



**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003**

Stakeholder Comments

The Authority is aware of the fact that the Aviation Sector is undergoing unprecedented turbulence and uncertainty on account of the COVID-19 global pandemic and associated lockdown situation in major cities around the world which has resulted in restrictions in air travel both domestic and international. The Authority has released this Consultation Paper currently in which the proposals have been put forward based on the Authority's analysis and observations on the Multi Year Tariff Proposal (MYTP) submitted by the Airport Operator. The Authority, after considering the views of the airport operators, industry bodies such as IATA, ACI, FICCI, etc. on this matter, and after analyzing various scenarios, has made necessary adjustments in traffic, operating expenditure, and non-aeronautical revenues on account of the substantial changes expected in the prevailing business scenario. The Authority shall consider written evidence-based feedback, comments, and suggestions of all the stakeholders on the proposals made in the Consultation Paper and pass a suitable Order determining the tariff for Aeronautical services.

This Consultation Paper is being issued to seek comments from Stakeholders to ensure determination of Aeronautical Tariff for the Third Control Period in a timely manner. Accordingly, the Consultation Paper has been prepared based on the information, details and clarifications provided by AAI till the date of issue of this Consultation Paper.

The analysis laid down in this Consultation Paper is based on AAI's estimated figures for FY 2020-21. This will be updated based on the audited Financial Statements for FY 2020-21 at the time of issue of the Tariff Order. The Authority will factor the actual financial results for FY 2020-21 on receipt of the audited Financial Statements from the airport operator during the consultation process and appropriately make necessary adjustment on account of the same in the tariff order. In case, the airport operator does not provide the audited financial results for FY 2020-21, the Authority shall make appropriate changes to the FY 2020-21 projections in the tariff order.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Consultation Paper No. 26 /2021-22 dated 30th December 2021 are invited from the Stakeholders, preferably in electronic form at the following address:

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Airports Economic Regulatory Authority of India (AERA),
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Stakeholder Consultation Meeting (Virtual)	14.01.2022
Last Date for submission of comments	29.01.2022
Last Date for submission of counter comments	09.02.2022

Comments will be posted on AERA website www.aera.gov.in

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

List of Abbreviations

Abbreviation	Expansion
AAI	Airports Authority of India
AAICLAS	Airports Authority of India Cargo Logistics and Allied Services
AAIOI	Airports Authority of India – Officers Institute
AC	Air Conditioner
ACI	Airports Council International
ACP Cladding	Aluminium Composite Panel Cladding
AERA	Airports Economic Regulatory Authority of India
AHU	Air Handling Unit
AIC	Aeronautical Information Circulars
AMC	Annual Maintenance Charges
ANS	Air Navigation Services
AR	Admin Ratio
ARR	Aggregate Revenue Requirement
ASQ	Air Service Quality
ATF	Aviation Turbine Fuel
ATM	Air Traffic Movement
AUCC	Airport User Consultative Committee
BBS	Biometric Boarding System
BHS	Baggage Handling System
BIAL	Bengaluru International Airport Limited
BMS	Building Management System
BOQ	Bill of Quantity
CAGR	Compounded Annual Growth Rate
CAD	Civil Aviation Department
CCTV	Closed Circuit Television
CFT	Crash Fire Tender
CHQ	Corporate Head Quarter
CIAL	Cochin International Airport Limited
COVID-19	Corona Virus Disease-2019
CP	Consultation Paper
CSR	Corporate Social Responsibility
CUSS	Common Use Self Service
CUTE	Common User Terminal Equipment
CWIP	Capital Work in Progress
DG sets	Diesel Generator Sets
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
EHCR	Employee Headcount Ratio
FA	Financing Allowance
FC	Facilitation Charges

Abbreviation	Expansion
FCP	First Control Period
FICCI	Federation of Indian Chambers of Commerce and Industry
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
FTC	Fuel Throughput Charge
FY	Financial Year
GoI	Government of India
GST	Goods and Services Tax
HIAL	Hyderabad International Airport Limited
HR	Human Resources
IAF	Indian Air Force
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
IDC	Interest During Construction
IMG	Inter-Ministerial Group
IT	Information Technology
LED	Light Emitting Diode
LLP	Limited Liability Partnership
MAT	Minimum Alternate Tax
MESS	Mechanized Environmental Support Services
MIAL	Mumbai International Airport limited
MLCP	Multi-level Car Park
MMG	Minimum Monthly Guarantee
MPPA	Million Passengers Per Annum
MS	Microsoft
MSEDCL	Maharashtra State Electricity Distribution Company Limited
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NARR	Net Aggregate Revenue Requirement
NCAP	National Civil Aviation Policy
NITB	New Integrated Terminal Building
PA Systems	Public Address Systems
PBB	Passenger Boarding Bridges
PBT	Profit Before Tax
PF	Provident Fund
PLI	Proficiency Linked Incentive
PMC	Project Management Consultancy
PNQ	Pune International Airport
PRP	Productivity Related Pay
PSF	Passenger Security Fee
PSF FC	Passenger Security Fee – Facilitation Charges

Abbreviation	Expansion
PV	Present Value
R&M	Repairs and Maintenance
RAB	Regulatory Asset Base
RBI	Reserve Bank of India
RCC	Reinforced Cement Concrete
RHQ	Regional Head Quarters
RFP	Request for Proposal
SCCTV	Surveillance Closed Circuit Television
SCP	Second Control Period
SITC	Supply, Installation, Testing and Commissioning
SS Cladding	Stainless Steel Cladding
STP	Sewage Treatment Plant
TB	Terminal Building
TBLR	Terminal Building Ratio
TCP	Third Control Period
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
TR stalls	Trade Stalls
U/G tunnel	Under Ground Tunnel
UDF	User Development Fee
UPS	Uninterruptible Power Supply
VAT	Value Added Tax
VIP	Very Important Person
WC	Working Capital
WDV	Written Down Value
WPI	Wholesale Price Index
WTP	Water Treatment Plant
XBIS	X-ray Baggage Inspection System
Units of Measurement	
Cr	Crore
FY	Financial Year
Mn	Million
MT	Metric Tonne
No.	Number
P.A.	Per annum
Rs.	Rupees
Sq.m.	Square meter
YoY	Year on Year

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1. BACKGROUND

1.1 Introduction

- 1.1.1 Pune International Airport is located approximately 10 km North-East of Pune City which is the second largest city in Maharashtra after Mumbai with a population of approximately 7.4 million as of 2020. Pune city is widely regarded as the second major "IT hub of India" and the top "automobile and manufacturing hub of India".
- 1.1.2 Pune International Airport is a civil enclave which is jointly operated by Airport Authority of India (AAI) and Indian Air Force (IAF) at the eastern side of Lohegaon Air Base of the Indian Air Force. AAI collects parking, housing and UDF charges at Pune International Airport. Landing charges at Pune International Airport are collected by the Indian Air Force as it is a civil enclave. Air Navigation Services (ANS) at Pune International Airport are provided by AAI. AAI has submitted that this MYTP does not consider revenues, expenditure, and assets relating to ANS.
- 1.1.3 Pune International Airport's designated capacity is 7 million passengers. In FY 2019-20, Pune International Airport handled a throughput of 8.09 million passengers. Since the traffic at Pune International Airport is more than 3.5 MPPA, it is considered to be major airport as defined in section 2(i) of AERA (Amendment) Act 2019. The traffic handled by the Pune International Airport during the Second Control Period is given in table below:

Table 1: Passenger and ATM traffic during the Second Control Period

Year	Dom. Pax (In Millions)	Int. Pax (In Millions)	Total Pax. (In Millions)	Dom. ATMs (In nos.)	Int. ATMs (In nos.)	Total ATMs (In nos.)
FY17	6.51	0.26	6.77	44662	2120	46782
FY18	7.89	0.27	8.16	53705	2316	56021
FY19	8.82	0.25	9.07	57612	2276	59888
FY20	7.93	0.16	8.09	53066	1195	54261
FY21	2.13	0.00	2.13	19686	145	19831

- 1.1.4 With the traffic handled crossing its designated capacity, Pune International Airport has planned and begun construction of a new terminal, taking the overall capacity, post commissioning of the new Terminal building to 19 MPPA.
- 1.1.5 Technical and infrastructural details of civil enclave at Pune International Airport are provided in the table below:

Table 2: Technical details of Pune International Airport

Particulars	Details
Total Airport Area	26.01 acres (civil)
Runway Orientation and Length	10/28 and 2535 meter-IAF Runway
No. of Taxi Tracks	1 Parallel Taxiway and 3 Taxiways leading to Civil Apron
No. of Apron Bays	10
Navigational Aids	4C
Operational Hours	24 hours

- 1.1.6 The Terminal building details of Pune International Airport are tabulated below:

Table 3: Terminal building details of Pune International Airport

Particulars	Existing
Terminal building area	23,560 sqm
Immigration counters	14
Customs counters	6
Security counters	10
Departure conveyor	2
Arrival conveyor	4
Peak hour passenger capacity	Departure:450, Arrival:450
No. of check in counters (CUTE)	32
Total area of Car parking	11000 sqm.

1.2 Tariff setting principles

1.2.1 The legislature has provided policy guidance to the Authority regarding determination of tariff for aeronautical services under the provisions of the AERA Act, 2008. The Authority is required to adhere to this legislative policy guidance in discharge of its functions in respect of major airports. These functions are indicated in Section 13 (1) of the AERA Act, 2008, which reads as under:

- a) To determine the tariff for aeronautical services taking into consideration.
 - (i). The capital expenditure incurred and timely investment in improvement of airport facilities;
 - (ii). The service provided, its quality and other relevant factors;
 - (iii). The cost for improving efficiency;
 - (iv). Economic and viable operation of major airports;
 - (v). Revenue received from services other than aeronautical services;
 - (vi). Any Concession offered by the Central Government in any agreement or memorandum of understanding or otherwise;
 - (vii). Any other factor which may be relevant for the purposes of the Act;
- b) To determine the amount of development fees in respect of major airports;
- c) To determine the amount of passenger service fee levied under rule 88 of the Aircraft Rules, 1937 made under Aircraft Act, 1934;
- d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf;
- e) To call for such information as may be necessary to determine the tariff under clause 13(1)(a).
- f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act.

1.2.2 The Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority is calculated as under:

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

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

Where,

t is the tariff year in the control period, ranging from 1 to 5

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

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

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

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

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

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

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

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

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

- (i). Normative approach to Building Blocks in Economic Regulation of Major Airports – Capital Costs Regarding
 - The Authority issued Order No. 07/2016-17 dated 06th June 2016, in the matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports – Capital Costs Regarding.
 - Normative Approach Order as is applicable is appropriately considered by the Authority in this tariff determination process.
- (ii). Determination of useful life of airport assets
 - The Authority issued Order No. 35/2017-18 dated 12th January 2018 and Amendment No.1 to Order No.35/2017-18 dated 9th April 2018, in the matter of determination of useful life of airport assets.
 - The Authority proposes to consider the Order No. 35/2017-18 along with amendment in its determination of aeronautical tariff in respect of AAI.

1.3 Past tariff determination history

1.3.1 The Authority in the First Control Period Order vide its Order No. 17/2015-16 dated 11th May 2015 had decided that tariff for Pune International Airport would continue at the then prevailing level of tariff collected by AAI, on an adhoc basis till 31st March 2016, as noted below.:

"2.3 the fresh determination of tariff for the 2nd control period is due in less than one year and any determination now for the 1st Control Period would lead to frequent fluctuation in tariffs, which may best be avoided."

1.3.2 A brief on the timeline of events for the Second Control Period is as follows:

- After the announcement of National Civil Aviation Policy, AAI made revised submissions under Hybrid Till on 1st February 2017 with various supplementary information/submissions on 26th April 2017 and 17th May 2017.
- Pursuant to their submission, a series of discussions/meetings/presentations were held on the proposal including discussions in respect of the financial model submitted by AAI.
- The Authority considered and analyzed the views of various stakeholders on proposals of the Authority on various building blocks in respect of determination of aeronautical tariff for Pune International Airport. The Authority had adopted the model proposed by AAI as on 1st February 2017 and determined the aeronautical tariff vide its Order No. 15/2017-2018 dated 30th October 2017 in the matter of Determination of Aeronautical Tariff in respect of Pune International Airport for the Second Control Period (1st April 2016 – 31st March 2021). The Authority decided to consider shortfall in revenues for the Second Control Period based on proposed tariffs by the Authority while determining aeronautical tariffs for the Third Control Period.

1.4 Tariff Submissions by AAI for Third Control Period

- 1.4.1 AAI filed its MYTP submissions for the Third Control Period i.e., from FY 2021-22 to FY 2025-26, vide their letter dated 22nd June 2021. The MYTP submitted by AAI is available on AERA website.
- 1.4.2 MYTP submitted was with provisional figures of FY 2020-21. Thereafter, AAI was requested to submit the actual financials for FY 2020-21. AAI responded that the financial statements were unaudited and requested AERA to consider the projections of FY 2020-21 for the Tariff determination of the Third Control Period. The Authority expects AAI to submit actual figures for FY 2020-21. The Authority will factor the actual financial results for FY 2020-21 on receipt of the audited Financial Statements from AAI during the consultation process and appropriately make necessary adjustment on account of the same in the tariff order. In case, AAI does not provide the audited financial results for FY 2020-21, the Authority shall make appropriate changes to the FY 2020-21 projections in the tariff order.
- 1.4.3 AAI had also submitted that all cargo operations had been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), its wholly owned subsidiary, in FY 2017-18. Hence, AAI's tariff proposal for Pune International Airport did not include revenues, expenditure and assets related to cargo operations from FY 2017-18. AAI has considered a revenue share of 30% of the cargo revenues earned by AAICLAS in Pune International Airport as aeronautical revenues. This is as per AAI's agreement with AAICLAS.
- 1.4.4 This Consultation Paper discusses tariff determination for aeronautical services at Pune International Airport excluding cargo operations. The tariffs related to cargo operations at Pune International Airport will be determined separately since its operations are carried out by AAICLAS from 1st April 2017.
- 1.4.5 The Authority had appointed an independent consultant, M/s PKF Sridhar and Santhanam LLP (PKF S&S LLP) to assess the MYTP submitted by AAI for Pune International Airport. Accordingly, M/s PKF S&S LLP has assisted the Authority in examining the MYTP of the airport operator, including verifying the data from various supporting documents submitted by the airport operator, examining the building blocks in tariff determination, and ensuring that the treatment given to it is consistent with the Authority's methodology, approach, etc.
- 1.4.6 AAI submitted several items of information based on multiple clarifications sought and queries raised by the Authority from time to time. The Authority has examined the MYTP submitted by AAI and verified the data, examined the projections for the Third Control Period and obtained clarifications on the information provided by AAI for finalizing this consultation paper.

1.5 Construct of this Consultation Paper

- 1.5.1 The background of the Authority's tariff determination process is explained in Chapter 1.
- 1.5.2 In Chapter 2, the Authority lists out AAI's submissions on true up for regulatory building blocks, along with the summaries of decisions taken by the Authority as per the Second Control Period Order. This is followed by the Authority's examination of and proposals regarding true-up of the regulatory blocks for the Second Control Period.
- 1.5.3 Chapters 3 - 11 discuss AAI's submissions and the Authority's examination of AAI's submissions along with its proposals with respect to various building blocks pertaining to the Third Control Period.
- 1.5.4 Chapter 12 presents the revised target revenue as determined by the Authority based on the proposals.
- 1.5.5 Chapter 13 summarizes the Authority's proposals regarding each of the building blocks.
- 1.5.6 The Authority seeks views of stakeholders regarding the proposals put forward for tariff determination for the Third Control Period in this consultation paper.

2. TRUE UP FOR THE SECOND CONTROL PERIOD

2.1 AAI's submission pertaining to true up for the Second Control Period

2.1.1 AAI has submitted the results in relation to true up of ARR of Second Control Period with actual figures from FY 2016-17 to FY 2019-20 and estimated figures for FY 2020-21. AAI has presented true up for the Second Control Period as part of the current MYTP submission as follows:

Table 4: AAI's submission of True up for the Second Control Period

Particulars (Rs in lakhs)	Ref	FY17	FY18	FY19	FY20	FY21 (Est.)	Total
Opening RAB	A	8,212.55	8,116.29	8,122.60	9,912.76	11,154.95	
Closing RAB	B	8,116.29	8,122.60	9,912.76	11,154.95	13,039.78	
Average RAB	C=(A+B)/2	8,164.42	8,119.44	9,017.68	10,533.85	12,097.37	
FRoR (%)	D	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on RAB	E=C*D	1,143.02	1,136.72	1,262.47	1,474.74	1,693.63	6,710.59
Compounding of Return on Dep. & Avg. RAB of FCP FA	F	58.32	-	-	-	-	58.32
Operating expense	G	5,882.78	7,705.50	9,875.43	10,345.46	9,542.11	43,351.29
Working Capital Interest & Interest on Term Loan	H	-	-	-	-	55.09	55.09
*Depreciation	I	713.86	709.07	795.93	941.13	1,118.29	4,278.27
Tax	J	-	-	-	1,419.64	-	1,419.64
Under recovery of First Control Period as on 31/3/2017	K	13,526.60	-	-	-	-	13,526.60
ARR	L=Sum(E:K)	21,324.57	9,551.30	11,933.83	14,180.97	12,409.12	69,399.79
Non-Aeronautical revenue	M	3,060.67	3,494.94	6,766.15	6,134.92	2,215.50	21,672.19
Less: 30% Non-Aeronautical revenue	N=M*30%	918.20	1,048.48	2,029.85	1,840.48	664.65	6,501.66
Net Aggregate Revenue Requirement (NARR)	O=L-N	20,406.37	8,502.82	9,903.98	12,340.50	11,744.47	62,898.14
Actual Aero Revenue	P	4,124.07	8,147.45	18,810.78	17,504.58	4,800.08	53,386.96
Shortfall	Q=O-P	16,282.29	355.37	-8,906.80	-5,164.09	6,944.39	9,511.16
Compounding rate	R	14.00%	14.00%	14.00%	14.00%	14.00%	
Compounding Factor	$S=(1+R)^{5/4/3/2/1}$	1.93	1.69	1.48	1.30	1.14	
Compounding of NARR	T=O*S	39,290.72	14,360.92	14,673.19	16,037.71	13,388.70	97,751.23
Compounding of Aero Revenue	U=P*S	7,940.55	13,760.71	27,869.00	22,748.96	5,472.09	77,791.31
Shortfall as on 31/3/2022	V=T-U	31,350.17	600.20	-	-6,711.25	7,916.61	19,959.92

*Includes depreciation on Financing Allowance of capital additions taken in First Control Period.

2.1.2 AAI in its MYTP, proposed to carry forward shortfall of Rs. 19,959.92 lakhs of the true up of Second Control Period while determining aeronautical tariffs for the Third Control Period.

Recap of decision taken by the Authority for True up of Building Blocks at the time of determination of tariff for the Second Control Period

2.1.3 The Authority had noted the following decisions in Order no. 15/2017-18 dated 30th October 2017 with respect to true up of Building Blocks at the time of determining tariff for the Second Control Period.

Table 5: Decisions taken by the Authority in Order no. 15/2017-18 for the Second Control Period

S.No.	Particulars	Decision No.	Decision
1	Traffic	2.b	The Authority decided to true up the traffic volume (ATM and Passengers) based on the actual traffic in the Second Control Period while determining the tariffs for the Third Control Period.
2	Opening RAB	4.a	The Authority decided to consider the opening Regulatory base for the 2 nd control Period under Hybrid till as Rs. 8,003 lakhs.
3	Capital Expenditure	5.c	The Authority decided to true up the opening RAB of the next control period depending on the capital expenditure incurred and date of capitalisation of underlying assets in a given year.
4	Depreciation	6.b	The Authority decided to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. The Authority decided to make necessary adjustments in RAB and true up of Depreciation while considering tariff determination in future.
5	RAB for the Second Control Period	7.b	The Authority decided to true up the RAB of the Second Control Period on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority, at the time of determination of tariff for the Third Control Period.
6	FRoR	8.a.	The Authority decided to consider the FRoR at 14% for civil enclave at Pune International Airport for Second Control Period.
7	Non-Aeronautical Revenue	9.a	The Authority decided to consider the revenues accruing to AAI on account of aeronautical services of Cargo Facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals and building rent from these activities as aeronautical services.
		9.c	The Authority decided that Non-Aeronautical Revenue will be trued up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.
8	Operation and Maintenance expenditure	10.b	The Authority expected AAI to reduce per pax O&M expenditure over a period of time.
		10.c	The Authority decided to true up the O&M expenditure for FY 2016-17 to FY 2020-21 of the Second Control Period based on the actuals at the time of determination of tariffs for the Third control Period.
9	Taxation	11.b	The Authority decided to true up the difference between the actual/apportioned corporate tax paid and that estimated by the Authority for the Second Control Period during the tariff determination for the Third Control Period.

2.1.4 The Authority proposes to examine the true up for Second Control Period, issue wise, in the following manner:

- Recording and understanding of the true-up as put forth by AAI in its submission.
- Recap of decision taken by the Authority for each item of true-up at the time of tariff determination for the Second Control Period.
- Examination and proposal regarding each item of true-up as part of tariff determination for the Second Control Period.

2.2 True up of Traffic

AAI's submission for true up of traffic

2.2.1 AAI has submitted the passenger and ATM traffic based on actuals for FY 2016-17 to FY 2019-20 and estimates for FY 2020-21.

Table 6: AAI's submission of ATM and passenger traffic for the Second Control Period

	Ref	FY 17	FY 18	FY 19	FY 20	FY 21 (est)	Total
Air Traffic Movements (in 000's)							
Domestic	A	44.66	53.71	57.61	53.07	18.90	227.95
International	B	2.12	2.32	2.28	1.20	0.20	8.11
Total	A+B	46.78	56.02	59.89	54.26	19.10	236.05
Passenger Traffic (in Millions)							
Domestic	C	6.51	7.89	8.82	7.93	2.12	33.27
International	D	0.26	0.27	0.25	0.16	0.00	0.94
Total	C+D	6.77	8.16	9.07	8.09	2.13	34.22

Recap of decision taken by the Authority for traffic at the time of determination of tariff for the Second Control Period

2.2.2 The Authority vide decision no. 2 of Order no 15/2017-18 dated 30th October 2017 decided the following with respect to Traffic for Second Control Period.

- Decision no. 2.a. "The Authority decides to consider the ATM and Passenger traffic as per Table 19."
- Decision no.2.b. "The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in 2nd control period while determining tariffs for the 3rd Control Period."

Table 7: Traffic growth rates and Traffic as considered by the Authority for Second Control Period (Table 19 of SCP order)

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth Rates						
2016-17	26%	3%	25%	16%	0%	15%
2017-18	12%	10%	12%	10%	8%	10%
2018-19	12%	10%	12%	10%	8%	10%
2019-20	12%	10%	12%	10%	8%	10%
2020-21	12%	10%	12%	10%	8%	10%
Traffic						
2016-17	65,40,312	2,47,079	67,87,391	44,886	2,046	46,932
2017-18	73,25,149	2,71,787	75,96,935	49,374	2,209	51,583
2018-19	82,04,166	2,98,965	85,03,132	54,312	2,386	56,698
2019-20	91,88,667	3,28,862	95,17,528	59,743	2,577	62,320
2020-21	1,02,91,306	3,61,748	1,06,53,055	65,717	2,783	68,499

Authority's examination and proposal for traffic as part of tariff determination for the Second Control Period

2.2.3 The Authority notes that traffic figures for FY 2020-21 were estimated by AAI at the time of submitting MYTP. The Authority has compared the traffic as estimated by AAI for FY 2020-21 with the actual traffic as given by AAI in its website and noted them to be different.

2.2.4 It was observed that while the passenger data provided by AAI matched till FY 2019-20 with that on the website, the ATM and passenger details provided by AAI for FY 2020-21 were different from the details available on the website. Therefore, the Authority proposes to consider the actual traffic figures as per AAI website for all years i.e., from FY 2016-17 to FY 2020-21 for true up of Second Control Period as per Table 8.

- 2.2.5 Accordingly, the Authority proposes to consider the actual traffic for FY 2020-21. A summary of traffic for the Second Control Period is as given below.

Table 8: ATM and passenger traffic for Second Control Period as per AAI website

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Air Traffic Movements (in 000's)							
Domestic	A	44.66	53.71	57.61	53.07	19.69	228.73
International	B	2.12	2.32	2.28	1.20	0.15	8.05
Total	A+B	46.78	56.02	59.89	54.26	19.83	236.78
Passenger Traffic (in Millions)							
Domestic	C	6.51	7.89	8.82	7.93	2.13	33.28
International	D	0.26	0.27	0.25	0.16	0.00	0.94
Total	C+D	6.77	8.16	9.07	8.09	2.14	34.23

- 2.2.6 The Authority observed that domestic passenger traffic and ATMs of FY 2017-18 and FY 2018-19 were higher than that proposed by the Authority in the tariff order of the Second Control Period. However, there is a dip in traffic numbers for the FY 2019-20, which is attributed to the grounding of Jet Airways in early part of the financial year and lockdown owing to Covid-19 pandemic in the month of March 2020. Further, there is a significant dip in passenger traffic and ATM during FY 2020-21 as compared to the projections due to the impact of Covid-19 pandemic on the aviation sector.
- 2.2.7 The Authority notes that in the Second Control Period Order, cargo activities at Pune International Airport was transferred to AAI Cargo Logistics and Allied Services Company Ltd. (AAICLAS) in the FY 2017-18. Hence, no cargo traffic was projected as part of Second Control Period Order and consequently no true up of cargo traffic has been considered as part of true up of Second Control Period.

2.3 True up of Aeronautical Revenues

AAI's submission for true up of aeronautical revenues

- 2.3.1 AAI has submitted that the following are the sources of Aeronautical Revenue:

- Parking and Housing charges
- Passenger Service Fee – Facilitation Charge (PSF FC)
- User Development Fee (UDF)
- Fuel Throughput Charges (FTC)
- Ground handling revenue
- CUTE service charges
- Land lease from Oil companies
- Land lease from Ground Handling
- Cargo revenue till FY 2016-17
- Revenue share from AAICLAS from FY 2017-18

- 2.3.2 AAI has submitted the following aeronautical revenues for the Second Control Period:

Table 9: Aeronautical Revenues submitted by AAI for True Up of Second Control period

							(Rs. in Lakhs)
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total	
Parking & Housing	30.81	54.69	85.38	103.37	36.39	310.64	
PSF (FC)							
Domestic	2,562.78	2,264.02	18.97	0.00	0.00	4,845.77	
International	13.16	70.35	1.19	0.00	0.00	84.70	
Total PSF	2,575.95	2,334.37	20.16	0.00	0.00	4,930.47	

TRUE UP FOR THE SECOND CONTROL PERIOD

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
UDF						
Domestic	0.00	3,782.17	15,574.32	15,236.97	4,082.42	38,675.88
International	0.00	188.59	947.69	590.97	16.44	1,743.69
Total UDF	0.00	3,970.76	16,522.01	15,827.94	4,098.87	40,419.57
Fuel Throughput Charges	133.11	260.16	350.03	124.32	0.00	867.63
Ground Handling	466.76	541.61	688.22	416.27	146.53	2,259.39
CUTE	591.87	710.53	785.29	680.86	179.23	2,947.77
Land lease from Oil companies	109.21	115.26	143.74	117.31	117.31	602.83
Land lease from Ground Handling	190.82	160.06	135.01	159.42	159.42	804.73
Cargo	25.56	0.00	0.00	0.00	0.00	25.56
Revenue share from AAICLAS	0.00	0.00	80.94	75.09	62.34	218.37
Total Aero revenues	4,124.07	8,147.45	18,810.78	17,504.58	4,800.08	53,386.96

Recap of decision taken by the Authority for Aeronautical Revenue at the time of determination of tariff for the Second Control Period

2.3.3 The Authority vide para no. 17.13 of Order no 15/2017-18 dated 30th October 2017 decided the following with respect to Aeronautical revenue for Second Control Period.

- “The estimated Aeronautical Revenues based on tariffs as proposed by the Authority to be applicable from 01.12.2017, indicated in Table 49 as per Second Control Period Order.”

Table 10: Projected Revenue, Target Revenue and Shortfall as per the Authority for the 2nd Control Period (Table 49 of SCP order)

(Rs. in Lakhs)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Landing (A)	-	-	-	-	-	-
Parking and Housing (B)	30.00	50.00	80.00	90.00	100.00	350.00
UDF/PSF as per existing Rates (C)	2,610.00	2,920.00	3,270.00	3,660.00	4,100.00	16,560.00
Fuel Throughput (FTP) +Into Plane (ITP) and lease rentals (D)	280.00	310.00	340.00	380.00	420.00	1,730.00
Ground Handling Charges and lease rentals (E)	520.00	570.00	620.00	690.00	750.00	3,150.00
CUTE (F)	600.00	670.00	750.00	840.00	940.00	3,800.00
Total Projected Revenue (G)	4,040.00	4,520.00	5,070.00	5,660.00	6,320.00	25,610.00
Target Aero Revenue	8,570.00	9,990.00	11,650.00	13,590.00	15,850.00	59,650.00
Shortfall (-)/Excess (+)	-4,530.00	-5,470.00	-6,590.00	-7,930.00	-9,530.00	-28,580.00
PV Value (01.04.2016) with 14% rate	-4,530.00	-4,800.00	-5,070.00	-5,350.00	-5,640.00	-25,390.00
Total PV as on 01.04.2016					-25,400.00	-25,400.00
UDF with revised rates considered by AERA (H)	2,610.00	6,540.00	16,020.00	18,640.00	21,680.00	65,490.00

Authority's examination and proposal for aeronautical revenues as part of tariff determination for the Second Control Period

2.3.4 AAI has submitted the actual figures for the purpose of True up of Second Control period based on the trial balances of the respective years until FY 2019-20 and has submitted the estimated numbers for FY 2020-21 based on the traffic proposed for the year.

2.3.5 The Authority notes that Aeronautical Revenue is based on the following metrics:

- Parking & Housing charges and Ground handling charges - ATM Traffic

- PSF/UDF and CUTE services revenue - Passenger Traffic
- Fuel Throughput Charges – Fuel throughput handled
- Land lease from Oil companies, Land lease from Ground Handling – Actual rental revenues based on agreements
- Cargo – Cargo Traffic
- Revenue share from AAICLAS – 30% of revenues earned by AAICLAS Pune as per agreement between AAI and AAICLAS

2.3.6 The Authority examined the Trial balances for FY 2016-17 to FY 2019-20 submitted by AAI as part of the MYTP submission and proposes to consider the base figures as submitted by AAI for the period FY 2016-17 to FY 2019-20 as aeronautical revenues subject to the following change.

- The Authority notes that AAI has deducted Rs. 163.06 lakhs from Land lease revenues under non-aeronautical services in FY 2017-18 to be considered as aeronautical revenues as they pertain to land lease revenue earned from ground handling agencies. However, AAI has considered only Rs. 160.63 lakhs as part of the Aeronautical revenues instead of Rs 163.06 lakhs. The Authority proposes to correct the same by adding the difference to the figure submitted by AAI for FY 2017-18.

2.3.7 Rent from space given to aeronautical service providers such as space given to Airlines has been considered as Non-Aeronautical Revenue by Pune International Airport. The Authority is of the view that the revenues collected from aeronautical services providers such as Airlines are to be treated as Aeronautical Revenues. Therefore, the Authority proposes to consider the rent received from space given to Airlines and other aeronautical concessionaires as aeronautical revenues.

2.3.8 The Ministry of Civil Aviation discontinued the levy of fuel throughput charge at all airports with effect from 15th January 2020 vide MoCA letter no. F.No. AV-13030/216/2016-ER (Pt.2) dated 8th January 2020. As a result of this Order, the Authority vide Order No. 11/2020-21 dated 12th June 2020 added Rs. 6.00 to UDF (for both Domestic & International traffic) in lieu of shortfall in ARR collection from FTC. The same has been included by AAI in the respective heads for the applicable years.

2.3.9 The Authority noted that even though Cargo activities were transferred to AAICLAS in FY 2017-18 as stated in para 1.4.3, there was no revenue share accounted from AAICLAS in FY 2017-18. Upon enquiry, AAI submitted that the revenue of FY 2017-18 was clubbed with the revenue in FY 2018-19 because AAICLAS was a newly formed organization, and the flow of entries/accounting was being stabilized.

2.3.10 The Authority noted AAI's submissions as above but had observed that the share of revenue from AAICLAS in FY 2018-19 & FY 2019-20 were almost the same and there was no significant variance. However, AAI reiterated vide clarificatory replies that actual revenues as per the trial balance of Pune International Airport may be considered. Considering that AAI maintains financials for every station, the Authority proposes to accept the revenues submitted by AAI as per the Trial Balance, in respect of revenue share from AAICLAS.

2.3.11 For FY 2020-21, the Authority proposes to estimate the revenues based on the following terms:

- **Parking & Housing Revenue, PSF, UDF, Ground Handling Revenue & CUTE** – Based on the revised traffic numbers as proposed by the Authority for the year as enumerated in Table 8.
- **Land Lease Revenue from Oil companies, Ground handling agencies and Airline's office space** – To be retained at FY 2019-20 levels as proposed by AAI.
- **Revenue share from AAICLAS**- As proposed by AAI on the basis of data submitted to them by AAICLAS.

Aeronautical Revenues proposed to be considered by the Authority for True Up of Second Control period

- 2.3.12 Based on the above discussions, the Authority proposes to consider the following as aeronautical revenues for the Second Control Period

Table 11: Aeronautical Revenues proposed by the Authority for True Up of Second Control period

(Rs. in Lakhs)

Particulars	FY17	FY18	FY19	FY20	FY21	Total
Parking & Housing	30.81	54.69	85.38	103.37	37.78	312.03
PSF (FC)						-
Domestic	2,562.78	2,264.02	18.97	-	-	4,845.77
International	13.16	70.35	1.19	-	-	84.70
Total PSF	2,575.95	2,334.37	20.16	-	-	4,930.47
UDF						-
Domestic	-	3,782.17	15,574.32	15,236.97	4,099.68	38,693.14
International	-	188.59	947.69	590.97	18.23	1,745.48
Total UDF	-	3,970.76	16,522.01	15,827.94	4,117.91	40,438.62
Throughput Charges	133.11	260.16	350.03	124.32	-	867.63
Ground Handling	466.76	541.61	688.22	416.27	152.14	2,265.00
CUTE	591.87	710.53	785.29	680.86	180.02	2,948.57
Land lease from Oil companies	109.21	115.26	143.74	117.31	117.31	602.83
Land lease from Ground Handling	190.82	163.06	135.01	159.42	159.42	807.73
Rent from Airline office Space	398.54	260.76	307.94	245.18	245.18	1,457.59
Cargo	25.56	-	-	-	-	25.56
Revenue share from AAICLAS	-	-	80.94	75.09	62.34	218.37
Total Aeronautical Revenue	4,522.61	8,411.20	19,118.72	17,749.76	5,072.10	54,874.40

- 2.3.13 The Authority proposes to consider the aero revenues as per Table 11 for true up of the Second Control Period.

2.4 True up of Regulatory Asset Base**AAI's submission for true up of Opening RAB and aeronautical asset additions for the Second Control Period:**

- 2.4.1 Opening RAB as submitted by AAI for the Second Control Period is given in the table below.

Table 12: Opening RAB submitted by AAI for true up of Second Control Period

(Rs. in Lakhs)

Particulars	Value as on 01.04.2016
Building-Terminal	5,597.22
Plant & Machinery	371.83
Tools & Equipment's	215.12
Electrical Installation	1,658.22
Furniture's & Fixtures	122.94
X Ray Baggage System	190.05
CFT equipment, Computers etc.	57.18
Total	8,212.55

- 2.4.2 AAI submitted that the total capital additions for the Second Control Period, from FY 2016-17 to FY 2020-21, amounted to Rs. 9,101.43 lakhs. Out of this, capital expenditure for FY 2020-21 was on an estimate basis. Year wise capital additions is given in the table below:

Table 13: Gross and Aeronautical Asset Additions submitted by AAI for true up of Second Control Period

(Rs. in Lakhs)

Particulars	FY 17 (Actual)	FY 18 (Actual)	FY 19 (Actual)	FY 20 (Actual)	FY 21 (Est.)	Total
Total Additions	613.46	715.38	2,586.08	2,183.39	3,003.12	9,101.43
Aero Additions (for detailed additions refer Table 14)	611.77	715.38	2,586.08	2,183.33	3,003.12	9,099.67
Allocation Ratio	99.72%	100.00%	100.00%	99.99%	100.00%	99.98%

Table 14: Aeronautical additions submitted by AAI for true up of Second Control Period

(Rs. in Lakhs)

Additions	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Runways, Taxiways, Aprons	-	-	993.19	8.98	-	1,002.17
Building-Terminal	-	-	-	45.08	55.62	100.69
Building-Others	80.07	368.99	302.64	120.88	44.90	917.47
Roads, Bridges and Culverts	-	-	-	6.65	-	6.65
Computer & Peripheral-End User	14.77	15.54	51.18	15.09	-	96.58
Computer & Peripheral-Server and Networks	-	-	-	36.26	-	36.26
Computer & Package -Intangible Assets	-	1.53	15.06	-	5.00	21.59
Plant & Machinery	325.03	127.44	748.20	1,352.95	29.22	2,582.84
Tools & Equipment's	47.11	0.40	-	366.49	2,502.06	2,916.07
Other Vehicles	-	-	191.11	11.33	-	202.44
Vehicle- Cars & Jeeps	-	25.17	-	-	-	25.17
Electrical Installation	60.88	9.72	60.94	135.58	89.74	356.86
Solar System	-	-	114.57	-	-	114.57
Other office Equipment's	0.86	-	1.64	4.41	1.38	8.29
Furniture's & Fixtures-Other than Trolley	8.95	92.93	81.03	79.61	202.96	465.48
Furniture & Fixtures-Trolley	-	17.69	26.53	-	-	44.22
X Ray Baggage System	74.10	55.84	-	-	72.25	202.19
CFT & Fire Fighting equipment	-	0.13	-	-	-	0.13
Aero Additions proposed by AAI	611.77	715.38	2,586.08	2,183.33	3,003.12	9,099.67

Recap of decision taken by the Authority for Opening RAB & Aeronautical Capital Additions at the time of tariff determination for the Second Control Period:

- 2.4.3 The Authority vide its decision no. 4. & 5 of order No. 15/2017-18 dated 30th October 2017 decided the following with respect to Opening Aeronautical RAB and additions for Second Control Period:
- Decision no. 4.a.: "The Authority decides to consider the Opening Regulatory Base for the Second control period under hybrid till as Rs 80.0 crores."
 - Decision no. 5.a.: "The Authority decides to consider allowable project cost of Rs.374.5 crores and accordingly reckon the amount of Rs.374.5 crores as addition to total assets during the 2nd Control Period."
 - Decision no. 5.b.: "The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the guidelines."

- *Decision No.5. c.: “The Authority decides to true up the opening RAB of the next control period depending on the capital expenditure incurred and date of capitalization of underlying assets in the given year”*

Authority’s examination and proposal for Regulatory Asset Base as part of tariff determination for the Second Control Period:

Opening Regulatory Asset Base for FY 2016-17

- 2.4.4 The Authority noted that the opening RAB reported by AAI was higher than the approved RAB as computed in the Second Control Period Order. Upon examination, the Authority noted a difference amounting to Rs. 209.50 Lakhs between the approved RAB in Second Control Period Order and Opening RAB submitted by AAI. The Authority noted that this difference was due to inclusion of WDV of financing allowance (as on 1st April 2016) amounting to Rs. 209.50 Lakhs attributed to the First Control Period (FCP) in the opening RAB of FY 2016-17.
- 2.4.5 The Authority notes that the Financing allowance was not included by AAI in its earlier submission and has been included only now as part of RAB in the current MYTP submission. The Authority proposes to deduct the Financing allowance added in the Opening RAB since the provision for financing allowance was not proposed by AAI in the earlier control period and not approved by the Authority. The Authority proposes to exclude the same from the computation of ARR.
- 2.4.6 The Authority also noted that AAI has included an additional sum of Rs. 58.32 Lakhs in the true up calculation for the Second Control Period. The Authority notes that this amount pertains to cumulative impact of depreciation and return on RAB along with carrying cost on the financing allowance of First Control Period. AAI has submitted that this amount has been added additionally because the Financing allowance was not included in the RAB in its FCP true up submission.
- 2.4.7 The Authority after considering the above, proposes to consider the below Opening RAB for true up of the Second Control Period.

Table 15: Opening RAB proposed to be considered for true up of the Second Control Period by the Authority

(Rs. in Lakhs)

Particulars	Ref	Value as on 01.04.2016
Building-Terminal	A	5,416.06
Plant & Machinery	B	352.15
Tools & Equipment’s	C	215.12
Electrical Installation	D	1,656.00
Furniture’s & Fixtures	E	117.70
X Ray Baggage System	F	190.05
CFT equipment, Computers etc.	G	55.99
Total	H=Sum (A: G)	8,003.06

Cargo Assets

- 2.4.8 The Authority noted that assets relating to Cargo activities were part of Opening RAB in the MYTP submission. The Authority has subsequently taken the details of Cargo assets from AAI. These have been specifically excluded from RAB from the opening balance of FY 2017-18 and from additions thereon, as the business was transferred to AAICLAS from FY 2017-18.

Capital Additions for Second Control Period

- 2.4.9 The Authority has analyzed the total capital additions submitted by AAI for the true-up of the Second Control Period. For the purpose of this analysis, the Authority has reconciled the Capital additions as

approved in the Second Control Period order and actuals as submitted in the MYTP by AAI, summary of which is provided below:

Table 16: Reconciliation of Additions (on total basis) allowed in Second Control Period Order and Actuals incurred at Pune International Airport

(Rs. in Lakhs)

Particulars	Ref	Amount
Additions as per SCP Order	A	40,523.11
Cargo related assets additions considered in SCP order now excluded	B	37.72
Capital Expenditure proposed in SCP but later, based on nature, classified as Repairs & Maintenance cost	C	39.97
Projects whose capitalisation is deferred to Third Control Period	D	38,085.41
Sub Total	E=A-Sum(B:D)	2,360.01
Variance in cost (between additions approved and incurred)	F	-419.85
Sub Total	G=E+F	1,940.16
Cargo assets forming part of Additions for SCP (Refer Note 2 below)	H	74.24
Capital additions incurred in the SCP but not approved in the SCP order (Refer Note 3 below)	I	6,874.08
Total	J=G+H+I	8,888.48
Financing Allowance (including FA for FY21)	K	212.95
Total Additions proposed by AAI in true up of SCP	L=J+K	9,101.43

Note:

1. The above reconciliation has not been submitted by AAI but has been prepared by AERA after considering various details and clarifications provided by AAI as part of review of MYTP of Third control Period.
2. Refer discussion on item H in succeeding paras. These are not considered as additions to RAB.
3. The above table includes FY 2020-21 values which are considered on an estimate basis and are not based on actuals.

2.4.10 In the subsequent paragraphs, the Authority has discussed the categories listed above in the same sequence which are as follows:

A. The additions considered in Second Control Period Order as given below:

Table 17: Total Assets considered by the Authority in the Second Control Period Order

(Rs. in Lakhs)

Particulars	Ref	Year of Capitalization	Amount
New Terminal Building- Tensile Canopy	1	2020-21	919.18
New Terminal Building- Civil Work	2	2020-21	21,201.14
New Terminal Building- Aerobridge	3	2020-21	1,831.00
New Terminal Building- Electrical Works	4	2020-21	14,134.09
Construction of Apron & Linked Taxi track	5	2018-19	1,779.15
Construction of Rigid Pavement Road	6	2017-18	39.97
Building Others	7	2017-18	229.34
Electrical Installation	8	2016-17	61.73
Furniture & Fixtures - Other than Trolley	9	2016-17	8.95
Other office Equipment	10	2016-17	12.90
Plant & Machinery	11	2016-17	305.67
Total	12=Sum (1:11)		40,523.11

B. Cargo related assets considered in SCP order now excluded: The Authority notes that the Cargo assets amounting to Rs. 37.72 lakhs were approved and decided to be considered as addition in SCP

Order. Since AAICLAS became a separate business entity from FY 2017-18 onwards, the same is not considered in capital additions of the Second Control Period.

- C. **Capital Expenditure proposed in SCP, but later, based on nature classified as R&M:** The Authority notes that in the Second Control Period Order, an amount of Rs. 39.97 lakhs was approved towards construction of Rigid pavement road as shown in Table 17 reference no. 6. Upon enquiry, the Authority understands that this amount was charged off as civil repair works. This was done by AAI after considering the change in scope of work. Accordingly, the Authority proposes to not consider the same as part of capital expenditure.
- D. **Projects whose capitalisation is deferred to Third Control Period :** The Authority notes that the capitalisation of the projects relating to the New Integrated Terminal Building of Pune International Airport, aerobridge, tensile canopy, etc. (Table 17- reference no. 1 to 4) were postponed to the Third Control Period by AAI. The Authority notes that this was due to the disruption caused by Covid-19 and is of the view that these circumstances are unusual and beyond the control of the Airport. The detailed analysis on the same has been included in the chapter on capital expenditure for the Third Control Period (refer Chapter 4).
- F. **Variance in cost (between additions approved and incurred):**
- The Authority notes that, out of the capital additions amounting to Rs. 40,523.11 lakhs approved in the Second Control Period Order. AAI has commissioned approved projects amounting to Rs. 2,360.01 lakhs only. As against this approved project cost, AAI has submitted total spend of Rs. 1,940.16 lakhs thereby resulting in an overall reduction by Rs. 419.85 lakhs (Rs 2,360.01 – 1,940.16 lakhs).
 - The net cost reduction of Rs.419.85 lakhs was due to following reasons:
 - Reduction of scope of work in construction of apron and link taxi track (resulting in reduction of Rs. 861.71 lakhs).
 - Actual incurrence of additional cost in other assets amounting to Rs. 465.04 lakhs.
 - As asset amounting to Rs. 23.19 lakh was not considered by AAI in its MYTP submission and Fixed Asset Register. Upon enquiry, AAI responded that this has been erroneously omitted and requested to consider the same as part of MYTP submission.
 - Detailed asset wise explanation has been listed below:

Table 18: Reasoning for variance between costs approved as part of Second Control Period Order and as submitted by AAI for true up

(Rs. in Lakhs)						
S.No.	Asset Head	Description of the Assets	Approved	Incurred	Difference	Reasons for Variance given by AAI
1	Apron	Construction of Apron & Link Taxi Track	1,779.15	917.44	(861.71)	AAI had called for a tender for this project. The lowest tendering bid amount was evaluated and approved. While it was estimated earlier by AAI that the amount would be around Rs. 1,779.15 lakhs, due to tendering process, AAI was able to reduce the cost.
2	Building-Terminal	Shifting of Structural Glazing Towards City Side & Airport Side Corridor of TB	153.00	315.11	162.11	Increase was due to additional scope of work of setting up Bollards and glazing towards security area.
3	Plant & Machinery	Provision of BHS System	3.29	305.13	301.84	At the time of Second Control Period Order, the estimation submitted was only related to advertisement cost for Baggage Handling System and the estimation for provision of

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S.No.	Asset Head	Description of the Assets	Approved	Incurred	Difference	Reasons for Variance given by AAI
						baggage handling had been missed out. Thus, the difference is due to actual incurrence of Baggage handling facility modification that had taken place in Terminal Building for improving passenger facility during the SCP.
4	Plant & Machinery	Supply of Fibre Optic Surveillance Device	23.19	-	(23.19)	Supply of Fibre Optic Surveillance Device work was commissioned on 01.04.2016 but the same was missed to be accounted in Fixed Asset Register and hence not included herein. Based on an enquiry, AAI has the Authority to include the same.
5	Other Assets	Computers/Scanners/CCTV etc.	401.39	402.48	1.09	Cost over-runs were due to actual tendered costs being slightly higher than the estimates.
Total			2,360.01	1,940.16	(419.85)	

- Based on the justifications for cost variances provided by AAI, the Authority proposes to consider the same as submitted by AAI for true up of capital expenditure for Second Control Period.

H. **Cargo Assets forming part of Additions:** The Authority while examining, observed that the additions in the Second Control Period contains assets worth of Rs. 74.24 lakhs pertained to Cargo activities which were not approved in Second Control Period order. The same was considered by AAI in additions to RAB for the Second Control Period in the MYTP submission. The Authority proposes to not consider it in additions of assets for the Second Control Period. (It may be noted that this amount is in addition to the amount described in item B in Table 16).

I. **Capital additions incurred in SCP but not approved in SCP order:**

- The Authority noted that AAI had capitalized assets worth Rs.3,876.72 lakhs during the period FY 2016-17 to FY 2019-20. AAI had further estimated that it would further add Rs. 2,997.36 lakhs for FY 2020-21. (Total – Rs. 3,876.72 lakhs + Rs. 2,997.36 lakhs = Rs. 6,874.08 lakhs)
- The list of the assets capitalized in FY 2016-17 to FY 2019-20 are given in **Annexure III**.
- Out of the above, listing of assets costing more than Rs. 40 lakhs together with the justifications provided by AAI is presented in the below table:

Table 19: Capital additions incurred in the Second Control Period but not approved in the Second Control Period Order

(Rs. in Lakhs)

Description of the Assets	Amount	Justifications as provided by AAI
Apron Drive Glass Walled Passenger Board*	1,166.13	Originally, there were 2 PBBs installed in the Terminal Building. Afterwards, AAI at CHQ level awarded work for 17 PBBs for different Airports. For Pune International Airport, 3 no. PBBs was awarded and installed and was done to facilitate passenger movement.
Cute (8), Cuss (12) Keyboard, Scanner (30)	190.34	Due to immense growth of passenger traffic during FY 2017-18 and thereafter additional CUTE (8), CUSS (12) Keyboard, Scanner (30) had to be procured for passenger facilitation and for operational requirements. This growth of passenger could not be envisaged during submission of proposed works in SCP.

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Description of the Assets	Amount	Justifications as provided by AAI
Mini Remote Operated Vehicle	178.03	Done to facilitate passenger movement.
Renovation of Toilet Block in Terminal Building	169.57	Due to immense growth of passenger traffic during FY 2018-19, there was urgent requirement of additional toilets and renovation of existing toilets for passenger facilitation and on operational requirement. This growth of passenger could not be envisaged during submission of proposed works in SCP.
SITC of SCCTV System	147.69	This new CCTV System was procured for providing additional coverage
SITC of 300Kwp Solar Power Plant at Pune	108.57	Solar power plant of 300kwp has been installed at Pune International Airport to help in reducing pollution, no noise, renewable energy and for savings in electricity cost.
Provision of 560 Tr Standby Water Chilling Plant	96.05	Existing 560TR plant became unserviceable and was beyond economical repairs. Hence, replacement was required to be done with a new plant of same capacity i.e., 560TR to avoid passenger complaints about poor air conditioning in Terminal Building.
SITC of Upgradation of CCTV	68.42	This CCTV procurement was done to replace old existing CCTV System due to end of their useful life. (Old System installed in 2013)
Hard Standing of Area Along VIP Entry Road	67.57	There was scarcity of ramp equipment area due to increased air traffic due to which new ramp equipment area was created through this work.
Procurement & Installation of X-Ray Machine	65.88	These X-Ray Machines were procured to replace Old XBIS due to end of their useful life
Provision of Way Finding Signage	63.47	Standard Airport Direction signage was required in Terminal Building as part of uniform guidelines issued by AAI and for better guidance to passengers.
SITC of E Gate	61.87	E-GATE was procured for Immigration arrival passenger facilitation
SITC of Public Electronics Toilet	50.98	There was no provision of toilets in the Apron area and in car park, resulting in serious inconvenience to the Airlines staff/ loaders working in tarmac and also to the drivers of OLA/UBER, Auto, Taxi and visitors in the car park area. To mitigate this, the work was taken up.
Construction of Apron & Link Taxi Track: GLF Work	47.87	Civil department constructed new Apron and Link Taxi track to illuminate 3 no's high masts along with Taxi signages that have been provided. The work was taken up to park more Aircraft at Apron at Pune International Airport.
Flight Information System-Dynamic Signage for Immigration Counter	41.72	Dynamic signage was procured along with E-Gate for Immigration arrival passenger facilitation
Other Works (Below Rs. 40 Lakhs individually)	1,352.55	Refer Annexure III
Total	3,876.72	

**As per AERA guidelines 2011, Airport operator shall conduct consultation process with Airport User Consultative Committee (AUCC) on all major capital projects at AERA regulated airports. The major capital work was defined as capital investment projects that represent more than 5% of the value of Opening RAB or Rs. 50 crores whichever is lower. In Pune International Airport, major capital works exceeding Rs. 4 crores that are incurred/planned should be included in AUCC. Upon review of the minutes of the meeting presented by AAI for SCP additions, the Authority noted that consultation has been made for Apron Drive Glass Walled Passenger Board amounting to Rs. 11.66 crores.*

- The Authority has reviewed the above details and notes that most of these works were taken up to improve passenger facilities at Pune International Airport, which were not envisaged earlier.
- **Capital Additions in FY 2020-21:** The Authority analysed the Capital Additions amounting to Rs. 2,997.36 Lakhs for FY 2020-21. The Authority, while reviewing the additions in detail, observed that asset amount to Rs. 2,500 lakhs (Body Scanners) was included in FY 2020-21 projection. This asset was actually planned for procurement in FY 2022-23 of Third Control Period for both Existing and New Terminal Building (for detailed note refer Para 4.2.29) and the cost of the other assets in this group is determined based on issuance of Award letters to the concerned parties. AAI had submitted that the procurement of such items would have been completed before 31st March 2021. The Authority

had sought evidence of addition which was not submitted by AAI. Hence, after deferring the said addition of Body scanners, the Authority proposes to consider additions amounting to Rs. 497.36 lakhs (Rs. 2,997.36 – 2,500.00 lakhs) for FY 2020-21. Body scanners costing Rs 2,500.00 lakhs is proposed to be considered as additions in Third Control Period. Actuals additions for FY 2020-21 as per financials of Pune International Airport would be updated in the computation of ARR for true up of SCP before the issue of the final tariff order.

- Based on the above, the Authority proposes to consider the capitalization of Rs.4,374.08 lakhs as per the detailed justifications and analysis for assets (Rs. 3,876.72 + 497.36 lakhs).

K. Financing Allowance:

- The Authority noted that AAI has computed Rs. 212.95 Lakhs as Financing allowance on the asset additions capitalized in the Second Control period.
- Financing allowance has been computed by AAI considering a return equivalent to cost of debt during the period in which the assets were still in CWIP. This has led to addition of the financing allowance over and above the value of capitalized assets in the books of account of Pune.
- Giving an assured return on the equity investment even on the work in-progress assets would result in reducing the risks associated with equity investment in capital projects. Further, the airport operator is given a fair rate of return on equity when the capital assets are capitalized. Thus, the locked-up equity in the CWIP assets cannot be given the assured return of cost of debt.
- Further, the Authority notes that in case of greenfield developments, the airport operator would have to wait for a considerable length of time before getting the return on the large capital outlay incurred by it as these projects take longer durations to commission and operationalize. It was with this consideration that the Authority had earlier provided Financing allowance in initial stages to such airports. The Authority notes that Pune International Airport is a brownfield airport and has lower construction and traffic risk.
- Therefore, the Authority proposes that only the IDC, if any that gets capitalized would be considered as part of RAB. It may also be noted that financing allowance has never been provided in the case of other AAI airports. The Authority proposes not to consider this amount in AAI's assets capitalized during the second control period.

2.4.11 Based on the above analysis, the Authority proposes to consider total asset addition in the Second Control period of Rs. 6,337.43 Lakhs as presented below:

Table 20: Reconciliation of Additions proposed by Authority compared to estimated submitted by AAI

(Rs. in Lakhs)

Particulars	Amount	Remarks
Additions as per AAI in SCP	9,101.43	
Supply of Fibre optic omitted in AAI submission	23.19	Cost amounting to Rs. 23.29 lakhs was incurred by AAI but inadvertently not considered as part of RAB which has been considered by the Authority
Cargo assets forming part of Additions for SCP	-74.24	Cargo assets were forming part of actual additions from FY2017-18 in the MYTP submissions, excluded by the Authority.
Capital additions considered in FY 2020-21 deferred to Third Control Period (Body Scanners)	-2,500.00	Body scanners of Rs. 2,500 lakhs additions proposed in FY2020-21 has been postponed to FY2022-23
Financing Allowance (including FA for FY21)	-212.95	Not considered as explained above
Total	6,337.43	

Allocation of Assets between Aeronautical & Non-Aeronautical in the Second Control Period

- 2.4.12 For the opening RAB, AAI has used the Aeronautical allocation percentages that the Authority had decided in the tariff order for the Second Control Period.
- 2.4.13 For the purposes of segregation of assets capitalized in the Second Control Period, AAI has divided its assets into three components – Aeronautical, Non-Aeronautical and Common. Common assets have been further apportioned into Aeronautical and Non-Aeronautical by applying the ratios as shown below:

Table 21: Comparison of Allocation ratios as approved by the Authority in SCP Order and as submitted by AAI

S. No.	Allocation Ratio	Approved by Authority in SCP Order	As per AAI				
			FY 17	FY 18	FY 19	FY 20	FY 21
1	Terminal Building Ratio (TBLR)	91.37%	91.76%	91.30%	90.27%	90.46%	93.59%
2	Employee Head Count Ratio (EHCR)	97.00%	96.73%	97.93%	98.78%	96.58%	96.60%
3	Admin Ratio (AR)	97.86%	97.86%	97.86%	97.86%	97.86%	97.86%

- 2.4.14 Terminal Building Ratio: The Authority notes that the Terminal Building Ratio (TBLR) as per the MYTP submission is changing on an annual basis. Since, Pune International Airport has not witnessed capitalization/added new areas in the terminal buildings, the TBLR is unlikely to undergo any changes. Thus, the Authority proposes to use the approved TBLR as decided in the Second Control Period Order.
- 2.4.15 Admin Ratio: The Authority noted that there is an admin building in which Airline offices have been allocated. The aeronautical area in Admin building in Second Control Period order was computed to be 97.86%. On perusal of the capital additions during the Second Control Period, it was observed that modification in this building had taken place to provide more office space to Airlines. Accordingly, the admin ratio ought to have undergone a change. However, since the impact of same is expected to be minimal, the Authority proposes to follow the ratio as adopted in the Second Control Period Order i.e., 97.86%.
- 2.4.16 Employee Ratio has been discussed under Para 2.8.8 of True up of Operating expense.
- 2.4.17 Thus, the Authority proposes to use the TBLR, EHCR & AR allocation ratios as discussed above in the Second Control Period to segregate the value of common assets.
- 2.4.18 The Authority observed that assets such as Motorized Hydraulic Ladder for Hanger & Street and Biometric Attendance which were capitalized during FY 2016-17 to FY 2020-21 as per the Fixed Asset Register were the only assets classified as Common by AAI and all other assets were considered as Aeronautical. However, the Authority has reviewed the individual line items and reclassified the asset based on location and nature of asset. Due to this the aeronautical asset value for Second Control Period has been reduced by Rs. 105.50 Lakhs. The following table presents the head wise comparison and **Annexure IV** provides individual line items of change in classification of asset.

Table 22: Classification of Assets as per AAI and proposed by the Authority

(Rs. in Lakhs)

Particulars (I)	Original cost (II)	AAI		As per AERA		Difference (VII)
		Aero ratio (III)	Aero cost (IV)	Aero ratio (Refer Note 1) (V)	Aero Cost (VI)	
Building-Others	847.12	100.00%	847.12	91.76%	777.30	69.82
Building-Terminal	93.32	100.00%	93.32	91.37%	85.27	8.05
CFT & Fire Fighting equipment	0.13	100.00%	0.13	100.00%	0.13	-
Computer & Package -Intangible Assets	12.86	100.00%	12.86	59.64%	7.67	5.19

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Particulars (I)	Original cost (II)	AAI		As per AERA		Difference (VII)
		Aero ratio (III)	Aero cost (IV)	Aero ratio (Refer Note 1) (V)	Aero Cost (VI)	
Computer & Peripheral-End User	80.25	100.00%	80.25	96.42%	77.38	2.87
Computer & Peripheral-Server and Networks	36.26	100.00%	36.26	100.00%	36.26	-
Electrical Installation	431.92	100.00%	431.92	98.71%	426.34	5.58
Furniture & Fixtures-Other than Trolley	464.36	100.00%	464.36	97.92%	454.68	9.68
Furniture & Fixtures-Trolley	44.22	100.00%	44.22	100.00%	44.22	-
Other office Equipment	6.75	98.61%	6.65	97.28%	6.56	0.09
Other Vehicles	211.17	100.00%	211.17	100.00%	211.17	-
Plant & Machinery	2,456.65	99.93%	2,454.98	99.77%	2,450.96	4.03
Runways, Taxiways, Aprons	933.08	100.00%	933.08	100.00%	933.08	-
Solar Photovoltaic System	108.57	100.00%	108.57	100.00%	108.57	-
Tools & Equipment	416.07	100.00%	416.07	100.00%	416.07	-
Vehicle- Cars & Jeeps	25.17	100.00%	25.17	99.22%	24.98	0.20
X Ray Baggage System	146.35	100.00%	146.35	100.00%	146.35	-
Grand Total	6,314.24 (Refer Note 2)		6,312.48		6,206.98	105.50

Note:

1. Allocation of assets into aero common and non-aero has been carried out on a line by line basis on the additions proposed to be considered by the Authority of the Second Control Period. Sum total of Aero portion arising out of this exercise is captured in column no. VI of Table above. Aero ratio indicated in column no. V of table above is the ratio computed considering the Aero cost arrived in Column VI to the total cost in column no. II

2. The Original cost of AAI capital additions as submitted in MYTP was Rs. 9,101.43 which contains Financing Allowance of Rs. 212.95 Lakhs, Cargo assets of Rs. 74.24 lakhs and Body scanners amounting to Rs. 2500 lakhs.

Total Aeronautical Capital Additions considered by the Authority for true-up of the Second Control Period

- 2.4.19 Based on the above analysis, the Authority proposes to consider the following aeronautical capital additions for the true-up of the Second Control Period:

Table 23: Aeronautical capital addition proposed to be considered for true up of the Second Control Period by the Authority

(Rs. in Lakhs)						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Aero Additions proposed by AAI (A)	611.77	715.38	2,586.08	2,183.33	3,003.12	9,099.67
Less: Financing Allowance						212.95
Less: Reclassification of assets from Aero to Common/Non-Aero depending on change in the allocation ratios						*105.50
Add: Asset erroneously not considered by AAI added by the Authority (Refer Para F of 2.4.10)						23.19
Less: Cargo Assets additions not taken from FY18						74.24
Less: Body scanner deferred to TCP assets additions						2,500.00
Total (B)						2,869.51
Grand Total (C=A-B): Aero Additions to RAB as per Authority						6,230.17
Category wise Aero Additions proposed by Authority	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Runways, Taxiways, Aprons	-	-	917.44	15.64	-	933.08
Building-Terminal	-	-	-	39.20	46.07	85.27
Building-Others	77.07	287.92	272.21	95.77	44.33	777.30
Computer & Peripheral-End User	13.96	14.61	34.53	14.28	-	77.38
Computer & Peripheral-Server and Networks	-	-	-	36.26	-	36.26
Computer & Package -Intangible Assets	-	1.48	6.18	-	-	7.67
Plant & Machinery	327.92	89.77	682.30	1,348.79	25.38	2,474.15
Tools & Equipment's	47.11	0.40	-	366.49	2.06	416.07

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Other Vehicles	-	-	199.84	11.33	-	211.17
Vehicle- Cars & Jeeps	-	24.98	-	-	-	24.98
Electrical Installation	58.45	40.90	106.55	130.71	89.74	426.34
Solar System	-	-	108.57	-	-	108.57
Other office Equipment's	0.84	-	-	4.38	1.35	6.56
Furniture's & Fixtures-Other than Trolley	-	92.54	79.71	79.46	202.96	454.68
Furniture & Fixtures-Trolley	-	17.69	26.53	-	-	44.22
X Ray Baggage System	74.10	-	-	-	72.25	146.35
CFT & Fire Fighting equipment	-	0.13	-	-	-	0.13
Total (C)-Aero Additions proposed by Authority	599.44	570.41	2,433.88	2,142.31	484.13	6,230.17

2.5 True up of Depreciation

AAI's submission of Aeronautical Depreciation for the Second Control Period

- 2.5.1 AAI submitted that depreciation has been calculated based on AERA approved rates in the tariff order of the Second Control Period till FY 2020-21. The useful lives considered by AAI is summarized in the following table:

Table 24: Useful life considered by AAI based on Second Control Period Order

S.No.	Asset Class	Useful life in years
1	Runways, Taxiways, Aprons	30
2	Roads, Bridges & culvert	30
3	Terminal/Other Buildings	30
4	Building - Residential	30
5	Security Fencing	3
6	Computer, IT Hardware & Access.	6
7	Computer Software	5
8	Plant and Machinery	15
9	Tools & Equipment	15
10	Other Vehicles	8
11	Electrical Installations	10
12	office Equipment	5
13	Furniture & Fixtures	10
14	X-Ray Baggage	15
15	CFT	15

- 2.5.2 The following table summarizes the aeronautical depreciation submitted by AAI for the Second Control Period:

Table 25: Aeronautical depreciation submitted by AAI for true up of Second Control Period

(Rs. in Lakhs)

Depreciation	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Runways, Taxiways, Aprons	-	-	16.54	33.22	33.37	83.13
Road, Bridges & Culverts	0.43	0.43	0.43	0.76	1.10	3.15
Building- Terminal	222.38	222.28	222.22	222.97	224.64	1,114.49
Building- Residential	-	-	-	-	-	0.00
Building-Others	1.36	8.86	20.05	27.1	29.86	87.23
Boundary Wall -Operational	0.18	0.18	0.18	0.18	0.18	0.90
Computer & Peripherals- End User	1.88	3.81	18.63	29.67	27.2	81.19
Computer & Peripherals - Servers and Networks	-	-	-	3.02	6.04	9.06

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Depreciation	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Intangible Assets- Software	-	0.15	1.81	3.32	3.82	9.10
Plant & Machinery	41.41	55.21	84.42	154.5	198.59	534.13
Tools & Equipment's	17.94	19.52	19.53	31.76	127.31	216.06
Office Furniture	0.11	0.07	0.07	0.07	0.04	0.36
Other Vehicles	-	-	11.94	24.6	25.31	61.85
Vehicle- Cars & Jeeps	2.41	3.69	4.62	3.81	3.15	17.68
Electrical Installations	351.15	318.07	298.05	299.53	308.64	1,575.44
Solar System	-	-	2.29	4.58	4.58	11.45
Other Office Equipment's	2.36	2.39	2.07	0.94	1.52	9.28
Other Than office	11.48	11.48	6.27	-	-	29.23
Furniture's & Fixtures-Other than Trolley	11.58	16.68	31.03	42.46	62.65	164.4
Furniture & Fixtures- Trolley	3.75	4.16	12.8	17.22	16.46	54.39
X-Ray Baggage System	31.1	33.57	34.45	32.89	35.3	167.31
CFT/Fire Fighting Equipment's	0.04	0.05	0.05	0.05	0.05	0.24
Depreciation on FA of FCP	8.47	8.47	8.47	8.47	8.47	42.35
Total	708.03	709.07	795.92	941.12	1,118.28	4,272.42

Recap of decision taken by the Authority for depreciation at the time of tariff determination for the Second Control Period:

2.5.3 The Authority vide its decision no. 6 of order No. 15/2017-18 dated 30th October 2017 decided the following with respect to depreciation for Second Control Period.

- *Decision no. 6.a.: "The Authority decided to adopt depreciation rates as per Table 30 and depreciation for the 2nd control period as per table 31."*

Table 26: Depreciation rates as submitted by AAI and as considered by the Authority in the Second Control Period (Table 30 of SCP order)

S.No.	Asset class	As per AAI	As per Authority 2015 onwards
1	Land	0%	0%
2	Runways	13%	3.33%
3	Taxiway	13%	3.33%
4	Apron	13%	3.33%
5	Road	13%	3.33%
6	Building-Terminal	8%	3.33%
7	Building-Temporary	100%	33.33%
8	Building-Residential	5%	3.33%
9	Security Fencing-Temporary	100%	33.33%
10	Security Fencing-Boundary Wall	8%	3.33%
11	Security Fencing-Residential	5%	3.33%
12	Computer and Peripheral	20%	16.67%
13	Computer and Package	20%	20%
14	Plant and Machinery	11%	6.67%
15	Tool and Plant	20%	6.67%
16	Office Furniture	20%	10%
17	Other Vehicles	14%	12.50%
18	Vehicle (Car/Jeep)	14%	12.50%

S.No.	Asset class	As per AAI	As per Authority 2015 onwards
19	Electric Installations	11%	10%
20	Office Equipment	18%	20%
21	Other than office	20%	20%
22	XBIS (X-RAY Baggage)	11%	6.67%
23	CFT	13%	6.67%

Table 27: Depreciation considered by the Authority in the Second Control Period Order (Table 31 of SCP Order)

(Rs. in Lakhs)

No.	Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
1.	As per AAI	1,060.00	1,010.00	980.00	940.00	4,780.00	8,770.00
2.	As per Authority	690.00	670.00	780.00	900.00	1,860.00	4,910.00

- Decision no. 6.b.: “The Authority decides to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up depreciation while considering tariff determination in future.”

Authority’s examination and proposal for Depreciation as part of tariff determination for the Second Control Period:

- 2.5.4 The Authority noted that the AAI has considered the rates as approved and decided in the Second Control Period Order (Table 26 as above given in Recap of decisions) for opening RAB & capital additions in SCP from FY 2016-17 to FY 2020-21. The Authority notes that AAI has not considered the rates as prescribed in Order No. 35/2017-18 from FY 2018-19 onwards. The Authority proposes to rectify the same and consider the rates approved by it in the Second Control Period tariff order for FY 2016-17 and FY 2017-18 and for FY 2018-19 onwards, revise the useful life of the assets based on the Order no. 35/ 2017-18 applicable from 1 April 2018 onwards as shown in Table below:

Table 28: Useful life as per Order no. 35/ 2017-18 vs adopted by AAI for Pune International Airport from FY 2018-19

S.No.	Asset Class	Useful Life Adopted by AAI	Useful life as per Order No. 35/2017-18
1	Runways, Taxiways, Aprons	30	30
2	Roads, Bridges & culvert	30	10
3	Terminal/Other Buildings	30	30
4	Building - Residential	30	30
5	Security Fencing	3	10
6	Computer, IT Hardware & Access.	6	3
7	Computer servers and networks	6	6
8	Computer Software - intangible assets	5	5
9	Plant and Machinery	15	15
10	Tools & Equipment	15	15
11	Other Vehicles	8	8
12	Electrical Installations	10	10
13	office Equipment	5	5

S.No.	Asset Class	Useful Life Adopted by AAI	Useful life as per Order No. 35/2017-18
14	Furniture & Fixtures - other than trolleys	10	7
15	Furniture & Fixtures - trolleys	15	3
16	X-Ray Baggage	15	15
17	CFT	15	15

- 2.5.5 The Authority observed that after changing the useful life from FY 2018-19 onwards, the Net block of assets as on 1st April 2018 ought to be depreciated over remaining useful life. However, it was observed that AAI had not carried out the computation as per this methodology in their model. The Authority has recomputed the depreciation on assets based on the useful lives as well as principles set out in Order No. 35/2017-18 dated 12th January 2018. The adoption of principle of depreciating the asset over the balance useful life of the asset has impacted the computation of depreciation for two asset categories i.e. a) Electrical installation (at the time of modification & expansion of Terminal building) and b) Passenger Boarding Bridges, which has resulted in re-computation of depreciation by the Authority as detailed in Table 29. The Authority noted that the depreciation computation for the other items are in line with AERA Order No. 35/2017-18 dated 12th January 2018.
- 2.5.6 The Authority noted that AAI has depreciated assets @ 50% of depreciation rates in the year of capitalization of assets as per the decision in the Second Control Period Order. The Authority proposes to consider the depreciation based on the date of capitalization and compute the depreciation charge accordingly, instead of considering 50%.
- 2.5.7 The Authority has recalculated the depreciation values based on the classification of common assets as proposed in para 2.4.18 for additions of assets in Second Control Period.
- 2.5.8 The Authority has computed depreciation on addition of assets as considered in Table 23 after deducting the Financing allowance of Rs. 212.95 Lakhs in the Second Control Period.
- 2.5.9 After considering the above-mentioned changes, the Authority has recalculated the depreciation for the Second Control Period and presented the reconciliation between depreciation charged by AAI and as computed by the Authority as follows:

Table 29: Reconciliation of aeronautical depreciation submitted by AAI and proposed by the Authority for Second Control Period

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Depreciation considered by AAI (Table 25)	A	708.03	709.07	795.92	941.12	1,118.28	4,272.42
Less: Depreciation on Financing Allowance on FCP and additions	B	13.49	10.96	4.63	11.55	16.64	57.27
Difference due to Reclassification of assets & change of Depreciation from FY18 onwards	C	0.79	6.51	(221.23)	(213.79)	279.02	- 148.70
Less: Depreciation on Cargo Assets	D	-	3.37	7.07	11.08	11.07	32.59
Less: Depreciation on Body Scanners	E	-	-	-	-	83.38	83.38
Depreciation proposed by the Authority (Table 30)	F=Sum (A: E)	693.75	688.23	1,005.44	1,132.28	728.17	4,247.88

2.5.10 Asset Category wise break-down of the above aeronautical depreciation proposed to be considered by the Authority for the Second Control Period is as follows:

Table 30: Aeronautical depreciation proposed to be considered for true up of Second Control Period by the Authority

(Rs. in Lakhs)

Depreciation	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Runways, Taxiways, Aprons	0.00	0.00	13.06	31.03	31.52	75.61
Road, Bridges & Culverts	0.43	0.43	2.86	1.78	1.78	7.29
Building-Terminal	222.60	222.50	216.28	217.15	218.36	1,096.90
Building-Residential	0.00	0.00	0.00	0.00	0.00	0.02
Building-Others	0.95	7.01	16.15	24.10	25.39	73.60
Security Fencing - Temporary	0.18	0.18	0.77	0.77	0.77	2.66
Computer & Peripheral-End User	1.72	3.18	18.19	22.58	16.27	61.93
Computer & Peripheral-Server and Networks	0.00	0.00	0.00	4.72	6.04	10.76
Computer & Package -Intangible Assets	0.00	0.06	0.47	1.59	1.59	3.71
Plant & Machinery	38.64	52.35	91.49	167.35	192.35	542.19
Tools & Equipment's	18.54	19.23	18.77	42.58	43.29	142.42
Office Furniture	0.11	0.07	0.21	0.00	0.00	0.38
Other Vehicles	0.00	0.00	18.50	25.09	26.40	69.99
Vehicle- Cars & Jeeps	2.41	2.13	5.70	3.57	3.57	17.37
Electrical Installation	350.67	318.50	507.35	505.70	50.97	1,733.19
Solar System	0.00	0.00	6.55	7.24	7.24	21.03
Other office Equipment's	2.33	2.14	1.69	0.93	1.22	8.31
Other than office Equipment's	11.48	11.48	6.27	0.00	0.00	29.22
Furniture's & Fixtures-Other than Trolley	11.13	13.49	36.60	46.75	69.66	177.63
Furniture & Fixtures-Trolley	3.75	3.75	16.69	1.49	1.49	27.16
X Ray Baggage System	28.76	31.70	27.80	27.80	30.21	146.26
CFT & Fire Fighting equipment	0.04	0.05	0.06	0.06	0.06	0.26
Total	693.75	688.23	1,005.44	1,132.28	728.17	4,247.88

2.5.11 The Authority proposes to consider the depreciation as per Table 30 for true up of the Second Control Period.

2.6 True up of Average RAB

AAI's submission of Average RAB for the Second Control Period

2.6.1 AAI has submitted the following the following Average RAB for the Second Control Period:

Table 31: Average RAB submitted by AAI for true up of Second Control Period

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB	A	8,212.55	8,116.29	8,122.60	9,912.76	11,154.95	
Add: Additions to RAB (Table 14)	B	611.77	715.38	2,586.08	2,183.33	3,003.12	9,099.67
Less: Disposals	C	0.00	0.00	0.00	0.00	0.00	0.00
Less: Depreciation (Table 25)	D	708.03	709.07	795.93	941.13	1,118.29	4,272.45
Closing RAB	E=A+B-C-D	8,116.29	8,122.60	9,912.76	11,154.95	13,039.78	
Average RAB	F= Avg (A, E)	8,164.42	8,119.44	9,017.68	10,533.85	12,097.37	

Recap of decision taken by the Authority for Average RAB at the time of tariff determination for the Second Control Period:

2.6.2 The Authority vide its decision number 7 of Order No. 15/2017-18 dated 30th October 2017 decided to consider the following with respect to Average RAB in the Second Control Period:

- Decision no.7. a.: “The Authority decides to consider Average RAB as allowed in Table 33”
- Decision no.7. b.: “The Authority decides to true up the RAB of the 2nd Control Period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority, at the time of determination of Tariff for the 3rd Control Period.

Table 32: Summary of forecast and Roll Forward RAB and Depreciation for Civil enclave Pune considered by the Authority for 2nd Control Period (Table 33 of SCP order)

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB	A	8,003.00	7,760.00	7,270.00	11,020.00	10,120.00	
Aeronautical Assets Capitalized during the year	B	450.00	180.00	4,530.00	-	32,290.00	37,450.00
Disposals	C	-	-	-	-	-	-
Depreciation	D	690.00	670.00	780.00	900.00	1,860.00	4,900.00
Closing RAB	E=A+B-C-D	7,760.00	7,270.00	11,020.00	10,120.00	40,540.00	
Average RAB	F= Avg (A, E)	7,880.00	7,520.00	9,140.00	10,570.00	25,330.00	

Authority’s examination and proposal for Average RAB as part of tariff determination for the Second Control Period:

2.6.3 Based on the Authority’s analysis of Opening RAB, additions to RAB and depreciation calculation as detailed in the paragraphs earlier, the average Aeronautical RAB proposed to be considered for the true up of Second Control Period is as below:

Table 33: RAB proposed to be considered for true up of the Second Control Period by the Authority

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB (Para 2.4.4 & Table 15)	A	8,003.06	7,888.44	7,770.62	9,199.05	10,209.08	
Add: Additions to RAB (Table 23)	B	599.44	570.41	2433.88	2142.31	484.13	6,230.17
Less: Disposals (Cargo assets transferred to AAICLAS)	C	20.31	0.00	0.00	0.00	0.00	20.31
Less: Depreciation (Table 30)	D	693.75	688.23	1005.44	1132.28	728.17	4,247.88
Closing RAB	E=A+B-C-D	7,888.44	7,770.62	9,199.05	10,209.08	9,965.04	
Average RAB	F= Avg (A, E)	7,945.75	7,829.53	8,484.83	9,704.06	10,087.06	

2.6.4 The Authority proposes to consider the additions, depreciation, and RAB as per Table 33 for true up of the Second Control Period.

2.7 True up of Fair Rate of Return

AAI's submissions of the Fair Rate of Return (FRoR) for the Second Control Period

- 2.7.1 AAI has considered Fair Rate of Return (FRoR) as 14% in MYTP for true up of Second Control Period based on the decision taken in Order No. 15/2017-18 dated 30th October 2017 of Pune International Airport for tariff determination of Second Control Period.
- 2.7.2 AAI has made the following submission with regard to FRoR:
- Cost of equity considered as 16.00%.
 - Term Loan of Rs. 2,100 Crores was raised from M/s. Axis Bank Ltd to meet part of its Capital Expenditure for the FY 2020-21 at interest rate of 6.21% for AAI Airports. Therefore, Cost of debt considered as 6.21%.
- 2.7.3 Considering the loan facility availed from FY 2020-21, AAI has submitted the following gearing for computation of FRoR for SCP:

Table 34: FRoR submitted by AAI for true up of Second Control Period

Particulars (in %)	FY 17	FY 18	FY 19	FY 20	FY 21
Means of Finance Proportion					
Equity Proportion	100%	100%	100%	100%	89%
Debt Proportion	0%	0%	0%	0%	11%

- 2.7.4 Based on the above, AAI has calculated FRoR for FY 2016-17 to FY 2019-20 as 16% and for FY 2020-21 as 15.32% but has requested the Authority to apply FRoR @14% as decided by the Authority in Second Control Period Order.

Recap of decision taken by the Authority for FRoR at the time of tariff determination for the Second Control Period:

- 2.7.5 The Authority vide its decision number 8 of Order No. 15/2017-18 dated 30th October 2017 decided to consider the following with respect to FRoR in the Second Control Period:
- *Decision no.8. a.: "The Authority decides to consider the FRoR at 14% for the civil enclave at Pune International Airport for first and Second Control Period"*
 - *Decision no.8. b.: "The Authority decides to undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole."*

Authority's examination and proposal for FRoR as part of tariff determination for the Second Control Period:

- 2.7.6 The Authority noted that AAI submitted that Term Loan of Rs. 2,100 Crores was raised from M/s. Axis Bank Ltd to meet part of its Capital Expenditure for FY 2020-21 at interest rate of 6.21% for AAI Airports. The term loan was disbursed to Pune International Airport from FY 2020-21 as per the Capital expenditure requirement. AAI also informed that the finance for Capital expenditure from FY 2020-21 will be 60% through debt and 40% through equity. Therefore, the Authority considers cost of debt for Second Control Period @ 6.21% for FY 2020-21.

- 2.7.7 The said term loan facility had been taken for a period of 10 years with three years moratorium period for payment of principal amount and AAI has availed Rs. 1,828.07 crores till 31st March 2021 in different tranches.
- 2.7.8 The Authority noted that AAI in its submission has considered the values of debt and equity from FY 2020-21 based on the value of the Net block of RAB and segregating it between debt & equity at 60:40. The Authority proposes to consider the equity of FY 2020-21 determined on the value of Gross RAB after considering funding of 60% of additions from Debt for Pune International airport.
- 2.7.9 The Authority had earlier considered the Fair Rate of Return at 14% for similar airports such as Jaipur, Patna, Chennai etc. Accordingly, the Authority decided to consider the Fair Rate of Return at 14% in the SCP order considering that for Pune International Airport internal accruals were sufficient to meet capital expenditure requirement and accordingly no loan was required and FRoR was arrived at 14%.
- 2.7.10 In the Tariff Order for the Second Control Period, the Authority had decided to commission a study with regard to determination of FRoR and true up the same. The Authority notes that the capital structure of AAI is not cost efficient and is highly equity leveraged. AAI has taken steps to make its capital structure efficient by availing debt in FY 2020-21 for executing capital expansion plans at certain Airports (which also includes Pune International Airport). Hence, at this juncture, the Authority does not intend to conduct an independent study for assessing the normative capital structure as FRoR is expected to come down over a period on account of the above initiatives of AAI. The Authority proposes to consider the cost of equity at 14%, for true up of the Second Control Period.
- 2.7.11 Based on the above, after considering a cost of equity of 14% and cost of debt of 6.21%, the Authority recalculates the FRoR for the Second Control Period to be 13.77%.
- 2.7.12 The revised FRoR by the Authority as considered for the true-up calculation is as follows:

Table 35: FRoR proposed to be considered for true up of the Second Control Period by the Authority

(Rs. in Lakhs)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21
Debt [A]	-	-	-	-	4,806.05
Equity [B]	12,829.86	13,722.78	17,166.03	24,140.17	27,499.84
Debt + Equity [C = A + B]	12,829.86	13,722.78	17,166.03	24,140.17	32,305.89
Cost of Debt [D]	0.00%	0.00%	0.00%	0.00%	6.21%
Cost of Equity [E]	14.00%	14.00%	14.00%	14.00%	14.00%
Individual Year Gearing [F]	0.00%	0.00%	0.00%	0.00%	14.88%
Weighted Average Gearing [G]	2.98%				
Cost of Debt [H]	6.21%				
Cost of Equity [I]	14.00%				
FRoR [J=G*H+(1-G) *I]	13.77%				

2.8 True up of Operating expenses

AAI's submission for true up of operating expenses

- 2.8.1 AAI submitted the following aeronautical operating expenses for true up of the Second Control Period with actual values for FY 2016-17 to FY 2019-20 and estimated values for FY 2020-21.
- 2.8.2 The estimates of FY 2020-21 have been calculated based on different growth percentage in each head of Operating expenses over FY 2019-20 which are as follows:

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- Payroll Expenditure: For Salary & Allowances, PF contribution and CHQ/RHQ employee related cost the growth is considered as 5% and for other payroll expenses at 7%.
- Administration & General expenditure: For Legal expenses and CHQ/RHQ expenses, the growth is considered as 5% and other expenses at 10%.
- Upkeep Expenses: Growth is based on additional and new MESS contracts
- Repairs & Maintenance Expenditure: Growth is considered at 10%
- Utility & Outsourcing Expenditure: For Electricity no growth has been considered and for other expenses, growth of 10% has been considered.
- Other Outflows: Considered UDF collections charges as Rs.5 per embarking passenger

2.8.3 The aeronautical O&M expense for the Second Control Period considering the above-mentioned estimates are shown in the table below:

Table 36: Aeronautical Operating expenses for the Second Control Period as submitted by AAI

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total
Payroll expenditure	A	2,460.53	2,540.29	3,160.26	3,022.56	2,275.29	13,458.94
Apportionment of CHQ/RHQ expenses	B	102.24	475.04	798.00	433.87	455.56	2,264.71
Total Payroll Expenditure	C=A+B	2,562.77	3,015.33	3,958.26	3,456.43	2,730.86	15,723.65
Administrative & General Expenditure	D	132.09	371.75	450.17	363.36	382.77	1,700.14
Apportionment of administrative & general expenses to CHQ/RHQ	E	1,580.80	2,619.15	3,646.10	4,576.15	4,804.96	17,227.16
Total Administrative & General Expenses	F=D+E	1,712.89	2,990.90	4,096.27	4,939.51	5,187.73	18,927.30
Repairs & Maintenance Expenses	G	811.80	745.74	618.91	644.05	708.45	3,528.94
Power charges	H	627.40	700.78	753.13	800.80	608.78	3,490.90
Water charges	I	33.85	32.70	106.10	119.04	27.13	318.82
Hire charges	J	60.96	120.76	139.15	193.44	212.78	727.08
Other utilities	K	33.38	23.42	29.78	18.88	20.77	126.23
Total Utility & Outsourcing Expenses	L=H+I+J+K	755.60	877.66	1,028.16	1,132.15	869.46	4,663.02
Other Outflows	M	39.72	75.87	173.84	173.32	45.62	508.38
Total Aeronautical Operating Expenses	N=C+F+G+L+M	5,882.78	7,705.50	9,875.43	10,345.46	9,542.11	43,351.29

2.8.4 The above submission of aeronautical operational expenses by AAI is based on the allocation ratios as given below:

Table 37: AAI's submission of allocation ratios for Operating Expenses for the Second Control Period

Particulars	Basis	FY 17	FY 18	FY 19	FY 20	FY 21(Est)
Payroll expenditure and provisions/Travelling	Employee Ratio (Aero: Non-Aero)	98.10%	98.95%	98.89%	96.71%	96.71%
Insurance costs/Consumption of petrol and lubricants/R&M Vehicles		100%	100%	100%	100%	100%
Office/Miscellaneous expenses/Telephone expenses and other stationaries	Employee Ratio (Aero: Non-Aero: ANS)	96.73%	97.93%	98.78%	96.58%	96.58%

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Particulars	Basis	FY 17	FY 18	FY 19	FY 20	FY 21(Est)
Upkeep expenses/R&M-Civil/Electrical Works	Terminal Building Ratio	91.76%	91.30%	90.27%	90.46%	90.46%
Power charges	Electricity Consumption Ratio	99.83%	99.77%	99.78%	99.78%	99.78%
Water charges/Hire charges/Repairs & Maintenance- Electronics & IT/ Consultancy/Other professional fees/Legal expenses		100%	100%	100%	100%	100%
Collection Charges UDF		100%	100%	100%	100%	100%
CHQ/RHQ expenses (Admin)		95%	95%	95%	95%	95%
CHQ/RHQ expenses(payroll)	Employee Ratio (Aero: Non-Aero)	98.10%	98.95%	98.89%	96.71%	96.71%

Recap of decision taken by the Authority for Operating Expenses at the time of tariff determination for the Second Control Period

2.8.5 The Authority vide decision no.10 of Order no. 15/2017-18 dated 30th October 2017 decided the following with respect to Operating Expenses for the Second Control Period

- *Decision no. 10.a.: “The Authority decides to consider operating and maintenance expenditure as given in Table 43 below, for the purpose of determination of aeronautical tariffs for second control period.”*
- *Decision no. 10.b.: “The Authority expects AAI to reduce per pax O&M expenditure over a period of time”.*
- *Decision no. 10.c.: “The Authority decides to true-up O&M expenditure for FY 2016-17 to FY 2020-21 of the second control period based on actuals at the time of determination of tariff for the Third Control Period.”*

Table 38: Aeronautical Operating expenses considered by the Authority in the Second Control Period (Table 43 of SCP order)

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll expenditure	A	2,870.00	3,580.00	3,830.00	4,090.00	4,380.00	18,750.00
Apportionment of Retirement benefits from CHQ/RHQ expenses	B	440.00	558.00	580.00	620.00	660.00	2,858.00
Total Payroll Expenditure	C=A+B	3,300.00	4,120.00	4,410.00	4,710.00	5,040.00	21,580.00
Administrative & general expenditure	D	100.00	110.00	120.00	120.00	130.00	580.00
Apportionment of administrative & general expenses to CHQ/RHQ	E	460.00	480.00	510.00	530.00	560.00	2,540.00
Total Administrative & General Expenses	F=D+E	560.00	590.00	620.00	660.00	690.00	3,120.00
Repairs & Maintenance Expenses	G	690.00	750.00	830.00	910.00	1,000.00	4,180.00
Power charges	H	610.00	610.00	610.00	610.00	610.00	3,050.00
Water charges	I	20.00	20.00	20.00	20.00	20.00	100.00
Hire charges-car/jeep others	J	30.00	30.00	30.00	30.00	30.00	150.00
Other Utilities	K	70.00	70.00	80.00	80.00	90.00	390.00
Total Utility & Outsourcing Expenses	L=H+I+J+K	720.00	730.00	740.00	750.00	760.00	3,700.00
Other Outflows	M	70.00	80.00	80.00	90.00	10.00	330.00
Total Aeronautical Operating Expenses	N=C+F+G+L+M	5,330.00	6,270.00	6,680.00	7,120.00	7,600.00	33,000.00

Authority's examination and proposal for Operating Expenses as part of tariff determination for the Second Control Period:

- 2.8.6 The Authority noted that FY 2020-21 costs was based on estimates. The Authority had sought for Financial Statements for FY 2020-21 but the same has not been provided by AAI. Therefore, the Authority proposes to consider the FY 2020-21 on an estimate basis..
- 2.8.7 The Authority notes that AAI has allocated various sub-expenses within O&M expenses based on the following ratios:
1. Employee Ratio (Aero: Non-Aero: ANS)
 2. Employee Ratio (Aero: Non-Aero)
 3. Employee Ratio (Aero: ANS)
 4. TBLR Ratio
 5. Electricity Consumption Ratio
- 2.8.8 The Authority reviewed the basis for the above ratios considered by AAI. Analysis of the same and proposal for the basis of change is as detailed below:

Table 39: Comparison of basis of expenses allocation ratios considered by AAI and proposed by the Authority

S.no.	Ratios	Application	Basis Considered by AAI	Basis Proposed by the Authority
1	Employee Ratio (Aero: Non-Aero: ANS)	Applied on the cost incurred by all the departments	1. No. of Employees department wise have been bifurcated into Aero, Non-Aero and Common. Common employees have further been bifurcated in the proportion of Aero and Non-Aero employees. 2. HR & Finance department has been considered as common by AAI. 3. Commercial department is considered as non-Aero 4. CNS department other than Airport system is considered as ANS segment	Same basis to be considered by the Authority as taken by AAI except considering housekeeping department as Common instead of treating it as Aero.
2	Employee Ratio (Aero: Non-Aero)	Applied mainly to payroll cost of all departments except ANS	Ratio is calculated after considering common employees count into Aero: Non- Aero	Ratio calculated after considering revised common employees count into Aero: Non-Aero as above
3	Employee Ratio (Aero: ANS)	Applied mainly to payroll cost of ANS department	Calculated estimated % of working hours as shown below and allocated the same to ANS employees in Airport system. 1. For FY 2016-17 & FY 2017-18 - 40% Airport Systems and 60% Other than Airport Systems. 2.From FY 2018-19 onwards- 80% Airport Systems and 20% Other than Airport Systems	Instead of considering estimate, actual % of working hour has been considered based on the document submitted by AAI and allocated the same to ANS employees in Airport system. This translates to the ratio being 66.67% to 90% for FY 2017-18 to FY 2018-19 and 96.67% from FY 2019-20 onwards.
4	TBLR Ratio	Applied on cost related to Terminal Building	The same has been discussed in True up of RAB (Refer para 2.4.14)	The same has been discussed in True up of RAB (Refer para 2.4.14)
5	Electricity Consumption Ratio	Applied on Power Charges	Based on consumption of units by different departments	Same basis as considered by AAI

- 2.8.9 The Authority, based on the above analysis and proposed changes, recalculated the ratios for Pune International Airport. Presented below is the comparison of allocation ratios adopted by AAI and the Authority:

Table 40: Allocation Ratios submitted by AAI and proposed to be considered by the Authority

S. No.	Particulars	FY 17	FY 18	FY 19	FY 20	FY 21
1	Employee Ratio (Aero: Non-Aero: ANS)					
	As considered in the SCP order	NA	NA	NA	NA	NA
	As considered by AAI	96.73%	97.93%	98.78%	96.58%	96.58%
	As proposed by the Authority	94.49%	96.52%	97.68%	93.88%	93.88%
2	Employee Ratio (Aero: Non -Aero)					
	As considered in the SCP order	95.00%	95.00%	95.00%	95.00%	95.00%
	As considered by AAI	98.10%	98.95%	98.89%	96.71%	96.71%
	As proposed by the Authority	96.77%	98.23%	98.20%	94.10%	94.10%
3	Employee Ratio (Aero: ANS)					
	As considered in the SCP order	50.00%	50.00%	50.00%	50.00%	50.00%
	As considered by AAI	66.67%	66.67%	96.67%	96.67%	96.67%
	As proposed by the Authority	66.67%	66.67%	90.00%	96.67%	96.67%
4	TBLR Ratio					
	As considered in the SCP order	91.37%	91.37%	91.37%	91.37%	91.37%
	As considered by AAI	91.76%	91.30%	90.27%	90.46%	90.46%
	As proposed by the Authority	91.37%	91.37%	91.37%	91.37%	91.37%
5	Electricity Consumption Ratio					
	As considered in the SCP order	99.00%	99.00%	99.00%	99.00%	99.00%
	As considered by AAI	99.83%	99.77%	99.78%	99.78%	99.78%
	As proposed by the Authority	99.83%	99.77%	99.78%	99.78%	99.78%

- 2.8.10 The Authority has observed the following regarding AAI's submission of O&M expenses under various heads for the Second Control Period:

- **CHQ/RHQ expenses**

CHQ/RHQ-Retirement Benefits

- 2.8.11 The Authority notes that CHQ/RHQ expenses related to employee cost was higher in FY 2017-18 & FY 2018-19 as compared to other years. Upon enquiry, AAI responded that the Provision for retirement benefit cost and third pension (27 months – starting from Jan 2017 to March 2019) based on actuarial valuation has been considered. Therefore, the impact of same is higher in FY 2017-18 & FY 2018-19 as compared to other years.
- 2.8.12 The Authority also noted that payroll expenses for FY 2020-21 has been increased by 5% based on the payroll expenses of FY 2019-20 for CHQ/ RHQ payroll expenses. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, and the austerity measures, the Authority proposes to estimate the payroll costs for FY 2020-21 by applying 0% growth rate over the FY 2019-20 CHQ/ RHQ payroll costs.

CHQ/RHQ- Pay and Allowances and Admin & General expenses

- 2.8.13 AAI has submitted a revised computation of CHQ/ RHQ cost on 17th November 2021 for the period from 2016-17 to 2019-20. The Authority notes that the manner of segregation and allocation of cost heads has been revised by AAI in this submission as compared to the submission made as part of MYTP.
- 2.8.14 The Authority has reviewed the submissions made by AAI as part of the CHQ/ RHQ cost allocation and noted the following:

- Revenue is the basis for allocating costs across different airport stations. Based on the changes in the Revenue share of a specific station to that of the total Revenue of Airport segment, the allocated CHQ/ RHQ costs may swing widely.
 - The estimates CHQ/ RHQ cost for AAI as a whole is not submitted by AAI at the time of submitting its MYTP proposals to facilitate review and comparison.
 - Changes / Amendments have been made by AAI to the allocation methodology submitted by it earlier. There is no holistic documentation / framework submitted by AAI and responses are given in parts when details/ clarifications are sought.
- 2.8.15 The Authority analyzed the details of CHQ apportionment under the head of Admin & General expenses in the proportion of employees providing support services to the aero and non-aeronautical services and bifurcated it into direct aero, non-aero and common based on the nature of services being provided by them. The detailed segregation of employees (department wise) provided by AAI and Authority's proposal are as under:
- Pay and Allowances of CHQ & RHQ:**
- 2.8.16 AAI has considered pay and allowance of Commercial department at CHQ & RHQ as Aeronautical expenses, whereas such expenses are non-aeronautical in nature.
- 2.8.17 AAI has excluded pay and allowances of employees involved in ATM, CNS & Cargo department at CHQ & RHQ while working out the allocation to airport. However, no exclusion has been done for support services of department relating to HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- 2.8.18 AAI has considered 5% of Expenses (after excluding revenue) towards non aeronautical income. The Authority is of the view that percentage share of expenses should be worked out on total outflow of pay and allowances.
- 2.8.19 Manpower of CHQ & RHQ is also providing services to non-Aero activities i.e. ATC, CNS cadres at respective airports. Hence, pay and allowances needs to be adjusted accordingly.
- 2.8.20 Considering all the facts and figures as stated above, the Authority is of the following view:
- 20% of pay and allowances of CHQ and RHQ is to be excluded towards the following:
 - Support services to ANS, Cargo & Commercial at CHQ, RHQ and airport
 - Officials of Directorate of Commercial
 - Balance 80% of pay and allowances of CHQ & RHQ can be allocated to Airports as aeronautical

Admin. & General Expenses of CHQ & RHQ

- 2.8.21 AAI has incurred Legal & Arbitration Expenses at CHQ & RHQ level. The Authority is of considered view that this expense should be analyzed and distributed to stations on a case-to-case basis. Such details have not been provided by AAI. In the absence of details, the Authority, proposes to not consider such expenses to be allocated to the respective airport.
- 2.8.22 AAI has paid Interest/penalties to Government of India at CHQ & RHQ level. Authority is of considered view that Stakeholders should not be burdened with interest/penalties paid to Govt. of India, due to various lapses/delays on part of the Airport Operator. Hence such expenses have not been allocated to the respective airport.
- 2.8.23 The Authority proposes to reduce overall cost by 5% from FY 2019-20 for estimating the figures of FY 2020-21 due to impact of COVID-19 and non-availability of actual data.

Table 41: Re-allocated CHQ/ RHQ expenses for the Second Control Period proposed to be considered by the Authority for Pune

(Rs. in Lakhs)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
As per SCP order	460.00	480.00	510.00	530.00	560.00	2,540.00
As per MYTP submitted by AAI	1,580.80	2,619.15	3,646.10	4,576.15	4,804.96	17,227.16
As per AAI revised submission	1,595.05	2,054.85	2,837.65	3,873.15	4,066.81	14,427.51
Proposed by the Authority	1,311.29	1,660.58	1,951.65	3,143.89	2,986.69	11,054.10

2.8.24 The Authority is of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had tried to rationalize the CHQ/ RHQ expenses being allocated to Pune International Airport. The Authority further would highlight the following issues for tariff determination in future and recommends AAI to adopt a rational approach while allocating CHQ and RHQ expenses to the individual airports:

- AAI is allocating CHQ & RHQ expenses to airports in the proportion of revenue earned by them. AAI is managing around 100 non-Major airports. Tariff determination at these airports is not on regular basis and invariably revenues at these airports do not cover their expenditures. Resultantly, substantial portion of CHQ & RHQ expenses of these airports is allocated to major airports.
 - AAI is not exploiting non traffic avenues fully. Due to the same, non-traffic revenues remains low at airports. AAI is advised to exploit the potential of non-traffic avenues fully so that 30% of the same by cross subsidization could be used to cover aeronautical expenses.
 - Allocation of CHQ & RHQ expenses based on revenue is not transparent and efficient method, as it brings in large variation in such expenses on a YoY basis due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Users of the major airports has to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. Further, as the revenue from these airports go up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect.
 - The Authority, therefore, expects AAI to examine these issues in detail and devise robust methodology for allocation of CHQ & RHQ expenses on priority.
- **Payroll costs**

2.8.25 The growth rates in employee costs, during the Second Control Period as submitted by AAI and as proposed by the Authority in the tariff order, are as given in the table below:

Table 42: Growth rate in employee costs as submitted by AAI and as proposed by the Authority in the SCP tariff order

Employee Cost	FY 17	FY 18	FY 19	FY 20	FY 21
Increase in Employee Cost As per MYTP	0%	1%	23%	-6%	5%
Employee count	214	193	181	152	153
Increase in Employee Cost As per SCP Order	30%	25%	7%	7%	7%
Employee count	250	250	250	250	250

- 2.8.26 In the Second Control Period Order, the Authority had allowed a 30% increase in employee costs in FY 2016-17 owing to AAI's submission regarding salary revision. In the current MYTP, AAI has submitted that the pay revision was done in FY 2018-19, as a result of which there was a high growth in actual employee costs in FY 2018-19 (23% from FY 2017-18).
- 2.8.27 The Authority noted that the number of employees in FY 2019-20 has dropped to 152 from 181 in FY 2018-19. The Authority sought clarification from AAI regarding the decrease in number of employees. AAI has informed that 28 employees in electrical engineering department have been transferred to AAI regional office in Mumbai and the payroll cost of the said employees has been charged to region.
- 2.8.28 The Authority noted that the AAI has reduced the total employee cost involved in the project (for New Terminal Building which started construction from FY 2017-18) for three years from FY 2018-19 to FY 2020-21 from the Aero employee cost in FY 2020-21 only. The Authority proposes to reduce the cost from the respective years of its actual incurrence.
- 2.8.29 The Authority noted that Payroll expenses for FY 2020-21 were estimated by taking a growth rate of 5% for Salary & Allowances & PF contribution and 7% for other elements of payroll costs over the FY 2019-20 expenses. Considering the pandemic conditions, the Authority is of the opinion that the O&M expenses of FY 2020-21 may not be more than that of FY 2019-20. Therefore, the Authority proposes to estimate all the elements of Payroll expenses except Overtime for FY 2020-21 by considering Nil growth over FY 2019-20. Overtime expenses is considered as Nil for FY 2020-21 due to scaling down of operations in Covid 19 pandemic.
- 2.8.30 The Authority proposes to consider the revised employee cost after taking into consideration the above changes and allocation ratio as proposed.

Repairs and Maintenance

- 2.8.31 The Authority noted that AAI has submitted R&M expenses at actuals for FY 2016-17 to FY 2019-20. The Authority has analyzed the R&M expenses and noted that R&M expenses related to Civil is higher in FY 2016-17 as compared to other years and other components of R&M expenses (Vehicles/electrical etc.). Upon enquiry, AAI submitted that specific major works such as tiling at airside of Terminal building and repairing of cracks and potholes at apron side has taken place which is a onetime actual incurrence in 3 to 5 years. The Authority notes that as most of these assets are newly constructed/ installed during the last 5 years and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority proposes to allow repairs and maintenance expenses for the Second Control Period to the extent of 6% of the RAB (opening net block of the Second Control Period).

Utilities Costs

- 2.8.32 The Authority noted that AAI in the MYTP submission has given actual power charges for FY 2020-21 which is considered after netting off the recoveries from the concessionaries and staff. The Authority proposes to consider the same as per AAI's submission.
- 2.8.33 The Authority noted that the water charges for FY 2018-19 and FY 2019-20 was 3.5 times higher than FY 2017-18. Upon enquiry, AAI responded that commercial consumption increased by 48% due to award of new commercial contracts for hotel & restaurants and increase in rate of water tanker by 31% due to change in location of source.
- 2.8.34 The Authority noted that AAI has considered Utilities costs (Power and Water) as net of revenue from concessionaires. The Authority, on the basis of AAI's submissions and its analysis of the same, proposes to consider total Utilities Cost as submitted by AAI for the Second Control Period after applying allocation ratio as proposed by AAI.

Upkeep expenses

- 2.8.35 The Authority noted that the Upkeeping expenses during FY 2017-18 has increased by almost 10 times over FY 2016-17. The Authority sought clarifications from AAI in this regard. AAI responded that the increase was due to additional requirements such as mechanized cleaning of airport terminal through Mechanized Environmental Support Services (MESS).
- 2.8.36 The Authority proposes to consider the total upkeep expenses as submitted by AAI for the Second Control Period after applying allocation ratio as proposed by AAI.

CSR Cost

- 2.8.37 The Authority noted that CSR costs have been considered only in FY 2017-18 and not been included in FY 2016-17, FY 2018-19, and FY 2019-20 as part of Aeronautical Expenditure in AAI's submissions. Upon enquiry, AAI responded it was considered only in FY 2017-18 due to an error and informed that the CSR cost is incurred by AAI as a whole and attributed to airports based on the requirement of activities to be conducted for CSR activities.
- 2.8.38 As per Hon'ble TDSAT Order on BIAL, the Authority proposes that CSR expenses would be allowed as cost of the airport operator. The Authority has considered the statutory requirement under the Companies Act, 2013 for computation of CSR expenses, mandating a spend of 2% of the average net profits of the company made during the 3 immediately preceding financial years. The Authority has accordingly computed the average aeronautical profits of the past three years. The actual CSR spend has been allocated between aeronautical and non-aeronautical profits. The Authority proposes to allow the actual cost incurred subject to ceiling of 2% spend as mandated under Companies Act.

Table 43: CSR cost proposed to be considered by the Authority in true up of Second Control Period

(Rs. in Lakhs)

Particulars	FY17*	FY18*	FY19*	FY20	FY21	Total
Revenue from Regulated Services (a)	4,522.61	8,411.20	19,118.72	17,749.76	5,072.10	54,874.40
Operating Expenditure (other than CSR included in Admin & Gen Expenses) (b)	5,254.94	6,459.97	7,773.82	8,419.40	7,831.90	35,740.02
Working Capital Interest (c)	-	-	-	-	-	-
Depreciation (d)	693.75	688.23	1,005.44	1,132.28	728.17	4,247.88
Total Expenditure (b)+(c) +(d) = (e)	5,948.69	7,148.20	8,779.26	9,551.68	8,560.07	39,987.90
Regulatory operating Profit before tax (a)-(e) = (f)	(1,426.08)	1,263.00	10,339.46	8,198.08	(3,487.97)	14,886.50
Total PBT (g)	923.50	3,951.45	15,942.55	13,264.02	(1,895.21)	32,186.31
Aero PBT Ratio (h=f/g)	0.00%	31.96%	64.85%	61.81%	0.00%	
Amount spent by Airport towards CSR (i)	10.67	21.78	115.40	59.99	59.99	267.84
Aero CSR spent by AAI (j=h*i)	-	6.96	74.84	37.08	-	118.88
Average of previous 3 FY's Aeronautical profits (k)	(2,820.00)	(2,385.36)	(954.36)	3,392.13	6,600.18	
2.00% of the average PBT (mandatory spend) (l=2%*k)	-	-	-	67.84	132.00	199.85
Lower of j & l	-	-	-	37.08	-	37.08

* Note: The Authority notes that Pune International Airport has negative average profits of the immediately preceding 3 Financial Years for the 3 tariff years viz FY 2016-17, FY 2017-18 and FY 2018-19. Hence, the Authority proposes not to allow CSR reimbursement for these years.

O&M expenses for FY 2020-21

- 2.8.39 The Authority notes that O&M expenses for FY 2020-21 have been estimated by taking a growth rate of 10% (and 5 to 7% in the case of payroll costs) over the FY 2019-20 expenses. Since FY 2020-21 traffic was low due to the pandemic, the Authority is of the opinion that the O&M expenses of FY 2020-21 may

not be more than that of FY 2019-20. Therefore, the Authority proposes to estimate the FY 2020-21 expenses by considering Nil growth over FY 2019-20.

Financing Charges (Interest on Term Loan)

- 2.8.40 The Authority notes that AAI has claimed interest on term loan as separate line item in ARR true up of Second Control Period. The interest on loan submitted by AAI consists of interest payment on long term debt after the assets have been commissioned. The Authority notes that this financing charge is already considered in FRoR and hence proposes to not allow the interest on term loan from true up of ARR for the Second Control Period.
- 2.8.41 Based on its analysis of AAI's submissions, the decisions taken in the Second Control Period tariff order and as discussed above, the Authority proposes the following operations and maintenance expenditure for true up during the Second Control Period.

Table 44: Aeronautical Operating and Maintenance Expenses for Second Control Period proposed by the Authority

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll expenditure	A	2,436.74	2,528.37	2,903.27	2,631.58	2,552.09	13,052.06
Apportionment of CHQ/RHQ expenses	B	102.24	475.04	798.00	422.89	422.89	2,221.06
Total Payroll Expenditure	C=A+B	2,538.98	3,003.41	3,701.27	3,054.47	2,974.98	15,273.12
Administrative & General Expenditure	D	130.55	369.76	453.20	401.77	364.69	1,719.98
Apportionment of administrative & general expenses to CHQ/RHQ	E	1,311.29	1,660.58	1,951.65	3,143.89	2,986.69	11,054.10
Total Administrative & General Expenses	F=D+E	1,441.84	2,030.35	2,404.85	3,545.66	3,351.38	12,774.08
Repairs & Maintenance Expenses	G	480.18	473.31	466.24	551.94	612.54	2,584.21
Power charges	H	627.40	700.78	753.13	800.80	608.78	3,490.90
Water charges	I	33.85	32.70	106.10	119.04	27.13	318.82
Hire charges	J	60.94	120.75	139.12	193.38	193.38	707.59
Other utilities	K	32.01	22.79	29.28	17.87	17.87	119.82
Total Utility & Outsourcing Expenses	L=H+I+J+K	754.21	877.03	1,027.63	1,131.09	847.16	4,637.12
Other Outflows (UDF charges)	M	39.72	75.87	173.84	173.32	45.83	508.58
Total Aeronautical Operating Expenses	N=C+F+G+L+M	5,254.94	6,459.97	7,773.82	8,456.48	7,831.90	35,777.10

- 2.8.42 The Authority reiterates its observation made in the second control period that it expects AAI to evaluate opportunities for rationalization of costs and optimize the O&M costs incurred.
- 2.8.43 The Authority accordingly proposes to consider the aeronautical operating and maintenance expenditure as per Table 44 for the purpose of calculating true up of ARR for Second Control Period.

2.9 True up of Non-Aeronautical Revenue

AAI's submission on non-aeronautical revenue

- 2.9.1 AAI submitted the revenue from non-aeronautical services for cross-subsidizing 30% of the same in the determination of the ARR for the Second control Period. The following table provides the actual non-

aeronautical revenues earned by Pune International Airport for FY 2016-17 to FY 2019-20 and estimated revenues for FY 2020-21:

Table 45: Non-Aeronautical Revenues submitted by AAI for the True up of Second Control Period

(Rs. in Lakhs)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Restaurants & Snack Bars	469.23	512.01	3,185.47	2,136.36	183.87	6,486.94
TR Stalls	121.83	285.35	641.88	1,067.82	66.23	2,183.12
Duty Free Revenue	119.00	233.42	248.88	252.16	19.26	872.71
Hoarding & Display	599.56	737.57	529.79	491.17	144.99	2,503.09
Building Non-Residential	585.90	379.61	581.12	427.79	427.79	2,402.22
Land Lease	136.57	148.68	372.42	566.02	566.02	1,789.70
Hanger	270.53	345.51	86.16	10.57	10.57	723.34
Car Parking	338.32	325.86	375.96	187.94	30.77	1,258.85
Public Admission Fee	13.45	19.39	34.29	24.28	25.49	116.91
Flight Catering	21.19	101.88	128.28	135.53	115.83	502.70
Car Rentals	14.06	17.96	356.11	461.30	232.00	1,081.42
Interest Income	85.88	203.42	41.28	59.97	62.96	453.51
Other Misc. receipts	285.16	184.29	184.50	314.01	329.71	1,297.68
Total	3,060.67	3,494.94	6,766.15	6,134.92	2,215.50	21,672.19

Recap of decision taken by the Authority for non-aeronautical revenue at the time of tariff determination for the Second Control Period

2.9.2 The Authority vide its decision no. 9 of Order No. 15/2017-18 dated 30th October 2017 decided the following with respect to Non-Aeronautical Revenue for Second Control Period.

- Decision no. 9.a. “The Authority decides to consider the revenue accruing to AAI on account of the aeronautical services of cargo facility, ground handling services and supply of fuel to aircraft including land lease rentals and building rent from these activities as aeronautical revenue.”
- Decision no. 9.b. “The Authority decides to consider the Non-Aeronautical Revenue as per table 37 below.”
- Decision no. 9.c.” The Authority decides that Non-Aeronautical Revenue will be trued up if its higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues”

Table 46: Non-Aeronautical Revenues considered by the Authority in the Second Control Period (Table 37 of SCP Order)

(Rs. in Lakhs)

Revenue from services other than regulated services	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Non- aeronautical revenue as per AAI (A)	2,830.00	3,300.00	3,710.00	4,170.00	4,960.00	18,970.00
LESS: Change in revenue from cargo, ground handling and fuel services considered as aeronautical revenues and change in growth (B)	350.00	440.00	570.00	720.00	1,170.00	3,250.00
NAR Allowed by AERA in SCP Order (A-B)	2,490.00	2,860.00	3,140.00	3,450.00	3,790.00	15,730.00

Authority's examination and proposal for non-aeronautical revenue as part of tariff determination for the Second Control Period

2.9.3 The Authority perused the actual NAR and observed wide variances in the year-on-year revenues. On enquiry, AAI submitted the following:

- **Restaurants and Snack bar:** The revenue for the year 2018-19 was Rs. 3,185.47 lakhs whereas the revenues for the year FY 2016-17 and FY 2017-18 were in the range of Rs. 981.24 lakhs. AAI responded that the large increase in FY 2018-19 was due to award of new concessions. The trend of increased revenues continued in FY 2019-20 but dropped to Rs. 183.87 lakhs in FY 2020-21. AAI informed that FY 2020-21 was a projected amount based on the impact of pandemic and low levels of traffic.
- **TR Stall:** Similar to Restaurants and Snack bars, the revenues of TR stall had also increased in FY 2018-19 and FY 2019-20 for the same reason.
- **Car Rentals:** The total amount projected for the Second Control Period was Rs. 60 lakhs whereas the actual revenue under this category is Rs. 1081.43 lakhs. On enquiry, AAI submitted that the variance was due to exponential increase in demand of rented cars from FY 2017-18 onwards.
- **Land lease, hanger and building non-residential:** The Authority noted a year on year decrease in the revenue received from land lease, hanger and building non-residential from FY 2016-17 and FY 2019-20 amounting to Rs.1,019.12 lakhs as compared to second control period order projections. On enquiry, AAI stated that there was a misclassification in the internal general ledgers and hence there are wide variances in the numbers across the years.

2.9.4 Land Lease and Interest income: On perusal of the trial balance, the Authority also noted that AAI has inadvertently missed to include non-aeronautical revenues amounting to Rs. 126.83 lakhs under Land lease revenue in 2016-17 and Rs. 18.46 lakhs under Interest Income in FY 2018-19. The Authority now proposes to consider the same as part of the actual revenues in the respective years.

2.9.5 The Authority has noted the decision in SCP Order (as stated in Para 2.9.2 above). As noted in para 2.9.4 above, there are misclassifications in various heads of NAR between the trial balance and the segregation in the SCP order. The Authority has classified the entire NAR into following 4 heads for analysis:

- Passenger Traffic Based Revenue
- ATM Based Revenue
- Lease Rentals
- Others

2.9.6 Non-aeronautical revenues for SCP regrouped into above categories is as follows:

Table 47: Comparison of NAR of SCP order v/s Actuals submitted by AAI as per regrouped categories

(Rs. in Lakhs)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
As per SCP Order						
Pax related Revenues	1,280.00	1,600.00	1,810.00	2,060.00	2,570.00	9,320.00
Rent & Services	1,380.00	1,540.00	1,710.00	1,890.00	2,120.00	8,640.00
ATM related revenues	50.00	60.00	60.00	70.00	90.00	330.00
Inflation related revenue	120.00	120.00	140.00	140.00	170.00	690.00
Total (A)	2,830.00	3,320.00	3,720.00	4,160.00	4,950.00	18,980.00
As Submitted by AAI						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total

TRUE UP FOR THE SECOND CONTROL PERIOD

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Pax related Revenues	1,309.62	1,768.35	4,606.02	3,947.51	414.35	12,045.85
Rent & Services	1,331.32	1,199.66	1,415.66	1,192.32	1,035.15	6,174.11
Less: Lease rent from Airlines (to be treated as Aero)	-398.54	-260.76	-307.94	-245.18	-245.18	-1,457.59
ATM related revenues	21.19	101.88	128.28	135.53	115.83	502.71
Inflation related revenue	398.55	425.06	616.18	859.56	650.16	2,949.51
Total (B)	2,662.14	3,234.19	6,458.20	5,889.74	1,970.31	20,214.59
Difference (B-A)	-167.86	-85.81	2,738.20	1,729.74	-2,979.69	1,234.59

- 2.9.7 From the above table, it is noted that the revenues submitted by AAI after reducing the lease rent from Airlines is higher than the total Non-Aeronautical Revenue estimated in the Second Control Period Order. The Authority also takes cognizance of the impact of Covid-19 on the revenues for FY 2020-21. Hence, the Authority proposes to consider the figures submitted by AAI after adjusting the misclassification as stated in para 2.9.3 and reducing the rent from space given to airlines as stated in para 2.9.8.
- 2.9.8 Rent from space given to aeronautical service providers such as space to Airlines has been considered as Non-Aeronautical Revenue by Pune International Airport. The Authority is of the view that the revenues collected from aeronautical services providers such as Airlines are to be treated as Aeronautical Revenues. Therefore, the Authority proposes to consider the rent received from space given to Airlines amounting to Rs. 1,457.39 lakhs as aeronautical revenues (refer Para 2.3.7).
- 2.9.9 The Authority notes that the non-aeronautical revenue for FY 2020-21 submitted by AAI was based on the estimated passenger and ATM traffic. The Authority proposes to recalculate the non-aeronautical revenue for FY 2020-21 based on the traffic as proposed by the Authority, after considering Circular No 26 (read along with Circular no.24) issued by AAI is as follows:
“Clause 2 of the concessionaire support scheme no.26 states that:
- *From 01.01.2021 to 30.06.2021, the license fee/ MMG calculated on the basis of formula (issued vide commercial circular 24/2020) to be discounted further by 40%.*
 - *From 01.07.2021 to 31.12.2021, the license fee/ MMG calculated on the basis of formula (issued vide commercial circular 24/2020) to be discounted further by 20%.”*
- 2.9.10 Based on the foregoing discussion, the Authority proposes to consider the following revenues for non-aeronautical revenues for the Second Control Period:

Table 48: Non-Aeronautical Revenues proposed to be considered for true up of the Second Control Period by the Authority

(Rs. in Lakhs)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total (Authority)-I	Total (AAI)-II	Difference (I-II)
Pax related Revenues								
Restaurant / Snack Bars	469.23	512.01	3,185.47	2,136.36	508.37	6,811.45	6,486.94	324.51
T.R. Stall	121.83	285.35	641.88	1,067.82	254.10	2,370.99	2,183.12	187.87
Duty Free Shop	119.00	233.42	248.88	252.16	60.00	913.46	872.71	40.75
Hoarding & Display	599.56	737.57	529.79	491.17	116.88	2,474.98	2,503.09	-28.11

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Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total (Authority)- I	Total (AAI)-II	Difference (I-II)
Total of Pax related Revenues- A	1,309.62	1,768.35	4,606.03	3,947.52	939.36	12,570.87	12,045.86	525.01
Rent & Services								
Building Non-Residential	585.90	379.61	507.21	427.79	427.79	2,328.20	2,402.22	-74.02
Less: Revenue from airlines	-398.54	-260.76	-307.94	-245.18	-245.18	-1,457.59		-1,457.59
Land lease	263.40	148.68	167.59	159.77	159.77	899.20	1,789.70	-890.50
Hanger	270.53	345.51	364.90	416.82	416.82	1,814.57	723.34	1,091.23
Car Parking	338.32	325.86	375.96	187.94	89.09	1,317.17	1,258.85	58.32
Total of Rents and Services -B	1,059.61	938.90	1,107.72	947.15	848.29	4,901.66	6,174.11	-1,272.45
ATM related revenues								
Flight Catering Service	21.19	101.88	128.28	135.53	44.58	431.45	502.70	-71.25
Total of ATM related revenues - C	21.19	101.88	128.28	135.53	44.58	431.45	502.70	-71.25
Inflation related revenues								
Revenue from Public admission Fees	13.45	19.39	34.29	24.28	6.42	97.83	116.91	-19.08
Car Rentals	14.06	17.96	356.11	461.30	109.77	959.19	1,081.42	-122.23
Revenue from interest income	85.88	203.42	59.74	59.97	62.96	471.97	453.51	18.46
Other Misc. Receipts	285.16	184.29	184.50	314.01	329.71	1,297.68	1,297.68	-
Total of Inflation related revenues - D	398.55	425.05	634.64	859.56	508.87	2,826.67	2,949.51	-122.84
Total=(A+B+C+D)	2,788.96	3,234.18	6,476.67	5,889.75	2,341.10	20,730.66	21,672.19	-941.53*

*The difference is mainly due to Rs. 1,457.59 lakhs which has been considered as aeronautical revenue instead of non aeronautical and incremental revenue of Rs. 370.77 lakhs (in which Rs. 245.18 lakh has been part of Rs. 1,457.59) has been considered for FY 2020-21 with adjustments as stated in Para 2.9.4.

2.9.11 The Authority proposes to consider Non-Aeronautical revenue as per Table 48 for true of Second Control Period.

2.10 True up of Aeronautical Taxation

AAI's submission for true up of taxation

2.10.1 AAI has submitted tax calculations using a tax rate of 34.94% from FY 2016-17 to FY 2018-19. For FY 2019-20 and FY 2020-21, a tax rate of 25.17% was used. These tax rates were used on Pune International Airport's profit before tax (PBT) after setting-off the prior period tax losses. The following table summarizes the tax working for the true-up period as per AAI's submission.

Table 49: Aeronautical Taxes submitted by AAI for true up of Second Control Period

(Rs in lakhs)

Particulars	Ref	FY17	FY18	FY19	FY20	FY21	Total
Aero Revenue	A	4,124.07	8,147.45	18,810.78	17,504.58	4,800.08	53,386.96
O&M Expense	B	5,882.78	7,705.50	9,875.43	10,345.46	9,542.11	43,351.29
Total Interest and Financing Charges	C	0.00	0.00	0.00	0.00	55.09	55.09
Depreciation	D	783.16	749.77	886.17	1,118.42	1,337.53	4,875.04
Total expenditure	E=B+C+D	6,665.94	8,455.27	10,761.60	11,463.88	10,934.74	48,281.42
Profit Before Tax	F=A-E	-2,541.86	-307.82	8,049.18	6,040.70	-6,134.66	5,105.55
Set-off of prior period tax losses	G	0.00	0.00	8,049.18	400.50	0.00	8,449.68
PBT after set-off of losses	H=F-G	-2,541.86	-307.82	0.00	5,640.20	-6,134.66	-3,344.13
Tax [34.944% up to FY19 & 25.17% from FY20]	I	0.00	0.00	0.00	1,419.64	0.00	1,419.64
Profit After Tax	J=H-I	-2,541.86	-307.82	0.00	4,220.56	-6,134.66	-4,763.77

Recap of decision taken by the Authority for aeronautical taxation at the time of tariff determination for the Second Control Period

2.10.2 The Authority vide decision no.11 of Order No.15/2017-18 dated 30th October 2017, decided the following with respect to Aeronautical Taxation for Second Control Period.

- *Decision no. 11.a. "The Authority decides the corporate tax of aeronautical activities as per Table 45 for the second control period"*
- *Decision no. 11.b. "The Authority decides to true up the difference between the actual/apportioned corporate tax paid and that estimated by the authority for the second control period during determination of tariffs for the third control period"*

Table 50: Amount of tax for aeronautical services as calculated by the Authority in the Second Control period Order (Table 45 of SCP order)

(Rs in lakhs)

Particulars	FY17	FY18	FY19	FY20	FY21	Total
Aeronautical revenue	4,040.00	8,130.00	17,810.00	20,630.00	23,900.00	74,510.00
Aeronautical O&M (excluding CHQ/RHQ expenses)	4,430.00	5,230.00	5,580.00	5,950.00	6,350.00	27,540.00
CHQ/RHQ overhead	910.00	1,040.00	1,110.00	1,170.00	1,240.00	5,470.00
Depreciation as per IT Act	750.00	700.00	940.00	1,140.00	2,930.00	6,460.00
PBT	-2,050.00	1,150.00	10,180.00	12,370.00	13,370.00	35,020.00
Tax for Aeronautical Services	-	400.00	3,520.00	4,280.00	4,630.00	12,830.00

Authority's examination and proposal for aeronautical taxation as part of tariff determination for the Second Control Period

2.10.3 The Authority does not propose any material changes in calculating the tax for the Second Control Period. The Authority has incorporated the changes in regulatory blocks relevant to tax calculation and recalculated aeronautical tax for on Pune International Airport by taking into consideration carried forward losses of First Control Period amounting to Rs. 5,600 lakhs as given in Table 14 of Second Control Period Order. Aeronautical Tax computed by the Authority based on the same is as detailed below:

Table 51: Aeronautical Taxes proposed to be considered for true up of the Second Control Period by the Authority

(Rs. in Lakhs)

Particulars	Ref	FY17	FY18	FY19	FY20	FY21	Total
Aero Revenue	A	4,522.61	8,411.20	19,118.72	17,749.76	5,072.10	54,874.40
O&M Expense	B	5,254.94	6,459.97	7,773.82	8,456.48	7,831.90	35,777.10
Interest on Term Loan	C	-	-	-	-	8.52	8.52
Depreciation (as per IT act)	D	599.44	748.52	840.91	1,041.44	1,084.85	4,315.17
Total Expenditure	E=B+C+D	5,854.38	7,208.49	8,614.73	9,497.92	8,925.27	40,100.79
Profit Before Tax	F=A-E	-1,331.77	1,202.72	10,503.99	8,251.84	-3,853.17	14,773.61
Set-off of prior period tax losses	G	-	1,202.72	5,729.05	-	-	6,931.77
PBT after set-off of losses	H=F-G	-	-	4,774.94	8,251.84	-	13,026.78
Tax [34.944% up to FY19 & 25.17% from FY20]	I	-	-	1,668.55	2,076.99	-	3,745.54
Profit After Tax	J=H-I	-1,331.77	1,202.72	8,835.44	6,174.85	-3,853.17	11,028.07

2.11 True-Up of Aggregate Revenue Requirement

- 2.11.1 AAI in its MYTP has submitted a shortfall of Rs. 19,959.92 lakhs (refer Table 4) as a result of the true up of Second Control Period while determining aeronautical tariffs for the Third Control Period.
- 2.11.2 The Authority after analyzing the various building blocks and incorporating the changes as discussed in the earlier sections, has recalculated the ARR as follows:

Table 52: ARR proposed to be considered for true up of the Second Control Period by the Authority

(Rs in lakhs)

Particulars	Table Ref	Ref	FY17	FY18	FY19	FY20	FY21	Total
Opening RAB	Table 33	A	8,003.06	7,888.44	7,770.62	9,199.05	10,209.08	
Closing RAB	Table 33	B	7,888.44	7,770.62	9,199.05	10,209.08	9,965.04	
Average RAB	Table 33	C=(A+B)/2	7,945.75	7,829.53	8,484.83	9,704.06	10,087.06	
FRoR (%)	Table 35	D	13.77%	13.77%	13.77%	13.77%	13.77%	
Return on RAB		E=C*D	1,093.99	1,077.99	1,168.21	1,336.08	1,388.81	6,065.07
Operating expense	Table 44	F	5,254.94	6,459.97	7,773.82	8,456.48	7,831.90	35,777.10
Depreciation	Table 30	G	693.75	688.23	1005.44	1132.28	728.17	4,247.88
Tax	Table 51	H	-	-	1,668.55	2,076.99	-	3,745.54
Under recovery of First Control Period as on 31/3/2017		I	13,526.60					13,526.60
ARR		J=Sum (E: I)	20,569.28	8,226.19	11,616.03	13,001.83	9,948.88	63,362.19
Non-Aeronautical revenue	Table 48	K	2,788.96	3,234.18	6,476.67	5,889.75	2,341.10	20,730.66
Less: 30% Non-Aeronautical revenue		L=K*30 %	836.69	970.25	1,943.00	1,766.92	702.33	6,219.20
Net Aggregate Revenue Requirement (NARR)		M=K-L	19,732.59	7,255.93	9,673.03	11,234.90	9,246.55	57,143.00

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Particulars	Table Ref	Ref	FY17	FY18	FY19	FY20	FY21	Total
Actual Aero Revenue	Table 11	N	4,522.61	8,411.20	19,118.72	17,749.76	5,072.10	54,874.40
Shortfall		O=M-N	15,209.98	-1,155.27	-9,445.70	-6,514.86	4,174.45	2,268.60
Compounding rate	Table 35	P	13.77%	13.77%	13.77%	13.77%	13.77%	
Compounding Factor		$Q=(1+P)^{5/4/3/2/1}$	1.91	1.68	1.47	1.29	1.14	
Compounded NARR		R=M*Q	37,608.75	12,155.62	14,243.78	14,541.57	10,519.63	89,069.35
Compounded Aero Revenue		S=N*Q	8,619.74	14,091.01	28,152.81	22,973.89	5,770.44	79,607.88
Shortfall/ (Surplus) as on 31st March 2022		T=O*Q	28,989.01	-1,935.39	-13,909.03	-8,432.32	4,749.19	9,461.47

2.11.3 The Authority proposes to recoup the shortfall of Rs. 9,461.47 lakhs. The shortfall mainly has arisen in account of the following factors:

- Reduction in traffic due to COVID in FY 2020-21 and FY 2019-20.
- Reduction in aeronautical revenues collected in FY 2020-21 and FY 2019-20 due to the above, by approximately Rs. 19,636 lakhs as compared to Second Control Period order projections.
- Reduction in Actual ARR for Second control Period by approx. Rs. 11,064 lakhs due to following which has partly set off the under recovery of aeronautical revenues:
 - Deferment of certain capital expenditure has reduced the return on RAB from the estimates approved, by approx Rs. 2,397 lakhs.
 - Increase in Operating cost due to increase in CHQ/RHQ cost by Rs. 2,777 lakhs from the estimates approved.
 - Reduction in tax due to above factors from the estimates approved, by Rs. 9,084 lakhs.

2.12 Authority's proposals on true up of Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with respect to true up for the Second Control Period:

- 2.12.1 To consider Passenger and ATM traffic as detailed in Table 8 for true up of the Second Control Period.
- 2.12.2 To consider aeronautical revenue as detailed in Table 11 for the purpose of true-up of the Second Control Period.
- 2.12.3 To consider Average RAB as presented in Table 33 for true-up of the Second Control Period.
- 2.12.4 To consider aeronautical depreciation as detailed in Table 30 for true up of the Second Control Period.
- 2.12.5 To consider FRoR as per Table 35 for the purpose of true-up of the Second Control Period
- 2.12.6 To consider aeronautical operating expenses as presented in Table 44 for the purpose of true-up of the Second Control Period.
- 2.12.7 To consider non aeronautical revenue as per Table 48 for the purpose of true-up of the Second Control Period
- 2.12.8 To consider aeronautical tax as mentioned in Table 51 for the purpose of true-up of the Second Control Period
- 2.12.9 To consider ARR and shortfall as calculated in Table 52 for the Second Control Period which is proposed to be recouped in the Third Control Period.

3. TRAFFIC FOR THE THIRD CONTROL PERIOD

3.1 AAI's submissions relating to Traffic for the Third Control Period

- 3.1.1 AAI submitted its traffic projections as a part of its MYTP submission, considering the ongoing pandemic condition. The passenger traffic, air traffic movement and their expected annual growth rates assumed in the tariff determination process by AAI for Third Control Period are as given in the table below:

Table 53: AAI's submission of ATM and Passenger traffic for Third Control Period

Passenger Traffic (in millions)	FY20	FY21	FY 22	FY 23	FY 24	FY 25	FY 26	Total (FY22 to FY26)
Domestic	7.92	2.12	4.25	5.52	6.90	7.94	8.89	33.50
% Growth over previous year		-73%	100%	30%	25%	15%	12%	
% of FY 20		27%	54%	70%	87%	100%	112%	
International	0.16	0.00	0.01	0.03	0.07	0.11	0.17	0.39
% Growth over previous year		-97%	100%	150%	100%	70%	50%	
% of FY 20		3%	8%	21%	42%	71%	106%	
Total	8.09	2.13	4.26	5.56	6.97	8.05	9.06	33.89
% Growth over previous year		-74%	100%	30%	25%	16%	13%	
% of FY 20		26%	53%	69%	86%	100%	112%	

ATM (in 000's)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Total (FY22 to FY26)
Domestic	53.07	18.90	35.91	43.09	51.71	56.88	61.43	249.03
% Growth over previous year		-64%	90%	20%	20%	10%	8%	
% of FY 20		36%	68%	81%	97%	107%	116%	
International	1.20	0.20	0.50	0.63	0.75	0.90	1.26	4.04
% Growth over previous year		-83%	150%	25%	20%	20%	40%	
% of FY 20		17%	42%	52%	63%	75%	105%	
Total	54.26	19.10	36.41	43.72	52.46	57.78	62.69	253.07
% Growth over previous year		-65%	91%	20%	20%	10%	8%	
% of FY 20		35%	67%	81%	97%	106%	116%	

3.2 Authority's analysis relating to Traffic for the Third Control Period

- 3.2.1 The Authority has taken into consideration the effect that COVID-19 pandemic has had on the aviation sector and the consequent disruption in air traffic (international and domestic) while analyzing AAI's submission of traffic forecast for the Third Control Period. The Authority has, based on various study reports on traffic assessment taken into consideration the forecast/data published by ACI, IATA, FICCI and ICAO for arriving the revised traffic projections.
- 3.2.2 Based on its own internal assessment, AAI has estimated that the domestic traffic would reach pre-COVID levels (FY 2019-20 levels) by FY 2024-25 while the international traffic would reach pre-COVID levels by FY 2025-26.
- 3.2.3 The Authority analyzed the traffic at Pune International Airport after the pandemic-induced lockdown in the country was revoked in a phased manner. The Authority notes that the domestic traffic in FY 2020-21

was 27% as compared to FY 2019-20. However, in the case of international traffic, the traffic in FY 2020-21 was 3% of FY 2019-20, which is low.

- 3.2.4 The Authority is cognizant of the impact that the second wave of COVID-19 has had on the aviation sector and accordingly has remained conservative in its estimation of traffic. The Authority has also taken into consideration the outlook, projections, and reports of various international bodies like ICAO and IATA regarding the impact of the pandemic on the aviation industry.
- 3.2.5 Based on the trends observed in monthly traffic figures of FY 2020-21 and reconsiderations in the backdrop of potential drop in traffic in the initial months of FY 2021-22 due to the impact of the second wave of the pandemic, the Authority expects a 68% recovery in domestic traffic and a 23% recovery in international traffic to pre-COVID levels in FY 2021-22 (vis-à-vis FY20).
- 3.2.6 As part of its examination of AAI's forecast of traffic at Pune International Airport, the Authority calculated Compounded Annual Growth Rate (CAGR), for passenger traffic and ATM from FY 2016-17 to FY 2018-19 (3-year CAGR).
- 3.2.7 For the computation of CAGR, the Authority has considered the traffic data of FY 2018-19 as the base, since FY 2019-20 was impacted by both Covid-19 pandemic and closure of Jet Airways. Further, FY 2020-21 being an exceptional year, may not provide an appropriate basis for arriving at CAGR. The CAGR details so computed have been listed in the table below:

Table 54: CAGR for passenger traffic and ATM traffic at Pune International Airport

Particulars	3 Year CAGR
Passenger Traffic	
Domestic	16.37%
International	-0.96%
Total	15.76%
ATM	
Domestic	13.58%
International	3.61%
Total	13.14%

- 3.2.8 The Authority after taking into consideration studies conducted by various industry bodies and GoI restrictions on domestic and international flights, reconsidered the traffic levels for the Third Control Period and projected that the domestic traffic would reach pre-COVID levels (FY 2019-20 levels) by FY 2022-23, while the international traffic would reach pre-COVID levels by FY 2023-24.
- 3.2.9 The Authority notes that AAI has very conservatively estimated the passenger traffic that does not reflect the reality. Accordingly, the Authority is of the view that the estimate submitted by AAI needs to be revisited. Based on the recent trend, the Authority proposes to consider that traffic in FY 2021-22 will reach 67% of FY 2019-20 level.
- 3.2.10 The Authority proposes to use the 3-year CAGR for projecting domestic passenger traffic and ATM for the last 3 tariff years (FY 2023-24 & FY 2025-26), as in the Authority's view the 3-year CAGR represents normalized economic scenarios, weeding out short-term macro-economic fluctuations. For International passenger traffic and ATM for the last 2 tariff years (FY 2024-25 & FY 2025-26), the Authority has considered a growth rate of 3% considering that the actuals in the past do not project any clear trend for estimation.
- 3.2.11 After due consideration of the prevalent condition and review of forecasts made by many bodies, the Authority proposes the following traffic levels for the Third Control Period:

Table 55: Traffic estimate for ATM and Passenger under COVID-19 scenario as proposed by the Authority

% of traffic with reference to traffic of Pre Covid level - FY20					
Particulars	FY 22	FY 23	FY 24	FY 25	FY 26
Passengers					
Domestic Passenger	68%	100%	116%	132%	148%
International Passenger	23%	75%	100%	103%	106%
ATM					
Domestic ATM	68%	100%	114%	128%	142%
International ATM	23%	75%	100%	103%	106%

3.2.12 Based on the above estimate, the revised traffic as proposed by the Authority is given below:

Table 56: Traffic proposed by the Authority for the Third Control Period

Passenger Traffic	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Total (FY22 to FY26)
(in millions)								
Domestic	7.93	2.13	5.39	7.93	9.20	10.46	11.73	44.71
% Growth over previous year		-73%	153%	47%	16%	14%	12%	
% of FY 20		27%	68%	100%	116%	132%	148%	
International	0.16	0.00	0.04	0.12	0.16	0.16	0.17	0.64
% Growth over previous year		-97%	646%	226%	33%	3%	3%	
% of FY 20		3%	23%	75%	100%	103%	106%	
Total	8.09	2.14	5.43	8.05	9.35	10.63	11.90	45.35
% Growth over previous year		-74%	154%	48%	16%	14%	12%	
% of FY 20		26%	67%	100%	116%	131%	147%	
ATM (in 000's)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Domestic	53.07	19.69	36.08	53.07	60.50	67.92	75.35	292.92
% Growth over previous year		-63%	83%	47%	14%	12%	11%	
% of FY 20		37%	68%	100%	114%	128%	142%	
International	1.20	0.15	0.27	0.90	1.20	1.23	1.27	4.86
% Growth over previous year		-88%	90%	226%	33%	3%	3%	
% of FY 20		12%	23%	75%	100%	103%	106%	
Total	54.26	19.83	36.36	53.96	61.69	69.16	76.62	297.78
% Growth over previous year		-63%	83%	48%	14%	12%	11%	
% of FY 20		37%	67%	99%	114%	127%	141%	

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

Based on the material before it and its analysis, the Authority proposes the following with respect to traffic for the Third Control Period:

- 3.3.1 To consider traffic as set out in Table 56 for Third Control Period considering the effect of COVID 19 Pandemic.
- 3.3.2 To true up the traffic based on actual numbers for the Third Control Period at the time of determination of tariff for the next control period.

4. REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD**4.1 Background**

4.1.1 AAI has proposed aeronautical additions to RAB to the tune of Rs. 53,496.92 Lakhs for the Third Control Period as part of its submissions. The Authority has organized the discussions in the chapter in the following Order:

- Capital Additions proposed for the Third Control Period
- Means of Finance
- Depreciation
- Regulatory Asset Base

4.2 Capital Additions proposed for the Third Control Period**Capital Additions submitted by AAI**

4.2.1 The capital additions submitted by AAI is divided into the following heads for analysis:

- A. Capital additions deferred from the Second Control Period to the Third Control Period
- B. New capital additions proposed for the Third Control Period

4.2.2 These are detailed in the same sequence in the following paragraphs.

A. Capital Additions deferred from the Second Control Period to the Third Control Period

4.2.3 As per AAI's submission, capital additions deferred from the Second Control Period to the Third Control Period are as follows:

Table 57: Gross & Aeronautical capital additions deferred from SCP to TCP as submitted by AAI

(Rs. in Lakhs)

S. No.	Name of Work	Year of Cap. (FY)	Project Cost	Financing Allowance	IDC	Expense Capitalization (i.e., Project Employee cost)	Total amount (incl. FA, IDC, Exp. Cap.)	Aero Amount
1	NITB (Basement floor, Ground Floor, First Floor & Mezzanine floor	2022-23	25,748.19	1,925.91	1,167.48	952.84	29,794.42	27,871.98
2	City side Canopy including underneath roads, fascia etc.	2022-23	3,371.79	252.20	152.88	124.78	3,901.65	3,650.06
3	U/G Water tank, pump house, rainwater storage tanks, WTP etc.	2022-23	1,430.45	106.99	64.86	52.94	1,655.25	1,654.72
4	Service yards (Basement, Ground floor)	2022-23	2,860.91	213.99	129.72	105.87	3,310.49	3,310.43

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S. No.	Name of Work	Year of Cap. (FY)	Project Cost	Financing Allowance	IDC	Expense Capitalization (i.e., Project Employee cost)	Total amount (incl. FA, IDC, Exp. Cap.)	Aero Amount
	incl. UG Tunnel, DG Sets, cooling towers etc.							
5	Sewage Treatment Plant	2022-23	613.05	45.85	27.80	22.69	709.39	709.45
6	Exit roads, Apron entry road, Landscaping, storm water lines, sewer lines etc.	2022-23	1,736.98	129.92	78.76	64.28	2,009.94	2,009.99
7	Baggage Handling system	2022-23	4,904.42	366.84	222.38	181.49	5,675.13	5,675.19
8	Passenger Boarding Bridges 05 Nos.	2022-23	1,298.84	97.15	58.89	48.07	1,502.95	1,502.95
9	Artwork	2022-23	102.18	7.64	4.63	3.78	118.23	118.24
10	Project management Consultancy	2022-23	2,554.38	191.06	115.82	94.53	2,955.80	2,765.15
	Total		44,621.19	3,337.57	2,023.22	1,651.26	51,633.24	49,268.16

B. New capital additions proposed for the Third Control Period

4.2.4 Details of the new capital additions for the Third Control Period as submitted by AAI is detailed below:

Table 58: New Capital Additions for the Third Control Period as submitted by AAI

(Rs. in Lakhs)

S. No.	Name of Work	Year of Cap. (FY)	Project Cost	Financing Allowance	IDC	Total amount (incl. FA, IDC, Exp Cap)	Aero Amount
1	Digi Yatra: E-Boarding Biometric Boarding System (BBS)	2021-22	1,408.68	35.53	53.30	1,497.52	1,497.52
2	Biometric Access Control System	2021-22	184.87	2.30	3.44	190.61	178.31
3	First Bag Last Bag Project (04 Nos.)	2021-22	5.63	-	-	5.63	5.63
4	MS office (25 Nos.)	2021-22	6.25	-	-	6.25	6.25
5	Computers (25 Nos.)	2021-22	20.00	-	-	20.00	20.00
6	UPS for Computers (25 Nos.)	2021-22	1.00	-	-	1.00	1.00
7	Printers/Scanners (10 Nos.)	2021-22	2.00	-	-	2.00	2.00
8	Replacement of Airconditioning Chiller Plant	2022-23	250.00	5.67	8.50	264.17	264.17
9	Baggage Trolley	2022-23	254.24	-	-	254.24	254.24
10	XBIS	2022-23	254.24	-	-	254.24	254.24
11	MS office (30 Nos.)	2023-24	8.40	-	-	8.40	8.40

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12	Computers (30 Nos.)	2023-24	25.50	-	-	25.50	25.50
13	UPS for Computers (30 Nos.)	2023-24	1.50	-	-	1.50	1.50
14	Printers/Scanners (15 Nos.)	2023-24	3.30	-	-	3.30	3.30
15	Replacement of AHU in old TB	2023-24	250.00	5.67	8.50	264.17	264.17
16	Replacement of LED lightings in TB	2023-24	50.00	-	-	50.00	50.00
17	SCCTV	2023-24	100.00	-	-	100.00	100.00
18	XBIS	2023-24	200.00	-	-	200.00	200.00
19	Gas Based Generator sets	2024-25	250.00	5.67	8.50	264.17	264.17
20	SITC of FIDS	2024-25	100.00	-	-	100.00	100.00
21	Strengthening of Power Supply System	2025-26	150.00	-	-	150.00	150.00
22	PA System	2025-26	100.00	-	-	100.00	100.00
23	Solar Plant	2025-26	450.00	11.35	17.03	478.38	478.38
	Total		4,075.60	66.18	99.27	4,241.08	4,228.76

Allocation of Assets into aeronautical and non-aeronautical components as submitted by AAI

- 4.2.5 Classification of assets capitalized in Third Control Period has been done between Aeronautical and Non-Aeronautical services by AAI considering the ratios as given below.

Table 59: Allocation of assets to be capitalized in Third Control Period submitted by AAI

Particulars	Aero (%)	Ratio
Roads, Bridges & culvert	100%	
Terminal/Other Buildings	93.55%	TBLR
Computer, IT Hardware & Access.	100%	
Biometric Access Control System	93.55%	TBLR
Plant and Machinery	100%	
Electrical Installations	93.55%	TBLR
Furniture & Fixtures	100%	
X-Ray Baggage	100%	
Solar System	100%	

Aeronautical Additions to RAB submitted by AAI

- 4.2.6 Based on the above, AAI has proposed the following additions to RAB for the Third Control Period:

Table 60: Additions to RAB for the Third Control Period submitted by AAI

(Rs. in Lakhs)

Additions	FY22	FY23	FY24	FY25	FY26	Total
Road, Bridges & Culverts	-	1,655.32	-	-	-	1,655.32
Building- Terminal	-	21,685.76	-	-	-	21,685.76
Building -Others	-	6,392.38	-	-	-	6,392.38
Computer & Peripherals - End User	23.00	-	30.30	-	-	53.30
Intangible Assets- Software	1,687.71	-	8.40	-	-	1,696.11
Plant & Machinery	-	-	100.00	100.00	-	200.00
Electrical Installations	-	14,123.68	314.17	264.17	250.00	14,952.02

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Additions	FY22	FY23	FY24	FY25	FY26	Total
Solar System	-	-	-	-	478.38	478.38
Furniture & Fixtures - Trolley	-	254.24	-	-	-	254.24
X Ray Baggage System	-	5,929.43	200.00	-	-	6,129.43
Total (Table 57 & Table 58)	1,710.71	50,040.80	652.87	364.17	728.38	53,496.92

Authority's Examination of Capital expenditure plan for the Third Control Period

4.2.7 While analyzing the MYTP regarding capital expenditure for Third Control Period, the Authority has taken into consideration the reduced traffic due to COVID 19 pandemic and has appropriately rationalized the proposed capital expenditure as given in the following paras:

4.2.8 For the purpose of analysis, the Authority has grouped the capital additions into two categories, as follows:

I. Capital additions deferred from the Second Control Period to the Third Control Period by the Authority

II. New Capital additions proposed in the Third Control Period by the Authority

I. Capital additions deferred from the Second Control Period to the Third Control Period by the Authority

4.2.9 Following table summarizes the cost of NITB Project and its allied works deferred from the Second Control Period to the Third Control Period as submitted by AAI in second control period, as approved by the Authority in the Second Control Period order together with the current estimate submitted by AAI.:

Table 61: Comparison of Project cost approved in SCP order and revised project cost submitted by AAI

(Rs. in Lakhs)

Project	Ref	Capitalisation Year	Amount
Total Project cost for NITB and its allied works as submitted by AAI during tariff determination of SCP	A	FY21	47,540
Total Project Cost approved by Authority in SCP Order (Refer Table 16 - D)	B	FY21	38,085
Revised project cost submitted by AAI as part of MYTP for the Third Control Period (excluding IDC FA and project expenses) (Table 57- Project Cost)	C	FY23	44,621

A. The Authority notes that in the Second Control Period Order, AAI had submitted the cost of New Terminal Building addition in FY 2020-21 to be Rs. 47,540 lakhs.

B. The Authority had approved the capital expenditure of NITB after taking into consideration the following:

- Amount as per Normative cost benchmarks set under Order No. 07/2016-17 - Rs. 33,535 lakhs
- Additional items outside of the Normative benchmarks - Rs. 1,800 lakhs (Contingency work & solar photovoltaic power generation system) and Rs. 2,750 lakhs (Tensile Canopy and Aerobridge)
- Total - Rs. 38,085 lakhs.

C. The Authority, in the SCP order (Para 9.9) had also decided as follows:

"The Authority had asked AAI for detailed information on justification for exceeding the normative benchmarks. Due to lack of adequate information and in the interest of avoiding delays in tariff, the Authority had proposed to determine capital expenditure using norms at this stage. The Authority is aware of the shortcoming of this approach and therefore, shall undertake a study on reasonableness of capital

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expenditure after capitalization of these assets and make appropriate adjustments while determining tariffs for third control period. Based on the outcome of the study and the fairness of tender procedures followed for selection of the contractor, the Authority had proposed to true-up the capital expenditure for terminal building at the time of tariff determination for the third control period”

- D. The Authority notes that the above approved amount for New Integrated Terminal Building i.e., Rs. 38,085 lakhs which was proposed to be capitalized in FY 2020-21 has been deferred to FY 2022-23 of Third Control Period. Upon enquiry, AAI informed that the pandemic in FY 2020-21 had impacted the construction work and therefore, the project of NITB got delayed and deferred to FY 2022-23. Therefore, the Authority proposes to consider NITB as capital addition in Third Control Period.
- E. The Authority also notes that the projected cost for NITB for Third Control Period has increased from the approved amount in the Second Control Period Order. In order to determine the reasons for variance, the Authority has tabulated the Capital additions as approved in the Second Control Period order and additions as submitted in the MYTP by AAI for the Third Control Period as follows:

Table 62: Capital Additions deferred from the Second Control Period to the Third Control Period as per AAI

(Rs. in Lakhs)					
Project	Ref	Proposed cost submitted by AAI at the time of SCP-MYTP submission	Approved in SCP Order	Proposed Cost by AAI in TCP	Difference (Approved in SCP-Cost proposed in TCP)
New Integrated Terminal Building (Civil & Electrical Work)	A	47,540.00	35,335.23	44,621.19	6,535.78
PMC-Expansion of Terminal Building- (Tensile canopy)		919.18	919.18		
PMC-Expansion of Terminal Building- Electrical works (aerobridge)		1,831.00	1,831.00		
Baggage Trolley & XBIS	B	-	-	508.47	508.47
Total	C=A+B	50,290.18	38,085.41	45,129.66	7,044.25
Financing Allowance	D	-	-	3,337.57	3,337.57
IDC	E	-	-	2,023.22	2,023.22
Project division expenses capitalized (Exp. Cap)	F	-	-	1,651.26	1,651.26
Total (including FA, IDC and Exp. Cap)	G=Sum (C: F)	50,290.18	38,085.41	52,141.71	14,056.30

4.2.10 The above items as detailed in Table 62 are discussed below:

A. New Integrated Terminal Building (Civil & Electrical work) along with Tensile Canopy & Aerobridge

4.2.11 The Authority notes that the approved cost of NITB of Pune International Airport was Rs. 38,085.41 lakhs in the Second Control Period Order. (AAI had estimated Rs. 50,290.18 lakhs for this in the MYTP submission for the Second Control Period). AAI has now submitted a revised cost of Rs. 44,621.19 lakhs as part of MYTP for TCP. Further, AAI has added Baggage Trolley & XBIS (Rs. 508.47 lakhs), Financing Allowance, IDC, and Expense Capitalization (Rs. 7,012.05 lakhs) for the Third Control Period. Upon enquiry, AAI submitted that the revised cost is based on the project cost decided by the consultant appointed for planning and project management.

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4.2.12 AAI submitted the cost breakup of revised cost including Aerobridge and Tensile canopy. The cost breakup has been presented below:

Table 63: Revised Cost Breakup for NITB as submitted by AAI

(Rs. in Lakhs)

S. No.	Name of Work	Year of Cap. (FY)	Project Cost
1	NITB (Basement floor, Ground Floor, First Floor & Mezzanine floor)	2022-23	25,748.19
2	City side Canopy including underneath roads etc.	2022-23	3,371.79
3	U/G Water tank, pump house, rainwater storage tanks, WTP etc.	2022-23	1,430.45
4	Service yards (Basement, Ground floor) incl. UG Tunnel, DG Sets, cooling towers etc.	2022-23	2,860.91
5	Sewage Treatment Plant	2022-23	613.05
6	Exit roads, Apron entry road, Landscaping, storm water lines, sewer lines etc.	2022-23	1,736.98
7	Baggage Handling system	2022-23	4,904.42
8	Passenger Boarding Bridges 05 Nos.	2022-23	1,298.84
9	Artwork	2022-23	102.18
10	Project management Consultancy	2022-23	2,554.38
	Total		44,621.19

4.2.13 As can be seen from the above table, the Passenger Boarding Bridge and Tensile Canopy is now part of revised cost whereas in the approved amount in the Second Control Period order, this item was separately approved for Rs. 2,750.18 lakhs (in Table 62 above). Upon enquiry, AAI submitted that the scheme for Canopy and Aerobridge of Rs. 919 lakhs and Rs. 1,831 Lakhs respectively projected and approved in SCP Order was not executed and scheme was deferred, and the projected capex spends of Rs. 3,371.79 lakhs and Rs. 1,298.84 lakhs respectively towards these (Item no. 2 and 8 in Table 63 above) in FY 2022-23 are now part of NITB project work.

4.2.14 The Authority also notes that in Second Control Period Order, Authority had approved the normative benchmark for FY 2020-21 at cost of Rs.79,846 per sq.m. For calculating the normative benchmark cost at Rs.79,846 per sq.m, the Authority had not considered certain line items as presented in table below as no justifications were given by AAI at the time of Second Control Period Order (Refer Table 28 and Para 9.9 of the SCP Order).

4.2.15 On enquiry of items not considered by the Authority in the SCP Order, AAI stated that since about 65% of the terminal has been completed, AAI has better visibility on the cost structure and components for this project. AAI has thus revised the entire normative cost working.

4.2.16 The Authority notes that the normative cost calculation of NITB of Pune International Airport is submitted in a consolidated manner. As per AAI's submission, the cost as per Normative Benchmark is Rs. 82,792.81 per sq.m. for the whole integrated terminal building in FY 2022-23 (year in which NITB is proposed to be capitalized) as below.

Table 64: Terminal Building – Cost per sq. m

Project	Ref	Submitted by AAI
New Integrated Terminal Building (Rs. in Lakhs)	A	44,621.19
Area in sq.m.	B	53,895
Total	C=A*10⁵/B	82,792.81

- 4.2.17 The Normative cost approved by the Authority in Order No. 07 of 2016-17 was Rs. 65,000 per sqm in the year FY 2016-17. Applying inflation of 4.2% as approved in SCP order, the per sqm cost in FY 2022-23 (year in which the NITB is proposed to be capitalized) amounts to Rs. 86,693.70. From the above table the Authority notes that the proposed overall cost per sqm. is within the range based on the Normative benchmark set by AERA.

Financing Allowance

- 4.2.18 The Authority notes that the Airport Operator has computed financing allowance on the entire WIP amount being capitalized, whereas the Authority is of the view that such an allowance is essentially the IDC for a project and should be provided only on the debt portion of the project funds. Detailed explanation for the same has been presented in para 2.4.10-K. Accordingly, the Authority has considered IDC to be provided based on revisions in the proposed capital expenditure discussed for the Third Control Period.

AUCC Meeting

- 4.2.19 NITB was scheduled to be capitalized in FY 2020-21 (SCP). Accordingly, AAI had conducted a stakeholder meeting regarding NITB on 11.03.2017 and the minutes of the meeting was submitted. The Authority notes that AAI has decided to conduct another AUCC meeting for all assets crossing the threshold limit in TCP, together with an update on the progress of NITB project. The Authority is given to understand that the same was fixed by AAI to be conducted before 31.08.2021 but has not yet been conducted. AAI has submitted that it will share the minutes of the meetings as and when the meeting is conducted.
- 4.2.20 The Authority has taken exception to the fact that AAI has not carried out the meeting planned to be conducted by 31.08.2021. The Authority expects AAI to conduct the AUCC meeting and submit the minutes of meeting to the Authority before the issue of MYTO. AAI may use Video conferencing facilities for ease of conducting meetings on time.

Project Expenses

- 4.2.21 The project expenses consist of employee cost which are allocated specifically to the project. The Authority notes that these costs pertain to the internal AAI employees who are exclusively engaged in overseeing the project. The Authority also notes that the project expenses projected by AAI considers actuals from FY 2018-19 (commencement year of the project) to FY 2020-21 and increased by 5% inflation thereafter till completion of the project i.e., FY 2022-23. The Authority proposes to consider the actuals till FY 2022-21 and increases by 3% inflation as proposed and explained in para 6.2.2. The Authority proposes to adopt the project expense cost after considering these revised figures.
- 4.2.22 The Authority has analyzed the physical and financial progress of the above capital expenditure pertaining to the construction of NITB at Pune International Airport. This construction commenced in FY 2018-19 and is expected to be completed and commissioned at the end of FY 2022-23. Presently, contracts for the construction of passenger terminal building have been awarded. The project engineer of AAI has certified that, as of 30th September 2021, 65% of this contract has been completed. Post-completion of this expansion, the passenger capacity is expected to be enhanced from 7 MPPA to 19 MPPA.
- 4.2.23 The Authority estimates that the actual passenger traffic is expected to reach approximately 8.88 MPPA at the end of the FY 2022-23. The Terminal building will have a handling capacity of 19 MPPA after the expansion, meaning that the capacity utilization of the new building will be to the extent of 47% during the commissioning of NITB and increase to 59% at the end of Third Control Period. The Authority is of the view that the utilization of the new terminal is reaching about 59% due to the change in traffic patterns owing to the pandemic. As the project commenced before Covid-19, based on the traffic and projections made at that time, the Authority proposes to consider the entire cost of the Terminal Building as additions in the Third Control Period.

Capital additions proposed to be considered by the Authority for capital works deferred from the Second Control Period to the Third Control Period

- 4.2.24 Based on the examination detailed in the paragraphs above, the Authority proposes to consider the capital additions of projects deferred from the Second Control Period to the Third Control Period as provided below.

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Table 65: Capital additions deferred from the Second Control Period to Third Control Period proposed to be considered by the Authority

(Rs. in Lakhs)

Project	Ref	Submitted by AAI	Proposed by the Authority	Difference	Remarks
New Integrated Terminal Building	A	44,621.19	43,694.92	-926.27	Note 1
PMC-Expansion of Terminal Building- (Tensile canopy)	B				
PMC-Expansion of Terminal Building- Electrical works (aerobridge)	C				
Baggage Trolley & XBIS	D	508.47	508.47	-	Note 2
Total	E=Sum(A:D)	45,129.66	44,203.39	-926.27	
Financing Allowance	F	3,337.57	-	-3,337.57	Note 3
IDC	G	2,023.22	2,005.96	-17.26	Note 4
Project division expenses capitalized (Exp. Cap)	H	1,651.26	1,630.60	-20.67	Note 5
Total (including FA, IDC and Exp. Cap)	I=Sum(E:H)	52,141.71	47,839.95	-4,301.77	

Note 1: Reduction on account of non-consideration of GST on Baggage handling system and passenger boarding bridge which will be available as GST credit (Rs. 926.27 lacs).

Note 2: Cost of Baggage Trolley & XBIS of Rs. 508.47 lakhs has been considered by AAI as part of new additions. Hence, the value taken for comparison of cost submitted by AAI is sum total of Rs. 52,141.71 lakhs which is a sum of value of this item and Rs. 51,633.24 lakhs as given in Table 57.

Note 3: Refer Para 4.2.18 above

Note 4: Consequential impact due to reduction in the capital expenditure

Note 5: Due to reduction in cost estimate (refer para 4.2.21)

II. New Capital additions proposed in the Third Control Period by the Authority

- 4.2.25 The Authority notes that along with NITB project, AAI has submitted fresh Capital additions of Rs. 4,075.60 lakhs (without IDC, FA & Expense Capitalization) (refer Table 58). The Authority reviewed the submitted capital addition projections in detail and enquired about the requirement for such additions in the Third Control Period.
- 4.2.26 Further, the Authority observed that body scanners worth Rs. 2500 lakhs which were submitted in the current MYTP by AAI as additions in FY 2020-21 has actually been deferred to FY 2022-23. Thus, the Authority's evaluation as explained below includes this cost as part of Third Control Period capital expenditure (refer para 4.2.29).
- 4.2.27 Analysis of individual items above Rs. 50 lakhs is presented below.

Table 66: Capital additions for the Third Control Period submitted by AAI with justifications

(Rs. in Lakhs)

S. No.	Name of Work	Year of Cap. (FY)	Project Cost (Excluding FA&IDC)	Justifications
1	Digi Yatra: E-Boarding Biometric Boarding System (BBS)	2021-22	1,408.68	Ministry of Civil Aviation (MoCA) had published the Digi Yatra policy document covering guidelines for implementation of the Digi Yatra system at Airports, which would ensure paperless and hassle-free journey to all passengers and enhance the security of travel through biometric passenger authentication. Further, DGCA had published the Civil Aviation Requirement (CAR) document mandating the Airports to implement the Digi-Yatra E-Boarding system. AAI had proposed to implement the system in the Third Control Period.

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S. No.	Name of Work	Year of Cap. (FY)	Project Cost (Excluding FA&IDC)	Justifications
				Therefore, E-Boarding Biometric Boarding System (BBS) has been tendered for 4 airports all together which will lead to better passenger facilitation and improve the operational efficiency of the airport.
2	Biometric Access Control System	2021-22	184.87	AAI submitted that it is required to maintain the quality and standard of operations at the Pune International Airport
3	Replacement of Airconditioning Chiller Plant	2022-23	250.00	AAI clarified that these expenses are to be carried out across the five years of the Third Control Period in order to maintain the quality and standard of operations at the Pune International Airport. Such capital works would lead to better passenger facilitation and improve the operational efficiency of the airport.
4	Replacement of AHU in old TB	2023-24	250.00	AAI clarified that presently Pune International Airport has 2 no's of 220TR AC plants along with associated equipment like cooling towers, pumps, AHUs etc installed in 2006 which are in use for around 15 years. AHUs require replacement for efficient performance which involves replacement of allied pipelines, valves, Electrical panels etc and BMS. AAI is of the opinion that such assets are required to be maintained for better operational efficiency of the Airport.
5	Body Scanners	2022-23	2,500.00	AAI has considered Body Scanners as part of Second Control Period additions in FY 2020-21 (as explained in para 4.2.29) and has included 10 nos. of Body Scanners for existing and proposed terminal building of Pune International Airport which is required to maintain the quality and standard of operations at the Pune International Airport.
6	Replacement of LED lightings in TB	2023-24	50.00	AAI clarified that these expenses are to be carried out across the five years of the Third Control Period in order to maintain the quality and standard of operations at the Pune International Airport. AAI is of the opinion that such capital works would lead to better passenger facilitation and improve the operational efficiency of the airport.
7	SCCTV	2023-24	100.00	AAI responded that S-CCTV is for existing Terminal Building and to be procured as replacement of existing System which is likely to complete its useful life.
8	XBIS	2023-24	200.00	AAI responded that XBIS is for existing Terminal Building and to be procured as replacement of existing System which is likely to complete its useful life.
9	Gas Based Generator sets	2024-25	250.00	AAI informed that the gas-based generator will be required to reduce environmental pollution as per government policy.
10	SITC of FIDS	2024-25	100.00	FIDS are for old Terminal Building and to be procured as replacement of existing System which is likely to complete its useful life.
11	Strengthening of Power Supply System	2025-26	150.00	AAI submitted that there will be changes in the present 11kv power supply from Maharashtra State Electricity Distribution Co. Ltd (MSEDCL) to the present Airport when the power supply is provided to the New Terminal after commissioning. This involves some modification in the existing arrangement, thus the proposed cost.
12	PA System	2025-26	100.00	PA Systems are installed for Old Terminal Building and to be procured as replacement of existing System as they are likely to complete its useful life.

REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

S. No.	Name of Work	Year of Cap. (FY)	Project Cost (Excluding FA&IDC)	Justifications
13	Solar Plant	2025-26	450.00	AAI submitted that the total solar plant capacity till now is 450kwp which is less. Therefore, after commissioning of New Terminal will require a higher watt solar power plant to save electricity.
14	Multiple Assets (less than 50 lakhs)	-	582.05	-
	Total		6,575.60	Refer Table 58-Project cost plus Rs. 2,500 lakhs as explained in para 4.2.29

Digi Yatra: E-Boarding Biometric Boarding System (BBS)

- 4.2.28 AERA supports digital initiatives aimed at operational efficiency and benefit of the users. However, the costs for this project as per the document submitted by AAI contains three elements- Capex, Opex and O&M, where AAI has considered Opex as Capex in capital additions. Upon enquiry, AAI has not provided detailed clarification on the difference in the three categories of spend and the costs that will be capitalized and those that will be part of O&M costs. Therefore, the Authority proposed to not consider the cost of this project in the capital expenditure (nor revenue expenditure) for the Third Control Period but proposes that should AAI incur any cost on this project in Third Control period, the same will be trued up in the next control period, based on actual incurrence. AAI shall submit the details in this regard at the time of true up of Third Control Period.

Body Scanners

- 4.2.29 The Authority notes that AAI in FY 2020-21 in its initial MYTP submission, projected body scanners as additions for FY 2020-21. On enquiry, AAI stated that the Body scanners were meant for both terminals and will be installed in FY 2022-23. 10 body scanners were proposed to be installed at existing and new terminal buildings. Based on publicly available data, the Authority notes that the existing tender was cancelled and the process of retendering this contract was in progress in March 2021. Considering the importance of this asset due to security reasons, the Authority proposes to consider the body scanners as proposed to be purchased by AAI as addition in the third control period.

Multi-Level Car Parking

- 4.2.30 The Authority notes that AAI is in the process of commissioning Multi Level Car Park. This has not been submitted as part of the projected capital expenditure. The Authority notes that Multi Level Car Parking is a Non-Aeronautical asset and will not form part of Aeronautical RAB.
- 4.2.31 Based on the above justifications given by AAI, the Authority understands that the additions to be made to Capital Expenditure are for maintaining the quality and standard of the operations at the Airport and smoothen the passenger facilities. Thus, the Authority proposes to consider the new capital additions as submitted by AAI, except for Digi Yatra due to reasons explained in Para 4.2.28, after reducing the Financing Allowance from the cost and considering IDC on the assets as provided below:

Table 67: New Capital additions for Third Control Period proposed by the Authority

Particulars	(Rs. in Lakhs)			Notes Ref.
	Total (AERA)	Total (AAI)	Difference	
XBIS	200.00	200.00	-	
Body Scanners	2,500.00	-	2,500.00	Note 1
Digi Yatra: E-Boarding Biometric Boarding System (BBS)	-	1,497.52	-1,497.52	Note 2
Replacement of Airconditioning Chiller Plant	258.50	264.17	-5.67	Note 3
PA System	100.00	100.00	-	
Biometric Access Control System	184.87	190.61	-5.74	
Provision / Replacement of AHU in old Terminal building at Pune International Airport	258.50	264.17	-5.67	

REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

Particulars	Total (AERA)	Total (AAI)	Difference	Notes Ref.
Provision of Gas Based generator sets at Pune International Airport	258.50	264.17	-5.67	
Provision of Solar Plant at Pune International Airport	467.03	478.38	-11.35	
SITC of FIDS	100.00	100.00	-	
SCCTV	100.00	100.00	-	
Strengthening of Power Supply System at Pune International Airport	150.00	150.00	-	
Replacement of LED lightings of Existing Terminal Building at Pune International Airport	50.00	50.00	-	
UPS for Computers (25 Nos.)	1.00	1.00	-	
UPS for Computers (30 Nos.)	1.50	1.50	-	
Computers (25 Nos.)	20.00	20.00	-	
Computers (30 Nos.)	25.50	25.50	-	
First Bag Last Bag Project (04 Nos.)	5.63	5.63	-	
MS office (25 Nos.)	6.25	6.25	-	
MS office (30 Nos.)	8.40	8.40	-	
Printers/Scanners (10 Nos.)	2.00	2.00	-	
Printers/Scanners (15 Nos.)	3.30	3.30	-	
Total	4,700.98	3,732.60	968.38	Note 4

Notes:

1. Refer para 4.2.29 for explanation

2. Refer para 4.2.28 for explanation

3. Due to non-consideration of Financing Allowance

4. New capital additions as submitted by AAI as given in Table 58 is Rs. 4,241.08 lakhs, out of which Rs. 508.47 lakhs has been considered along with deferred projects in Table 65. Hence the balance value of Rs. 3,732.60 lakhs (Rs. 4241.08 lakhs minus Rs. 508.47 lakhs) has been presented in the above table.

- 4.2.32 The Authority proposes to reduce (readjustment) 1% of the project cost from ARR/Target Revenue as readjustment in case any particular project does not get capitalized as proposed. It is further clarified that in case there is a delay in completion of the project beyond the timeline proposed, due to any reason beyond the control of Pune International Airport or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the Fourth Control Period. Further, this proposal is applicable to all the projects forecasted to be capitalized in the Third Control Period given in this Consultation Paper. This will ensure timely adherence to the capital expenditure plan proposed in the Third Control Period.
- 4.2.33 Based on the discussion above, the total capital additions proposed to be considered by the Authority in the Third Control Period is tabulated below:
- 4.2.34 Based on the Authority's analysis of capital expenditure deferred from Second Control Period (Para 4.2.9 to Para 4.2.24) and new capital expenditure proposed to be incurred in the Third Control Period (Para 4.2.25 to Para 4.2.31), the Authority proposes to consider a total Capital Expenditure of Rs. 52,540.93 lakhs as given below:

Table 68: Capital Expenditure additions for the Third Control Period proposed to be considered by the Authority

Reference	Project	No.	Particulars	Submitted by AAI	Proposed by the Authority	Difference
				1	2	3=2-1
I	Capital additions deferred from the Second Control Period to the Third Control Period	I.A	New Integrated Terminal Building	44,621.19	43,694.92	-926.27
		I.B	PMC-Expansion of Terminal Building- (Tensile canopy)			
		I.C	PMC-Expansion of Terminal Building-Electrical works (aerobridge)			
		I.D	Baggage Trolley & XBIS	508.47	508.47	-
		I.E	Financing Allowance	3,337.57	-	-3,337.57
		I.F	IDC	2,023.22	2,005.96	-17.26

REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

Reference	Project	No.	Particulars	Submitted by AAI	Proposed by the Authority	Difference
		I.G	Project division expenses capitalized (Exp. Cap)	1,651.26	1,630.60	-20.67
		I	Sub Total (NITB)	52,141.71	47,839.95	-4,301.77
		II.A	XBIS	200.00	200.00	-
		II.B	Body Scanners	-	2,500.00	-2,500.00
		II.C	Digi Yatra: E-Boarding Biometric Boarding System (BBS)	1,497.52	-	1,497.52
		II.D	Replacement of Airconditioning Chiller Plant	264.17	258.50	5.67
		II.E	Biometric Access Control System	190.61	184.87	5.74
		II.F	Provision / Replacement of AHU in old Terminal building at Pune International Airport	264.17	258.50	5.67
		II.G	Provision of Gas Based generator sets at Pune International Airport	264.17	258.50	5.67
		II.H	Provision of Solar Plant at Pune International Airport	478.38	467.03	11.35
		II.I	Strengthening of Power Supply System at Pune International Airport	150.00	150.00	-
		II.J	Other Assets	423.58	423.58	-
		II	Sub Total (New Capital Additions)	3,732.60	4,700.98	-968.38
Grand Total of Capital Additions Proposed in the Third Control Period (I+II)				55,874.31	52,540.93	-5,270.15

4.2.35 The year-wise break-up of the additions proposed to be considered by the Authority is as given below:

Table 69: Year-wise break-up of the additions proposed to be considered by the Authority

(Rs. in Lakhs)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total (AERA)	Total (AAI)	Difference
NITB Project Cost								
NITB (Basement Floor, Ground Floor, First Floor & Mezzanine Floor): Civil Work	-	19,993.46	-	-	-	19,993.46	20,098.90	-105.44
NITB (Basement Floor, Ground Floor, First Floor & Mezzanine Floor): Electrical Work	-	9,643.90	-	-	-	9,643.90	9,694.77	-50.87
City Side Canopy including underneath roads, fascia etc.: Civil Work	-	3,528.26	-	-	-	3,528.26	3,547.05	-18.79
City Side Canopy including underneath roads, fascia etc.: Electrical Work	-	352.83	-	-	-	352.83	354.67	-1.84
Service yards (basement Ground Floor) Including UG Tunnel, DG Sets, Cooling Towers: Electrical Work	-	2,116.95	-	-	-	2,116.95	1,182.38	934.57
Service yards (basement Ground Floor) Including UG Tunnel, DG Sets, Cooling Towers: Civil Work	-	1,176.09	-	-	-	1,176.09	2,128.05	-951.96

REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total (AERA)	Total (AAI)	Difference
Exit roads, Apron entry road, land Scaping, Storm water lines, Sewage lines etc.: Civil Work	-	1,646.52	-	-	-	1,646.52	1,655.32	-8.80
Exit roads, Apron entry road, land Scaping, Storm water lines, Sewage lines etc.: Electrical Work	-	352.83	-	-	-	352.83	354.67	-1.84
U/G water Tank, Pump house, Rainwater storage tanks, Water treatment Plant WTP etc.: Civil Work	-	1,293.69	-	-	-	1,293.69	1,300.54	-6.85
U/G water Tank, Pump house, Rainwater storage tanks, Water treatment Plant WTP etc.: Electrical Work	-	352.83	-	-	-	352.83	354.17	-1.34
STP-Sewage Treatment Plant: Civil work	-	588.04	-	-	-	588.04	591.19	-3.15
STP-Sewage Treatment Plant: Electrical Work	-	117.61	-	-	-	117.61	119.37	-1.76
Baggage Handling System	-	4,784.08	-	-	-	4,784.08	5,675.13	-891.05
Passenger Boarding Bridges 05 Nos.	-	1,266.78	-	-	-	1,266.78	1,502.95	-236.17
Artwork	-	117.61	-	-	-	117.61	118.23	-0.62
Baggage trolley etc.	-	254.24	-	-	-	254.24	254.24	0.00
XBIS	-	254.24	-	-	-	254.24	254.24	0.00
PMC	-	-	-	-	-	-	2,955.80	-2,955.80
Total (A)	-	47,839.95	-	-	-	47,839.95	52,141.71	-4,301.72
New Capital Additions								
Body Scanners	-	2,500.00	-	-	-	2,500.00	-	2,500.00
XBIS	-	-	200.00	-	-	200.00	200.00	-
Digi Yatra: E-Boarding Biometric Boarding System (BBS)	-	-	-	-	-	-	1,497.52	-1,497.52
Replacement of Airconditioning Chiller Plant	-	258.50	-	-	-	258.50	264.17	-5.67
PA System	-	-	-	-	100.00	100.00	100.00	-
Biometric Access Control System	184.87	-	-	-	-	184.87	190.61	-5.74
Provision / Replacement of AHU in old Terminal building at Pune International Airport	-	-	258.50	-	-	258.50	264.17	-5.67
Provision of Gas Based generator sets at Pune International Airport	-	-	-	258.50	-	258.50	264.17	-5.67
Provision of Solar Plant at Pune International Airport	-	-	-	-	467.03	467.03	478.38	-11.35
SITC of FIDS	-	-	-	100.00	-	100.00	100.00	-
SCCTV	-	-	100.00	-	-	100.00	100.00	-
Strengthening of Power Supply System at Pune International Airport	-	-	-	-	150.00	150.00	150.00	-

REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total (AERA)	Total (AAI)	Difference
Replacement of LED lightings of Existing Terminal Building at Pune International Airport	-		50.00	-	-	50.00	50.00	-
UPS for Computers (25 Nos.)	1.00		-	-	-	1.00	1.00	-
UPS for Computers (30 Nos.)	-		1.50	-	-	1.50	1.50	-
Computers (25 Nos.)	20.00		-	-	-	20.00	20.00	-
Computers (30 Nos.)	-		25.50	-	-	25.50	25.50	-
First Bag Last Bag Project (04 Nos.)	5.63		-	-	-	5.63	5.63	-
MS office (25 Nos.)	6.25		-	-	-	6.25	6.25	-
MS office (30 Nos.)	-		8.40	-	-	8.40	8.40	-
Printers/Scanners (10 Nos.)	2.00		-	-	-	2.00	2.00	-
Printers/Scanners (15 Nos.)	-		3.30	-	-	3.30	3.30	-
Total (B)	219.75	2,758.50	647.20	358.50	717.03	4,700.98	3,732.60	968.38
Total (A+B)	219.75	50,598.45	447.20	358.50	717.03	52,540.93	55,874.31	-3,333.34

Aeronautical Allocation of Assets for the Third Control Period

4.2.36 The following table summarizes the allocation ratios considered by AAI in its MYTP submission:

Table 70: Allocation ratios for the Third Control Period submitted by AAI

S. No	Particulars	As considered by AAI
1	Employee Ratio	96.60%
2	TBLR Ratio	93.55%

4.2.37 The Authority notes that the allocation ratio on additions in the Third Control Period have been applied only to a few assets by AAI. The list of such assets together with the cost is presented below:

Table 71: Assets on which allocation Ratio was applied by AAI

(Rs. in Lakhs)	
Particular	Aero Amount
NITB (Basement floor, Ground Floor, First Floor & Mezzanine floor)	27,872.68
City side Canopy including underneath	3,649.99
Project management Consultancy	2,765.15
Biometric Access Control System	178.31
Total	34,466.13
Total Additions for TCP	53,497.98
Others - (100% Aero Assets)	19,031.85

4.2.38 The Authority has reviewed and reclassified the assets according to the nature of asset after analyzing the same.

4.2.39 The Authority notes that the Terminal Building area has been increased from 23,560 sqm to 77,455 sqm. AAI has submitted that after commencement of New Terminal Building, the area allocated to concessionaries will increase from 1,509.05 sqm to 4,866.05 sqm which is 6.47% of the total area.

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4.2.40 The Authority notes that the non-aeronautical component of TBLR is in the range of 5-7%. This is in contrast to the 8-12% that the IATA and IMG norms recommend. Since Pune International Airport attracts a substantial amount of traffic, the Authority encourages AAI to incorporate larger non-aeronautical component at the airport (especially so since a new integrated terminal is being capitalized). Thus, the Authority proposes to consider a TBLR of 90:10 for the Third Control Period. The Authority seeks stakeholders' comments in this regard.

4.2.41 The ratios applied to the proposed capital additions is as follows:

Table 72: Assets with allocation Ratios proposed by the Authority

(Rs. in Lakhs)

Particulars	Total	Aero %	Aero Cost
NITB Project Cost			
NITB (Basement Floor, Ground Floor, First Floor & Mezzanine Floor): Civil Work	19,993.46	91.37%	18,268.02
NITB (Basement Floor, Ground Floor, First Floor & Mezzanine Floor): Electrical Work	9,643.90	91.37%	8,811.63
City Side Canopy including underneath roads, fascia etc.: Civil Work	3,528.26	91.37%	3,223.77
City Side Canopy including underneath roads, fascia etc.: Electrical Work	352.83	91.37%	322.38
Service yards (basement Ground Floor) Including UG Tunnel, DG Sets, Cooling Towers: Electrical Work	2,116.95	100.00%	2,116.95
Service yards (basement Ground Floor) Including UG Tunnel, DG Sets, Cooling Towers: Civil Work	1,176.09	100.00%	1,176.09
Exit roads, Apron entry road, land Scaping, Storm water lines, Sewage lines etc.: Civil Work	1,646.52	100.00%	1,646.52
Exit roads, Apron entry road, land Scaping, Storm water lines, Sewage lines etc.: Electrical Work	352.83	100.00%	352.83
U/G water Tank, Pump house, Rainwater storage tanks, Water treatment Plant WTP etc.: Civil Work	1,293.69	100.00%	1,293.69
U/G water Tank, Pump house, Rainwater storage tanks, Water treatment Plant WTP etc.: Electrical Work	352.83	100.00%	352.83
STP-Sewage Treatment Plant: Civil work	588.04	100.00%	588.04
STP-Sewage Treatment Plant: Electrical Work	117.61	100.00%	117.61
Baggage Handling System	4,784.08	100.00%	4,784.08
Passenger Boarding Bridges 05 Nos.	1,266.78	100.00%	1,266.78
Artwork	117.61	100.00%	117.61
Baggage trolley etc.	254.24	100.00%	254.24
XBIS	254.24	100.00%	254.24
Total (A)	47,839.95		44,947.30
New Capital Additions			
Body Scanners	2,500.00	100.00%	2,500.00
XBIS	200.00	100.00%	200.00
Replacement of Airconditioning Chiller Plant	258.5	100.00%	258.5
PA System	100	100.00%	100
Biometric Access Control System	184.87	94.09%	173.95
Provision / Replacement of AHU in old Terminal building at Pune International Airport	258.5	100.00%	258.5
Provision of Gas Based generator sets at Pune International Airport	258.5	100.00%	258.5
Provision of Solar Plant at Pune International Airport	467.03	100.00%	467.03
SITC of FIDS	100	100.00%	100
SCCTV	100	100.00%	100
Strengthening of Power Supply System at Pune International Airport	150	100.00%	150

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Particulars	Total	Aero %	Aero Cost
Replacement of LED lightings of Existing Terminal Building at Pune International Airport	50.00	90.00%	45.00
UPS for Computers (25 Nos.)	1.00	94.09%	0.94
UPS for Computers (30 Nos.)	1.50	94.09%	1.41
Computers (25 Nos.)	20.00	94.09%	18.82
Computers (30 Nos.)	25.50	94.09%	23.99
First Bag Last Bag Project (04 Nos.)	5.63	100.00%	5.63
MS office (25 Nos.)	6.25	94.09%	5.88
MS office (30 Nos.)	8.40	94.09%	7.90
Printers/Scanners (10 Nos.)	2.00	94.09%	1.88
Printers/Scanners (15 Nos.)	3.30	94.09%	3.11
Total (B)	4,700.98		4,681.04
Total (A+B)	52,540.93		49,628.34

4.2.42 After considering the allocation ratio as proposed by the Authority and reclassifying the additions, Authority proposes the aeronautical additions to RAB for the Third Control Period as below:

Table 73: Aeronautical additions as Proposed by the Authority for Third Control Period

(Rs. in Lakhs)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Road, Bridges & Culverts	-	1,646.52	-	-	-	1,646.52
Building-Terminal	-	18,385.63	-	-	-	18,385.63
Building-Others	-	6,281.59	-	-	-	6,281.59
Computer & Peripheral-End User	21.64	-	28.51	-	-	50.15
Computer & Package -Intangible Assets	185.45	-	7.90	-	-	193.35
Plant & Machinery	-	-	100.00	100.00	-	200.00
Tools & Equipment's	-	2,500.00	-	-	-	2,500.00
Electrical Installation	-	13,599.51	303.50	258.50	250.00	14,411.51
Solar System	-	-	-	-	467.03	467.03
Furniture & Fixtures-Trolley	-	254.24	-	-	-	254.24
X Ray Baggage System	-	5,038.31	200.00	-	-	5,238.31
Total	207.09	47,705.80	639.91	358.50	717.03	49,628.34

4.3 Means of Finance

4.3.1 The Authority notes that AAI has considered 60% of additions being funded through debt and 40% through internal accruals as the means of finance for funding. The same has been explained in detail in Chapter 5 of FRoR.

4.4 Depreciation for the Third Control Period

Depreciation submitted by AAI

4.4.1 AAI has computed depreciation based on the rates prescribed by AERA vide Order No. 35/2017- 18 dated 12th January 2018, in the matter of determination of useful life of Airports Assets. For the additions to RAB, AAI has calculated the depreciation during year of capitalization on 50% of the asset value (assuming that the asset is capitalized in the middle of the financial year). The following table summarizes the useful life considered for additions to RAB:

REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

Table 74: Useful life adopted by AAI as per Order No. 35/2017-18

S. No.	Asset Class	Useful life in years as per Order No. 35/2017-18
1	Runways, Taxiways, Aprons	30
2	Roads, Bridges & culvert	10
3	Terminal/Other Buildings	30
4	Building - Residential	30
5	Security Fencing	10
6	Computer, IT Hardware & Access.	3
7	Computer servers and networks	6
8	Computer Software - intangible assets	5
9	Plant and Machinery	15
10	Tools & Equipment	15
11	Other Vehicles	8
12	Electrical Installations	10
13	office Equipment	5
14	Furniture & Fixtures - other than trolleys	7
15	Furniture & Fixtures - trolleys	3
16	X-Ray Baggage	15
17	CFT	15

4.4.2 The following table summarizes AAI's estimation of aeronautical depreciation for all assets in Third Control Period.

Table 75: Aeronautical Depreciation for Third Control Period submitted by AAI

(Rs. in Lakhs)

Depreciation	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Runways, Taxiway, Aprons	33.37	33.37	33.37	33.37	33.37	166.86
Road, Bridges & Culverts	1.10	83.86	166.42	166.41	166.41	584.21
Building- Terminal	225.57	586.63	947.70	947.70	947.70	3,655.30
Building -Others	30.61	137.04	243.47	243.47	243.47	898.06
Boundary Wall -Operational	0.18	0.18	0.18	0.18	0.18	0.89
Computer & Peripherals - End User	17.40	10.18	12.72	17.76	11.32	69.38
Computer & Peripherals - Servers and Networks	6.04	6.04	6.04	6.04	3.01	27.19
Intangible Assets- Software	173.09	341.71	340.89	340.22	340.22	1,536.13
Plant & Machinery	198.85	198.68	201.32	207.11	210.26	1,016.22
Tools & Equipment's	210.07	210.07	209.95	209.20	209.20	1,048.50
office Furniture	0.03	0.00	-	-	-	0.04
Other Vehicles	25.31	25.31	25.31	25.31	25.31	126.53
Vehicle- Cars & Jeeps	3.15	3.15	3.15	3.15	1.57	14.16
Electrical Installations	172.21	749.66	1,467.21	1,494.97	1,518.23	5,402.27
Solar System	4.58	4.58	4.58	4.58	14.15	32.48
Other office Equipment's	1.57	1.49	1.32	0.72	0.28	5.37
Furniture's & Fixtures-Other than Trolley	77.15	76.74	76.38	70.49	46.14	346.91
Furniture & Fixtures - Trolley	5.66	43.61	85.98	85.98	85.98	307.21

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Depreciation	FY 22	FY 23	FY 24	FY 25	FY 26	Total
X Ray Baggage System	36.97	227.19	427.16	428.20	424.68	1,544.19
CFT/Fire Fighting Equipment's	0.05	0.05	0.05	0.05	0.05	0.26
Total	1,222.96	2,739.54	4,253.20	4,284.93	4,281.55	16,782.17

Authority's Examination on depreciation for the Third Control Period

- 4.4.3 The Authority notes that AAI has computed depreciation based on the rates prescribed by AERA vide Order No. 35/2017- 18 dated 12 January 2018, in the matter of determination of useful life of Airports Assets. The Authority proposes to consider the same. The following table summarizes the revised depreciation working after incorporating the changes in capital expenditure as proposed by the Authority:

Table 76: Total Aeronautical depreciation for Third Control Period proposed by the Authority

(Rs. in Lakhs)

Depreciation	FY22	FY23	FY24	FY25	FY26	Total
Runways, Taxiways, Aprons	31.52	31.52	31.52	31.52	31.52	157.58
Road, Bridges & Culverts	-	82.33	164.65	164.65	164.65	576.28
Building-Terminal	219.12	525.24	831.37	831.37	831.37	3,238.46
Building-Residential	0.00	0.00	0.00	0.00	-	0.01
Building-Others	26.13	130.72	235.31	235.31	235.31	862.78
Security Fencing - Temporary	0.77	0.77	0.77	-	-	2.31
Computer & Peripheral-End User	19.16	7.81	11.96	13.11	9.50	61.56
Computer & Peripheral-Server and Networks	6.04	6.04	6.04	6.04	1.32	25.50
Computer & Package -Intangible Assets	20.14	38.33	39.01	38.67	38.67	174.81
Plant & Machinery	193.20	191.67	194.87	200.07	203.16	982.97
Tools & Equipment	43.36	126.73	210.11	209.73	209.00	798.92
Other Vehicles	26.40	26.40	26.40	26.40	26.40	131.98
Vehicle- Cars & Jeeps	3.57	3.57	3.57	3.57	0.00	14.26
Electrical Installation	49.74	728.11	1,420.98	1,449.08	1,472.05	5,119.97
Solar System	7.24	7.24	7.24	7.24	22.82	51.78
Other office Equipment	1.14	1.14	1.14	0.42	0.13	3.99
Furniture & Fixtures-Other than Trolley	84.16	66.78	66.78	51.75	50.70	320.17
Furniture & Fixtures-Trolley	1.49	5.73	9.96	9.96	9.96	37.10
X Ray Baggage System	32.10	200.13	368.35	365.69	361.11	1,327.39
CFT & Fire Fighting equipment	0.06	0.06	0.06	0.06	0.06	0.28
Total	765.34	2,180.32	3,630.08	3,644.63	3,667.72	13,888.09

4.5 RAB for the Third Control Period

AAI's submission for RAB of the Third Control Period

- 4.5.1 As per AAI's submission, the net closing RAB of FY 2020-21 has been considered as the opening RAB for FY 2021-22 after accounting for additions and deletions to RAB and depreciation. Considering the above additions to RAB and the depreciation estimate, the RAB for Third Control Period as considered by AAI is shown below:

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Table 77: RAB at Pune International Airport during Third Control Period submitted by AAI

(Rs. in Lakhs)

Particulars	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Opening RAB	A	13,039.78	13,519.06	60,811.88	57,203.23	53,274.19	
Add: Additions to RAB	B	1,710.71	50,040.80	652.87	364.17	728.38	53,496.92
Less: Disposals	C	-	-	-	-	-	-
Less: Depreciation	D	1,231.43	2,747.98	4,261.51	4,293.20	4,289.50	*16,823.63
Closing RAB	E=A+B-C-D	13,519.06	60,811.88	57,203.23	53,274.19	49,713.07	
Average RAB	F= Avg (A, E)	13,279.42	37,165.47	59,007.55	55,238.71	51,493.63	

**Difference between depreciation as per above table and the amount given in Table 61 is the Depreciation on Financing allowance added for First Control Period (Rs.41.46 lakhs).*

Authority's examination of RAB and Depreciation for the Third Control Period

- 4.5.2 The Authority has carefully examined the calculation of RAB and AAI's submissions in this regard. Considering the above, the RAB for the Third Control Period as considered by the Authority is shown below:

Table 78: RAB proposed to be considered by the Authority for Third Control Period

(Rs. in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB (Table 33)	A	9,965.04	9,406.79	54,932.28	51,942.10	48,655.97	
Add: Additions to RAB (Table 73)	B	207.09	47,705.80	639.91	358.50	717.03	49,628.34
Less: Disposals	C	-	-	-	-	-	-
Less: Depreciation (Table 76)	D	765.34	2,180.32	3,630.08	3,644.63	3,667.72	13,888.09
Closing RAB	E=A+B-C-D	9,406.79	54,932.28	51,942.10	48,655.97	45,705.28	
Average RAB	F= Avg (A, E)	9,685.91	32,169.53	53,437.19	50,299.04	47,180.62	

4.6 Authority's Proposals regarding RAB and Depreciation for the Third Control Period

Based on the materials before it and its analysis, the Authority proposes the following with respect to Average RAB and depreciation for the Third Control Period

- 4.6.1 To reduce (adjustment) 1% of the project cost and the applicable carrying cost in ARR at the time of determination of tariff for the Fourth Control Period in case of non-completion of the project as per the proposed timelines.
- 4.6.2 To consider a terminal building ratio of 90:10 as per the IMG and IATA recommendations for capital additions pertaining to the Third Control Period.
- 4.6.3 To consider aeronautical additions as per Table 73.
- 4.6.4 To not allow financing allowance for capital additions in the Third Control Period as per Para 4.2.18.
- 4.6.5 To true-up the total aeronautical asset addition given in Table 73 for the Third Control Period.
- 4.6.6 To true up the asset allocation of the assets capitalized in the Third Control Period based on the actual asset addition in the Fourth Control Period.

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- 4.6.7 To re-evaluate the Terminal building allocation at the time of True up of Third Control period ARR based on actuals.
- 4.6.8 To consider aeronautical depreciation in the Third Control Period as per Table 76.
- 4.6.9 To true up the depreciation of the Third Control Period based on the actual asset additions and the actual date of capitalization during the tariff determination of the Fourth Control Period.
- 4.6.10 To consider the RAB for the Third Control Period as per Table 78.
- 4.6.11 To true up the RAB for the Third Control Period based on actuals, at the time of determination of tariff for the Fourth Control Period.

5. FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

5.1 AAI's submissions relating to Fair Rate of Return for the Third Control Period

- 5.1.1 AAI submitted that Pune International Airport would require debt to fund the capital expenditure that have been projected for the Third Control Period. Further, AAI also submitted that a debt: equity ratio of 60%:40% has been considered for the cost of New Terminal Building and other capital additions. Considering this composition of capital for the Third Control Period, AAI has submitted the projected debt and equity computation as follows.

Debt and Cost of Debt

- 5.1.2 The cost of debt submitted by AAI for the FRoR calculation of the Third Control Period pertaining to Pune International Airport is 6.21% per annum.
- 5.1.3 The outstanding debt and cost of debt as submitted by AAI for the Third Control Period of Pune International Airport is summarized in the table below.

Table 79 : Debt computation for Third Control Period submitted by AAI

(Rs in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening Debt	A	1,710.39	2,210.11	26,825.95	21,792.25	20,089.02	72,627.72
Closing Debt	B	2,210.11	26,825.95	21,792.25	20,089.02	18,573.39	89,490.73
Average Debt	C=(A+B)/2	1,960.25	14,518.03	24,309.10	20,940.64	19,331.21	81,059.22
Cost of Debt		6.21%	6.21%	6.21%	6.21%	6.21%	

Equity and Cost of Equity

- 5.1.4 The cost of equity as submitted by AAI for the Third Control Period is 16.00% per annum.
- 5.1.5 The equity projections of Pune International Airport for the Third Control Period as submitted by AAI is summarized in the table below

Table 80: Equity computation for Third Control Period submitted by AAI

(Rs in Lakhs)

Particulars	FY22	FY23	FY24	FY25	FY26
Equity	11,156.27	22,492.99	34,552.38	34,160.30	32,032.76
Cost of Equity (%)	16%	16%	16%	16%	16%

Fair Rate of Return

- 5.1.6 Based on the financing pattern as discussed above, AAI has computed the FRoR for the Third Control Period as summarized in the table below.

Table 81: FRoR for Third Control Period submitted by AAI

(Rs in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Debt	A	1,960.25	14,518.03	24,309.10	20,940.64	19,331.21	81,059.22
Equity	B	11,156.27	22,492.99	34,552.38	34,160.30	32,032.76	1,34,394.70
% of Debt	C=A/(A+B)	14.94%	39.23%	41.30%	38.00%	37.64%	
% of Equity	D=D/(A+B)	85.06%	60.77%	58.70%	62.00%	62.36%	
Cost of Debt (%)	E	6.21%	6.21%	6.21%	6.21%	6.21%	

FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Cost of Equity (%)	F	16%	16%	16%	16%	16%	
FRoR (%)	$G = [(C * E) + (D * F)]$	14.54%	12.16%	11.96%	12.28%	12.32%	
Proposed by AAI		14.00%	12.16%	11.96%	12.28%	12.32%	

5.2 Authority's examinations relating to Fair Rate of Return for the Third Control Period

Debt and Cost of Debt

- 5.2.1 The Authority notes that debt was taken by AAI in FY 2020-21 and the same has been considered by the Authority while true up of Second Control Period Order as discussed in Para 3.6. AAI availed a term loan facility of Rs. 2,100 crores from M/s Axis Bank. AAI further explained that the interest rate on this loan is at 6.21% per annum and that the borrowings for Pune International Airport have been allocated from the borrowings for AAI as a whole.
- 5.2.2 The Authority is of the understanding that parts of the term loan have been availed from FY 2020-21 onwards (in accordance with the capitalization plan).
- 5.2.3 The Authority also notes that AAI has considered capital expenditure funding based on net block of assets (i.e. Gross Block of assets minus depreciation) where 60% of capital requirement is funded through debt and 40% from internal accruals. The Authority proposes to consider 60% gross capital expenditure requirement to be funded through debt.
- 5.2.4 In future control periods, like other PPP Airport models, the Authority may consider shifting to notional debt equity ratio for AAI Airports also. The Authority invites stakeholders' comments in this regard.
- 5.2.5 The Authority has recalculated the debt computation considering the total fund requirement as per the capitalization for the Third Control Period, and the change in repayment structure as discussed above. The debt computation is summarized as follows:

Table 82: Debt computation proposed to be considered for Third Control Period by the Authority

(Rs in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening Debt	A	4,806.05	16,027.96	24,997.88	21,901.83	18,667.86	
Drawdown (Additional Loan Taken)	B	11,221.91	8,969.92	383.22	285.00	285.00	21,145.05
Repayment	C	-	-	(3,479.27)	(3,518.97)	(3,583.98)	(10,582.22)
Closing Debt	D=A+B-C	16,027.96	24,997.88	21,901.83	18,667.86	15,368.88	
Average Debt	E=(A+D)/2	10,417.01	20,512.92	23,449.85	20,284.84	17,018.37	
Cost of Debt		6.21%	6.21%	6.21%	6.21%	6.21%	

Equity and Cost of Equity

- 5.2.6 As noted above in para 5.2.3, AAI has computed the Equity portion based on net block of assets requirement. As explained earlier by the Authority in para 2.7.8, equity for Third Control Period has been considered by adding aeronautical profit or losses for the respective years in TCP to the closing equity of FY 2020-21.
- 5.2.7 The Authority has analyzed the cost of equity pertaining to Pune International Airport as submitted by AAI for the Third Control Period. The Authority acknowledges the debt taken by AAI for Pune International Airport in the Third Control Period and its impact on FRoR. However, the Authority is of the opinion that

FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

the gearing ratio is still suboptimal and does not justify a cost of equity of 16.00% per annum as submitted by AAI. The Authority has drawn reference to the independent studies conducted in the tariff determination exercise for DIAL (Refer to Order No. 57/2020-21), MIAL (Refer to Order No.64/2020-21), HIAL (Refer Order No.12/2020-21), BIAL (Refer Order No.11/2020-21) and CIAL (Refer Order No.08/2020-21). The independent study considers an optimal gearing ratio of 48%:52% and determined a cost of equity in the range of 15.00% to 15.50%. Given that the debt-equity ratio for Pune International Airport ranges between 20% to 37%% in the Third Control Period, the Authority proposes to maintain a cost of equity of 14.00% across the Third Control Period.

- 5.2.8 Considering the changes in the capitalization plan for the Third Control Period and the cost of equity, the Authority has recalculated the equity computation of Pune International Airport as discussed in para 2.7.8. The same has been summarized in the table below.

Table 83: Equity computation proposed to be considered for Third Control Period by the Authority

(Rs in Lakhs)

Particulars	FY22	FY23	FY24	FY25	FY26
Equity	35,188.11	41,375.60	45,111.56	48,704.03	52,720.04
Cost of Equity (%)	14%	14%	14%	14%	14%

Fair Rate of Return

- 5.2.9 The FRoR as recalculated by the Authority after considering the analysis discussed above is summarized in the table below:

Table 84: FRoR proposed to be considered for Third Control Period by the Authority

(Rs in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26
Debt	A	16,027.96	24,997.88	21,901.83	18,667.86	15,368.88
Equity	B	35,188.11	41,375.60	45,111.56	48,704.03	52,720.04
Debt + Equity	C=A+B	51,216.07	66,373.48	67,013.39	67,371.89	68,088.92
Cost of Debt	D	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity	E	14.00%	14.00%	14.00%	14.00%	14.00%
Individual Year Gearing	F	31.29%	37.66%	32.68%	27.71%	22.57%
Weighted Average Gearing	G	30.38%				
Cost of debt	H	6.21%				
Cost of Equity	I	14.00%				
FRoR proposed by the Authority	$J=G*H+(I-G)*I$	11.63%				

5.3 Authority's proposals relating to Fair Rate of Return for the Third Control Period

Based on the materials before it and its analysis, the Authority proposes the following with respect to FRoR for the Third Control Period

- 5.3.1 To consider the cost of equity at 14.00% as per Table 83
- 5.3.2 To consider the cost of debt at 6.21% as per Table 82
- 5.3.3 To consider FRoR of 11.63% for the Third Control Period as per Table 84.
- 5.3.4 To true up the actual cost of debt and FRoR during the tariff determination exercise for the Fourth Control Period.

6. OPERATING & MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD

6.1 AAI's submission on Operating and Maintenance Expenses for the Third Control Period

6.1.1 Operation and Maintenance expenditure submitted by AAI is segregated into the following:

- Payroll Expenditure
- Administrative and General Expenses
- Repairs and Maintenance Expenses
- Utility and outsourcing Expenses and
- Other Outflows (UDF collection charges)

6.1.2 AAI has also submitted that expenses related to CHQ/RHQ apportionment under payroll expenses and general and administrative expenses, were done on the basis of revenue of AAI airports.

6.1.3 AAI has projected operating and maintenance expenditure at Pune International Airport by applying a growth percentage over the estimated expenses of FY 2020-21. The basis of growth adopted in the assumptions has been explained below.

Table 85: AAI's assumption for projection of aeronautical operating and maintenance expenses for the Third Control Period

Operating Expense	Basis for AAI's projections for the Third Control Period
Payroll expenditure	All components of payroll expenditure are projected at a growth rate of 5% over the previous year figures. However, due to commissioning of NITB and consequently a 15% increase in employee numbers, growth rate of 15% has been applied on FY 23 to arrive at FY 24 figures. A growth rate of 5% over previous year figures have been used for FY 25 and FY 26.
Administrative & General Expenses	All administrative and general expenses other than legal charges and upkeep expenses are projected at a growth rate of 10% over the previous year figures. Legal charges are projected at a growth rate of 5% over the previous year figures. Upkeep expense is projected on the basis of MESS contract. FY 22 figures are shown at 20% growth rate over FY21. FY23, FY25 and FY26 are projected at a growth rate of 10% over FY22, FY24 and FY25 respectively. FY 24 figures are projected at a growth rate of 255% over FY 23 due to commissioning of NITB.
Repair & Maintenance Expenses	AAI has projected a growth rate of 10% over the previous year figures for all heads of repairs & maintenance.
Electricity charges	AAI has projected FY 22 and FY 23 AAI electricity charges to remain at the same levels as FY 21. An increase of 342% over FY 23 figures is projected for FY 24 due to commissioning of NITB and it is estimated that the amount will remain at the same level for FY 25 and FY 26.
Water Charges	For water charges, AAI has projected a growth of 4% over previous year figures for FY 23. For FY 24, FY 25 and FY 26, a growth rate of 3% over previous year figures has been projected.
Other Utilities and Outsourcing Expenses	For other utility and outsourcing expenses AAI has projected growth rate of 10% over previous year figures.
UDF Collection Charges	UDF collection charges are based on passenger traffic.

6.1.4 The following table summarizes the allocation of expenses between aeronautical and non-aeronautical services in O&M expenses as submitted by AAI in the Third Control Period:

Table 86: Allocation of expenses for the Third Control Period as submitted by AAI

Particulars	Basis	Aero %
Payroll expenditure and provisions/Travelling	Employee Ratio (Aero: Non-Aero)	96.67%
Office/Miscellaneous expenses/Telephone expenses and other stationaries	Employee Ratio (Aero: Non-Aero: ANS)	96.60%

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Particulars	Basis	Aero %
Upkeep expenses/R&M-Civil/Electrical Works	Terminal Building Ratio	90.46%
Power charges	Electricity Consumption Ratio	99.78%
Water charges/Hire charges/Repairs & Maintenance- Electronics & IT/ Consultancy/Other professional fees/Legal expenses/Insurance costs/Consumption of petrol and lubricants/R&M Vehicles	-	100%
Collection Charges UDF	-	100%

6.1.5 Based on the above assumptions, AAI has submitted the following aeronautical operating and maintenance expenses for the Third Control Period:

Table 87: AAI's submission of aeronautical operating and maintenance expenditure for the Third Control Period

(Rs. in Lakhs)

Particulars	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Payroll expenditure	A	3,009.60	3,160.00	4,057.67	4,260.55	4,473.58	18,961.39
Apportionment of CHQ/RHQ expenses	B	478.34	502.26	527.37	553.74	581.42	2,643.13
Total Payroll Expenditure	C=A+B	3,487.94	3,662.26	4,585.04	4,814.29	5,055.00	21,604.52
Administrative & general expenditure	D	449.72	494.34	1451.32	1596.06	1755.26	5,746.70
Apportionment of administrative & general expenses to CHQ/RHQ	E	5,045.21	5,297.47	5,562.34	5,840.46	6,132.48	27,877.94
Total Administrative & General Expenses	F=D+E	5,494.92	5,791.80	7,013.65	7,436.52	7,887.74	33,624.64
Repairs & Maintenance Expenses	G	780.04	1011.64	2053.41	2389.79	2585.83	8,820.71
Power charges	H	608.78	608.78	2080.02	2080.02	2080.02	7,457.62
Water charges	I	28.13	29.13	30.13	31.13	32.13	150.65
Hire charges	J	234.06	257.46	321.83	354.01	389.41	1,556.77
Other utilities	K	22.84	25.13	27.64	30.40	33.44	139.46
Total Utility & Outsourcing Expenses	L=H+I+J+K	893.81	920.50	2459.62	2495.57	2535.01	9,304.50
Other Outflows	M	91.34	119.08	149.39	172.57	194.19	726.58
Total Aeronautical Operating Expenses	N=C+F+G+L+M	10,748.06	11,505.28	16,261.10	17,308.73	18,257.78	74,080.95

6.2 Authority's examination of Operating and Maintenance expenses in the Third Control Period.

6.2.1 The Authority has reviewed the submission made by AAI and notes that AAI has projected Operating Expenses at Pune International Airport by applying a growth rate over expenses of FY 2020-21, which in

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itself is an estimated expense. The Authority proposes to consider Operating expenses of FY 2019-20 (pre covid level) as the base year for its projections of Operating Expenses for the Third Control Period.

Payroll Costs

- 6.2.2 The Authority notes that AAI has submitted a growth rate of 5% for aeronautical payroll expenses for all years except FY 2023-24 for which growth rate of 15% is considered on account of increase in employee numbers in FY 2023-24 due to of commissioning of NITB. The Authority has observed that 5-year CAGR of payroll expenses of Pune International Airport (FY 2015-16 – FY 2019-20) is 3%. The Authority also notes that pay revision order dated 22.02.2019 states that the rate of annual increment and promotional increment will be 3% of revised basic pay. Thereby, the Authority proposes to adopt 3% as the rate of increase for Payroll expenses.
- 6.2.3 The Authority further notes that AAI has considered increase in number of employees in FY2022-23 but cost for these additional employees has been taken from FY 2023-24. Allocation ratios of FY2019-20 has been considered as the basis for projection of aeronautical payroll expenses for the Third Control Period. The Authority proposes to maintain the costs considered by AAI i.e., consider increase in payroll costs from FY 2023-24 as the full commercial operations is expected to commence in FY 2023-24. Further, the Authority proposes to consider 10% increase in the employee count instead of 15% as proposed by AAI. This will be subject to true up in the next control period.
- 6.2.4 Based on this analysis, the Authority proposes to rework total payroll expenditure for Third Control Period and to apply the revised allocation ratios along with a growth rate of 3% for FY 2021-22 & FY 2022-23 based on FY 2019-20. For FY 2023-24 payroll cost has been increased at 10% to account for increase in the number of employees (as shown below) at the time of commissioning of NITB as explained in Para 6.2.3 along with a growth rate of 3%. For FY 2024-25 and FY 2025-26, a growth rate of 3% over the previous year figures is applied to arrive at the aeronautical payroll expenditure for the Third Control Period.

Table 88: Proposed Number of employees during Third Control Period

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26
No. of Employees	158	158	174	174	174

General and Administrative Expenses

- 6.2.5 The Authority notes that AAI has based its projection for general and administrative expenses other than upkeep expenses and legal expenses on a growth rate of 10% over the previous year figures. The Authority proposes to use a growth rate of 4.9% (benchmarked to inflation as proposed by the Authority for the Third Control Period) for all components of general and administrative expenses other than upkeep expenses.
- 6.2.6 The Authority has noted that AAI has projected upkeep expense of Rs.1316.30 lakhs for FY 2023-24 (225% growth over FY 2022-23 figures) due to commissioning of NITB. The Authority notes that increase in aeronautical area due to commissioning of NITB with reference to the existing terminal building is 219%. Hence, the Authority proposes a growth rate of 219% for upkeep expenses in FY 2023-24 as opposed to the growth rate proposed by AAI along with inflation of 4.9% from FY 2021-22 and thereafter.

CHQ/RHQ Admin Expenses

- 6.2.7 The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Pune International Airport for the Third Control Period. Based on the methodology explained under para 2.8.13 to 2.8.24 above (on true up of expenses for the Second Control Period), the Authority has derived the allocable expenses of CHQ and RHQ to Pune International Airport for the Third Control Period,

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by escalating the spend for each tariff year by 5% based on the CHQ/ RHQ expenses allocated for the FY 2020-21.

- 6.2.8 The Authority also proposes to true up CHQ/RHQ expenses subject to the maximum ceiling of 10% increase while determining tariff for the next control period.

Utility Expenses

- 6.2.9 The Authority notes that AAI has projected power charges of Rs. 2080.02 lakhs for FY 2023-24 (242% growth over FY 2022-23 figures). The Authority also notes that increase in aeronautical area due to commissioning of NITB in relation to the existing terminal building is 219%. Hence, the Authority proposes a growth rate of 219% for power charges in FY 2023- 24 as opposed to the growth rate proposed by AAI along with inflation of 4.9% from FY 2021-22 and thereafter.

- 6.2.10 The Authority notes that AAI has projected increase in water charges at a growth rate of 3 to 3.5% over the previous year, The Authority considers the same to be reasonable.

CSR Expenses

- 6.2.11 The Authority notes that CSR Cost has not been included as part of Aeronautical operational expenditure in AAI submission in Second Control Period true up and projections in the Third Control Period. The Authority proposes to estimate CSR expenses as 2% of the average of the previous three years' PBT.

R&M Expenses

- 6.2.12 The Authority notes that along with increase in 10% growth, AAI has considered AMC charges for New Terminal Building which is being charged from FY 2022-23 to FY 2025-26. The Authority is of the view that as most of the assets will be newly constructed/ installed during the control period and will also be covered under warranty clauses, the same may need only minimum repairs and maintenance. Therefore, the Authority proposes to consider the same stand as taken at the time of true up of Second Control Period for Repair & Maintenance expenses to be around 6% of the RAB (opening net block of the Third Control Period) till FY 2022-23. The Authority notes that AAI has estimated R&M on Newly capitalized facility also from FY 2023-24. The Authority notes that Civil-R&M costs are not likely to be incurred for new terminal Building for at least 1-2 years after commissioning. Thus, the Authority proposes to not consider AMC of Civil works. For other regular repairs and maintenance works Authority proposes to consider an inflation of 4.9% instead of 10% as estimated by AAI from FY 2023-24 onwards.

- 6.2.13 The Authority also notes that AAI has considered AMC of Capital addition of Digi Yatra from FY 2023-24 to FY 2025-26 amounting to Rs. 714.55 lakhs. The Authority is of the view that the capital addition of Digi Yatra has not been considered in RAB for Third Control Period which will be trued up on incurrence basis in the next control period. Accordingly, the AMC cost for the same will be considered on incurrence basis in the next control period.

Working Capital Interest & Interest on Term Loan

- 6.2.14 AAI has included claim for Working Capital Interest & Interest on term loan a separate line item in the computation of ARR. The Authority has noted that AAI had availed a short-term working capital facility of Rs.1,500 crores and had also availed term loan of Rs. 2,100 crores in FY 2020-21 for all AAI Airports.

- 6.2.15 The Authority notes that AAI has computed working capital interest based on the forecasted recovery of revenue and payment of expenses and has considered the entire expense as aeronautical. As per the calculation by AAI, the requirement for working capital will arise in the year of FY 2021-22.

- 6.2.16 The Authority has reviewed the computation of interest on working capital loan. The Authority has reworked the cash flows based on the revised operating expenses, traffic, non-aeronautical and aeronautical revenues. As per this revised computation, there appears to be no material deficit between the spends and receipts and hence, there is no requirement to avail the WC facility for Pune International Airport. In case

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of need for Working Capital facility arising in the Third Control Period, the same will be reviewed and trued up at the time of tariff determination for the Fourth Control Period.

- 6.2.17 The Authority proposes to not consider interest on term loans as O&M expenses. This is because the term loan has already been factored in the computation of FRoR, hence this amount is not being considered for reimbursement once again.

UDF Collection Charges

- 6.2.18 For collection charges on UDF under other outflows, AAI has considered the growth rate to be the same as that of passenger traffic. The Authority proposes to use the same approach, considering the same to be a reasonable driver.
- 6.2.19 The Authority has noted that AAI has adopted the allocation ratios as adopted in FY 2019-20 for estimating operating and maintenance expenses for the Third Control Period. The Authority has recalculated the employee numbers and TBLR and reworked the allocation ratios as follows:

Table 89: Comparison of allocation ratios as adopted by AAI and as proposed by the Authority for the Third Control Period.

S. No	Particulars	As considered by AAI	As proposed by the Authority				
			FY 22	FY 23	FY 24	FY 25	FY 26
1	Employee Ratio (Aero: Non-Aero: ANS)	96.60%	94.09%	94.09%	94.09%	94.09%	94.09%
2	Employee Ratio (Aero: Non-Aero)	96.73%	94.31%	94.31%	94.31%	94.31%	94.31%
3	Employee Ratio (Aero: ANS)	96.67%	96.67%	96.67%	96.67%	96.67%	96.67%
4	TBLR Ratio	93.55%	91.37%	91.37%	90.00%	90.00%	90.00%
5	Electricity Consumption Ratio	99.78%	99.78%	99.78%	99.78%	99.78%	99.78%

- 6.2.20 Considering the changes above, the Authority has recalculated the aeronautical operating and maintenance expenditure for Third Control Period as follows:

Table 90: Aeronautical operating and maintenance expenses proposed by the Authority for the Third Control Period

(Rs. in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Payroll Expenditure	A	2,810.06	2,894.36	3,659.59	3,769.38	3,882.46	17,015.86
Apportionment of CHQ/RHQ expenses	B	435.58	448.64	462.10	475.97	490.25	2,312.53
Total Payroll Expenditure	C=A+B	3,245.64	3,343.01	4,121.70	4,245.35	4,372.71	19,328.40
Administrative & General Expenditure	D	483.06	452.94	821.08	900.47	950.30	3,607.85
Apportionment of administrative & general expenses to CHQ/RHQ	E	3,136.03	3,292.83	3,457.47	3,630.35	3,811.86	17,328.54
Total Administrative & General Expenses	F=D+E	3,619.09	3,745.77	4,278.55	4,530.82	4,762.16	20,936.39
Repairs & Maintenance Expenses	G	597.90	564.41	1,356.26	1,434.32	1,514.36	5,467.25

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Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Power charges	H	638.61	669.90	1,538.97	1,614.38	1,693.49	6,155.35
Water charges	I	28.13	29.13	30.13	31.13	32.13	150.65
Hire charges	J	202.86	212.80	245.55	257.58	270.20	1,188.99
Other utilities	K	18.79	19.71	20.67	21.69	22.75	103.60
Total Utility & Outsourcing Expenses	L=H+I+J+K	888.39	931.54	1,835.33	1,924.78	2,018.57	7,598.60
Other Outflows	M	116.33	172.47	200.51	227.80	255.09	972.21
Total Aeronautical Operating Expenses	N=C+F+G+L+M	8,467.35	8,757.19	11,792.35	12,363.06	12,922.89	54,302.84

6.2.21 The Authority expects that AAI should bring more efficiency in its working to optimize the O&M expenses during the control Period.

6.3 Authority's proposals on Operating and Maintenance Expenses for the Third Control Period

Based on the material before it and its analysis, the Authority proposes the following with respect to Operating and Maintenance Expenses for the Third Control Period:

- 6.3.1 To consider Aeronautical operating expenditure as detailed in Table 90 for the Third Control Period.
- 6.3.2 To not consider working capital interest. This will be trued up in the next control period if incurred, based on due analysis and evaluation.
- 6.3.3 To true up the Operating Expenses for the Third Control Period based on actuals and evaluation of reasonableness during the tariff determination of the Fourth Control Period.

7. NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

7.1 AAI's submissions relating to Non-Aeronautical Revenue (NAR) for the Third Control Period

7.1.1 Airports Authority of India has submitted the projections of Non-Aeronautical Revenues in the following heads

- **Trading Concessions** – Restaurants & Snack Bars, TR Stalls, Duty Free Shops and Hoarding & Display.
- **Rent & Services** – Building Non-Residential, Land lease, Hanger Revenue, Car Parking and Multi Level Car Parking (MLCP).
- **Other Services** – Public Admission Fees, Car Rentals, Flight Catering Service, Interest Income and Other Miscellaneous Income.

7.1.2 The growth rates assumed by Airports Authority of India for each of the category of non-Aeronautical revenue is as follows:

Table 91: Summary of Assumptions of Non-Aeronautical Revenue submitted by the AAI for Third Control Period

Particulars	Sub-Head	Assumptions
Trading Concessions	1. Restaurants & Snack Bars	a. The steep reduction in revenues in FY 2020-21 due to the Covid-19 impact has been similarly continued for FY 2021-22, additionally in consideration of discounts as mentioned in Circular 26 - CSS (Concessionaire Support Scheme). b. From FY 2022-23, AAI has assumed a steep increase in the revenue levels mostly owing to the commissioning of new terminal from FY 2022-23. c. In the case of Duty-Free Revenue, AAI expects it to increase in FY 2022-23 by 1211%, to reduce in FY 2023-24 by 42% and remain constant thereon until the end of the control period.
	2. TR Stalls	
	3. Duty Free Shops	
	4. Hoarding & Display	
Rent & Services	1. Building Non-Residential 2. Land Lease 3. Hanger	AAI has submitted to retain the revenue levels of FY 2019-20 for FY 2020-21 and has proposed a 7.5% YoY increase thereon.
	Car Parking	AAI has submitted to consider only 20% revenues of FY 2019-20 levels for FY 2020-21 and has proposed a 3-fold increase in FY 2021-22, followed by 10% YoY thereon from FY 2022-23.
	MLCP	AAI has submitted that revenue from FY 2022-23 is as per the proposed agreement.
Other Services	1. Public Admission Fees 2. Interest Income 3. Other Misc. Income	AAI has proposed to consider 5% increase YoY from FY 2020-21 revenue levels.
	Flight Catering	AAI has considered the flight catering revenue at 11% of FY 2020-21 for FY 2021-22 and has proposed Nil revenue thereafter until the end of the control period. AAI has considered the projection as Nil because all the flights from FY 2022-23 are bound to procure catering services from their respective take-off stations.
	Car Rentals	AAI has considered 6% of revenues of FY 2019-20 levels for FY 2020-21 and has proposed a large increase in FY 2021-22, followed by 10% YoY thereon from FY 2022-23.

7.1.3 Revenue from Non-Aeronautical Services for Third Control Period, as submitted by AAI, is as follows:

NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

Table 92: Non-Aeronautical Revenue for the Third Control Period submitted by AAI

(Rs in Lakhs)

Particulars	FY22	FY23	FY24	FY25	FY26	TOTAL
Trading Concessions						
Restaurant / Snack Bars	182.31	1,981.01	2,075.24	2,383.05	2,737.03	9,358.64
T.R. Stall	6.40	1,539.51	5,337.40	6,130.78	7,042.49	20,056.58
Duty Free Shop	19.26	252.56	147.32	147.32	147.32	713.78
Hoarding & Display	15.78	673.92	741.35	815.50	897.04	3,143.59
Rent & Services						
Building Non-Residential	427.79	459.88	494.37	531.44	571.30	2,484.78
Land Lease	159.77	171.75	184.63	198.48	213.37	928.01
Hanger	416.82	448.08	481.69	517.81	556.65	2,421.05
Car Parking	123.07	135.37	148.91	163.80	180.18	751.33
MLCP	-	200.00	211.00	222.61	234.85	868.45
Other Services						
Public admission Fees	26.77	28.11	29.51	30.99	32.54	147.91
Flight Catering Service	12.92	-	-	-	-	12.92
Car Rentals	14.48	511.11	562.21	618.43	680.28	2,386.51
Interest income	66.11	69.42	72.89	76.53	80.36	365.31
Other Misc. Receipts	346.20	363.51	381.68	400.77	420.81	1,912.96
Total NAR	1,817.68	6,834.22	10,868.20	12,237.51	13,794.21	45,551.83

7.2 Authority's analysis relating to Non-Aeronautical Revenue for the Third Control Period

7.2.1 The Authority has carefully examined AAI's submission regarding various non-aeronautical revenue streams for the Third Control Period and has the following observations:

Revenue from Rent and Services

7.2.2 The Authority has noted that AAI has estimated revenue from land rent and leases for FY 2021-22 by assuming a 0% growth over FY 2020-21 revenues. From FY 2022-23, AAI has used a growth of 7.5% per annum to estimate revenue from land rent and leases as per Commercial instruction no.15.2020 (referred in para 2.9.9. The Authority proposes to consider the increase in revenues as submitted by AAI on Building Non-Residential, Land Lease and Hanger Revenues for the Third Control Period.

Revenue related to passenger traffic

7.2.3 The Authority notes that AAI estimated revenue for FY 2021-22 by assuming that the non-aeronautical revenue for the Third Control Period will be in proportion to the projected passenger traffic. As a result, AAI has projected revenues by applying the ratio as per passenger traffic in each tariff year together with considering the space allocated to non-Aeronautical concessionaires in the new Terminal Building. The Authority proposes to consider the revenues for the Third Control Period by applying a combination of the percentage of revised total traffic numbers (based on FY 2019-20 nos. i.e., pre-Covid year) and considering AAI Circulars 24 & 26 for FY 2021-22.

Multi – Level Car Parking (MLCP)

7.2.4 The Authority on perusal of extract of the terms of MLCP contract/RFP, requested AAI for detailed contractual arrangements with respect to the MLCP Contract. Details of same are awaited from AAI. The Authority will review the documents and make necessary updates, if any at the time of issue of Order.

7.2.5 Based on the available data regarding MLPC contract/RFP, the Authority also notes that AAI has only considered the revenue portion and has not considered the Annual Guarantee portion as per MLCP contract.

NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

As per the contract, the 5.5% increase is applicable on annual guarantee amount. However, AAI has not considered such increase over the amount ascertained, which is proposed to be corrected.

- 7.2.6 Hence, the Authority proposes to consider both the components of the license fee i.e., Annual Guarantee and Revenue Share together as the revenue from MLCP.

Table 93: Revenues from MLCP as submitted by AAI

(Rs. in Lakhs)

License Fee	FY23	FY24	FY25	FY26
Annual Guarantee	-	-	-	-
Revenue Share	200.00	211.00	223.00	235.00
Total	200.00	211.00	223.00	235.00

Table 94: Revenues from MLCP as recomputed by the Authority

(Rs. in Lakhs)

License Fee	FY23	FY24	FY25	FY26
Annual Guarantee	400.00	422.00	445.00	470.00
Revenue Share	200.00	211.00	223.00	235.00
Total	600.00	633.00	668.00	705.00

Flight Catering Revenue

- 7.2.7 The Authority notes that AAI has submitted an 89% decrease in flight catering revenue for 2021-22 from 2020-21 levels and has proposed NIL revenues from FY 2022-23 and thereafter until the end of the control period. On enquiry, it was informed by AAI that all the flights from 2022-23 are bound to procure catering services from their respective take-off stations.

- 7.2.8 However, the rationale provided by AAI was not substantiated with any details or documentation. The Authority proposes to consider Flight Catering Revenue projections similar to other revenues related to traffic, increasing the same based on the traffic growth rate and inflation.

Other Service Revenues

Public Admission Revenue

- 7.2.9 AAI has submitted to consider a 5% YoY increase in public admission for the Third Control Period. However, the Authority is of the opinion that public admission fee is dependent on traffic growth rates and hence the Authority proposes to consider the estimate on the basis of traffic.

Interest Income and Other Miscellaneous Income

- 7.2.10 The Authority notes that AAI has proposed to consider a 5% nominal YoY increase in revenue levels from 2020-21 levels. The Authority proposes to consider the same for estimating the revenues for the Third Control Period and true up the same based on actuals.

- 7.2.11 Based on the methodology mentioned above, the Authority proposes the following projections for the Third Control Period:

Table 95 : Non-Aeronautical Revenue proposed by the Authority for Third Control Period

(Rs in Lakhs)

Particulars	FY22	FY23	FY24	FY25	FY26	TOTAL
Trading Concessions						
Restaurants & Snack Bars	1,147.14	1,981.01	2,303.03	2,616.49	2,929.95	10,977.62
TR Stalls	573.38	1539.51	5337.40	6130.78	7042.49	20,623.56
Duty Free Revenue	46.40	252.56	336.75	346.85	356.95	1,339.50

NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

Particulars	FY22	FY23	FY24	FY25	FY26	TOTAL
Trading Concessions						
Hoarding & Display	263.74	673.92	783.47	890.10	996.74	3,607.97
Rent & Services						
Building Non-Residential	182.61	196.31	211.03	226.86	243.88	1,060.70
Land Lease	159.77	171.75	184.63	198.48	213.37	928.01
Hanger	416.82	448.08	481.69	517.81	556.65	2,421.05
Car Parking	123.07	191.40	233.42	278.18	326.77	1,152.85
MLCP	0.00	600.00	633.00	667.82	704.54	2,605.36
Other Services						
Public Admission Fee	26.77	41.63	50.77	60.51	71.08	250.75
Flight Catering	76.34	118.72	144.78	172.55	202.69	715.08
Car Rentals	259.84	511.11	623.31	742.84	872.60	3,009.70
Interest Income	66.11	69.42	72.89	76.53	80.36	365.31
Other Misc. receipts	346.20	363.51	381.68	400.77	420.81	1,912.96
Total	3,688.18	7,158.94	11,777.86	13,326.58	15,018.87	50,970.43

7.3 Authority's proposals relating to Non-Aeronautical Revenues for the Third Control Period

Based on the material before it and its analysis, the Authority proposes the following with respect to Non-Aeronautical Revenues for the Third Control Period.

- 7.3.1 To consider the Non-Aeronautical Revenues for Third Control Period as proposed in Table 95.
- 7.3.2 To true up Non-Aeronautical Revenue based on actual revenues for Third Control Period at the time of determination of tariff for Fourth Control Period.

8. TAXATION FOR THE THIRD CONTROL PERIOD

8.1 AAI's submissions regarding Aeronautical Taxation for the Third Control Period

- 8.1.1 AAI has calculated the revenue generated from regulated services, aeronautical operating expenses, interest and financing charges, and depreciation on written down value (WDV) of assets as per income tax. After calculating the Profit Before Tax (PBT), a tax rate of 25.17% was applied, after setting off prior losses. The aeronautical taxes as submitted by AAI to be considered for tariff calculation are as shown in the table below:

Table 96: Aeronautical taxes submitted by AAI for Third Control Period

(Rs in lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Aero Revenue	A	10,833.91	19,251.19	28,770.38	38,929.47	50,272.57	1,48,057.53
O&M Expense	B	10,748.06	11,505.28	16,261.10	17,308.73	18,257.78	74,080.95
Total Interest and Financing Charges	C	185.85	152.86	1,579.17	1,367.87	1,147.12	4,432.86
Depreciation	D	1,872.41	4,929.90	7,029.94	6,073.05	5,377.81	25,283.10
Total expenditure	E=B+C+D	12,806.32	16,588.03	2,4870.22	24,749.65	24,782.70	1,03,796.91
Profit Before Tax	F=A-E	-1,972.40	2,663.16	3,900.16	14,179.82	25,489.87	44,260.62
Set-off of prior period tax losses	G		2,663.17	3,900.19	1,543.70		8,107.06
PBT after set-off of losses	H=F-G	-1,972.40	-0.01	-0.03	12,636.12	25,489.87	36,153.56
Tax [34.944% up to FY19 & 25.17% from FY20]	I	-	-	-	3,180.51	6,415.80	9,596.31
Profit After Tax		-	-	-	9,455.61	19,074.07	28,529.68

8.2 Authority's examination regarding Aeronautical taxation for the Third Control Period

- 8.2.1 The Authority notes that AAI has calculated income tax based on the aeronautical revenues projected using revised rates as submitted in the MYTP. The Authority has re-computed the taxes based on the revised regulatory blocks for the Third Control Period proposed in the previous sections and considering carried forward losses accumulated at the time of true up of Second Control Period amounting to Rs. 3,745.54 lacs (refer Table 51) and Interest on term loan (as explained in para 2.10.3). The following table summarizes the aeronautical taxes proposed by the Authority for the Third Control Period

Table 97: Aeronautical taxes proposed to be considered by the Authority for Third Control Period

(Rs. in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Aero Revenue	A	12,140.56	15,436.13	17,980.89	20,300.44	22,649.81	88,507.82
O&M Expense	B	8,467.35	8,757.19	11,792.35	12,363.06	12,922.89	54,302.84
Interest on Term Loan charged off to P&L	C	21.00	81.02	1,447.85	1,248.98	1,044.27	3,843.12
Depreciation	D	1,011.05	3,761.15	6,175.55	5,472.49	4,863.87	21,284.10
Total Expenditure	E=B+C+D	9,499.39	12,599.36	19,415.75	19,084.53	18,831.03	79,430.07
Profit Before Tax	F=A-E	2,641.16	2,836.76	-1,434.86	1,215.90	3,818.79	9,077.75

TAXATION FOR THE THIRD CONTROL PERIOD

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Set-off of prior period tax losses	G	2,641.16	1,212.00	-	1,215.90	218.96	5,288.03
PBT after set-off of losses	H=F-G	-	1,624.76	-	-	3,599.83	5,224.59
Tax at 25.17%	I	-	408.95	-	-	906.08	1,315.03
Profit After Tax	J=H-I	-	1,215.81	-	-	2,693.75	3,909.56

8.3 Authority's proposal regarding Aeronautical taxation for the Third Control Period

Based on the materials before it and its analysis, the Authority proposes the following with respect to taxation for the Third Control Period:

- 8.3.1 To consider aeronautical tax as per Table 97 for the Third Control Period.
- 8.3.2 To true up the aeronautical tax estimates based on actual tax outflow at the end of the Third Control Period.

9. INFLATION FOR THE THIRD CONTROL PERIOD

9.1 AAI's submissions relating to inflation for the Third Control Period

- 9.1.1 AAI has not made any specific submission on inflation. On perusal of operating expenses and non-aeronautical revenues, it is inferred that AAI has assumed y-o-y increases ranging between 5% and 10% as basis for its projections of Third Control Period.

9.2 Authority's analysis on Inflation for the Third Control Period

- 9.2.1 The Authority has analyzed AAI's assumptions for projecting operating expenses and non-aeronautical revenues as stated in Para 9.1.1.
- 9.2.2 In the absence of any details provided by AAI, the Authority proposes to consider the recent inflation forecast by the RBI as per its 69th round of survey of professional forecasters on macroeconomic indicators (released on 07.04.2021). The Authority is of the view that same would be consistent with the recent macroeconomic developments.
- 9.2.3 Based on the recent inflation forecast by the RBI, the Authority proposes to consider inflation of 4.9%, i.e., the mean WPI inflation forecast for 2021-22 (WPI Non-food Manufactured Products) given in the table below:

Table 98: WPI (non-food manufactured products) as per RBI's 69th round of survey

Items %	FY 21(Q4)	FY 22 (Q1)	FY 22 (Q2)	FY 22 (Q3)	FY 22 (Q4)	Mean
Inflation	5.5	6.2	5.8	4.3	2.6	4.9

9.3 Authority's proposal relating to Inflation for the Third Control Period

Based on the material before it and its analysis, the Authority proposes the following with respect to inflation for the Third Control Period:

- 9.3.1 To consider inflation of 4.9% for the Third Control Period based on the mean WPI inflation forecast for FY 2021-22 given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI, as per Para 9.2.3

10. QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD

10.1 AAI's submissions regarding Quality of Service for the Third Control Period

10.1.1 AAI has not made any submissions related to Quality of Services as part of its MYTP submission.

10.2 Authority's analysis relating to Quality of Service for the Third Control Period

10.2.1 The Authority notes that:

- As per section 13 (1) (d) of the AERA Act, 2008, the Authority shall *"monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf."*
- As per section 13(1) (a) (ii), the Authority is required to determine the tariff for aeronautical services taking into consideration *"the service provided, its quality and other relevant factors."*

10.2.2 The Authority has noted from ACI's website that Pune International Airport has been awarded as the "Best Hygiene Measures" award by region for FY 2020-21 in Asia-Pacific region based on customers review in 2020.

10.2.3 The Authority notes from AAI's website that the ACI ASQ survey results for Pune International Airport for the years 2017 to 2021 have been in the range of 4.69 to 4.71 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.72. The Authority notes that the ASQ rating awarded to Pune International Airport is close to the average rating of the AAI airport.

10.2.4 Also, the Authority reviewed the MoU between AAI and MoCA for the FY 2019-20 and notes that the ASQ rating target for the FY 2019-20 was 4.68. The actual ASQ rating achieved by Pune International Airport for the FY 2019-20 was 4.71.

10.2.5 The Authority does not propose any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by Pune International Airport.

10.3 Authority's proposal relating to Quality of Service for the Third Control Period

Based on the material before it and its analysis, the Authority proposes the following with respect to Quality of Service for the Third Control Period:

10.3.1 To not consider any adjustment towards tariff determination for the Third Control Period with regards to quality of service as per Para 10.2.2

AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

11. AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

11.1 AAI's submissions relating to ARR for the Third Control Period

11.1.1 AAI submitted its MYTP submission for Third Control Period based on which the Aggregate revenue requirement was as follows:

Table 99: Aggregate revenue requirement (ARR) for the Third Control Period as proposed by AAI

(Rs in lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB	A	13,039.78	13,519.06	60,811.88	57,203.23	53,274.19	
Closing RAB	B	13,519.06	60,811.88	57,203.23	53,274.19	49,713.07	
Average RAB	C=(A+B)/2	13,279.42	37,165.47	59,007.55	55,238.71	51,493.63	2,16,184.78
FRoR (%)	D	14.00%	12.16%	11.96%	12.28%	12.32%	
Return on RAB	E=C*D	1,859.12	4,519.23	7,055.44	6,782.98	6,341.68	26,558.45
Operating expense	F	10,748.06	11,505.28	16,261.10	17,308.73	18,257.78	74,080.95
Working Capital Interest & Interest on Term Loan	G	185.85	152.86	1,579.17	1,367.87	1,147.12	4,432.86
Depreciation	H	1,231.43	2,747.98	4,261.51	4,293.20	4,289.50	16,823.63
Tax	I	-	-	-	3,180.51	6,415.80	9,596.31
Under recovery of SCP as on 31/3/2022	J	19,959.92					
ARR	K=Sum (E: J)	33,984.37	18,925.35	29,157.23	32,933.29	36,451.87	1,51,452.11
Non-Aeronautical revenue	L	1,817.68	6,834.22	10,868.20	12,237.51	13,794.21	45,551.84
Less: 30% Non-Aeronautical revenue	M=L*30%	545.30	2,050.27	3,260.46	3,671.25	4,138.26	13,665.55
Net Aggregate Revenue Requirement (NARR)	N=K-M	33,439.07	16,875.08	25,896.77	29,262.04	32,313.60	1,37,786.56
Aero Revenue	O	10,833.91	19,251.19	28,770.38	38,929.47	50,272.57	1,48,057.53
Shortfall	P=N-O	22,605.15	-2,376.11	-2,873.61	-9,667.43	-17,958.96	-10,270.96
Present value (PV) rate	Q	14.00%	12.16%	11.96%	12.28%	12.32%	
PV Factor	$R=1/(1+Q)^{\text{year}}$	1.00	0.89	0.80	0.71	0.63	
PV of NARR	S=N*R	33,439.07	15,045.58	20,623.29	20,754.72	20,405.90	1,10,268.55
PV of Aero Revenue	T=O*R	10,833.91	17,164.08	22,911.73	27,611.55	31,747.06	1,10,268.34
Return on Shortfall/(Surplus)	U=P*R	22,605.15	-2,118.51	-2,288.44	-6,856.83	-11,341.16	0.21

11.2 Authority's analysis relating to ARR for the Third Control Period

11.2.1 Based on the changes proposed by the Authority for each building block, and after accounting for the under-recovery of Rs. 9,461.47 Lakhs as on 31st March 2022 as per the true-up calculation, the ARR proposed by the Authority for the Third Control Period is given in the table below:

AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

Table 100: Aggregate Revenue Requirement for the Third Control Period as proposed by Authority

(Rs. in Lakhs)

Particulars	Table Ref	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB	Table 78	A	9,965.04	9,406.79	54,932.28	51,942.10	48,655.97	
Closing RAB	Table 78	B	9,406.79	54,932.28	51,942.10	48,655.97	45,705.28	
Average RAB	Table 78	$C=(A+B)/2$	9,685.91	32,169.53	53,437.19	50,299.04	47,180.62	
FRoR%	Table 84	D	11.63%	11.63%	11.63%	11.63%	11.63%	
Return on RAB		$E=C*D$	1,126.77	3,742.31	6,216.39	5,851.33	5,488.56	22,425.35
Operating expense	Table 90	F	8,467.35	8,757.19	11,792.35	12,363.06	12,922.89	54,302.84
Working Capital Interest		G	-	-	-	-	-	-
Depreciation	Table 76	H	765.34	2,180.32	3,630.08	3,644.63	3,667.72	13,888.09
Aero Tax	Table 97	I	-	408.95	-	-	906.08	1,315.03
Under recovery of Second Control Period as on 31/3/2022	Table 52	J	9,461.47	-	-	-	-	9,461.47
Aggregate revenue requirement (ARR)		$K=\text{Sum (F: J)}$	19,820.93	15,088.77	21,638.82	21,859.03	22,985.25	1,01,392.79
Non-Aeronautical revenue	Table 95	L	3,688.18	7,158.94	11,777.86	13,326.58	15,018.87	50,970.43
Less: 30% non-aeronautical revenue		M	1,106.45	2,147.68	3,533.36	3,997.97	4,505.66	15,291.13
Net ARR		$N=K-M$	18,714.47	12,941.09	18,105.47	17,861.05	18,479.58	86,101.66
Discount Rate		O	11.63%	11.63%	11.63%	11.63%	11.63%	
Discount Factor		P	1.00	0.90	0.80	0.72	0.64	
PV of NARR		$Q=N*P$	18,714.47	11,592.52	14,528.60	12,838.91	11,899.17	69,573.68

11.3 Authority's proposal relating to ARR for the Third Control Period

Regarding Aggregate Revenue Requirement, the Authority proposes the following with respect to ARR for the Third Control Period:

- 11.3.1 To compute the aggregate revenue requirement for the Third Control Period as per Table 100.
- 11.3.2 To true up all the building blocks on actual basis in the tariff determination of the next control period.

12. AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

12.1 AAI's submissions relating to Aeronautical Revenue for the Third Control Period

- 12.1.1 AAI has proposed to consider a YoY increase in Aeronautical Revenues based on the growth rates in Traffic as proposed by AAI for all the traffic related revenues i.e., Parking & Housing, UDF, Ground handling and CUTE revenues.
- 12.1.2 For revenues based on agreements i.e., Land lease from oil companies and from ground handling agencies, AAI has proposed to consider the same revenue of FY 2020-21 for FY 2021-22, and a 7.5% growth increase YoY from FY 2022-23.
- 12.1.3 AAI has proposed to consider the aeronautical tariffs as applicable from 1st October 2021 as per below schedule:
- **Parking & Housing Charges-** An increase of 40% in the charges per ATM from existing rates w.e.f. 01.10.2021 and a 10% YoY increase thereafter until 31.03.2025. For the FY 2025-26, AAI has proposed an increase of 9% in rates from FY 2024-25 levels.
 - **UDF** – AAI has proposed the following growth rates in UDF from the existing rates of Rs. 400 (Domestic) and Rs. 793 (International) for the Third Control Period.

Table 101 : Increase in UDF rates as proposed by AAI

From	1-Oct-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25
To	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26
Domestic UDF	30%	25%	20%	18%	15%
International UDF	30%	25%	20%	18%	14%

- 12.1.4 The annual tariff proposal submitted by AAI is given in **Annexure I**.
- 12.1.5 AAI has submitted the revenues from aeronautical services for the Third control Period based on the above revisions as follows:

Table 102: AAI's submission of aeronautical revenue for the Third Control Period

(Rs in Lakhs)						
Particulars	FY22	FY23	FY24	FY25	FY26	Total
Parking & Housing	26.11	40.24	53.11	64.35	76.10	259.91
UDF						
Domestic	9770.40	17,883.19	26,824.78	36,339.53	46,805.32	137623.22
International	60.19	211.77	508.25	1,019.56	1,744.97	3544.75
Total UDF	9830.59	18094.96	27333.04	37359.09	48550.29	141167.97
Ground Handling	279.32	335.38	402.45	443.28	480.95	1941.39
CUTE	358.82	467.80	586.84	677.92	762.86	2854.24
Land lease from Oil companies	117.31	76.84	143.74	117.31	117.31	572.51
Land lease from Ground Handling	159.42	167.39	175.76	184.55	193.78	880.90
AAICLAS	62.34	68.58	75.44	82.98	91.28	380.62
Total Aero revenues	10,833.91	19,251.19	28,770.38	38,929.47	50,272.57	1,48,057.53

12.2 Authority's analysis relating to Aeronautical Revenue for the Third Control Period

12.2.1 The Authority has evaluated the Aggregate Revenue Requirement and the Aeronautical Revenues that would be necessary to meet the Aggregate Revenue Requirement.

12.2.2 The Authority proposes to reduce the tariff rates to meet ARR due to following reasons:

- Aeronautical tariff (UDF & Parking Charges etc.) was revised in the Second Control Period by the Authority with effect from 1st December 2017 after considering the revenues at the than prevailing tariff till November 2017 (Domestic UDF revised from Rs. 77 to Rs. 350 and International UDF from Rs. 77 to Rs. 700). The Authority notes that the rates of UDF & Parking Charges were increased significantly from 1st December 2017 to compensate for the lower tariff that were prevailing till November 2017.
- The Authority notes that the passenger traffic has been impacted due to Covid-19 pandemic in FY 2020-21 which has resulted in decrease in revenue as compared to the estimate made during the Second Control Period.
- The Authority has estimated traffic of 43.45 million for the Third Control Period after due consideration of the various studies conducted by international bodies, as against the AAI submission of 33.89 million.

12.2.3 On considering the above factors, in Authority's estimation, a reduction in Tariff is necessitated to meet the ARR requirement as proposed by the Authority. The Authority has accordingly re-evaluated the change in rate, as below, considering that the existing rates would continue till 31st March 2022.

12.2.4 The Authority proposes to consider the aeronautical tariffs as applicable from 1st April 2022 as per below schedule:

- **Parking & Housing Charges-** A decrease in Parking charges (Domestic/International) by 14.98 % from existing rates w.e.f. 01.04.2022. Housing Charges are proposed to be categorized as parking charges.
- **UDF – Domestic UDF** at Rs.340 per embarking passenger (decrease of 14.98% from existing rate of Rs. 400) and. **International UDF** at Rs. 750 per embarking passenger (decrease of 5.42% from existing rate of Rs 793) with effect from 01.04.2022.

12.2.5 Based on the above analysis, the Aeronautical revenues proposed by the Authority for the Third Control Period is as follows:

Table 103: Aeronautical Revenue proposed by the Authority for Third Control Period

(Rs. in Lakhs)						
Particulars	FY22	FY23	FY24	FY25	FY26	Total
Total PV of ARR including true-up (A)					69,573.68	69,573.68
Parking charges(B)	21.73	27.42	31.35	35.14	38.93	154.57
Other revenues:						
Ground Handling	278.94	413.98	473.27	530.54	587.80	2,284.52
CUTE	330.07	489.86	560.01	627.78	695.55	2,703.26
Land lease from Oil companies	117.31	76.84	143.74	117.31	117.31	572.51
Land lease from Ground handling	159.42	171.38	184.23	198.05	212.90	925.97
Rent from space let out to Airlines	245.18	263.57	283.33	304.58	327.43	1,424.08

AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Revenue from AAICLAS	62.34	68.58	75.44	82.98	91.28	380.62
Sub-total (Other revenues)- C	1,193.25	1,484.20	1,720.02	1,861.23	2,032.27	8,290.97
UDF						
Domestic	10,781.38	13,479.78	15,636.54	17,793.31	19,950.07	77,641.08
International	144.20	444.73	592.97	610.76	628.55	2,421.20
Total UDF- D	10,925.58	13,924.51	16,229.52	18,404.06	20,578.62	80,062.28
Total revenue (E=B+C+D)	12,140.56	15,436.13	17,980.89	20,300.44	22,649.81	88,507.82
PV factor (F) (taken from Table 100)	1.00	0.90	0.80	0.72	0.64	
PV of total revenue [G = E*F]	12,140.56	13,827.54	14,428.64	14,592.40	14,584.55	69,573.68
Total PV of revenue [H = (Σ G)]					69,573.68	69,573.68
(Surplus) / Shortfall [A - G]					0.00	0.00

12.3 Authority's proposal relating to Aeronautical Revenue for the Third Control Period

Based on the materials before it and its analysis, the Authority proposes the following with respect to aeronautical revenue for the Third Control Period

- 12.3.1 To consider the aeronautical revenues as provided in Table 103.
- 12.3.2 To true up aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.

13. SUMMARY OF AUTHORITY'S PROPOSALS PUT FORTH FOR STAKEHOLDER CONSULTATIONS

Chapter 2: True up of Second Control Period

- 2.11.1 To consider Passenger and ATM traffic as detailed in Table 8 for true up of the Second Control Period.
- 2.11.2 To consider aeronautical revenue as detailed in Table 11 for the purpose of true-up of the Second Control Period.
- 2.11.3 To consider Average RAB as presented in Table 33 for true-up of the Second Control Period.
- 2.11.4 To consider aeronautical depreciation as detailed in Table 30 for true-up of the Second Control Period.
- 2.11.5 To consider FRoR as per Table 35 for the purpose of true-up of the Second Control Period
- 2.11.6 To consider aeronautical operating expenses as per Table 44 for the purpose of true-up of the Second Control Period.
- 2.11.7 To consider non aeronautical revenue as per Table 48 for the purpose of true-up of the Second Control Period
- 2.11.8 To consider aeronautical tax as mentioned in Table 51 for the purpose of true-up of the Second Control Period
- 2.11.9 To consider ARR and shortfall as calculated in Table 52 for the Second Control Period which is proposed to be recovered from AAI in the Third Control Period.

Chapter 3: Traffic for the Third Control Period

- 3.3.1 To consider traffic as set out in Table 56 for Third Control Period considering the effect of COVID 19 Pandemic.
- 3.3.2 To true up the traffic based on actual numbers for the Third Control Period at the time of determination of tariff for the next control period.

Chapter 4: Regulatory asset base and depreciation for the Third Control Period

- 4.6.1 To reduce (adjustment) 1% of the project cost and the applicable carrying cost in ARR at the time of determination of tariff for the Fourth Control Period in case of non-completion of the project as per the proposed timelines.
- 4.6.2 To consider a terminal building ratio of 90:10 as per the IMG and IATA recommendations for capital additions pertaining to the Third Control Period.
- 4.6.3 To consider aeronautical additions as per Table 73.
- 4.6.4 To not allow financing allowance for capital additions in the Third Control Period as per Para 4.2.18.
- 4.6.5 To true-up the total aeronautical asset addition given in Table 73 for the Third Control Period.
- 4.6.6 To true up the asset allocation of the assets capitalized in the Third Control Period based on the actual asset addition in the Fourth Control Period.
- 4.6.7 To re-evaluate the Terminal building allocation at the time of True up of Third Control period ARR based on actuals.
- 4.6.8 To consider aeronautical depreciation in the Third Control Period as per Table 76.
- 4.6.9 To true up the depreciation of the Third Control Period based on the actual asset additions and the actual date of capitalization during the tariff determination of the Fourth Control Period.
- 4.6.10 To consider the RAB for the Third Control Period as per Table 78.
- 4.6.11 To true up the RAB for the Third Control Period based on actuals, at the time of determination of tariff for the Fourth Control Period.

Chapter 5: Fair rate of return for the Third Control Period

- 5.3.1 To consider the cost of equity at 14.00% as per Table 83.
- 5.3.2 To consider the cost of debt at 6.21% as per Table 82.
- 5.3.3 To consider FRoR of 11.63% for the Third Control Period as per Table 84.

SUMMARY OF AUTHORITY'S PROPOSALS PUT FORTH FOR STAKEHOLDER CONSULTATIONS

- 5.3.4 To true up the actual cost of debt and FRoR during the tariff determination exercise for the Fourth Control Period.

Chapter 6: Operating Expenses for the Third Control Period

- 6.3.1 To consider Aeronautical operating expenditure as detailed in Table 90 for the Third Control Period.
6.3.2 To not consider working capital interest. This will be trued up in the next control period if incurred, based on due analysis and evaluation.
6.3.3 To true up the Operating Expenses for the Third Control Period based on actuals and evaluation of reasonableness during the tariff determination of the Fourth Control Period.

Chapter 7: Non-aeronautical revenues for the Third Control Period

- 7.3.1 To consider the Non-Aeronautical Revenues for Third Control Period as proposed in Table 95.
7.3.2 To true up Non-Aeronautical Revenue based on actual revenues for Third Control Period at the time of determination of tariffs for Fourth Control Period.

Chapter 8: Taxation for the Third Control Period

- 8.3.1 To consider aeronautical tax as per Table 97 for the Third Control Period.
8.3.2 To true up the aeronautical tax estimates based on actual tax outflow at the end of the Third Control Period.

Chapter 9: Inflation for the Third Control Period

- 9.3.1 To consider inflation of 4.9% for the Third Control Period based on the mean WPI inflation forecast for FY 2021-22 given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI, as per para 9.2.3.

Chapter 10: Quality of Service for the Third Control Period

- 10.3.1 To not consider any adjustment towards tariff determination for the Third Control Period with regards to quality of service as per Para 10.2.2

Chapter 11: ARR and Target Revenue for the Third Control Period

- 11.3.1 To determine the aggregate revenue requirement and shortfall for the Third Control Period to be as detailed in Table 100.
11.3.2 To true up of all building blocks on actual basis in the tariff determination of the next control period.

Chapter 12: Aeronautical Revenue for the Third Control Period

- 12.3.1 To consider the aeronautical revenues as provided in Table 103.
12.3.2 To true up aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.

14. STAKEHOLDER CONSULTATION TIMELINE

- 14.1.1 In accordance with the provisions of Section 13(4) of the AERA Act 2008, the proposal contained in the Summary of Proposals (Chapter 13 above) read with the Authority's analysis, is hereby put forth for Stakeholder Consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed (Annexure - I to IV). For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction of the Authority. The Authority shall pass an Order, in the matter, only after considering the submissions of the stakeholders in response hereto and by making such decision fully documented and explained in the Tariff Order in terms of the provisions of the Act.
- 14.1.2 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in Chapter 13 above latest by 29.01.2022.

Secretary

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Chairperson

15. ANNEXURES

15.1 Annexure 1: Annual Tariff Card submitted by AAI for the Third control period

- 15.1.1 As part of the MYTP, AAI submitted a tariff card for all five years of the third control period. This tariff card has been reproduced in this annexure. The Authority examined AAI's MYTP, along with all regulatory building blocks. The Authority's examination has been discussed in this consultation paper in the previous chapters.
- 15.1.2 AAI has proposed the implementation date of tariff from 1st October 2021.
- 15.1.3 The tariff card proposed for the Third Control Period has been reproduced here. For the purpose of comparison, the existing aeronautical charges have been provided along with each charge.

Parking Charges:

Parking charges up to two hours after first two free hours for Third Control Period submitted by AAI

Weight of the aircraft	Existing parking charges (in Rs.)	Parking charges proposed by AAI (in Rs.) from 1 st October 2021 to 31 st March 2022
Up to 25 MT	Rs.3.3 per hour per MT	Rs.4.62 per hour per MT
Above 25 MT up to 50 MT	Rs.82.5+Rs.4.6 per hour per MT in excess of 25MT	Rs.116 +Rs.6.44 per hour per MT in excess of 25MT
Above 50 MT up to 100	Rs.197.5+Rs.8.9 per hour per MT in excess of 50 MT	Rs.277+Rs.12.48 per hour per MT in excess of 50MT
Above 100 MT up to 200	Rs. 642.5 +Rs.11.2 per hour per MT in excess of 100 MT	Rs.900+Rs.15.66 per hour per MT in excess of 100MT
Above 200 MT	Rs. 1,762.5+Rs.12.4 per hour per MT in excess of 200 MT	Rs.2,488+Rs.17.36 per hour per MT in excess of 200MT

* Housing charges are proposed to be categorized as parking charges

Parking charges beyond first four hours for Third Control Period submitted by AAI

Weight of the aircraft	Existing parking charges (in Rs.)	Parking charges proposed by AAI (in Rs.) from 1 st October 2021 to 31 st March 2022
Up to 25 MT	Rs. 6.7 per hour per MT	Rs. 9.38 per hour per MT
Above 25 MT up to 50 MT	Rs. 167.5+Rs.8.9 per hour per MT in excess of 25MT	Rs.235 +Rs.12.46 per hour per MT in excess of 25MT
Above 50 MT up to 100	Rs. 390+Rs.17.36 per hour per MT in excess of 50MT	Rs. 546 +Rs.25.2 per hour per MT in excess of 50 MT
Above 100 MT up to 200	Rs.1,290+Rs.22.5 per hour per MT in excess of 100 MT	Rs. 1,806 +Rs.31.5 per hour per MT in excess of 100 MT

Weight of the aircraft	Existing parking charges (in Rs.)	Parking charges proposed by AAI (in Rs.) from 1 st October 2021 to 31 st March 2022
Above 200 MT	Rs.3,450 +Rs.24.8 per hour per MT in excess of 200MT	Rs. 4,958 +Rs.34.72 per hour per MT in excess of 200 MT

Increase in Parking charges as proposed by AAI from 1st April 2022 to 31st March 2026

From	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25
To	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26
Parking Charges	10%	10%	10%	9%

Notes:

- i. No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
- ii. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour
- iii. Charges shall be calculated based on nearest MT.
- iv. Charges for each period parking shall be rounded off to nearest rupee.
- v. At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
- vi. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Pune International Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of < 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
- vii. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
- viii. For unauthorized overstay of aircraft an additional charge of Rs. 20.00 per hour per MT beyond 24 hours is to be payable.

Fuel Throughput Charge

- 15.1.4 The Ministry of Civil Aviation has discontinued the levy of Fuel Throughput Charges (FTC) from all airports w.e.f. 15th January 2020 vide MoCA letter no. F.No. AV-13030/216/2016-ER (Pt.2) dated 8th January 2020.

User Development Fees

User Development Fees for the Third Control Period submitted by AAI

Passenger	Existing UDF
Domestic	400
International	793

UDF rates as proposed by AAI from 1st October 2021 till 31st March 2022 with % increase in rates from 1st April 2022 to 31st March 2026 by AAI

From	1-Oct-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25
To	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26
Domestic UDF	520	25%	20%	18%	15%
International UDF	1031	25%	20%	18%	14%

Notes:

15.1.5 UDF Collection:

- UDF Collection Charges: If payment is made in accordance with period prescribed under credit policy of AAI, then collection charges at Rs. 5.00 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the prescribed credit period or in case of part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI.
- No collection charges are payable to casual operator/non-scheduled operators
- For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
- No UDF will be levied for transit passengers.

15.1.6 Exemption from levy and collection from UDF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI & vide Letter no. AV.13024/659/2015-AS dated 30.11.2011 & 13.06.2019 respectively has directed AAI to exempt the following categories of persons from levy and collection of UDF.

- Children (under the age of 2 years),
- Holders of Diplomatic Passport,
- Airlines crew on duty including sky marshals & airline crew on board for particular flight only (this would not include Dead Head Crew, or ground personnel),
- Persons travelling on official duty on aircraft operated by Indian Armed Forces
- Persons traveling on official duty for United Nations Peace Keeping Missions.
- Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").

- g) Passengers departing from the Indian airports due to involuntary re-routing i.e., technical problems or weather conditions.

15.1.7 GENERAL CONDITION:

- a) All the above Charges are excluding GST. GST at the applicable rates is payable in addition to above charges.
- b) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GOI.

15.2 Annexure II: Annual Tariff Card proposed by the Authority for Consultation Process

15.2.1. The Authority has examined the Annual Tariff Proposal submitted by Airports Authority of India. After examination and based on proposal as listed in Chapter 13, the Authority has proposed the following aeronautical tariff for Pune International Airport for the Third Control Period for consultation process:

Parking charges up to two hours after free hours for the Third Control Period proposed to be considered by the Authority*

Weight of the Aircraft	FY 22 (existing rate)	Tariff w.e.f. 01.04.2022 to 31.03.2026
Up to 25 MT	Rs. 3.3 per MT	Rs. 2.8 per MT
Above 25 MT up to 50 MT	Rs. 83 plus Rs. 4.6 per MT in excess of 25 MT	Rs. 70 plus Rs. 3.9 per MT in excess of 25 MT
Above 50 MT up to 100	Rs. 198 plus Rs. 8.9 per MT in excess of 50 MT	Rs. 168 plus Rs. 7.6 per MT in excess of 50 MT
Above 100 MT up to 200	Rs. 643 plus Rs. 11.2 per MT in excess of 100 MT	Rs. 548 plus Rs. 9.5 per MT in excess of 100 MT
Above 200 MT	Rs. 1,763 plus Rs. 12.4 per MT in excess of 200 MT	Rs. 1,498 plus Rs. 10.5 per MT in excess of 200 MT

*Housing charges subsumed within parking charge

Parking charges beyond first four hours for the Third Control Period proposed to be considered by the Authority

Weight of the Aircraft	FY 22 (existing rate)	Tariff w.e.f. 01.04.2022 to 31.03.2026
Up to 25 MT	Rs. 6.7 per MT	Rs. 5.7 per MT
Above 25 MT up to 50 MT	Rs. 168 plus Rs. 8.9 per MT in excess of 25 MT	Rs. 143 plus Rs. 7.6 per MT in excess of 25 MT
Above 50 MT up to 100	Rs. 391 plus Rs. 18 per MT in excess of 50 MT	Rs. 333 plus Rs. 15.3 per MT in excess of 50 MT
Above 100 MT up to 200	Rs. 1,291 plus Rs. 22.5 per MT in excess of 100 MT	Rs. 1,098 plus Rs. 19.1 per MT in excess of 100 MT
Above 200 MT	Rs. 3,541 plus Rs. 24.8 per MT in excess of 200 MT	Rs. 3,008 plus Rs. 21.1 per MT in excess of 200 MT

Notes:

- No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.

- ii. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- iii. Charges shall be calculated based on nearest MT.
- iv. Charges for each period parking shall be rounded off to nearest rupee.
- v. At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges
- vi. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Pune International Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of < 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
- vii. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
- viii. For unauthorized overstay of aircraft an additional charge of Rs. 20.00 per hour per MT beyond 24 hours is to be payable.

User Development Fees proposed to be considered for the Third Control Period by the Authority

Passenger (in Rs.)	UDF (per Embarking Passenger) for tickets issued till 31st March 2022	UDF (per Embarking Passenger) for tickets issued on or after 1st April 2022 to 31st March 2026
Domestic	400	340
International	793	750

Notes

15.2.2. UDF Collection:

- a) UDF Collection Charges: If payment is made within 15 days from receipt of invoice, then collection charges per departing passenger shall be paid by AAI as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment.
- b) No collection charges are payable to casual operator/non-scheduled operators.
- c) For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
- d) No UDF will be levied for Transit Passengers.

15.2.3. Exemption from levy and collection from UDF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI & vide Letter no. AV.13024/659/2015-AS dated 30.11.2011 & 13.06.2019 respectively has directed AAI to exempt the following categories of persons from levy and collection of UDF.

- a) Children (under the age of 2 years),
- b) Holders of Diplomatic Passport,
- c) Airlines crew on duty including sky marshals & airline crew on board for particular flight only (this would not include Dead Head Crew, or ground personnel),
- d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").
- g) Passengers departing from the Indian airports due to involuntary re-routing i.e., technical problems or weather conditions

15.2.4. GENERAL CONDITION:

- a) All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
- b) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GOI.

15.3 Annexure III: Capital expenditure not approved in Second Control Period Order but incurred**(Rs. in Lakhs)**

Asset Name	Description of the Assets	Amount
Plant & Machinery	Apron Drive Glass Walled Passenger Board	1,166.13
Plant & Machinery	CUTE (8), CUSS (12) Keyboard, Scanner (30)	190.34
Vehicles	Mini Remote Operated Vehicle	178.03
Building -Others	Renovation of Toilet Block in TB	169.57
Plant & Machinery	SITC of SCCTV System At 7 Airports	147.69
Solar Power Plant	SITC of 300 KWP Solar PV Plant at Pune	108.57
Electrical Installation	Provision of 560 TR Standby Water Chilling Plant	96.05
Plant & Machinery	SITC of Upgradation of CCTV	68.42
Building -Others	Hard Standing of Area Along VIP Entry Road	67.57
XBIS (X-RAY BAGGAGE)	Procurement & Installation of X-Ray Machine	65.88
Furniture & Fixtures - Other than Trolley	Provision of Way Finding Signage	63.47
Plant & Machinery	SITC of E Gate	61.87
Building -Others	SITC of Public Electronics Toilet	50.98
Plant & Machinery	Apron & Link Taxi Track: GLF Work	47.87
Plant & Machinery	Dynamic Signage for Immigration Counter	41.72
Furniture & Fixtures - Other than Trolley	Fixing/Installation of Artwork (Idols)	39.29
Plant & Machinery	SITC of CCTV Cameras.	37.02
Building -Others	Modification to Old Sub-Station building to Accommodate AAI/Airlines	36.75
Electrical Installation	Provision of Reversible Type Escalator and Staircase	36.61
Computer & Peripheral- Server and Networks	Supply of CCTV Servers at Pune	36.26
Tools & Plant	Supply of Human Life Detectors 15WR-Pune	35.49
Plant & Machinery	Replacement of Retro Fitting of Existing	34.66
Building-Terminal	Expansion of SHA First Floor Towards East Side	32.66
Tools & Plant	RB Nuctech	31.43
Tools & Plant	RB Nuctech	31.43
Tools & Plant	RB Nuctech	31.43
Tools & Plant	RB Nuctech	31.42
Tools & Plant	RB Nuctech	31.42
Tools & Plant	RB Nuctech	31.42
Plant & Machinery	Supply of Bomb Suit	30.40
Furniture & Fixtures - Other than Trolley	Supply of 3-Seater Chair	30.16
Building -Others	Modification to Parking Shed & Canopy	27.94
Furniture & Fixtures Trolley	Supply of Passenger Baggage Trolleys	26.53
Furniture & Fixtures - Other than Trolley	Provision of Addl. 3-Seater in Passenger Area	26.06

Asset Name	Description of the Assets	Amount
Computer & Peripheral- End User	Provision of 10KVA Online Ups	25.97
Plant & Machinery	Supply of Explosive Vapour Detector	23.23
Building -Others	Construction. of Connecting Corridor to Link SHA I	22.06
Plant & Machinery	Procurement of 230 PBT for Pune	20.34
Tools & Plant	HB Nuctech	20.26
Tools & Plant	HB Nuctech	20.26
Tools & Plant	HB Nuctech	20.26
Tools & Plant	HB Nuctech	20.25
Tools & Plant	HB Nuctech	20.25
Tools & Plant	HB Nuctech	20.25
Tools & Plant	HB Nuctech	20.25
Furniture & Fixtures - Other than Trolley	Provision of Immigration Counter (Wooden Counters) In TB	20.22
Electrical Installation	Replacement of Energy Efficient Flood Light Fitting	19.61
Furniture & Fixtures - Other than Trolley	Provision of Check in Counter in TB	18.52
Furniture & Fixtures – Trolley	Passenger Baggage Trolley 200 Nos.	17.69
Electrical Installation	SITC of Switches for CCTC	17.53
Plant & Machinery	Real Time Viewing System (RTVS)	16.44
Plant & Machinery	SITC of CCTV Workstation at Pune	14.63
Plant & Machinery	SITC of DFMD	13.87
Plant & Machinery	SITC & Integration of Fids Displays at Pune	13.70
Plant & Machinery	SITC of Explosive Trace Detector – ETD.	13.61
Plant & Machinery	SITC of ETD	13.56
Furniture & Fixtures - Other than Trolley	Placing in Position Furniture and Ladies Frisking	13.49
Electrical Installation	Provision of Elevator for Restaurant	13.40
Plant & Machinery	Check In Information Display System SITC of Cods	13.23
Vehicle (Car/Jeep)	Purchase of Innova Crysta: MH 12Qf 4103	13.03
Vehicles	Supply of BDDS Vehicles: MH 12RN 6659	12.63
Building -Others	Provision of Passenger Shed in Parking 2 Area	12.23
Vehicles	Purchase of Ambulance at Pune International Airport	11.33
Furniture & Fixtures - Other than Trolley	Provision of Counter at Terminal Building	10.89
Plant & Machinery	Procurement of Digital Signage with Kiosk	10.52
Building -Terminal	Connection of SHA-I & SHA-II at First Floor Level	10.24
Building -Others	Supply of 2Nos. Portable Shelter	9.74
Electrical Installation	Provision of Elect and A/C Work of CCTV Server & Ups	9.23
Runways, Taxiways, Aprons-Freehold	Recarpeting of Airside Operational Area	8.98
Computer & Package -Intangible Assets	Supply of Battery-Operated Golf Cart	8.73

Asset Name	Description of the Assets	Amount
Furniture & Fixtures - Other than Trolley	Provision of office Furniture for offices At Conference	8.54
Computer & Peripheral- End User	SITC of CCTV Display at Pune	8.41
Plant & Machinery	S/O Search Kit Magnifying	8.39
Building -Others	Provision of Granite Adjacent to Bollards at City Side	8.04
Computer & Peripheral- End User	Provision of UPS for Emergency Lighting in TB	7.28
Furniture & Fixtures - Other than Trolley	Provision of Dustbin (Movable)	6.74
Road	Provision of Paver Blocks for Area Between Road and Dra	6.65
Vehicle (Car/Jeep)	Purchase of Toyota Etios: MH 12QF4049	6.52
Computer & Package -Intangible Assets	MSO-STD-2019 MS Office	6.33
Computer & Peripheral- End User	SITC of Two Nos of 10KVA Ups	5.59
Plant & Machinery	SITC of Additional Fids Displays	5.49
Plant & Machinery	Victim location Equipment Breaching System 15WR-Pune	5.39
Building -Others	Renovation of Toilet Block in TB	5.19
Furniture & Fixtures - Other than Trolley	Vertical Wall Garden in Iron Frame & Placed in TB	5.13
Plant & Machinery	Provision of Drinking Water Fountain in TB	4.64
Furniture & Fixtures - Other than Trolley	Provision of Furniture for Project office	4.49
Plant & Machinery	SITC of Touch Screen Kiosk for First Bag Last Bag	4.39
Vehicle (Car/Jeep)	Innova Crysta – Registration Charges	4.15
Computer & Peripheral- End User	Purchase of Laptops - Qty 7 Nos.	4.05
Plant & Machinery	Provision of Drinking Water Fountain at Pune International Airport	3.28
Computer & Peripheral- End User	Proc. of Dell Monitors for E-gate	3.12
Plant & Machinery	SITC of Mobile Operated Remote-Control Module	2.97
Other office Equipment	SITC of Ent TVS at Pune	2.85
Plant & Machinery	Procurement of Video Conferencing System	2.81
Electrical Installation	PRVN. of Air Circulator Fans	2.70
Computer & Peripheral- End User	Supply of Desktop Computers	2.61
Furniture & Fixtures - Other than Trolley	SS Dustbins at Terminal Building	2.34
Plant & Machinery	Chemical Neutralization Extinguisher 1Kg 5Nos	2.10
Electrical Installation	Supply of Multi Cable Winch	2.10
Furniture & Fixtures - Other than Trolley	Provision of Furniture for Staff Canteen	2.05
Other office Equipment	Purchase of Printers Without Fax	1.64
Other office Equipment	S/O Biometric Attendance	1.63
Plant & Machinery	SITC of Movable TV Stand	1.59
Computer & Peripheral- End User	Supply, Inst. Testing & Comm. of Computers & IT	1.55

Asset Name	Description of the Assets	Amount
Vehicle (Car/Jeep)	Toyota Etios - Registration Charges	1.48
Computer & Peripheral- End User	S/O Hp400G4 MT 17 Desktop for Finance	1.42
Computer & Peripheral- End User	Supply of Computers	0.95
Computer & Package -Intangible Assets	Supply of MS Office 2016 At Pune	0.84
Electrical Installation	Portable Generator 01No For Disaster Management	0.83
Electrical Installation	Emergency Lighting System 15Wr-Pune	0.69
Tools & Plant	Micro Go Hand Sanitizer.	0.67
Computer & Peripheral- End User	HP450 G5 I7 Laptop	0.67
Computer & Peripheral- End User	Supply of A3 MFP 5024 Printer	0.59
Furniture & Fixtures - Other than Trolley	SITC of N/W Rack for CCTV	0.51
Computer & Peripheral- End User	Purchase of Printer with Fax	0.49
Vehicles	TVS Star City MH 12 RG3462: MH12 RG 3462	0.44
Computer & Package -Intangible Assets	S/O MS Office 2016 STD for Finance	0.41
Tools & Plant	Supply of Explosive Detection & Identification Spray Kit	0.40
Computer & Peripheral- End User	Supply of HP MFP M177 Printer	0.36
Furniture & Fixtures - Other than Trolley	Provision of office Furniture for Offices at conference	0.36
Plant & Machinery	Procurement of Samsung Display for VC at Pune	0.31
Computer & Package -Intangible Assets	S/O MS Office Home & Business 2016 for Civil	0.28
Computer & Peripheral- End User	Supply of Numeric UPS	0.24
Computer & Peripheral- End User	S/O HP LJ MFP M126NW Printer for Finance	0.22
Furniture & Fixtures - Other than Trolley	Provision of Furniture for Custom office at Pune	0.20
Computer & Peripheral- End User	S/O HP MFP M227Sdm Printer for Civil Project	0.19
CFT & Fire Fighting equipment	Fireman Helmet Fire Service officials :500 Nos	0.13
Computer & Peripheral- End User	S/O 1Kva Numeric Ups for Finance	0.12
Electrical Installation	S/O Samsung Refrigerator for CISF	0.11
Plant & Machinery	Installation & Testing of IT Equipment laying of office	0.11
Total		3,876.72

15.5 Annexure IV: List of Assets classified as Aero by AAI reclassified as Non-Aero/Common by the Authority in Second Control Period

(Rs. in Lakhs)

Asset Name	Description of the Assets	Completion Year	Original cost	Classification	Aero Amount
Building-Others	Pvn. of Epoxy & Antistatic Flooring at Sub-Station	2016-17	25.85	C	25.29
Computer & Peripheral-End User	SITC of 3KVA UPS	2016-17	1.97	C	1.86
Computer & Peripheral-End User	3KVA UPS & Batteries	2016-17	0.79	C	0.74
Computer & Peripheral-End User	S/O Computers & Accessories	2016-17	12.01	C	11.35
Electrical Installation	Replacement of Existing Light Fitting of SHA 1	2016-17	16.32	C	14.91
Electrical Installation	Pvn. of Air Circulators, Exhaust Fans, HVLS Fans	2016-17	10.97	C	10.02
Furniture & Fixtures-Other than Trolley	S/O Sofa Set for VIP Room in Arrival Hall	2016-17	4.00	N	-
Furniture & Fixtures-Other than Trolley	Provision Of Furniture for VIP Lounge	2016-17	4.95	N	-
Plant & Machinery	S/O Motorized Hydraulic Ladder for Hanger & Street	2016-17	19.55	C	17.87
Other office Equipment	Supply Installation of Biometric Attendance	2016-17	0.89	C	0.84
Building-Others	Shifting of Structural Glazing Towards City Side	2017-18	315.11	C	287.92
Building-Others	Modification to Parking Shed & Canopy	2017-18	27.94	N	-
Computer & Package - Intangible Assets	Supply of Ms Office 2016 At Pune	2017-18	0.84	C	0.81
Computer & Package - Intangible Assets	S/O Ms Office 2016 Std for Finance	2017-18	0.41	C	0.39
Computer & Peripheral-End User	Supply, Inst. Testing & Comm. of Computers& It	2017-18	1.55	C	1.49
Computer & Peripheral-End User	Supply of Desktop Computers	2017-18	2.61	C	2.52
Computer & Peripheral-End User	Supply of Numeric UPS	2017-18	0.24	C	0.23
Computer & Peripheral-End User	Supply of HP MFP M177 Printer	2017-18	0.36	C	0.35
Computer & Peripheral-End User	Supply of Computers	2017-18	0.95	C	0.92
Computer & Peripheral-End User	Supply of A3 MFP 5024 Printer	2017-18	0.59	C	0.57
Computer & Peripheral-End User	Pvn. of UPS for Emergency Lighting in TB	2017-18	7.28	C	6.66
Computer & Peripheral-End User	S/O Hp MFP M227sdm Printer for Civil Project	2017-18	0.19	C	0.18

Asset Name	Description of the Assets	Completion Year	Original cost	Classification	Aero Amount
Computer & Peripheral-End User	S/O HP LJ MFP M126NW Printer for Finance	2017-18	0.22	C	0.21
Computer & Peripheral-End User	S/O 1KVA Numeric UPS for Finance	2017-18	0.12	C	0.12
Computer & Peripheral-End User	S/O Hp400g4 Mt 17 Desktop for Finance	2017-18	1.42	C	1.37
Furniture & Fixtures-Other than Trolley	Pvn. of Furniture for Project office	2017-18	4.49	C	4.10
Plant & Machinery	Supply of IT Equipment	2017-18	0.40	C	0.38
Plant & Machinery	Installation & Testing of It Eqpt. Laying of Office	2017-18	0.11	C	0.10
Plant & Machinery	Procurement of Samsung Display for VC at Pune	2017-18	0.31	C	0.30
Plant & Machinery	Procurement of Video Conferencing System	2017-18	2.81	C	2.71
Electrical Installation	Replacement of Retro Fitting of Existing	2017-18	34.66	C	31.67
Vehicle- Cars & Jeeps	Innova Crysta - Regn. Charges	2017-18	4.15	C	4.01
Vehicle- Cars & Jeeps	Toyota Etios - Regn. Charges	2017-18	1.48	C	1.43
Building-Others	Constn. of Connecting Corridor to Link SHA I	2018-19	22.06	C	20.15
Computer & Package - Intangible Assets	Mso-Std-2019 Ms Office	2018-19	6.33	C	6.18
Computer & Peripheral-End User	Purchase of Desktop Computers 30nos	2018-19		C	
Computer & Peripheral-End User	Purchase of Printer with Fax	2018-19	0.49	C	0.48
Computer & Peripheral-End User	Purchase of Laptops - Qty 7 Nos.	2018-19	4.05	C	3.96
Computer & Peripheral-End User	Pvn. of 10KVA Online UPS	2018-19	25.97	C	25.37
Computer & Package - Intangible Assets	Procurement of Window Server 2019	2018-19	-	C	-
Electrical Installation	Prvn. of Air Circulator Fans	2018-19	2.70	C	2.46
Furniture & Fixtures-Other than Trolley	Pvn. of Office Furniture for Offices at Conference	2018-19	8.54	C	8.34
Computer & Peripheral-End User	Purchase of Printers Without Fax	2018-19	1.64	C	1.60
Plant & Machinery	SITC of Movable Tv Stand	2018-19	1.59	C	1.55
Building-Terminal	Connection of SHA I & SHA II at First Floor Level	2019-20	10.24	C	9.36
Building-Terminal	Expn. of SHA II First Floor Towards East Side	2019-20	32.66	C	29.84
Building-Others	Pvn. of Passenger Shed in Parking 2 Area	2019-20	12.23	N	-
Computer & Peripheral-End User	HP450 G5 I7 Laptop	2019-20	0.67	C	0.63

Asset Name	Description of the Assets	Completion Year	Original cost	Classification	Aero Amount
Computer & Peripheral-End User	SITC of Two Nos of 10KVA UPS	2019-20	5.59	C	5.25
Furniture & Fixtures-Other than Trolley	Pvn. of Office Furniture for Offices at Conference	2019-20	0.36	C	0.33
Furniture & Fixtures-Other than Trolley	Pvn. of Furniture for Staff Canteen	2019-20	2.05	C	1.92
Other Office Equipment's	S/O Biometric Attendance	2019-20	1.63	C	1.53
Other Office Equipments	Biometric Access Control System	2019-20	-	C	-
Plant & Machinery	Biometric Access Control System	2019-20	-	C	-
Building-Terminal	Tensile Canopy Towards East Side	2020-21	31.17	C	28.48
Building-Terminal	Modification in Sha II	2020-21	19.25	C	17.59
Computer & Package - Intangible Assets	SITC of E-Pos Solution at 15 Airport (Software)	2020-21	5.00	N	-
Plant & Machinery	SITC of Epos (Electronic Point of Sale) Solution at 15 Airports	2020-21	3.42	N	-
Other Office Equipment's	Purchase of Digital Screen for Project Office	2020-21	0.57	C	0.53
Plant & Machinery	Vending Machine Tea/coffee at Pune Airport Qty 3	2020-21	0.42	N	-
Total			704.15		596.89