5.3 The revised fuel throughput projection decided by the Authority for the Second Control Period is given in the table below:

Table 25: Fuel Throughput Projection decided by the Authority for the Second Control Period

(in KL)

Particular	FY 2023-24*	FY 2024-25*	FY 2025-26*	FY 2026-27	FY 2027-28	Total
Fuel Throughput in KL	35,839	47,532	46,861	50,610	54,659	2,35,501
Growth %	-	33%	-1.4%	8%	8%	

*Actuals

4.6 Authority's Decisions regarding Fuel Throughput for the Second Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to the Fuel Throughput forecast for the Second Control Period:

- 4.6.1 To consider the Fuel Throughput Projection for the Second Control Period in respect of BKFFPL, at Kannur International Airport as per Table 25.
- 4.6.2 To true up the Fuel Throughput in respect of the Second Control Period, based on actual Fuel Throughput, at the time of tariff determination for the Third Control Period.



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5. CAPITAL EXPENDITURE, DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

As per clause 9.2 of the CGF Guidelines, Regulatory Asset Base (RAB) shall be all fixed assets proposed by the Service Provider(s), after providing for such exclusions therefrom or inclusions therein as may be determined by the Authority. The assets that substantially provide services not related to or not normally provided as part of Regulated Service(s) may be excluded from the scope of RAB by the Authority, in its discretion.

5.1 BKFFPL's submission regarding CAPEX for the Second Control Period

5.1.1 BKFFPL, as part of its MYTP, submitted the actual CAPEX incurred for FY 2023-24 and FY 2024-25 and projections for the remaining Tariff Years of the Second Control Period (FY 2025-26 to FY 2027-28) as given in the table below:

Table 26: Capital Expenditure submitted by BKFFPL for the Second Control Period
(₹ in crores)

Particulars	FY 2023-24*	FY 2024-25*	FY 2025-26	FY 2026-27	FY 2027-28	Total
Tanks	-	-	-	-	-	0.00
Buildings	-	-	0.32	-	-	0.32
Office Equipment	-	0.0012	0.17	-	-	0.17
Plant & Machinery	-	0.001	0.17	-	-	0.17
Computers & Peripherals	-	0.01	0.05	-	-	0.06
Electrical Installations & Equipment	-	0.06	0.04	-	-	0.10
Furniture & Fixtures	0.0006	-	0.21	-	-	0.21
Total	0.0006	0.08	0.97	0.00	0.00	1.05

*Actuals

5.2 Authority's Examination regarding CAPEX projection for the Second Control Period at Consultation Stage

5.2.1 The Authority noted that BKFFPL submitted a nominal CAPEX of ₹ 1.05 crores for the Second Control Period. Out of the total CAPEX of ₹ 1.05 crores proposed for the Control Period, 7.68% i.e. ₹ 0.08 crore had already been incurred in the first and second tariff year of the Control Period i.e. FY 2024-25 and rest of the CAPEX amounting to ₹ 0.97 crore was projected to be incurred in the FY 2025-26.

5.2.2 The CAPEX proposed by the ISP is majorly under the four major heads, namely, Buildings, Office Equipment, Plant & Machinery and Furniture & Fixtures amounting to ₹ 0.32 crore, ₹ 0.17 crore, ₹ 0.17 crore and ₹ 0.21 crore respectively.



5.2.3 The Authority observed that certain line items of the proposed CAPEX in the FY 2025-26 were classified under incorrect asset classes. Accordingly, these line items had been reclassified under the appropriate asset classes, as presented in the table below:

Table 27: Capital Expenditure proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2023-24	FY 2024-25*	FY 2025-26	FY 2026-27	FY 2027-28	Total
Buildings	-	-	0.32	-	-	0.32
Office Equipment	-	0.001	0.18	-	-	0.18
Plant & Machinery	-	0.001	0.15	-	-	0.15
Computers & Peripherals	-	0.01	0.09	-	-	0.10
Electrical Installations & Equipment	-	0.065	0.03	-	-	0.10
Furniture & Fixtures	-	-	0.20	-	-	0.20
Total	0.00	0.08	0.97	0.00	0.00	1.05

*Actuals

5.2.4 Considering that the Fuel Farm & ITP services are integral to the airport operations and also taking into account the essentiality of the Capex incurred/ proposed by the BKFFPL for supporting the aeronautical operations at the Kannur International Airport, the Authority proposed to consider Capital Expenditure for the Second Control Period as per Table 27.

5.3 Depreciation for the Second Control Period

5.3.1 M/s BKFFPL considered the Useful Life of Assets as per the table below:

Table 28: Useful Life of Assets considered by BKFFPL for the Second Control Period

Particulars	Useful life	Depreciation %
Buildings	26.74	3.74%
Computers & Peripherals	3	33.33%
Computers & Peripherals - UPS System	10	10.00%
Culverts & Drains	24	4.17%
Dead Stock	-	-
Electrical Installations & Equipment	10	10.00%
Electrical Installations & Equipment - Transformers, Panels, etc.	26.74	3.74%
Furniture & Fixtures	10	10.00%
Intangible Assets	5	20.00%
Lab Equipment	10	10.00%
Land Improvement	26.74	3.74%
Office Equipment	5	20.00%
Plant & Machinery	15	6.67%
Plant & Machinery - ATF Collection vessel, sampling pit. etc.	8	12.50%
Plant & Machinery - DG Set, Panel, Compressors, Filters, etc.	26.74	3.74%



Roads	10	10.00%
Tanks	25	4.00%

5.3.2 The depreciation projected by the BKFFPL for the Second Control Period is presented in the table given below:

Table 29: Depreciation projected by BKFFPL for the Second Control Period

(₹ in crores)

Particular	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Building	0.23	0.21	0.22	0.22	0.22	1.11
Computers & Peripherals	0.00	0.00	0.01	0.02	0.02	0.05
Culverts & Drains	0.04	0.04	0.04	0.04	0.04	0.21
Electrical Installations & Equipment	0.09	0.09	0.10	0.11	0.11	0.50
Furniture & Fixtures	0.03	0.03	0.05	0.07	0.07	0.24
Intangible Assets	0.00	-	-	-	-	0.00
Lab Equipment	0.01	0.01	0.01	0.01	0.01	0.03
Land Improvement	0.08	0.08	0.08	0.08	0.08	0.38
Office Equipment	0.02	0.00	0.02	0.03	0.03	0.10
Plant & Machinery	0.08	0.08	0.08	0.09	0.08	0.41
Roads	0.25	0.25	0.25	0.25	0.25	1.24
Tanks	0.07	0.07	0.07	0.07	0.07	0.35
Total	0.89	0.86	0.92	0.98	0.97	4.61

5.4 Authority's Examination of Depreciation for the Second Control Period at Consultation Stage

5.4.1 The Authority noted that the ISP in its MYTP submission considered Useful Life of Assets for some of the assets different from that provided in the AERA Order No. 35/2017-18 dated 12th January 2018 regarding the 'Useful Life of Airport Assets', read with Amendment No. 01 to Order No. 35/2017-18, for computing the Depreciation for the Second Control Period.

5.4.2 The Authority, in accordance with the useful life & depreciation rates of assets as provided in the AERA Order No. 35/2017-18, recomputed the Depreciation for relevant asset categories for which ISP had considered different useful life. The depreciation proposed by the Authority for the Second Control Period is presented in the table given below:



Table 30: Depreciation proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Buildings	0.31	0.31	0.32	0.32	0.32	1.58
Plant & Machinery	0.13	0.13	0.14	0.14	0.14	0.69
Furniture & Fixtures	0.05	0.05	0.02	0.03	0.03	0.17
Computers & Peripherals	0.00	0.00	0.01	0.03	0.02	0.06
Electrical Installations & Equipment	0.19	0.20	0.20	0.21	0.21	1.01
Office Equipment	0.00	0.00	0.02	0.03	0.03	0.09
Tanks	0.07	0.07	0.07	0.07	0.07	0.37
Roads	0.27	0.27	0.27	0.27	0.27	1.36
Total	1.03	1.04	1.05	1.10	1.10	5.32

5.5 Regulatory Asset Base (RAB)

5.5.1 The RAB submitted by M/s BKFFPL for the Second Control Period is presented in the table below:

Table 31: Regulatory Asset Base (RAB) submitted by BKFFPL for the Second Control Period

(₹ in crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Opening RAB	13.44	12.55	11.77	11.82	10.84	
Additions	0.00	0.08	0.97	0.00	0.00	1.05
Deletions	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	0.89	0.86	0.92	0.98	0.97	4.61
Closing RAB	12.55	11.77	11.82	10.84	9.87	
Average RAB	13.00	12.16	11.80	11.33	10.36	

5.6 Authority's Examination on Regulatory Asset Base (RAB) for the Second Control Period at Consultation Stage

5.6.1 Considering the Capex Additions and Depreciation as per Table 27 & Table 30 respectively, the Authority proposed RAB & Average RAB for BKFFPL, in respect of its Second Control Period, as shown in the table given below:



Table 32: Regulatory Asset Base (RAB) proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Opening RAB (A)	Table 12	13.04	12.01	11.05	10.97	9.86	
Additions (B)	Table 27	0.00	0.08	0.97	0.00	0.00	1.05
Deletion (C)	-	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (D)	Table 30	1.03	1.04	1.05	1.10	1.10	5.32
Closing RAB (E) = (A+B-C-D)		12.01	11.05	10.97	9.86	8.76	
Average RAB (G) = (A+E/2)		12.53	11.53	11.01	10.41	9.31	

5.7 Stakeholders' comments regarding CAPEX, Depreciation and RAB for the Second Control Period

5.7.1 BKFFPL's comments with regard to FY 2025-26 actuals is as under:

It is noted that the Authority has considered actual financial and operational figures up to FY 2024-25 in the Consultation Paper. However, since FY 2025-26 has now concluded, the Operator respectfully requests the Authority to also consider the actuals for FY 2025-26 while finalising the tariff for the Second Control Period. The relevant details in this regard are enclosed as Appendix 1.

Further, it is submitted that, against the CAPEX of ₹ 96 lakhs projected for FY 2025-26, only ₹ 13.87 lakhs has been capitalised during the year. The balance ₹ 82.12 lakhs is now expected to be capitalised in FY 2026-27. The Operator respectfully requests the Authority to consider this revised capitalization timeline while finalising the tariff for the Second Control Period.

Particulars	FY 2025-26 (Rs. Crores)		Diff.	Remarks
	Actuals	As per AERA		
Revenue	12.28	13.19	-0.91	
Opex	6.96	7.25	-0.29	
Depreciation	1.99	1.05		Authority would estimate based on Order 35
Tax	1.03	1.26	-0.23	
Capex Addition	0.27	0.96	-0.69	



5.8 Authority's analysis on Stakeholders' comments regarding CAPEX, Depreciation and RAB for the Second Control Period

- 5.8.1 The ISP (M/s BKFFPL) as part of stakeholders' comments submitted that against Capex of ₹ 96 lakhs projected earlier for the FY 2025-26, Capex amounting to ₹ 26.68 lakhs only has been capitalized during this year. In this regard, the Authority vide its email dated 20.04.2026 sought the details of actual Capex incurred in the FY 2025-26 from the ISP.
- 5.8.2 On evaluation of actual Capex incurred by the ISP, it is observed that the Capex spend for FY 2025-26 includes some additional projects amounting to ₹12.07 lakhs, which were not part of ISP's MYTP submission. The details of the same are given below:

Particulars of Capex	Date of Capitalization	Amount (in ₹)
Digital Conductivity meter	16.10.2025	1,74,500
Door Frame Metal Detector	06.11.2025	80,000
Lightning Protection System	30.03.2026	9,52,242

With respect to the additional CAPEX, the justification provided by the ISP is reproduced below:

- *"The existing digital conductivity meter was providing erratic readings despite recent calibration and maintenance. Since conductivity is a critical parameter for Aviation Turbine Fuel quality monitoring, immediate replacement was necessary.*
- *As per the latest circular and audit checklist of the Bureau of Civil Aviation Security (BCAS), installation of a Door Frame Metal Detector (DFMD) is mandatory for fuel farms, particularly those located outside the airport operational area. As the BKFFPL fuel farm falls under this category, the same was procured and installed to comply with security requirements.*
- *Based on a lightning protection study conducted in accordance with IEC 62305 standards, installation of a lightning protection system along with Surge Protection Devices (SPDs) was required to safeguard infrastructure from lightning-induced hazards. Accordingly, the system was installed during the year."*

- 5.8.3 The Authority observes that the major portion of CAPEX originally planned for FY 2025-26 (as per MYTP submission) is now proposed to be capitalized in FY 2026-27. Also, the total CAPEX proposed for the Control Period has marginally increased from ₹ 1.05 crores to ₹ 1.15 crores, due to capitalization of some additional projects amounting to ₹ 12.07 lakhs in FY 2025-26 (which were not a part of original MYTP submission). Accordingly, the projected CAPEX for the Second Control Period has been revised considering the actual CAPEX already incurred during first three tariff years (i.e. from FY 2023-24 to FY 2025-26) of the Second Control Period.

The revised CAPEX projection decided by the Authority in respect of the ISP for the Second Control Period is presented in the table below:



Table 33: CAPEX decided by the Authority for the Second Control Period*(₹ in crores)*

Particulars	FY 2023-24*	FY 2024-25*	FY 2025-26*	FY 2026-27	FY 2027-28	Total
Buildings	-	-	0.13	0.18	-	0.31
Office Equipment	-	0.001	0.00	0.16	-	0.16
Plant & Machinery	-	0.001	0.00	0.15	-	0.15
Computers & Peripherals	-	0.01	-	0.09	-	0.10
Electrical Installations & Equipment	-	0.065	0.12	0.03	-	0.21
Lab Equipment	-	-	0.02	-	-	0.02
Furniture & Fixtures	0.001	-	-	0.20	-	0.20
Total	0.00	0.08	0.27	0.80	0.00	1.15

*Actuals

- 5.8.4 The Authority, considering the essentiality of the CAPEX incurred/ projected for the Second Control Period, from the perspective of safe & efficient fuel farm operations to support the airport operations at Kannur Airport, decides to consider the revised CAPEX for the Second Control Period amounting to ₹ 1.15 crores as submitted by the ISP.
- 5.8.5 Based on the revised CAPEX, the Authority recomputed Depreciation and RAB for the Second Control Period and the same is presented in the table given below:

Table 34: Depreciation decided by the Authority for the Second Control Period*(₹ in crores)*

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Buildings	0.20	0.20	0.20	0.21	0.21	1.01
Plant & Machinery	0.13	0.13	0.13	0.13	0.14	0.66
Furniture & Fixtures	0.05	0.05	0.01	0.01	0.03	0.15
Computers & Peripherals	0.00	0.00	0.00	0.01	0.02	0.04
Lab Equipment	0.003	0.003	0.004	0.004	0.004	0.02
Electrical Installations & Equipment	0.19	0.20	0.20	0.21	0.21	1.02
Office Equipment	0.00	0.00	0.00	0.02	0.03	0.05
Culverts & Drains	0.04	0.04	0.04	0.04	0.04	0.20
Tanks	0.07	0.07	0.07	0.07	0.07	0.37
Land Improvement	0.07	0.07	0.07	0.07	0.07	0.36
Roads	0.27	0.27	0.27	0.27	0.27	1.36
Total	1.03	1.04	1.00	1.06	1.11	5.23



5.8.6 Based on the revised CAPEX & Depreciation projected for the Second Control Period by AERA as per Table 33 & Table 34 respectively, the Authority has recomputed the RAB for the Second Control Period as presented in the table given below:

Table 35: Regulatory Asset Base (RAB) decided by the Authority for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Opening RAB (A)	Table 12	13.04	12.01	11.05	10.32	10.06	
Additions (B)	Table 33	0.00	0.08	0.27	0.80	0.00	1.15
Deletion (C)	-	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (D)	Table 34	1.03	1.04	1.00	1.06	1.11	5.23
Closing RAB (E) = (A+B-C-D)		12.01	11.05	10.32	10.06	8.96	
Average RAB (G) = (A+E/2)		12.53	11.53	10.69	10.19	9.51	

5.9 Authority's Decisions regarding CAPEX, Depreciation and RAB for the Second Control Period

Based on the material before it and its analysis, the Authority with respect to Capex, Depreciation and RAB for the Second Control Period decides:

- 5.9.1 To consider Capital Additions to RAB as per Table 33.
- 5.9.2 To consider Depreciation as per Table 34.
- 5.9.3 To true up the Capital Expenditure based on actuals, at the time of determination of tariff for Third Control Period, subject to cost efficiency and reasonableness of capex incurred.
- 5.9.4 To consider Average RAB as per Table 35.
- 5.9.5 To true up the RAB and Average RAB considering the actual figures, at the time of tariff determination for Third Control Period.

AERA

6. FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

6.1 BKFFPL's Submission on Fair Return of Return (FRoR) for the Second Control Period

6.1.1. BKFFPL proposed an average Fair Rate of return (FRoR) @12.99% for the FY 2023-24 and FY 2024-25 and 15.31% for the remaining tariff years of the Second Control Period i.e. FY 2025-26 to FY 2027-28. ISP, in its submission considered Cost of Equity (CoE) @16% for the entire Second Control Period and the Cost of Debt (CoD) @ 9.96% for FY 2023-24 & 8.52% for FY 2024-25. Based on the above, Fair Rate of Return (FRoR) proposed by the ISP for the Second Control Period is depicted in the table below:

Table 36: FRoR submitted by BKFFPL for the Second Control Period

(₹ in crores)

Particulars	Reference	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Opening Equity	A	9.00	9.00	9.00	9.00	9.00
Closing Equity	B	9.00	9.00	9.00	9.00	9.00
Average Equity	C = Avg (A:B)	9.00	9.00	9.00	9.00	9.00
Opening Debt	D	9.96	8.88	2.68	0.00	0.00
Closing Debt	E	8.88	2.68	0.00	0.00	0.00
Average Debt	F = Avg (D:E)	9.42	5.78	1.34	0.00	0.00
Gearing (%)	$G = F/(C+F)$	51.14%	39.10%	12.95%	0.00%	0.00%
Cost of Debt (%)	H	9.96%	8.52%	0.00%	0.00%	0.00%
Cost of Equity (%)	I	16.00%	16.00%	16.00%	16.00%	16.00%
FRoR (%)	J = H*G+I*(1-G)	12.91%	13.08%	13.93%	16.00%	16.00%
Average FRoR (%)	K	12.99%		15.31%		

6.2 Authority's Examination of Fair Rate of Return (FRoR) for the Second Control Period at Consultation Stage

6.2.1. The Authority noted that BKFFPL availed debt of ₹ 10.75 crores mainly to finance the Capital Expenditure for the First Control Period.

6.2.2. For the computation of FRoR, BKFFPL considered Cost of Equity @16% for the entire Second Control Period and Cost of Debt @9.96% for the FY 2023-24 and 8.52% for the FY 2024-25, while assuming a nil Debt for the remaining tariff years of the Second Control Period. Based on these assumptions, the ISP proposed a FRoR for the Second Control Period @12.99% for the first two tariff years (FY 2023-24 & FY 2024-25) and 15.31% for the remaining tariff years (FY 2025-26, FY 2026-27 and FY 2027-28).



- 6.2.3. The Authority noted that out of the loan amount of ₹ 10.75 crores, ₹ 8.95 crores pertain to the Term Loan, while ₹ 1.80 crores relate to the ECLGS Loan (i.e. working capital loan). The Authority is of the view that the ECLGS Loan, amounting to ₹ 1.80 crores, is in the nature of a working capital facility and is distinct in purpose and character from the Term Loan. Accordingly, the interest charged by the bank on the ECLGS (working capital) loan was considered under the Operating Expenses and not as a component of long-term debt for the purpose of computation of the Fair Rate of Return, as the said loan (ECLGS) is utilized for short-term cash management related to day-to-day operations.
- 6.2.4. As per Authority, the Fuel Farm Operations are basically the sub-set of the Airport Operator's functions and the Authority endeavours to balance the interest of all airport users and service providers, just as it does in case of the airport operators.
- 6.2.5. The Authority proposed to consider the Cost of Equity for BKFFPL @15.18%, as being considered by AERA for airports (i.e., the average Cost of Equity for airports), based on the independent studies commissioned by AERA for the evaluation of cost of capital separately, for PPP Airport, namely DIAL, MIAL, GHIAL, BIAL and CIAL, through a premier institute, namely IIM Bangalore.
- 6.2.6. 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. It applies a methodology that factors in sovereign and business risks through components like the risk-free rate and business volatility, establishing a fair cost of equity within the FRoR calculation. This provides a relevant benchmark for estimating BKFFPL's cost of equity in the Second Control Period.
- 6.2.7. For the purpose of application of notional debt-equity ratio indicated above, the Authority proposed to consider the actual Cost of Debt for the FY 2023-24 & FY 2025-26 and for the remaining years SBI's MCLR @8.70% (as on 15th December 2025). The Authority proposed the Cost of Equity @15.18% for all the tariff years of the Second Control Period.
- 6.2.8. In order to encourage adoption of efficient capital structure by the ISPs and to keep the Debt component at reasonable level, the Authority proposed to true-up CoD (for the purpose of true up of FRoR for the Second Control Period) at the time of tariff determination of Third Control Period, considering actual CoD or SBI's average MCLR of 1 year tenure, whichever is lower.
- 6.2.9. Based on the above, the Authority computed the FRoR in respect of BKFFPL for the Second Control Period as per table given below:

Table 37: FRoR proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	Reference	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Opening Equity	A	9.00	9.00	9.00	9.00	9.00
Closing Equity	B	9.00	9.00	9.00	9.00	9.00
Average Equity	C =Avg (A:B)	9.00	9.00	9.00	9.00	9.00



Opening Debt	D	8.95	8.48	2.68	0.00	0.00
Closing Debt	E	8.48	2.68	0.00	0.00	0.00
Average Debt	F = Avg (D:E)	8.71	5.58	1.34	0.00	0.00
Debt + Equity	G = C+F	17.71	14.58	10.34	9.00	9.00
Cost of Debt (%)	H	9.96	8.52	8.52	8.70	8.70
Weighted Average Cost of Debt (%)	I	9.34%				
Cost of Equity (%)	J	15.18%				
Normative Gearing Ratio	K	48:52				
FRoR (%)	L = I*K+ (1-K) J	12.38%				

Based on the above, the Authority proposed FRoR in respect of BKFFPL for the Second Control Period @12.38% as per the above table.

6.3 Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Second Control Period

6.3.1 BKFFPL's comments regarding application of Normative Gearing Ratio for the calculation of FRoR is as under:

"It is observed that the Consultation Paper proposes adoption of a normative debt-equity mix of 48:52 for computation of the Fair Rate of Return for the Second Control Period. In this context, BKFFPL respectfully submits that the proposed normative gearing may not appropriately reflect the financing profile of BKFFPL's fuel farm and into-plane operations at Kannur.

i) Inapplicability of Normative Gearing Ratio (48:52)

The Proposed ratio appears to have been drawn from benchmarking studies undertaken for significantly larger airport operators and infrastructure -intensive entities notably Bangalore International Airport Limited (BIAL) and Cochin International Airport Limited (CIAL) etc. The studies referenced benchmarks from foreign airports considered comparable to BIAL and CIAL, in addition to infrastructure companies operating in capital-intensive sectors, in order to arrive at the normative gearing. However, such comparables may not be suitable in the present case, given the limited scale of asset additions, operating profile, and absence of major debt-funded expansion based on the specific funding needs of the Kannur project and therefore differs materially from these large airports.

Therefore, applying the same gearing ratio to the Operator lacks parity and does not reflect the financial realities or prudent financing practices adopted by the Operator. As such, the adoption of a 48:52 gearing ratio in the present case would be neither reasonable nor equitable.

ii) Precedents of Actual Gearing Considered for Similar Entities

It is further relevant that, in tariff determination concerning other Independent Service Providers, the Authority has considered the actual capital mix including cases where the asset base was substantially equity funded. For instance, AERA considered an actual gearing of 0:100 for the Fuel Farm operator (IOSPL) at BIAL during the final two years of the Third Control Period (refer Table 34 of Order No. 30/2021-22). This demonstrates an established

regulatory practice of aligning the return framework with the underlying commercial reality of the regulated entity.

In view of the above, the Operator respectfully requests that the actual gearing ratio of BKFFPL be considered for FRoR computation for the Second Control Period, as this would present a more accurate and equitable reflection of the financing cost attributable to the regulated service."

6.4 Authority's analysis on Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Second Control Period

6.4.1 The Authority notes the comments of BKFFPL regarding application of normative gearing ratio for the computation of FRoR. It is worthwhile to note that as an economic regulator of airports, AERA has to balance the interest of all the stakeholders, including facility users. From regulatory perspective, the presence of low debt in project financing reflects inefficiency in CAPEX funding and it adversely impacts the facility users by way of higher tariffs due to higher Cost of Equity as compared to Cost of Debt.

6.4.2 The Fuel Farm operations are basically the subset of airport operations and it is seen that at many airports, Fuel Farm & ITP Services are undertaken by Airport Operators themselves. All major airports, large & small are governed through same regulatory framework, as airports operate under same policy & regulatory framework and major airports broadly share common business risks. As per the Authority, adoption of efficient capital structure with optimum gearing ratio like 48:52 (Debt: Equity) helps in rationalization of ARR (Target Revenue) of the service provider, which in turn helps in lowering of user charges and increasing traffic base of the airport. It is even more important for airport like Kannur with much higher designed pax handling capacity and very low traffic base, to consider adopting efficient capital structure and reasonable user tariff to attract more traffic at the airport.

6.4.3 Further, the Authority has taken note of the recommendations made by Public Investment Board (PIB) in their Minutes of Meeting dated February, 2024 (No. 27(03)/PFC-I/2024), wherein, the PIB stated that "*the Authority would also consider other factors while assessing fair rate of return in cases where there is a low level of gearing with the underlying objective of protecting the reasonable interests of Users*". This recommendation emphasized the need to balance financial considerations, with a view to protect the Airport Users' interests. PIB/Niti Aayog, inter-alia, advocated the need to adopt efficient capital structure in airport projects in the overall interest of all stakeholders including users.

Based on the above, the Authority, since the determination of tariff at Lal Bahadur Shastri International Airport, Varanasi in March, 2025 has taken a considered view regarding adoption of normative gearing ratio for all Airports & ISPs. The same view (application of normative debt: equity ratio of 48:52) was also considered by the Authority while determining tariff for Cargo Handling and Fuel Farm services at Mopa Goa Airport, recently.

6.4.4 The Authority, accordingly, decides to maintain the same view regarding application of normative gearing ratio of 48:52 to the Fuel Farm facilities at Kannur International Airport as was proposed at the Consultation Stage, so as to maintain a balance in the interests of all stakeholders.



6.5 Authority's Decisions regarding FRoR for the Second Control Period

Based on the material before it and its analysis, the Authority with respect to FRoR for the Second Control Period decides:

- 6.5.1 To consider FRoR as per Table 37.
- 6.5.2 To true-up Cost of Debt (for the purpose of truing up of FRoR) for the Second Control Period, at the time of tariff determination of Third Control Period, considering actual CoD or SBI's average MCLR of 1 year tenure, whichever is lower.



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7. OPERATION AND MAINTENANCE (O&M) EXPENDITURE FOR THE SECOND CONTROL PERIOD

7.1 BKFFPL's submission regarding Operation and Maintenance (O&M) Expenditure for the Second Control Period

7.1.1 Operation and Maintenance (O&M) Expenditure submitted by BKFFPL for the Second Control Period is broadly grouped into the following heads of expenses:

- Salaries
- Land Lease Rent
- Insurance
- Operator Charges to BPCL
- Repairs and Maintenance Expenses
- Other Expenses

7.1.2 Operating & Maintenance expenses submitted by BKFFPL for Kannur International Airport in respect of the Second Control Period is presented below:

Table 38: Operation and Maintenance Expenses projected by BKFFPL for the Second Control Period

(₹ in crores)

Particulars	FY 2023-24*	FY 2024-25*	FY 2025-26	FY 2026-27	FY 2027-28	Total
Salaries	0.09	0.09	0.13	0.14	0.16	0.61
Land Lease Rent	1.63	1.77	1.93	2.11	2.30	9.74
Insurance	0.02	0.01	0.01	0.01	0.02	0.07
Utility Charges	0.13	0.13	0.14	0.16	0.17	0.74
Operator Charges to BPCL	3.15	3.58	5.49	6.25	7.46	25.93
Repair and Maintenance	0.00	0.00	0.00	0.00	0.00	0.00
Other Expenses	0.14	0.20	0.31	0.33	0.35	1.34
Total	5.16	5.79	8.02	9.01	10.46	38.44

*Actuals

7.2 Authority's Examination regarding Operating & Maintenance (O&M) Expenditure for the Second Control Period at Consultation Stage

7.2.1 The Authority noted that out of the total OPEX of ₹ 38.44 crores projected for the Second Control Period, Operator Charges payable to BPCL accounts for 67%, land lease rent contributes to 25% of the total expenses. It was further noted that O&M Expenditure projected for the Second Control Period by BKFFPL includes actual expenses for the FY 2023-24 and FY 2024-25 (first two tariff years of the Control Period). The submission made by BKFFPL in respect of the major components of O&M Expenses, including Y-o-Y increase in O&M Expenses considered by the ISP, for the Second Control Period, have been analyzed by the Authority in the following sections:



i. Salaries:

7.2.2 It was noted that BKFFPL had submitted a total of ₹ 0.61 crore towards salaries for the Second Control Period. Further, from FY 2025-26 onward, the ISP had proposed a need for one more regular employee on its payroll, resulting in a 42.40% increase in the salary amount (one time increase plus 10% Y-o-Y increase). Subsequently, the Authority sought clarification from the ISP regarding the proposed additional employee. The ISP vide email dated 15.05.2025 submitted that “During FY 2023–24, the company had two employees — an Accounts Officer and a Company Secretary — on its payroll until July 2024. From August 2024 onwards, only the Accounts Officer remained. In FY 2024–25, BKFFPL continued with a single employee (Accounts Officer) on its payroll for the full year, resulting in a reduction in overall employee cost for the period.

For FY 2025–26, the company has projected the need for an additional employee in anticipation of increased operational activity and heightened statutory compliance requirements. As operations scale up, the company is expected to fall under a broader regulatory framework, necessitating enhanced oversight and compliance measures. The additional personnel will also be responsible for supervising day-to-day activities, including management of contract staff (BSSPL).”

“Furthermore, the company has planned several CAPEX initiatives, which will involve the issuance of multiple tenders. The associated documentation and process oversight can be more effectively managed with the support of the proposed new hire.”

7.2.3 Taking into account the growth in traffic volume and other relevant factors highlighted by the ISP in its above submission, the Authority proposed to consider the one-time increase in salaries as per the ISP for FY 2025-26, however, the Authority proposed to consider a Y-o-Y increase of 6% as against 10% proposed by the ISP.

The salaries proposed by the Authority for the Second Control Period are presented in the table below:

Table 39: Salaries proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
As submitted by BKFFPL (A)	0.09	0.09	0.13	0.14	0.16	0.61
As proposed by the Authority (B)	0.09	0.09	0.12	0.13	0.14	0.58
Variance (B-A)	-	-	(0.01)	(0.01)	(0.02)	(0.03)

ii. Operator Charges to BPCL:

7.2.4 The Authority observed that the Operator Charges constituted a major portion of the total Operation and Maintenance Expenses for the Control Period i.e., 67.46%. Therefore, the Authority decided to have a detailed examination of Operator Charges and asked the ISP to submit the break-up of the Operator Charges.



The ISP, vide email dated 11.11.2025, provided the requisite details, and the same is presented in the table below:

Table 40: Break-up of Operator Charges submitted by the ISP for the Second Control Period

(₹ in Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Employee Cost	0.49	0.49	0.76	0.84	0.92	3.51
Personnel cost - Third Party	1.09	1.38	2.05	2.42	3.05	9.99
Repairs & Maintenance	0.46	0.53	0.80	0.97	1.30	4.06
Refueller - Depreciation - Bowsers etc.	0.33	0.43	0.61	0.61	0.54	2.52
Additional Depreciation	-	0.14	-	-	-	0.14
Safety/ Security Expenses	0.22	0.20	0.22	0.24	0.26	1.14
Power & Fuel	0.21	0.21	0.29	0.31	0.36	1.38
Rates & Taxes	0.06	0.06	0.07	0.07	0.07	0.33
Travelling and conveyance	0.04	0.04	0.05	0.05	0.05	0.23
Training	-	-	-	-	-	-
Legal/ Professional fee	0.01	0.03	0.03	0.04	0.04	0.15
Insurance	0.02	0.04	0.05	0.05	0.05	0.22
Other Expenditure	0.00	0.01	0.01	0.01	0.01	0.05
Communication/ Postal Expenses	0.01	0.01	0.01	0.01	0.01	0.06
Stores & Spares	0.00	0.04	0.04	0.04	0.04	0.16
Printing	0.01	0.01	0.01	0.01	0.01	0.04
Meetings	0.00	-	-	-	-	0.00
Reavailment Credit (Input credit on costs)	-0.26	-0.35	-0.27	-0.28	-0.30	-1.46
Grand Total	2.70	3.26	4.73	5.39	6.43	22.51
Operator Margin	0.43	0.52	0.76	0.86	1.03	3.60
Total Actual Operator Charges	3.13	3.78	5.49	6.25	7.46	26.11
Add: Expenses of Previous Year accounted in Current year	-0.12	-0.14	-	-	-	-0.26
Less: Debit Note of March.24 accounted in April 25	-	0.05	-	-	-	0.05
Less: Expenses of current year accounted in next year	-0.14	-	-	-	-	-0.14
(Less)/Add: Other adjustment	-	-	-	-	-	-



Operator Charges charged as per the Audited Financial Statement	3.15	3.58	5.49	6.25	7.46	25.93
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- 7.2.5 The Authority notes that for its day-to-day Fuel Farm operations, ISP pays operator charges to BPCL. The Major components under these charges include BPCL employee costs, outsourced manpower costs, repairs & maintenance expenses, power & fuel costs etc. It is observed that the ISP in its submission had proposed an annual increase of approximately 50% for the FY 2025-26 over FY 2024-25 figures. However, the Authority proposed to limit this increase to 25% and Y-o-Y increase of 6% from FY 2026-27 onward, considering the impact of general inflation, projected traffic growth etc.
- 7.2.6 The Operator Charges proposed by the Authority for the Second Control Period is presented in the table below:

Table 41: Operator Charges proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
As submitted by BKFFPL (A)	3.15	3.58	5.49	6.25	7.46	25.93
As proposed by the Authority (B)	3.15	3.58	4.72	5.01	5.31	21.78
Variance (B-A)	-	-	(0.77)	(1.24)	(2.15)	(4.15)

iii. Other Expenses:

- 7.2.7 The Authority observed from the ISP's submission that major components under the head Other Expenses include Professional & Consultancy charges, Physical Board Meeting expenses, etc.
- 7.2.8 It was noted that the ISP included Interest on Income Tax under the other expenses for FY 2024-25. In this regard, the Authority is of the view that Interest on Income Tax is in the nature of penalty for delays/ defaults in tax payments/ tax compliances and same can't be allowed as a pass-through expense. Accordingly, for the purpose of determining Other Expenses for FY 2024-25, the Authority excluded the Interest on Income Tax.
- 7.2.9 Further, the ISP projected a Y-o-Y increase of 10% in certain expenses. The Authority found this annual escalation in expenses on higher side, as it does not align with the traffic growth projected by the ISP. Accordingly, the Authority proposed to limit the Y-o-Y increase in other expenses to 5%.

iv. Insurance Expenses:

- 7.2.10 The Authority noted that BKFFPL proposed an insurance expense amounting to ₹ 0.07 crore for the Second Control Period, which includes the actual expenses amounting to ₹ 0.03 crore for the FY 2023-24 and FY 2024-25. It was noted from the ISP's submission that insurance

expenses consist of the premiums paid to insurance companies, in respect of insurance coverages taken at the corporate level and at local level.

Further, it was noted that as per the ISP, the insurance expenses for the control period were projected to increase by 15% Y-o-Y from FY 2025-26 (Third tariff year) onwards.

7.2.11 Considering that insurance cover for the Assets & Infrastructure is necessary for safeguarding the financial interests of the service provider, against loss & damage to the property etc. from natural disasters & other perils, the Authority proposed to consider insurance expenses for the FY 2023-24 and FY 2024-25 (first and second tariff year), which is as per the actuals submitted by the ISP. In respect of FY 2025-26 to FY 2027-28, Authority proposed to rationalize the Y-o-Y increase in insurance expenses to 6%, as against Y-o-Y 15% considered by the BKFFPL.

v. Land Lease Rent:

7.2.12 The Authority noted that as per the Land Lease Deed between Kannur International Airport Limited (KIAL) and BPCL Kannur Fuel Farm Limited (BKFFPL), an area of 25,000 sq. mts. has been granted for setting up a fuel farm storage and distribution of ATF on open access basis to the aircrafts and additional piece of land admeasuring 3,000 sq. mts. is allotted for parking of re-fuelers & other fueling equipment/ vehicles etc. As per the Concession Agreement, the Lessee has to pay lease rent at the rate of ₹ 400 per sqm per annum for the first year from the date of commencement of lease and an annual escalation of 9% is applicable.

7.2.13 It was observed that BKFFPL, in its MYTP, considered land license fee of ₹ 9.74 crores for the Control Period. The Authority observed that the ISP had proposed a Y-o-Y increase of nearly 9% and same is as per the Land Lease deed. Therefore, the Authority proposed to consider the land lease rental as per the ISP's submission.

vi. Repairs & Maintenance Expenses:

7.2.14 The Authority noted that ISP projected a nominal expenditure against Repair & Maintenance Expenses amounting to ₹ 45,000 for the Second Control Period, which includes actual expenses of ₹ 41,000 for the FY 2023-24 and FY 2024-25 (first two tariff years). Accordingly, the Authority proposed to consider the Repair & Maintenance expenses, as submitted by the ISP, as per Table 38.

vii. Utility Charges:

7.2.15 The Utility Charges proposed by the BKFFPL consist of Water Charges, Electricity Charges & Fuel Consumption etc. BKFFPL had considered ₹ 0.74 crore as utility expenses for the Second Control Period, which includes actual expenses amounting to ₹ 0.26 crore incurred for the FY 2023-24 and FY 2024-25 (first two tariff years).

7.2.16 BKFFPL projected a 10% Y-o-Y increase in the utility expenditure for the remaining tariff years of the Second Control Period, considering anticipating market growth and inflation costs. However, the 10% Y-o-Y increase in the utility charges proposed by the ISP seemed to be on higher side, therefore, the Authority proposed to rationalize the Y-o-Y increase to 6% for the remaining years (FY 2025-26 to FY 2027-28) of the Control Period.

The Utility Expenses proposed by the Authority for the Second Control Period are as under:

Table 42: Utility expenses proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
As submitted by BPCL (A)	0.13	0.13	0.14	0.16	0.17	0.74
As proposed by the Authority (B)	0.13	0.13	0.14	0.15	0.16	0.70
Variance (B-A)	-	(0.01)	-	(0.01)	(0.01)	(0.04)

viii. Interest on Working Capital:

7.2.17 The Authority observed that the ISP had considered Working Capital loan amounting to ₹ 1.80 crores as a part of long-term debt, while computation of the Fair Rate of Return (FRoR). In this regard, the Authority is of the view that the ECLGS Loan, amounting to ₹ 1.80 crores, is in the nature of a working capital facility and is distinct in purpose and character from the Term Loan. Accordingly, the interest charged by the bank on the ECLGS (working capital) loan was considered under the Operating Expenses and not as a component of long-term debt for the purpose of computation of the Fair Rate of Return, as the said loan is utilized for cash management for day-to-day operations.

7.2.18 Based on the analysis and rationalization of various components of Operation & Maintenance Expenditure as above, the total Operation and Maintenance (O&M) Expenditure proposed to be considered by the Authority for the Second Control Period is detailed in the table given below:

Table 43: Operation and Maintenance (O&M) Expenditure proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Salaries	0.09	0.09	0.12	0.13	0.14	0.58
Land Lease Rent	1.63	1.77	1.93	2.11	2.30	9.74
Insurance	0.02	0.01	0.01	0.01	0.01	0.07
Utility Charges	0.13	0.13	0.14	0.15	0.16	0.70
Operator Charges to BPCL	3.15	3.58	4.72	5.01	5.31	21.78
Repair and Maintenance	0.0040	0.0001	0.0001	0.0002	0.0002	0.0046
Other Expenses	0.14	0.18	0.31	0.32	0.34	1.29
Interest on Working Capital	0.09	0.03	0.00	0.00	0.00	0.13
Total	5.25	5.80	7.25	7.73	8.26	34.29

7.2.19 The reasons for variance in the O&M Expenses proposed by the Authority and as considered by the BKFFPL are as under:



- i. Rationalization of Operator Charges payable to BPCL with 6% Y-o-Y increase in place of 10% increase considered by the BKFFPL, resulting in reduction of Operator Charges by ₹ 4.15 crores.
- ii. Proposed yearly increase of 6% in Utility Expenses in place of 10% increase considered by the BKFFPL, resulting in reduction of Utility Expenses by ₹ 0.04 crore.

7.3 Stakeholders' Comments regarding Operation & Maintenance (O&M) Expenditure for the Second Control Period

7.3.1 BKFFPL's comments requesting the Authority to consider the actual financial figures in respect of FY 2025-26 while finalizing tariff determination for the Second Control Period are as under:

"It is noted that the Authority has considered actual financial and operational figures up to FY 2024-25 in the Consultation Paper. However, since FY 2025-26 has now concluded, the Operator respectfully requests the Authority the Authority to also consider the actuals for FY 2025-26 while finalising the tariff for the Second Control Period. The relevant details in this regard are enclosed as Appendix 1.

Further, it is submitted that, against the CAPEX of ₹ 96 lakhs projected for FY 2025-26, only ₹ 13.87 lakhs has been capitalised during the year. The balance ₹ 82.12 lakhs is now expected to be capitalised in FY 2026-27. The Operator respectfully requests the Authority to consider this revised capitalization timeline while finalising the tariff for the Second Control Period."

Particulars	FY 2025-26 (Rs. Crores)		Diff.	Remarks
	Actuals	As per AERA		
Revenue	12.28	13.19	-0.91	
Opex	6.96	7.25	-0.29	
Depreciation	1.99	1.05		Authority would estimate based on Order 35
Tax	1.03	1.26	-0.23	
Capex Addition	0.27	0.96	-0.69	

7.4 Authority's analysis on Stakeholders' comments regarding Operation & Maintenance (O&M) Expenditure for the Second Control Period

7.4.1 M/s BKFFPL, as part of stakeholders' comments requested the Authority to consider the actual financial figures for FY 2025-26 in respect of OPEX, CAPEX, revenue etc., while determining tariff for the Second Control Period. It is observed that the actual numbers reported by the ISP for the FY 2025-26 in respect of Revenue, OPEX, Tax and Capital

additions are lower than the corresponding projection considered by AERA in Consultation Paper.

- 7.4.2 In respect of the Finance Cost on Term Loan claimed by the ISP under the OPEX for FY 2025-26, the Authority has already considered implication of the loan availed by the ISP while computing the FRoR for the Second Control Period. Therefore, the Authority decides not to consider the same as a part of the Operation and Maintenance Expenses.
- 7.4.3 The Authority, based on the ISP's submission as part of stakeholders' comments, decides to appropriately consider the actual financial figures FY 2025-26, in addition to actuals pertaining to FY 2023-24 & FY 2024-25 already considered, for projecting the Operation and Maintenance Expenditure for the Second Control Period.
- 7.4.4 Though, the O&M Expenses for FY 2025-26 considered in the projection for the Second Control Period are based on actuals reported by the ISP; however, the Authority will undertake a true-up of these expenses at the time of determination of tariff for the Third Control Period, considering the audited financial statements, as presently only the unaudited actuals have been submitted by the ISP for the year FY 2025-26.
- 7.4.5 The revised Operation & Maintenance (O&M) Expenditure decided by the Authority for the Second Control Period is presented in the table below:

Table 44: Operation and Maintenance (O&M) Expenditure decided by the Authority for the Second Control Period

(₹ in crores)

Particulars	FY 2023-24*	FY 2024-25*	FY 2025-26*	FY 2026-27	FY 2027-28	Total
Salaries	0.09	0.09	0.08	0.08	0.09	0.43
Land Lease Rent	1.63	1.77	1.93	2.11	2.30	9.74
Insurance	0.02	0.01	0.01	0.01	0.01	0.07
Utility Charges	0.13	0.13	0.11	0.12	0.13	0.62
Operator Charges to BPCL	3.15	3.58	4.37	4.60	4.88	20.59
Repair and Maintenance	0.0040	0.0001	0.03	0.0002	0.0002	0.034
Other Expenses	0.14	0.18	0.45	0.17	0.19	1.13
Interest on Working Capital	0.09	0.03	0.00	0.00	0.00	0.13
Total	5.25	5.80	6.99	7.10	7.61	32.75

*Actuals

7.5 Authority's Decisions regarding Operation & Maintenance Expenditure for the Second Control Period

Based on the material before it and its analysis, the Authority decides the following regarding Operation & Maintenance Expenses for the Second Control Period:

- 7.5.1 To consider the Operation & Maintenance Expenditure as per Table 44.
- 7.5.2 To true up the Operation & Maintenance Expenditure of the Second Control Period at the time of tariff determination for the Third Control Period.

8. TAXATION FOR THE SECOND CONTROL PERIOD

8.1 BKFFPL's submission regarding Taxation for the Second Control Period

8.1.1 BKFFPL submitted the computation of income tax based on the Profit Before Tax (PBT) which is arrived at after considering aeronautical revenues, O&M expenses and depreciation computed separately for the purpose of tax. The computation of income tax submitted by BKFFPL is as follows:

Table 45: Taxation submitted by BKFFPL for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Earning Before Tax	A	2.41	5.26	5.52	5.29	4.61	23.10
Add: Book Depreciation	B	0.89	0.86	0.92	0.98	0.97	4.61
Less: IT Depreciation	C	1.08	0.97	0.92	0.87	0.78	4.61
Adjusted Profit/ (Loss)	D = A + B - C	2.22	5.15	5.52	5.40	4.81	23.11
Opening Losses	E	-5.12	-2.90	-	-	-	
Set Off	F	2.22	2.90	-	-	-	
Carry Forward of Accumulated Losses	G = E + F	-2.90	-	-	-	-	
Taxable income	H = D - F	-	2.25	5.52	5.40	4.81	17.98
Tax as per IT ACT	I = H * 25.17%	-	0.57	1.39	1.36	1.21	4.53

8.2 Authority's Examination regarding Taxation projected for the Second Control Period at Consultation Stage

- 8.2.1. The Authority noted that BKFFPL had projected Corporate Tax for the Second Control Period after considering tax @ 25.17% on the Profit After Tax as per IT Act.
- 8.2.2. The Authority re-computed the aeronautical tax based on the aeronautical revenues worked out as per its ARR computation proposed for the Second Control Period, as given in the chapter 9.

The following table summarizes the Aeronautical tax proposed by the Authority for the Second Control Period.



Table 46: Aeronautical Tax proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27		FY 2027-28	Total
				Up to 30.04.2026	w.e.f. 01.05.2026		
Revenue							
Aeronautical Revenue (A) (refer Table 54)	9.39	12.45	13.19	1.17	9.13	10.75	56.08
Expenses							
Operating Expenses (refer Table 43)	5.25	5.80	7.25	0.64	7.09	8.26	34.29
Depreciation (As per Income Tax Act, 1961)	1.10	0.98	0.94	0.07	0.82	0.78	4.68
Total Expenses (B)	6.35	6.78	8.18	0.71	7.91	9.04	38.97
Profit/Loss (C)=(A-B)	3.04	5.68	5.01	0.46	1.22	1.71	17.11
Set off Prior Period losses (D)	(3.32) *	(0.28)	0.00	0.00	0.00	0.00	
Carry Forward of Accumulated Losses (F) = (C+D)	(0.28)	0.00	0.00	0.00	0.00	0.00	
Profit/ (Loss) after Setoff of Prior Period losses (E)	(0.28)	5.39	5.01	0.46	1.22	1.71	13.79
Tax Rate (F)	25.17%	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax (G)=(E*F)	0.00	1.36	1.26	0.12	0.31	0.43	3.47

*As per Table 19.

8.3 Stakeholders' Comments and Authority's analysis regarding Taxation for the Second Control Period

- 8.3.1. The Authority received no comments from the stakeholders regarding Taxation for the Second Control Period.
- 8.3.2. Based on the changes made by the Authority in the various regulatory building blocks as per stakeholders' comments/ counter comments at the Order Stage, the Authority has recalculated the Taxation for the Second Control Period and the same is presented in the table below:



Table 47: Aeronautical Tax decided by the Authority for the Second Control Period
(₹ in crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Revenue						
Aeronautical Revenue (A) (refer Table 55)	9.39	12.45	12.28	9.87	10.14	54.13
Expenses						
Operating Expenses (refer Table 44)	5.25	5.80	6.99	7.10	7.61	32.75
Depreciation (As per Income Tax Act, 1961)	1.10	0.98	0.87	0.83	0.79	4.55
Total Expenses (B)	6.35	6.78	7.86	7.93	8.39	37.31
Profit/Loss (C)=(A-B)	3.04	5.68	4.42	1.94	1.75	16.82
Set off Prior Period losses (D)	(3.32)	(0.28)	-	-	-	
Carry Forward of Accumulated Losses (F) = (C+D)	(0.28)	-	-	-	-	
Profit/ (Loss) after Setoff of Prior Period losses (E)	(0.28)	5.39	4.42	1.94	1.75	13.50
Tax Rate (F)	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax (G)=(E*F)	0.00	1.36	1.11	0.49	0.44	3.40

8.3.3. The Authority, therefore, decides to consider taxation for the Second Control Period as per Table 47.

8.4 Authority's Decisions regarding Aeronautical Tax for the Second Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Taxation for the Second Control Period:

8.4.1. To consider the Aeronautical Tax for the Second Control Period in respect of BKFFPL for Kannur International Airport as per Table 47.

8.4.2. To true up the Aeronautical Tax of the Second Control Period at the time of tariff determination for the Third Control Period.



9. AGGREGATE REVENUE REQUIREMENT FOR THE SECOND CONTROL PERIOD

9.1 BKFFPL's submission regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

9.1.1 BKFFPL submitted ARR for the Second Control Period as per its projections for the regulatory building blocks as given in the table below:

Table 48: Aggregate Revenue Requirement submitted by BKFFPL for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Average Regulatory Asset Base (RAB)	A	13.00	12.16	11.80	11.33	10.36	
Fair Rate of Return (FRoR)	B	12.99%	12.99%	15.31%	15.31%	15.31%	
Return on RAB	C = A * B	1.69	1.58	1.81	1.73	1.59	8.39
O&M Expenses	D	5.16	5.79	8.02	9.01	10.46	38.44
Depreciation	E	0.89	0.86	0.92	0.98	0.97	4.61
Taxation	F	0.00	0.57	1.39	1.36	1.21	4.53
Return on Security Deposit	G	0.18	0.18	0.18	0.18	0.18	0.90
Other Income	H	-0.26	-0.24	-0.03	-0.03	-0.03	-0.60
Aggregate Revenue Requirement (ARR)	J = Sum (C: G) - H	7.65	8.74	12.28	13.23	14.37	56.27

9.1.2 BKFFPL, for the ARR computation in respect of the Second Control Period, considered actual figures for the first two tariff years i.e. FY 2023-24 & FY 2024-25 and projections for the remaining tariff years of the Control Period.

In addition to ARR as per the above table, BKFFPL submitted true-up for the FY 2021-22 and FY 2022-23 (First Control Period) amounting to ₹ 7.30 crores (refer Table 20).

9.2 Authority's examination regarding Aggregate Revenue Requirement (ARR) for the Second Control Period at Consultation Stage

9.2.1. The Authority computed ARR for the Second Control Period after detailed review of each regulatory building block and considering AERA's proposals for various building blocks as discussed in the previous chapters. Apart from the regulatory building blocks, AERA also considered the Return on Security Deposit separately, while computing ARR for the Second Control Period.



9.2.2. **Return on Security deposit (SD):** It was noted that as per the land lease agreement, BKFFPL paid ₹ 1.12 crores to Airport Operator (AO) as security deposit and claimed 16% return on the Security deposit, in line with the Cost of Equity claimed by the ISP.

The Authority is of the view that 16% return on security deposit claimed by BKFFPL is on the higher side, as no aeronautical purpose is served by the deposit of S.D with Airport Operator. Though, in the process of submission of Security Deposit to AO, substantial sum of the ISP gets blocked for significantly longer duration due to contractual arrangement between the ISP and the AO. In order to offset the erosion in the value of the funds locked in the form of SD due to the impact of annual general inflation, the Authority proposed to consider nominal interest on security deposit @ 5% per annum (as against 16% proposed by BKFFPL), which is consistent with the AERA's approach in this regard for the ISPs.

9.2.3. Based on the above, the Authority proposed ARR for the Second Control Period as presented in the table given below.

Table 49: Aggregate Revenue Requirement proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27		FY 2027-28	Total
					Up to 30.04. 2026	w.e.f. 01.05.2 026		
Average Regulatory Asset Base (RAB) (refer Table 32)	A	12.53	11.53	11.01	0.86	9.56	9.31	
Fair Rate of Return (FRoR) (refer Table 37)	B	12.38%	12.38%	12.38%	12.38%	12.38%	12.38%	
Return on RAB	$C = \frac{A *}{B}$	1.55	1.43	1.36	0.11	1.18	1.15	6.78
O&M Expenses (refer Table 43)	D	5.25	5.80	7.25	0.64	7.09	8.26	34.29
Depreciation (refer Table 30)	E	1.03	1.04	1.05	0.09	1.01	1.10	5.32
Taxation (refer Table 46)	F	0.00	1.36	1.26	0.12	0.31	0.43	3.47
Under Recovery of FCP (FY 2021-22 & FY 2022-23) (refer Table 21)	G	5.94	-	-	-	-	-	5.94
Return on Security Deposit (refer Para 9.2.2)	H	0.06	0.06	0.06	0.005	0.05	0.06	0.28
Less: Other Income	I	0.28	0.26	0.03	0.003	0.03	0.03	0.64



Aggregate Revenue Requirement (ARR)	L= Sum (C: H)-I	13.55	9.42	10.95	0.95	9.62	10.97	55.45
Discount factor @12.38%	M	1.00	0.89	0.79	0.70	0.70	0.63	
PV of ARR	N=L*M	13.55	8.38	8.67	0.67	6.78	6.88	44.92
Sum of PV of ARR								44.92

9.2.4. The Authority computed the ARR for BKFFPL in respect of its Second Control Period at ₹ 55.45 crores (NPV ₹ 44.92 crores) as on 31.03.2024, as against ₹ 56.27 crores projected by the ISP. The major reasons of variance between ARR proposed by the Authority and as considered by the BKFFPL are as under:

- Rationalization of O&M expenses like Salaries, Operator Charges to BPCL, Other Expenses, etc. amounting to ₹ 4.15 crores.
- Determination of FRoR by the Authority considering Cost of Equity @ 15.18% as against 16.00% claimed by BKFFPL, resulting in reduction of Return on RAB amounting to ₹ 1.16 crores.
- Proposed 5% interest on Security Deposit in place of 16% Return considered by the BKFFPL, resulting in reduction of Return on Security Deposit amounting to ₹ 0.62 crore.
- Reduction in taxation, due to rationalization of aeronautical revenue & expenses, based on the ARR proposed by the Authority.

9.3 Stakeholders' Comments regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

9.3.1 BKFFPL's comments with regard to Return on Security Deposit is as under:

"With regard to the Consultation Paper allowing a 5% return on the Security Deposit placed with KIAL, the Operator respectfully submits that such treatment does not adequately capture the economic cost associated with this blocked fund.

i) Nature and Treatment of Security Deposit

The Security Deposit was a mandatory contractual requirement for securing the concession rights for fuel farm operations at Kannur Airport. As the amount remains locked for the tenure of the arrangement and is not deployable for either operational requirements or capital investment, it effectively represents capital employed in the regulated business.

From an economic standpoint, this locked amount carries a clear opportunity cost. Had the same funds remained available to the Operator, they could either have been utilised towards capital expenditure earning the approved return under the tariff framework or alternatively invested in generating market-linked returns. Accordingly, limiting the return to a flat 5% understates the actual financing burden borne by the Operator.

ii) Precedent in Other AERA Tariff Orders



The Authority's own precedents in airport tariff matters, including treatment of refundable security deposits in cases such as DIAL and CIAL, support the principle that such deposits should be accorded a return linked to the cost of debt or equivalent financing benchmark, particularly where the funds remain unavailable to the regulated entity, in alignment with the judgment of the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) in the case of Delhi International Airport Limited (DIAL).

Relevant excerpts from past Orders are as follows:

- **DIAL – Third Control Period (Order No. 57/2020-21)**

Para 1.3.1 (vii):

“Refundable Security Deposit (RSD) raised by the airport operator to fund the Project cannot be a zero-cost debt. Its cost needs to be ascertained and made available to the airport operator through appropriate fiscal exercise at the time of next tariff redetermination.”

Para 3.3.12:

“Authority proposed to consider return on RSD as equivalent to the cost of debt... consistent with the proposal... regarding true-up of WACC for the First Control Period...”

Para 3.3.18:

“Authority... is of the view that the airport users benefitted from zero-cost financing that DIAL was able to raise from Non-Transfer Assets... Accordingly, the Authority has decided to consider the cost of RSD as equivalent to the actual cost of debt at 9.28% for the Second Control Period...”

- **CIAL – Third Control Period (Order No. 08/2021-22)**

Para 7.2.7:

“Since the RSD of INR 150 crores deposited by the fuel farm operator was utilised by CIAL for the creation of assets, the Authority proposed to provide a return on RSD at the cost of debt in line with the judgment of TDSAT in the case of DIAL.”

Para 7.2.8:

“As refundable security deposits are treated as debt, they were effectively included in the notional gearing ratio of 48% and hence did not require any separate treatment.”

These precedents affirm the principle that Security Deposits, when locked and not available for use by the operator, warrant a return commensurate with the cost of debt.

Accordingly, the operator respectfully requests that the return on the security deposit be aligned to the prevailing cost of debt benchmark, specifically the SBI one-year MCLR, consistent with the Authority's establishment regulatory practice in the other tariff orders for computing the notional cost of debt.”

9.3.2 BKFFPL's comments with regard to FY 2025-26 actuals is as under:

It is noted that the Authority has considered actual financial and operational figures up to FY 2024-25 in the Consultation Paper. However, since FY 2025-26 has now concluded, the Operator respectfully requests the Authority to also consider the actuals for FY



2025-26 while finalising the tariff for the Second Control Period. The relevant details in this regard are enclosed as Appendix 1.

Further, it is submitted that, against the CAPEX of ₹ 96 lakhs projected for FY 2025-26, only ₹ 13.87 lakhs has been capitalised during the year. The balance ₹ 82.12 lakhs is now expected to be capitalised in FY 2026-27. The Operator respectfully requests the Authority to consider this revised capitalization timeline while finalising the tariff for the Second Control Period.

Particulars	FY 2025-26 (Rs. Crores)		Diff.	Remarks
	Actuals	As per AERA		
Revenue	12.28	13.19	-0.91	
Opex	6.96	7.25	-0.29	
Depreciation	1.99	1.05		Authority would estimate based on Order 35
Tax	1.03	1.26	-0.23	
Capex Addition	0.27	0.96	-0.69	

9.3.3 BKFFPL's comments with regard to true up of the Second Control Period is as follows:

The Operator respectfully requests that the Authority undertake a true-up of all building blocks for the Second Control period based on actuals, at the time of tariff determination for the next Control Period. This would ensure that the tariff remains aligned with the principles of cost-reflective tariff determination and maintains consistency with the cost-plus approach adopted for BKFFPL's Fuel Farm and Into Plane services at Kannur Airport.

9.4 Authority's analysis on Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

9.4.1 The Authority has reviewed the comments of BKFFPL regarding the Return on Security Deposit and AERA's view in this regard is given in detail at Para No. 3.23.3 under the chapter – 'True Up for the FY 2021-22 and FY 2022-23 of the First Control Period'.

9.4.2 With respect to ISP's comments requesting for consideration of actual figures for FY 2025-26 while projecting CAPEX, OPEX, Revenue etc., for the Second Control Period, the Authority based on the ISP comments as part of stakeholders' consultation has considered the actuals financial figures for FY 2025-26 pertaining to Capex, Opex, etc., while finalizing the projection for various regulatory building blocks in respect of the Second Control Period, as discussed in the relevant chapters of this Tariff Order (refer paras 5.8.1, 7.4.3 & 7.4.4).

9.4.3 As regards ISP's comments requesting for true-up for the Second Control Period at the time of tariff determination for the Third Control Period, the Authority, in accordance with its extant tariff guidelines & regulatory framework, will carry-out the true-up of the Second



Control Period at the time of determination of Tariff for the Third Control Period, inter-alia, considering actual financial figures & traffic statistics etc.

9.4.4 Based on the review of the regulatory building blocks, in light of stakeholders' comments & counter comments of the ISP, the Authority has recomputed the Aggregate Revenue Requirement (ARR) for the Second Control Period as presented in the table below:

Table 50: Aggregate Revenue Requirement decided by the Authority for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Average Regulatory Asset Base (RAB) (refer Table 35)	A	12.53	11.53	10.69	10.19	9.51	
Fair Rate of Return (FRoR) (refer Table 37)	B	12.38%	12.38%	12.38%	12.38%	12.38%	
Return on RAB	C = A * B	1.55	1.43	1.32	1.26	1.18	6.74
O&M Expenses (refer Table 44)	D	5.25	5.80	6.99	7.10	7.61	32.75
Depreciation (refer Table 34)	E	1.03	1.04	1.00	1.06	1.11	5.24
Taxation (refer Table 47)	F	0.00	1.36	1.11	0.49	0.44	3.40
Under Recovery of FCP (FY 2021-22 & FY 2022-23) (refer Table 21)	G	5.94					5.94
Return on Security Deposit (refer Para 9.2.2)	H	0.06	0.06	0.06	0.06	0.06	0.30
Less: Other Income	I	0.28	0.26	0.28	0.03	0.03	0.88
Aggregate Revenue Requirement (ARR)	L= Sum (C: H)-I	13.55	9.43	10.20	9.94	10.37	53.49
Discount factor @12.38%	M	1.00	0.89	0.79	0.70	0.63	
PV of ARR	N=L*M	13.55	8.39	8.06	6.96	6.53	43.49
Sum of PV of ARR		43.49					

Note: Major reasons for variation in ARR for the Second Control Period at Order Stage vis-à-vis ARR proposed at the CP Stage are rationalization of O&M expenses by ₹ 1.53 crores & increase in Other Income by ₹ 0.22 crore as per the actual figures for FY 2025-26 submitted by the ISP.



9.5 Authority's Decisions regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to ARR projected for the Second Control Period:

- 9.5.1 To consider ARR in respect of BKFFPL for the Second Control Period as per Table 50.
- 9.5.2 To true up the ARR of the Second Control Period at the time of tariff determination for Third Control Period.



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10. AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

10.1 BKFFPL's submission on Aeronautical Revenue for the Second Control Period

10.1.1 As per BKFFPL submission, the projected Aeronautical Revenue for the Second Control Period is given in Table below:

Table 51: Projected Aeronautical Revenue as per BKFFPL (from FF & ITP services) for Second Control Period

(₹ in crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Revenue from FF & ITP services	9.39	12.45	14.55	15.28	16.04	67.72

10.1.2 The projected Aeronautical Revenue for the Second Control Period amounting to ₹ 67.72 crores by BKFFPL includes actual revenue i.e. ₹ 21.84 crores from the FY 2023-24 and FY 2024-25 (First 2 tariff years) of the Control Period.

10.2 Authority's Examination of Revenue Projected for the Second Control Period at Consultation Stage

10.2.1 The Authority noted that BKFFPL projected Aeronautical Revenue for the Second Control Period amounting to ₹ 67.72 crores, after considering the following tariff increase:

Table 52: Tariff rates (FIF & ITP services) proposed by the BKFFPL for Second Control Period

(Amount in ₹)

Existing rate per KL	Proposed rate per KL w.e.f. (01.04.2025)
2620.00	2608.04

10.2.2 It was noted that BKFFPL sought a nominal decrease of 0.46% in total charges i.e. ₹ 2608.04/KL (FIF & ITP charges), over the prevailing rate of total charges i.e. ₹ 2620/KL. The ISP in its proposal considered implementation of revised tariff effective from 01.04.2025.

10.2.3 The Authority, based on its ARR computation for the Second Control Period (refer Table 49), proposed the following tariff in respect of FIF & ITP services.

Table 53: FIF & ITP Charges proposed by the Authority for Second Control Period at Consultation Stage

(Rates in ₹/KL)

Particulars	Existing rate	FY	FY
		2026-27	2027-28
Combined Charges (FIF & ITP Charges)	2620	1830	1830
% Change		-30.15%	-

10.2.4 The Authority proposed to keep the charges in respect of services related to 'Aircraft Defueling' and 'Aircraft Refueling with Defueled Product' same as was approved by the Authority vide tariff Order No. 44/2021-22 dated 15.03.2022.

10.2.5 Based on the above proposed tariff, the Authority proposed the total revenue from the Aeronautical Services for the Second Control Period as shown in the table given below:

Table 54: Aeronautical Revenue proposed by the Authority (from FF & ITP services) for Second Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27		FY 2027-28	Total
					Up to 30.04. 2026	w.e.f. 01.05. 2026		
Aggregate Revenue Requirement (ARR) (Refer Table 49)	A	13.55	9.42	10.95	0.95	9.62	10.97	55.45
Discount factor @12.38%	B	1.00	0.89	0.79	0.70	0.70	0.63	
PV of ARR (Refer Table 49)	C=A*B	13.55	8.38	8.67	0.67	6.78	6.88	44.92
Current FIF Rate	D	2620.00	2620.00	2620.00	2620.00	2620.00	2620.00	
Fuel volume (Refer Table 24)	E	35839.00	47532.00	50347.00	4469.16	49905.60	58724.74	2,46,818
FIF income at current Tariff	F=D*E	9.39	12.45	13.19	1.17	13.08	15.39	64.67
Revised FIF rate after proposed Tariff (Refer Table 53)	G	2620.00	2620.00	2620.00	2620.00	1830.00	1830.00	
Revised FIF income	H=E*G	9.39	12.45	13.19	1.17	9.13	10.75	56.08
NPV of revised FIF income	I=H*B	9.39	11.08	10.44	0.83	6.43	6.74	44.92
Carried forward to next Control period					NIL			

10.3 Stakeholders' Comments regarding Aeronautical Revenue for the Second Control Period

10.3.1 BPCL's comments regarding reduction in Tariff is as follows:

"It is further submitted that the sharp reduction in tariff (around 30 %) as proposed in the Consultation Paper effectively shifts the entire volume and traffic risk onto the fuel infrastructure service provider.

A sharp downward revision in tariff at this stage may also create an adverse regulatory precedent for emerging and regional airports, potentially discouraging investment in open

access fuel infrastructure projects where capital expenditure is incurred upfront but traffic ramp-up remains uncertain over extended periods. Such outcomes would be contrary to broader sectoral objectives of regional connectivity and infrastructure development.

In view of the above, it is respectfully submitted that continuation of the existing tariff of ₹2,620 per KL is necessary to ensure economic viability, appropriate risk allocation, and consistency with regulatory principles.”

10.3.2 BPCL’s comments regarding accumulated losses is as under:

“The JVC has been incurring loss since start of commercial operations due to lower throughput than what had been projected by KIAL.”

10.3.3 BPCL’s comment with regard to True up is as follows:

“It is also submitted that premature tariff compression is not warranted especially in the initial years when BKFFPL is already having carried forward losses amounting to Rs.6,56.82 Lakhs as on 31st March 2025, as the Authority already retains adequate safeguards through the True-Up mechanism to address any over-recovery in subsequent periods. Retention of the existing tariff during the control period does not prejudice user interests, since any excess recovery, if it materialises due to higher-than-projected volumes, can be efficiently neutralised through True-Up in accordance with established AERA practice.”

10.4 BKFFPL’s response to Stakeholders’ comments regarding Aeronautical Revenue for the Second Control Period

10.4.1 BKFFPL’s response to BPCL’s comments regarding reduction in Tariff is as follows:

BKFFPL submits that the proposed 30% reduction in tariff effectively transfers volume and traffic risk entirely onto the fuel farm operator. Under the cost-plus regulatory framework, the operator is expected to recover:

- *Prudently incurred capital costs*
- *Efficient operating expenditure*

However, demand-side risks such as:

- *Traffic variability*
- *Airline tankering behavior*
- *External geopolitical factors*

are beyond the control of the operator and should not be embedded in tariff determination.

Accordingly, a tariff based on optimistic volume assumptions without adequate safeguards is inconsistent with established regulatory principles.

10.4.2 BKFFPL agrees with the BPCL submission that a sharp downward revision in tariff at this stage may set an adverse regulatory precedent for emerging and regional airports.

Fuel infrastructure projects involve:

- *High upfront capital investment*
- *Long gestation periods*

- *Uncertain traffic ramp-up*

In such scenarios, tariff stability is critical to:

- *Ensure recovery of capital*
- *Maintain investor confidence*
- *Support broader objectives of regional connectivity*

A tariff framework that does not adequately account for these factors may discourage future investment in similar infrastructure.

10.4.3 BKFFPL's response to BPCL's comments with regard to accumulated losses is as under:

"BKFFPL submits that the Company has incurred accumulated losses since commencement of operations, primarily attributable to lower-than-projected fuel throughput. As also highlighted by BPCL, these losses are a direct outcome of structural demand constraints rather than operational inefficiencies.

As of 31st March 2026, the accumulated losses remain significant (Rs. 5.19 Crs, unaudited) and continue to impact the financial sustainability of the operations. In a cost-plus regulatory framework, such under-recovery warrants appropriate consideration to ensure full recovery of prudently incurred costs over the control period."

10.4.4 BKFFPL's response to BPCL's comment regarding True-up is as follows:

"BKFFPL concurs that the True-Up mechanism provides an adequate regulatory safeguard to address any potential over-recovery in subsequent periods.

In this context, it is submitted that:

- *Premature tariff reduction is not warranted*
- *Consideration of the tariff submitted by BKFFPL, or at a minimum, retention of the existing tariff as suggested by BPCL, does not prejudice user interests.*
- *Any excess recovery, if arising, can be neutralised through True-Up.*

This approach ensures alignment with cost-plus principles while maintaining financial viability of the operator."

10.5 Authority's analysis on Stakeholders' comments regarding Aeronautical Revenue for the Second Control Period

10.5.1 The Authority has taken note of comments of BPCL and BKFFPL on points relating to the reduction in tariff proposed in the CP by the Authority which as per them effectively transfers volume and traffic risks entirely to the fuel farm operator, accumulated losses since beginning due to lower throughput than projected impacting financial sustainability of the operation, and to retain the existing tariff/ consideration of tariff submitted by BKFFPL that can be neutralized through true up.

The Authority has determined tariff based on the regulatory framework and extant tariff guidelines. The tariff determination approach is guided by principles of balancing recovery of prudent costs, ensuring financial viability of the operators/ service provider and safeguarding user interest through moderation of tariffs and protection of traffic growth.



Accordingly, while determining the ARR and tariffs for the 2nd CP, the Authority has carried a detailed review of each regulatory building block and has considered actual data for the first 3 years of the 2nd CP submitted by ISP. Also, as per the regulatory framework, the entire PV of ARR (Target Revenue) of ₹ 43.50 crores is allowed to be recovered through tariffs rates proposed by the Authority for the Second Control Period and there is no carry forward of ARR. Hence, there is no question of considering higher tariff than that proposed by the Authority, as the ISP cannot be allowed to recover more than the ARR for a Control Period.

As part of true up exercise, traffic projected for a given Control Period in a Tariff Order is compared with the actual traffic statistics reported by the service provider after the end of Control Period and any shortfall / surplus in Revenue due to variation in actual traffic vis-à-vis traffic projected in Tariff Order for a given Control Period is adjusted in the ARR (Target Revenue) for the subsequent Control Period. Thus, Independent Service Provider (ISP) is neither allowed to retain the over-recovery of ARR (previous control period) nor put to loss due to under-recovery during the previous control Period.

- 10.5.2 As regards BPCL's comments relating to accumulated losses suffered by BKFFPL since its inception, as per the Authority the main reason for commercial losses, if any, is low traffic base vis-à-vis huge designed capacity of the Airport. In the given scenario, it is incumbent upon the Airport Operator/ Independent Service Provider to make all out efforts to attract more traffic to expand the low traffic base of the airport so as to utilize the available capacity fully to achieve economies of scale and bring down the operating costs, in the larger interests of all stakeholders. Merely increasing user tariff to compensate for low traffic base may prove to be counter-productive to efforts of attracting more traffic at the airport.

Further, subsequent to consultation process, AERA has also considered the comments of stakeholders and actual financial figures & traffic data for the FY 2025-26 (third tariff year of Second Control Period) based on the submission of the ISP for finalization of this tariff order. Moreover, the tariff decided by the Authority for the Second Control Period, will be trued up at the time of tariff determination for the Third Control Period, in accordance with the extant tariff determination guidelines of the Authority, considering actual financial statements & traffic statistics pertaining to Second Control Period, etc.

All the factors highlighted above by the ISP (refer para 10.4.2) as part of stakeholder's comments which impacts the viability & tariff of the Fuel Farm operators, are appropriately considered in the tariff determination exercise.

- 10.5.3 The Authority, after considering stakeholders' comments and the revised computation of ARR for the Second Control Period as per Table 50, decides the tariff for the Fuel Farm & ITP services for the Second Control Period as per **Annexure – I** to this Tariff Order.

- 10.5.4 The Authority, based on the revised ARR for the Second Control Period (Table 50) & Tariff decided for the Fuel Farm & ITP services for the Second Control Period (**Annexure – I**), and after considering the actual fuel throughput for FY 2025-26 submitted by the ISP, has recomputed the Aeronautical Revenue for the Second Control Period and the same is presented in the table below:



Table 55: Aeronautical Revenue decided by the Authority (from FF & ITP services) for Second Control Period

(₹ in crores)

Particulars	Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Aggregate Revenue Requirement (ARR) (Refer Table 50)	A	13.55	9.43	10.20	9.94	10.37	53.49
Discount factor @12.38%	B	1.00	0.89	0.79	0.70	0.63	
PV of ARR (Refer Table 50)	C=A*B	13.55	8.39	8.06	6.96	6.53	43.49
Current FIF Rate	D	2620.00	2620.00	2620.00	2620.00	2620.00	
Fuel Throughput volume (Refer Table 25)	E	35839	47532	46861	50610	54659	235501
FIF income at current Tariff	F=D*E	9.39	12.45	12.28	13.26	14.32	61.70
Revised FIF rate decided by the Authority	G	2620.00	2620.00	2620.00	1855.00	1855.00	
Revised FIF Revenue	H=E*G	9.39	12.45	12.28	9.87	10.14	54.13
NPV of revised FIF Revenue	I=H*B	9.39	11.08	9.72	6.95	6.36	43.49

10.6 Authority's Decisions regarding Tariff and Projected Aeronautical Revenue for the Second Control Period

Based on the material before it and its analysis, the Authority decides the following regarding Tariff and Aeronautical Revenue for the Second Control Period:

- 10.6.1 To consider Aeronautical Revenue for BKFFPL in respect of the Second Control Period as per Table 55.
- 10.6.2 To consider true up of Aeronautical Revenue of the Second Control Period at the time of tariff determination for the Third Control Period.

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11. SUMMARY OF AUTHORITY'S DECISIONS

The below mentioned summary provides the Authority's decisions relating to relevant chapters regarding the tariff determination for the Second Control Period as reproduced below:

Chapter 2: Methodology for tariff determination

- 2.2.1 To adopt "Cost Plus Approach" on Single Till basis, for the Determination of Tariff in respect of the Fuel Farm & ITP Services, in respect of the Second Control Period (FY 2023-24 to FY 2027-28).

Chapter 3: True Up for the FY 2021-22 and FY 2022-23 of the First Control Period

- 3.24.1 To consider Fuel Throughput Volume as per Table 4.
3.24.2 To consider Capital Additions as per Table 6.
3.24.3 To consider Aeronautical Depreciation as per Table 10.
3.24.4 To consider RAB as per Table 12.
3.24.5 To consider FRoR as per Table 14.
3.24.6 To consider the O&M Expenses as detailed in Table 17.
3.24.7 To consider Taxation as per Table 19.
3.24.8 To consider ARR and Under-Recovery as per Table 21 and to adjust this shortfall in the ARR of the Second Control Period.

Chapter 4: Fuel Throughput (Volume) for the Second Control Period

- 4.6.1 To consider the Fuel Throughput Projection for the Second Control Period in respect of BKFFPL, at Kannur International Airport as per Table 25.
4.6.2 To true up the Fuel Throughput in respect of the Second Control Period, based on actual Fuel Throughput, at the time of tariff determination for the Third Control Period.

Chapter 5: Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the Second Control Period

- 5.9.1 To consider Capital Additions to RAB as per the Table 33.
5.9.2 To consider Depreciation as per Table 34.
5.9.3 To true up the Capital Expenditure based on actuals, at the time of determination of tariff for Third Control Period, subject to cost efficiency and reasonableness of capex incurred.
5.9.4 To consider Average RAB as per Table 35.
5.9.5 To true up the RAB and Average RAB considering the actual figures, at the time of tariff determination for Third Control Period.

Chapter 6: Fair Rate of Return (FRoR) for the Second Control Period

- 6.5.1 To consider FRoR as per Table 37.
- 6.5.2 To true-up Cost of Debt, (for the purpose of truing up of FRoR) for the Second Control Period, at the time of tariff determination of Third Control Period, considering actual CoD or SBI's average MCLR of 1 year tenure, whichever is lower.

Chapter 7: Operation and Maintenance (O&M) Expenditure for the Second Control Period

- 7.5.1 To consider the Operation & Maintenance Expenditure as per Table 44.
- 7.5.2 To true up the Operation & Maintenance Expenditure of the Second Control Period at the time of tariff determination for the Third Control Period.

Chapter 8: Taxation for the Second Control Period

- 8.4.1 To consider the Aeronautical Tax for the Second Control Period in respect of BKFFPL for Kannur International Airport as per Table 47.
- 8.4.2 To true up the Aeronautical Tax of the Second Control Period at the time of tariff determination for the Third Control Period.

Chapter 9: Aggregate Revenue Requirement for the Second Control Period

- 9.5.1 To consider ARR in respect of BKFFPL for the Second Control Period as per Table 50.
- 9.5.2 To true up the ARR of the Second Control Period at the time of tariff determination for Third Control Period.

Chapter 10: Aeronautical Revenue for the Second Control Period

- 10.6.1 To consider Aeronautical Revenue for BKFFPL in respect of the Second Control Period as per Table 55.
- 10.6.2 To consider true up of Aeronautical Revenue of the Second Control Period at the time of tariff determination for the Third Control Period.

AERA

12. ORDER

Upon careful consideration of the material before it, the Authority, in exercise of powers conferred by Section 13(1) (a) of the Airport Economic Regulatory Authority of India Act, 2008, hereby orders that:

- i. BKFFPL is allowed to levy the revised Tariff for the Fuel Farm and Into Plane Services in respect of the Second Control Period (FY 2023-24 to FY 2027-28) with effect from **01.06.2026** as per the *Annexure-I*.
- ii. Tariff determined hereinunder is the maximum Tariff to be charged to Users. No other charge(s) is to be levied over and above the approved Tariff rates.
- iii. The Tariff rates approved hereinunder are excluding of all applicable taxes.
- iv. M/s BKFFPL at the end of each tariff year shall submit Annual Compliance Statement (ACS), including annual audited accounts, as per the extant Guidelines.
- v. The Airport Operator to publish approved Tariff Rates for BKFFPL, Kannur as per this Order at its official website for the information of all Stakeholders.
- vi. The Airport Operator shall ensure the compliance of this Order.

By the Order of and in the Name of the Authority

सत्यमेव जयते

(Suyash Narain)
Secretary, AERA

To,

**Shri Martin Jose Emmanuel, CFO,
BPCL KIAL Fuel Farm Private Limited,
Kannur International Airport Limited,
Kannur- 670708.**

Copy for information to:

1. Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, 'B Block', Safdarjung Airport New Delhi-110003.
2. Airport Director, Kannur International Airport Limited, Kannur International Airport P. O., Mattannur, Kannur - 670708, Kerala



ANNEXURE - I

**TARIFF APPROVED BY AERA FOR THE SECOND CONTROL PERIOD
IN RESPECT OF FIF & ITP SERVICES FOR BKFFPL
AT KANNUR INTERNATIONAL AIRPORT**

Approved Tariff for the Second Control Period shall be effective from 01.06.2026

(Amount in ₹/ KL)

Combined Rate [Fuel Infrastructure Fee + Into Plane Charges (Refueling)]		Aircraft Defueling*	Refueling of Aircraft with Defueled Product*	
Up to 31.05.2026	w.e.f. 01.06.2026		Within 06 Hours	Beyond 06 Hours
2620	1855	300	350	400

*Existing tariff to be continued till the end of the Second Control Period.

Note: Tariff rates indicated above are ceiling rates excluding of taxes.



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AERA

