



सत्यमेव जयते

Airports Economic Regulatory Authority of India

**IN THE MATTER OF
DETERMINATION OF FUEL INFRASTRUCTURE FEE FOR
BPCL KANNUR FUEL FARM PRIVATE LIMITED (BKFFPL) AT
KANNUR INTERNATIONAL AIRPORT FOR
THE FIRST CONTROL PERIOD
(01.04.2021 - 31.03.2023)**

06 December, 2021

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

STAKEHOLDERS' COMMENTS

The Authority is aware of the fact that the Aviation Sector is undergoing unprecedented turbulence and uncertainty on account of the COVID 19 PANDEMIC and the associated lockdown situation in the major cities around the world has resulted in restrictions in air travel, both domestic and international. The Authority has released this Consultation Paper, after examining the impact of COVID 19 PANDEMIC on the various assumptions stipulated in the Multi Year Tariff Proposal ('MYTP') submitted by the ISPs. Accordingly, the Authority's opinion on the various aspects forming part of the tariff determination process have been explained in detail in this Consultation Paper.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Consultation Paper No. 23/2021-22 dated 06 December, 2021 are invited from the Stakeholders, preferably in electronic form, at the following address:

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA), AERA
Administrative Complex, Safdarjung Airport,
New Delhi – 110003, India
Email: satish.kr@aera.gov.in, mravi.aera@govcontractor.in
Copy to: director-ps@aera.gov.in and secretary@aera.gov.in

Last Date for submission of Stakeholders' comments: **27/12/2021**

Last Date for submission of counter comments: **06/01/2022**

Comments and counter comments will be posted on AERA's website www.aera.gov.in

For any clarification/information, Director (P&S, Tariff) may be contacted at Telephone No. +91-11-24695048.

LIST OF CONTENT

1	BACKGROUND.....	7
2	METHODOLOGY FOR TARIFF DETERMINATION.....	10
3	TRUE UP FOR THE YEARS FY 2019-20 AND FY 2020-21 OF THE FIRST CONTROL PERIOD	12
4	FUEL THROUGHPUT (VOLUMES) FOR THE BALANCE PERIOD OF FIRST CONTROL PERIOD.....	20
5	REGULATORY ASSET BASE AND DEPRECIATION FOR FY 2021-22 AND FY 2022-23.....	22
6	FAIR RATE OF RETURN (FROR).....	25
7	OPERATING EXPENSES FOR THE BALANCE PERIOD OF FIRST CONTROL PERIOD (FY 2021-22 AND FY 2022-23).....	27
8	OTHER INCOME.....	32
9	INCOME TAX.....	33
10	AGGREGATE REVENUE REQUIREMENT.....	34
11	ANNUAL TARIFF PROPOSAL	36
12	SUMMARY OF AUTHORITY's PROPOSALS	38
13	STAKEHOLDERS' CONSULTATION TIMELINE.....	40
14	ANNEXURE –I (TARIFF CARD)	41

LIST OF TABLES

Sl. No.	Description	Page No
1	Capital Expenditure for the years FY 2019-20 and FY 2020-21 as submitted by BKFFPL for True up.	12
2	Depreciation rate and useful life of assets as adopted by M/S BKFFPL for the years FY 2019-20 and FY 2020-21.	13
3	Assets wise Depreciation as submitted by M/s BKFFPL for the years FY 2019-20 and FY 2020-21.	13
4	RAB as submitted by M/s BKFFPL for the years FY 2019-20 and FY 2020-21	14
5	FRoR considered by BKFFPL for the years FY 2019-20 and FY 2020-21.	14
6	Revised cost of Debts proposed to be considered by the Authority for the years FY 2019-20 and FY 2020-21.	15
7	FRoR proposed to be considered by the Authority for the years FY 2019-20 and FY 2020-21.	15
8	Operating Expenses as submitted by BKFFPL for the years FY 2019-20 and FY 2020-21.	16
9	Other Income proposed to be considered by the Authority for the years FY 2019-20 and FY 2020-21.	17
10	Aggregate Revenue Requirement as submitted by M/s BKFFPL for the First Control Period.	17
11	ARR proposed to be considered by the Authority for True up of the years FY 2019-20 and FY 2020-21.	18
12	Actual volume handled by M/s BKFFPL for the years FY 2019-20 and FY 2020-21.	20
13	Throughput volume projected by M/s BKFFPL for the years FY 2021-22 and FY 2022-23	20
14	Revised throughput volume proposed to be considered by the Authority for the years FY 2021-22 and FY 2022-23.	21
15	Useful life of Assets and depreciation rates adopted by M/s BKFFPL for the First Control Period.	22
16	Depreciation charged by M/s BKFFPL for the years FY 2021-22 and FY 2022-23.	22
17	Regulatory Asset Base (RAB) submitted by M/s BKFFPL for the years FY 2021-22 and FY 2022-23.	23
18	Fair rate of Return (FRoR) as submitted by M/s BKFFPL for the years FY 2021-22 and FY 2022-23.	25
19	Revised Fair rate of Return (FRoR) proposed to be considered by the Authority for the years FY 2021-22 and FY 2022-23.	25
20	Operating Expenses as submitted by M/s BKFFPL for the years FY 2021-22 and FY 2022-23.	27
21	Details of Operator Expenses for FY 2021-22 and FY 2022-23 as submitted by M/s BKFFPL	28

Sl. No.	Description	Page No
22	Revised Operator Expenses proposed to be adopted by the Authority for FY 2021-22 and FY 2022-23	29
23	Details of Other Expenses for FY 2021-22 and FY 2022-23 as submitted by M/s BKFFPL	29
24	Revised Other Expenses proposed to be considered by the Authority for FY 2021-22 and FY 2022-23	30
25	Revised Operating and Maintenance Expenses proposed to be adopted by the Authority for FY 2021-22 and FY 2022-23	31
26	Aggregate Revenue Requirement as submitted by M/s BKFFPL for the First Control Period.	34
27	Revised Aggregate Revenue Requirement proposed to be considered by the Authority for the years FY 2021-22 and FY 2022-23.	35

LIST OF ABBREVIATIONS

AAI	Airport Authority of India
AERA or the Authority	Airports Economic Regulatory Authority of India
Aero	Aeronautical
ARR	Aggregate Revenue Requirement
ATM	Air traffic movement
ATP	Annual Tariff Proposal
ATF	Aviation Fuel
BPCL	Bharat Petroleum Corporation Limited
BKFFPL	BPCL Kannur Fuel Farm Private Limited
CA	Concession & Operating Agreement between DAFFPL and DIAL
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CGF	Cargo Facility, Ground Handling and Fuel Supply services
CGF Guidelines	Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011 dated 10.01.2011
Concession period	Concession term is for 25 years from date of commencement of CA i.e. 01.07.2010
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
DIAL/ Airport Operator	Delhi International Airport Private Limited
FIC or Infrastructure charge	Fuel Infrastructure Charge
FIF	Fuel Infrastructure Fee
FRoR	Fair Rate of Return
FY	Financial Year
GOI	Government Of India
IND AS	Indian Accounting Standard
INR or Rs.	Indian rupees
IOCL	Indian Oil Corporation Limited
IOSL	Indian Oil Sky Tanking Limited
IRR	Internal Rate of Return
ITP	Into Plane Service Provider
JVC	Joint Venture Company
KIAL	Kannur International Airport Limited
KL	Kilo litre
MYTO	Multi Year Tariff Order
MYTP	Multi Year Tariff Proposal
O&M	Operating and Maintenance
OPEX	Operating Expenditure
P&L	Profit and Loss
p.a.	Per Annum
PAX	Passenger(s)
RAB	Regulatory Asset Base
Re	Cost of equity
ROU Assets	Right of Use Assets
SLM	Straight Line Method
Sq.m.	Square Meter

1. BACKGROUND

1.1. Overview of Kannur International Airport (KIAL) and BPCL-KIAL Fuel Farm Private Limited

- 1.1.1. Kannur International Airport is a Greenfield Airport setup under the Public Private Partnership (“PPP”) model. KIAL has been promoted by Govt. of Kerala with equity participation from PSUs (BPCL and Kerala PSUs), AAI and private sector participation. The Airport is located close to Mattannur in Kannur district of Kerala. The Airport has been planned for development in phases. Kannur International Airport commenced its commercial operations on 9th December 2018.
- 1.1.2. BPCL KIAL Fuel Farm Private Limited (BKFFPL) incorporated on 18th May 2015 as a Joint Venture Company of BPCL and KIAL with equity shareholding of 74:26 respectively. The Company was formed to design, develop, construct, manage, maintain, upgrade and operate the Aviation Fuel farm with allied facilities and hydrant system at both domestic and international terminals of Kannur International Airport for the supply of ATF on exclusive basis. Accordingly, BKFFPL has the right to operate the fuel farm at the Kannur International Airport for a period of 30 years, extendable by an another 30 years on mutually agreed terms and conditions.
- 1.1.3. M/s BKFFPL carries out both Fuel Farm Services as well as Into Plane Services as composite Service. The Fuel Infrastructure Fee determined is a common/ composite fee for both the services. In addition to Fuel Infrastructure Fee, M/s BKFFPL has also requested for approval of Refueling and Defueling charges separately as approved in the Authority’s order no. 34/2018-19 dated 04.12.2018. M/s BKFFPL has kept the separate refueling and defueling charges so that they can offer these services, if any aircraft requires only these services. M/s BKFFPL also stated that the requirement for refueling and defueling services is very minimal/ occasional and financial implication is negligible at Kannur International Airport.

1.2. Overview of Fuel Farm and Into Plane Services

1.2.1. Fuel Farm Infrastructure.

- 1.2.1.1. BPCL-KIAL Fuel Farm Facility is the sole provider of Fuel Farm and Into Plane Services to meet the ATF demand at Kannur Airport. The Infrastructure of the Fuel Farm Facility is planned to be developed in two phases. In addition to the existing facility planned in phase II are:

- 2 x 45 KL Underground Tank
- 2 x 450 KL Aboveground Tank
- 4 bays Tank Lorry decantation & Refueller Loading (Common) Gantry
- 2 Storey Admin Building
- MCC Room
- Product Pumps

These facilities are planned in an area of 3 acres (approx) of land.

- 1.2.1.2. M/s BKFFPL submitted that the Hydrant system was planned for construction and completion by FY 2022-23. However, due to the reduction in demand for ATF in the background of Covid-19 pandemic and non-commencement of international operations at Kannur Airport, the capital expenditure for phase II development has been deferred. The development of these works will be taken up at a later stage after the revival of air traffic movements at Kannur Airport.

1.3. Model of Operation

- 1.3.1. The Fuel-Farm has been set up to function under “Open Access” model for the usage of all the eligible Oil Marketing Companies. In Phase-I, the Fuel will be supplied into plane with the help of refuellers. Operations and Maintenance (O&M) of the Fuel Farm and Into-plane services are carried out by BPCL on behalf of M/s BKFFPL.
- 1.3.2. Currently, Bharat Petroleum, Indian Oil and Shell MRPL are supplying oil to the Fuel Farm. BKFFPL is providing the services of receipt, storage and delivery of ATF to the airlines.

1.4. Tariff and past approvals from AERA

- 1.4.1. The Authority had issued an ad hoc tariff order No 34/2018-19 dated 04/12/2018 permitting ad hoc FIF charges at Rs.1900 per KL.
- 1.4.2. Subsequently, based on the review of MYTP submitted by BKFFPL, Authority had issued a Consultation Paper No 05/2019-20 dated 16.08.2019 for seeking comments on the charges proposed to be approved.
- 1.4.3. Based on review of submissions, Authority had issued Order No 14/2019-20 dated 28.10.2019 approving a charge of Rs.1846 per KL to be collected towards the Fuel Infrastructure charges and the Into Plane services collectively called Fuel Infrastructure Fee for the period from 01.11.2019 till 31st March 2021. The following were decided in the Order No 14/2019-20.
- 1.4.3.1. As per Para 8.2 of the Tariff Order No. 14/2019-20 dated 28.10.2019, the Authority decided that the tariff for the period FY 2019-20 to 2022-23 will be determined under Price Cap approach since, M/S BKFFPL is the sole service provider at Kannur International Airport for Fuel Farm and Into Plane services.
- 1.4.3.2. M/s BKFFPL should file its Annual Tariff Proposal (ATP) for FY 2021-22 & 2022-23 of the 1st Control Period well in advance. The tariff for the above said period will be determined on review of the actual revenues, operating expense, ARR etc., as well as status of the proposed construction of Hydrant System, and, also submission of the preceding year Annual Compliance Statement (ACS).
- 1.4.4. Subsequently, the Authority vide Order No 67/2020-21 dated 25.03.2021 approved continued levy of the tariff at Rs.1846 per KL till September 2021. This was further extended vide Interim Order no.18/2021 dated 15th September 2021 upto 31st March 2022 or determination of tariff, whichever is earlier.

1.5. Multi Year Tariff Proposal.

- 1.5.1. M/S BKFFPL submitted the MYTP for the years FY 2021-22 and FY 2022-23 vide their letter No .BKFFPL/AERA/2021-22/03 dated 27th September 2021. BKFFPL has

requested the Authority to consider the under recovery during the previous years (FY 2018-19 to FY 2020-21) and for increasing FIF charges from Rs.1846/kl to Rs.4996/kl.

- 1.5.2. M/S BKFFPL has also submitted the audited financial statements for the years FY 2018-19, FY 2019-20 and FY 2020-21 and a copy of the Minutes of the Joint Co-ordination Committee meeting held on 7th September 2021.

2. METHODOLOGY FOR TARIFF DETERMINATION

2.1. As stipulated in the CGF guidelines, the Authority shall follow a three stage process for determination of its approach to the regulation of a regulated service

2.1.1. Materiality Assessment

2.1.2. Competition Assessment

2.1.3. Assessment of reasonableness of User Agreements between the Service Providers and the Users of regulated services.

2.2. Based on the above parameters the situation in respect of BKFFPL is as given below:

2.2.1. The fuel throughput handled at Kannur Airport is less than the threshold level of 5% as given in the materiality index. Therefore it is “Not Material”.

2.2.2. BKFFPL is the sole provider of Fuel Farm and Into Plane services at Kannur Airport. Therefore there is no competition and it is a monopoly in nature. The Authority in the Order no.14/2019-20 dated 28th October 2019 noted that M/S BKFFPL is the only firm operating the Fuel Farm at Kannur International Airport, there is no competition, therefore, the Authority, has decided to adopt “Price Cap Approach” for determination of tariff for the period FY 2019-20 to FY 2022-23 of First Control Period.

2.2.3. M/s BKFFPL has not submitted copy of any user agreement with the stakeholders/users. They have submitted a copy of Minutes of Meeting of Joint Co-ordination Committee in which representatives of IOCL, BPCL and Shell MRPL participated. No representative of any airline participated in the meeting. Only BPCL has agreed for revision of Fuel Infrastructure Fee and the representatives of IOCL and Shell MRPL had indicated that they require more time to finalize their stand.

2.2.4. It is therefore proposed that the tariff determination for the balance period of First Control period FY 2021-22 and FY 2022-23 will be done by adopting ‘Price Cap Approach’. The under recovery made during FY 2019-20 and FY 2020-21 will also be taken into account while determining the tariff for the balance period of First Control Period.

2.2.5. M/S BKFFPL has no other business except Fuel Farm and Into Plan Services. Therefore other income, if any will be considered for cross subsidizing Fuel Infrastructure Fee.

2.3. The formula for determining ARR is as follows:

$$ARR = \sum_{t=1}^5 (ARR_t) \text{ and}$$

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

Where

‘t’ is the Tariff Year in the Control Period;

ARR_t is the Aggregate Revenue Requirement for year ‘t’;

FRoR is the Fair Rate of Return for the control period;

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

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

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

T_t is the corporate tax for the year 't' paid by the airport operator on the aeronautical profits; and

NAR_t is the revenue from services other than aeronautical services for the year 't'

2.4. Authority's Proposal regarding Methodology of Tariff Determination for the First Control Period

Based on the material before it and based on its analysis, the Authority has proposed the following regarding Methodology for Tariff Determination of M/S BKFFPL for the First Control Period:

- 2.4.1. The Authority proposes to adopt "Price Cap Approach" on Single Till Basis for tariff determination of M/S BKFFPL for FY 2019-20 to FY 2022-23 of First Control Period.

3. TRUE UP FOR THE YEARS FY 2019-20 AND FY 2020-21 OF THE FIRST CONTROL PERIOD

- 3.1. The Authority, while determining the tariff of Rs.1846/kl vide order no.14/2019-20 dated 28th October 2019, for the years FY 2019-20 and FY 2020-21, decided that Price Cap Approach will be adopted for the years FY 2019-20 to FY 2022-23.
- 3.2. M/s BKFFPL submitted that due to Covid 19, the volume handled reduced by 19% during the year FY 2019-20 and by 72% during the year FY 2020-21 compared to the projections made while submitting the MYTP for these years.
- 3.3. M/s BKFFPL has submitted the MYTP considering the true up for FY 2018-19 to FY 2020-21. The Authority in line with the earlier decision as stated in Para 3.1 above, proposes to consider true up for the years FY 2019-20 and FY 2020-21.
- 3.4. The building blocks of tariff determination worked out for the true up are discussed below:

CAPITAL EXPENDITURE

- 3.5. M/s BKFFPL has not incurred any major capital expenditure during the year FY 2019-20 and FY 2020-21. However M/s BLFFPL has incurred an amount of Rs.15.99 lakhs during the year FY 2019-20 and Rs.7.80 lakhs during the year 2020-21 as per their requirement. The asset wise capital expenditure incurred is given below:

Table no. 1 – Capital Expenditure for the years FY 2019-20 and FY 2020-21 as submitted by BKFFPL for True up.

Particulars (Rs. In lakhs)	FY 2019-20	FY 2020-21	Total
Buildings	8.61	7.16	15.77
Culverts & Drain	0.40		0.40
Electrical Equipment's	0.86	0.16	1.02
Furniture & Fixtures	3.59	0.32	3.91
Roads	0.70		0.70
Plant & Machinery	0.33	0.16	0.49
Deadstock	0.67		0.67
Land Improvement	0.83		0.83
Total	15.99	7.80	23.79

3.6. Authority's examination on Capital Expenditure for FY 2019-20 and FY 2020-21

- 3.6.1. The Authority notes that the capital expenditure incurred are small in value and necessitated because of operational requirements. Therefore, it is proposed to consider the capital expenditure as per Table No-1 for true up of FY 2019-20 and FY 2020-21.

DEPRECIATION

3.7. The depreciation rate and useful life of assets as adopted by M/S BKFFPL is give below:

Table no. 2 - Depreciation rate and useful life of assets as adopted by M/S BKFFPL for the years FY 2019-20 and FY 2020-21

Asset Details	Useful life yrs	Depreciation %
Buildings	30/60	3.33%/1.67%
Computers	3	33.33%
Culverts & Drain	30	3.3%
Electrical Equipment's	10	10%
Furniture & Fixtures	10	10%
Lab Equipment's	10	10%
Office Equipment's	5	20%
Plant & Machinery	25	4%
Roads	10	10%
Tanks	25	4%
Dead stock	-	0%
Land Improvement	60	1.67%

3.8. The depreciation amount as per the audited accounts of M/s BKFFPL for the years FY 2019-20 and FY 2020-21 are given below

Table No. 3 –Assets wise Depreciation as submitted by M/s BKFFPL for the years FY 2019-20 and FY 2020-21.

Particulars (Rs.in lakhs)	FY 2019-20	FY 2020-21	Total
Buildings	14.76	15.58	30.34
Computers	0.20	0.08	0.28
Culverts & Drain	3.38	3.38	6.76
Electrical Equipments	7.87	7.92	15.79
Furniture & Fixtures	2.43	2.63	5.06
Lab Equipments	0.51	0.51	1.02
Office Equipments	2.29	2.41	4.70
Plant & Machinery	6.96	6.98	13.94
Roads	24.69	24.74	49.43
Tanks	7.09	7.08	14.17
Deadstock	0	0	0
Land Improvement	3.17	3.18	6.35
Total	73.35	74.49	147.84

3.9. Authority's examination on Depreciation for FY 2019-20 and FY 2020-21

3.9.1. The Authority notes that the useful life of assets adopted by M/s BKFFPL is mostly in line with the rates laid down in Authority's order no.35/2017-18 dated 9th April 2018.

3.9.2. In line with the approach of the Authority treating the Deadstock as a non depreciable asset, M/s BKFFPL has also treated the Deadstock as a non depreciable asset.

- 3.9.3. In line with the approach of the Authority in treating the land lease rent as operating expenses, M/s BKFFPL has submitted the depreciation by excluding the Right of Use Assets created in the books under Ind AS 116.
- 3.9.4. The Authority notes that M/s BKFFPL has capitalized the cost of improvement in land for constructing the building under land improvement.
- 3.9.5. Therefore the Authority proposes to consider depreciation as per Table No 3 for the true up of FY2019-20 and FY 2020-21.

REGULATORY ASSET BASE

- 3.10.** The Regulatory Asset Base (RAB) considering the capital expenditure and Depreciation as submitted by M/s BKFFPL for true up of FY 2019-20 and FY 2020-21 are given below:

Table No.4 - RAB as submitted by M/s BKFFPL for the years FY 2019-20 and FY 2020-21

Particulars (Rs. In lakhs)	FY 2019-20	FY 2020-21	Total
Opening RAB (A)	1647.00	1589.64	-----
Additions (B)	15.99	7.80	23.79
Depreciation (C)	73.35	74.49	147.84
Closing RAB D=(A+B-C)	1589.64	1522.95	-----
Average RAB E = (A+D)/2	1618.32	1556.30	-----

3.11. Authority's examination on Regulatory Asset Base for FY 2019-20 and FY 2020-21.

- 3.11.1. The Authority notes that the Capital Expenditure incurred by the M/s BKFFPL for the years FY 2019-20 and FY 2020-21 are minor in nature and required because of site conditions.
- 3.11.2. The Authority notes that the depreciation rates adopted by M/s BKFFPL are in line with the Order No 35/2017-18 dated 9th April 2018.
- 3.11.3. In line with the approach of the Authority in treating the land lease rent as operating expenses, M/s BKFFPL has excluded the Right of Use Assets from the Regulatory Asset Base.
- 3.11.4. In view of the above, the Authority proposes to consider the RAB as per Table No 4.

FAIR RATE OF RETURN

- 3.12.** M/s BKFFPL submitted that calculation of FRoR based on the loan repayment structure and the position of equity and debt the FRoR as per details given below:

Table No. 5 – FRoR considered by BKFFPL for the years FY 2019-20 and FY 2020-21

Particulars (Rs. In lakhs)	FY 2019-20	FY 2020-21
Opening Equity	900.00	900.00
Closing Equity	900.00	900.00

Average Equity	900.00	900.00
Opening Debt	899.37	899.43
Closing Debt	899.43	1075.00
Average Debt	899.43	987.00
Gearing	49.98%	52.30%
Cost of Debt	8.96%	8.29%
Cost of Equity	16%	16%
FRoR	12.48%	11.97%

3.13. **Authority's examination on FRoR for FY 2019-20 and FY 2020-21**

3.13.1. The Authority notes that M/s BKFFPL has claimed a return on equity of 16% as against the Cost of Equity considered by the Authority in similar cases which is 14%.

3.13.2. The Authority further notes that the closing balance of debt was not adopted correctly by M/s BKFFPL.

3.13.3. It is observed that the cost of Debt as per audited accounts, year wise is as given below

Table No. 6 – Revised cost of Debts proposed to be considered by the Authority for the years FY 2019-20 and FY 2020-21

Year	Cost of Debt	Average Rate
FY 2018-19	8.50%	
FY 2019-20	8.55%	8.52%
FY 2020-21	7.65% (HDFC) 8.25% (GECL) 7.74% (Average)	8.15%

3.13.4. It is proposed to consider the cost of Debt for the year FY 2019-20 as 8.52% and for the year FY 2020-21 as 8.15% as per the above table.

3.13.5. The Authority has reworked the FRoR considering the cost of equity at 14% and cost of debt at 8.52% for the year FY 2019-20 and at 8.15% for the year FY 2020-21 and also correcting the closing balance of debt as per the Audited Accounts as given below:

Table No.7 - FRoR proposed to be considered by the Authority for the years FY 2019-20 and FY 2020-21

Particulars (Rs. In lakhs)	FY 2019-20	FY 2020-21
Opening Equity	900.00	900.00
Closing Equity	900.00	900.00
Average Equity	900.00	900.00
Opening Debt	899.37	809.43
Closing Debt	809.43	1052.20
Average Debt	854.40	930.82
Gearing	48.70%	50.84%

Cost of Debt	8.52%	8.15%
Cost of Equity	14%	14%
FRoR		
Equity Portion	7.18%	6.88%
Debt Portion	4.15%	4.14%
Total	11.33%	11.02%
Average FRoR	11.18%	

3.13.6. The Average FRoR for the two years comes to 11.18% which is being used for calculating the return on RAB and Discounting Factor for true up of the of FY 2019-20 and FY 2020-21.

INCOME TAX

3.14. Since M/s BKFFPL has made losses during FY 2019-20 and FY 2020-21, there is no element of Income Tax to be considered for the true up for FY 2019-20 and FY 2020-21.

OPERATING EXPENSES

3.15. The Operating Expenses for the year FY 2019-20 and FY 2020-21 as submitted by M/s BKFFPL is given below:

Table No. 8 Operating Expenses as submitted by BKFFPL for the years FY 2019-20 and FY 2020-21

Particulars (Rs. In lakhs)	FY 2019-20	FY 2020-21	Total
Salaries	16.66	15.54	32.20
Land lease Rent	137.06	125.00	262.06
Insurance	0.81	2.76	3.57
Power charges	9.99	8.27	18.26
Operator charges to BPCL	398.53	335.19	733.72
Repair & Maintenance	1.84	1.10	2.94
Other Expenses	52.01	13.43	65.44
Total	616.90	501.29	1118.19

3.16. Authority's examination on Operating Expenses for FY 2019-20 and FY 2020-21

3.16.1. The Authority notes that the lease rent payable to the Airport Operator has been treated by M/s BKFFPL as Right of Use Assets in the books of accounts in line with Ind As 116. However, in line with the approach of the Authority treating the same as part of operating expenses the lease rent has been included in the operating expenses. The lease rent in the first year applicable is Rs.475.24/sq.m for an area of 28000 sq.m and thereafter an escalation of 9% YoY in the month of December is also applicable as per the relevant agreement.

3.16.2. Further the expense figures as per the Table No.8 were cross checked from the Annual Reports.

3.16.3. The Authority proposes to consider the operating expenses as per Table no 8 for the true up of FY 2019-20 and FY 2020-21.

OTHER INCOME:

3.17. The other income was not separately shown in the ARR calculations by M/S BKFFPL. Since these income are not regulated and they are considered for cross subsidizing Fuel Infrastructure Fee and are reduced from the ARR recoverable. The year wise figures for other income are given below:

Table No.9 – Other Income proposed to be considered by the Authority for the years FY 2019-20 and FY 2020-21

Particulars (Rs.in lakhs)	FY 2019-20	FY 2020-21	Total
Interest Income	13.34	16.01	29.35
Sale of Scrap		0.07	0.07
Total	13.34	16.08	29.42

3.17.1. The Authority proposes to consider the Other Income as per Table no 9 for the true up of FY 2019-20 and FY 2020-21.

AGGREGATE REVENUE REQUIREMENT

3.18. M/s BKFFPL has submitted a combined ARR statement covering the entire control period including FY 2018-19.

Table No. 10 – Aggregate Revenue Requirement as submitted by M/s BKFFPL for the First Control Period.

Particulars (Rs in Crores)	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Average Regulatory Asset Base	8.24	16.19	15.57	14.86	14.11	
FRoR	12.70%	12.48%	11.97%	11.61%	11.61%	
Return on RAB	1.05	2.02	1.86	1.73	1.64	8.30
Depreciation	0.22	0.73	0.75	0.75	0.75	3.20
Operating Expenses	1.70	6.16	5.03	5.73	6.08	24.70
Taxation	0.00	0.00	0.00	0.00	0.00	0.00
Total Aggregate Revenue Requirement	2.96	8.91	7.64	8.21	8.47	36.19
Revenues collected – Actuals	1.27	8.54	3.26	1.84	0.00	14.91
Estimated Kiloliters (From Oct 21-March 23)				13262	33662	46924

Revenue per KL estimated				4996	4996	9992
Revenue projections				6.63	16.82	23.45
Total Revenue	1.27	8.54	3.26	8.47	16.82	38.36
Discount Rate	1.00	0.89	0.79	0.71	0.64	
Discounted ARR	2.96	7.92	6.07	5.84	5.40	28.19
Discounted revenue	1.27	7.59	2.59	6.03	10.72	28.19

3.19. Authority's Examination on Aggregate Revenue Requirement for true up of FY 2019-20 and FY 2020-21.

- 3.19.1. The Authority notes that the under recovery for the FY 2019-20 and FY 2020-21 has not been worked out separately by M/s BKFFPL.
- 3.19.2. The Authority notes that due to reduction in ATF demand because of Covid 19 pandemic, M/s BKFFPL has made losses during the year FY 2019-20 and FY 2020-21
- 3.19.3. The Authority notes that the International Operations have not commenced at Kannur International Airport till date.
- 3.19.4. The Authority has worked out the under recovery for the years of FY 2019-20 and FY 2020-21, considering the various building blocks of tariff determination as discussed above.

Table No.11 – ARR proposed to be considered by the Authority for True up of the years FY 2019-20 and FY 2020-21.

Particulars (Rs. In lakhs)	Reference	FY 2019-20	FY2020-21	Total
Average RAB (<i>refer Table No. 4</i>)	A	1618.32	1556.3	
FRoR (<i>refer Table No. 7</i>)	B	11.18%	11.18%	
Return on RAB	C=A*B	180.93	173.99	354.92
Depreciation (<i>refer Table No. 3</i>)	D	73.35	74.49	147.84
Opex (<i>refer Table No. 8</i>)	E	616.90	501.29	1118.19
Income Tax	F	0	0	0.00
Gross ARR	G=C+D+E+F	871.18	749.77	1620.95
Less Other Revenue (<i>refer Table No. 9</i>)	H	13.34	16.08	29.42
Net ARR Recoverable	I=G-H	857.84	733.69	1591.53
Discount Factor	J	1.2361	1.1118	
NPV of ARR	K=I*J	1060.37	815.72	1876.09
FIF Revenue	L	840.93	309.69	1150.62
NPV of FIF Revenue	M=J*L	1039.47	344.31	1383.79
Under Recovery	N=K-M			492.31

- 3.20.** The under recovery of Rs.492.31 lakhs will be considered while determining the tariff for the balance period of the control period i.e. FY 2021-22 and FY 2022-23.

3.21. Authority's Proposals regarding True up for FY 2019-20 and 2020-21 of the 1st Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding True up of FY 2019-20 and 2020-21

- 3.21.1. The Authority proposes to consider Capital Expenditure as per Table no 1.
- 3.21.2. The Authority proposes to consider Depreciation as per Table no 3.
- 3.21.3. The Authority proposes to consider Regulatory Asset Base as per Table no 4.
- 3.21.4. The Authority proposes to true up FRoR as per Table no 7.
- 3.21.5. The Authority proposes to consider Operating Expenses as per Table no 8.
- 3.21.6. The Authority proposes to consider Income Tax as "Nil"
- 3.21.7. The Authority proposes to consider other income as per Table no 9.
- 3.21.8. The Authority proposes to true up Aggregate Revenue Requirement as per Table no 11. and also proposes to consider the under recovery of Rs.492.31 lakhs in tariff determination for the balance period of First Control period i.e FY 2021-22 and FY 2022-23.

4. FUEL THROUGHPUT (VOLUMES) FOR THE BALANCE PERIOD OF FIRST CONTROL PERIOD

- 4.1.** M/s BKFFPL submitted that they could not achieve the volumes projected for the years FY 2019-20 and FY 2020-21 due to COVID 19 and non-commencement of international operations at Kannur International Airport. The projections made in the MYTP and the achievement for FY 2019-20 and FY 2020-21 are given below:

Table No. 12 – Actual volume handled by M/s BKFFPL for the years FY 2019-20 and FY 2020-21

Financial Year	Estimated KL	Actual KL	Shortfall
2019-20	55640	44882	19.34%
2020-21	59534	16776	71.82%

- 4.2.** M/s BKFFPL submitted that during the current year the quarterly ATF sales for the period April 2021 to June 2021 were 4306 KL as against the sale in the previous quarter i.e. January 2021 to March 2021 of 7344 KL. This is 41% less than the previous quarter. As per M/S BKFFPL the sales during the subsequent months is also subdued and is around 1554 KL per month. Considering all these factor the projections made by M/s BKFFPL for the year FY 2021-22 and FY 2022-23 are given below:

Table No. 13 – Throughput volume projected by M/s BKFFPL for the years FY 2021-22 and FY 2022-23

Financial Year	Estimated KL	As a % of 2019-20
2021-22	23254	52%
2022-23	33662	75%

4.3. Authority's examination on Fuel Throughput Volume for FY 2019-20 and FY 2020-21

- 4.3.1.** The Authority notes that M/s BKFFPL has projected volumes for the FY 2020-21 as 52% of volume handled during FY 2019-20. As per Traffic News published by AAI, Kannur International Airport has handled 2367 aircraft movements for the period April 2021 to August 2021 as against only 875 movements during April 2020 to August 2020. Considering the same proportion for the rest of the years, the total aircraft movements for the entire year FY 2021-22 comes to 5681 movements which is 58% of the traffic handled during FY 2019-20. On the basis of the aircraft movements and considering the improvement expected in the coming months, it is proposed to adopt Fuel Throughput volumes for FY 2021-22 at 60% of the volumes handled during FY 2019-20.
- 4.3.2.** In the Authority's opinion, the impact of COVID-19 pandemic on the global aviation market is still prevalent and is expected to continue till the end of FY 21-22. However, with the gradual revival of the economy, increase in the uptake of the vaccines, measures taken to make the air travel safe along with easing of air travel restrictions by GoI, the aviation industry is expected to recover at a better pace in the next few years.

- 4.3.3. Considering the positive outlook of the GDP growth predicted by the GoI and relatively better revival of the domestic aviation market, the Authority is of the view that domestic traffic will revert to pre-Covid levels (i.e. FY 2019-20) by FY 2022-23.
- 4.3.4. The Authority notes that there is no International Movements at Kannur International Airport.
- 4.3.5. Accordingly, the revised volumes proposed to be considered by the Authority for FY 2021-22 and FY 2022-23 are given below:

Table No. 14 – Revised throughput volume proposed to be considered by the Authority for the years FY 2021-22 and FY 2022-23

Financial Year	Estimated KL	As a % of 2019-20
2021-22	26929	60%
2022-23	44882	100%

4.4. Authority's Proposal regarding Fuel Throughput (volumes) for the Balance period of First Control Period (FY 2021-22 and FY 2022-23)

Based on the material before it and based on its analysis, the Authority proposes the following regarding Fuel Throughput (volumes) for FY 2021-22 and 2022-23

- 4.4.1. The Authority proposes to consider the projected Fuel Throughput (volumes) for determination of tariff for FY 2021-22 and FY 2022-23 as per Table no 14.
- 4.4.2. The Authority also proposes to true up the Fuel Throughput (Volumes) for FY 2021-22 and FY 2022-23 during the tariff determination for the Second Control Period.

5. REGULATORY ASSET BASE AND DEPRECIATION FOR FY 2021-22 AND FY 2022-23

- 5.1. M/s BKFFPL has not proposed any capital expenditure for FY 2021-22 and FY 2022-23. However, if necessitated due to site and safety requirements, minor capital spending may be undertaken by M/s BKFFPL. M/s BKFFPL has requested the Authority to consider such expenses in the true up during the tariff determination for the Second Control Period.
- 5.2. M/s BKFFPL has deferred the Hydrant System which was proposed to be commissioned in FY 2022-23 due to reduction in volumes because of Covid 19 pandemic and non commencement of international operations at Kannur International Airport.

Depreciation:

- 5.3. The depreciation rate and useful life of assets as adopted by M/S BKFFPL is give below:

Table No. 15 – Useful life of Assets and depreciation rates adopted by M/s BKFFPL for the First Control Period

Asset Details	Useful life yrs	Depreciation %
Buildings	30/60	3.33%/1.67%
Computers	3	33.33%
Culverts & Drain	30	3.33%
Electrical Equipments	10	10%
Furniture & Fixtures	10	10%
Lab Equipments	10	10%
Office Equipments	5	20%
Plant & Machinery	25	4%
Roads	10	10%
Tanks	25	4%
Deadstock	-	0%
Land Improvement	60	1.67%

- 5.4. The depreciation amount projected by M/s BKFFPL for the years FY 2021-22 and FY 2022-23 is given below:

Table No. 16 – Depreciation projected by M/s BKFFPL for the years FY 2021-22 and FY 2022-23

Particulars (Rs.in lakhs)	FY 2021-22	FY 2022-23	Total
Buildings	15.58	15.58	31.16
Computers	0.08	0.08	0.16
Culverts & Drain	3.38	3.38	6.76
Electrical Equipments	7.92	7.92	15.84
Furniture & Fixtures	2.63	2.63	5.26
Lab Equipments	0.51	0.51	1.02
Office Equipments	2.41	2.41	4.82
Plant & Machinery	6.98	6.98	13.96
Roads	24.74	24.74	49.48
Tanks	7.08	7.08	14.16

Deadstock	0	0	0
Land Improvement	3.18	3.18	6.36
Total	74.49	74.49	148.98

5.5. Authority's examination on Depreciation for FY 2021-22 and FY 2022-23

- 5.5.1. The Authority notes that the useful life of assets adopted by M/s BKFFPL is in line with the rates laid down in Authority's order no.35/2017-18 dated 9th April 2018.
- 5.5.2. In line with the approach of the Authority treating the Deadstock as a non depreciable asset, M/s BKFFPL has also treated the Deadstock as a non depreciable asset.
- 5.5.3. In line with the approach of the Authority in treating the land lease rent as operating expenses, M/s BKFFPL has submitted the depreciation by excluding the Right of Use Assets created in the books under Ind AS 116.
- 5.5.4. The Authority notes that M/s BKFFPL has capitalized the cost of developing the land for constructing buildings, under the head land improvement.
- 5.5.5. Therefore, the depreciation as per Table No 16 for the years FY 2021-22 and FY 2022-23 is proposes to be considered by the Authority.

REGULATORY ASSET BASE (RAB)

- 5.6.** M/s BKFFPL has submitted the Regulatory Asset Base (RAB) considering the Nil capital expenditure and Depreciation as per Table No 16 for FY 2021-22 and FY 2022-23 as per details given below:

Table No. 17 – Regulatory Asset Base (RAB) submitted by M/s BKFFPL for the years FY 2021-22 and FY 2022-23

Particulars (Rs. In lakhs)	FY 2021-22	FY 2022-23	Total
Opening RAB (A)	1522.95	1448.46	
Additions (B)	0	0	0
Depreciation (C)	74.49	74.49	148.98
Closing RAB D=A+B-C	1448.46	1373.97	
Average RAB E=(A+D)/2	1485.70	1411.22	

5.7. Authority's examination on Regulatory Asset Base for FY 2021-22 and FY 2022-23.

- 5.7.1. The Authority notes that there is no Capital Expenditure proposed by the M/s BKFFPL for the years FY 2021-22 and FY 2022-23.
- 5.7.2. The Authority notes that the depreciation rates adopted by M/s BKFFPL are in line with the Order No 35/2017-18 dated 9th April 2018.
- 5.7.3. In line with the approach of the Authority treating the land lease rent as operating expenses, M/s BKFFPL has excluded the Right of Use Assets from the Regulatory Asset Base.
- 5.7.4. In view of the above, the Authority proposes to consider the RAB as per Table No 17.

5.8. Authority's Proposals regarding RAB and Depreciation for the balance period of First Control Period (FY 2021-22 and FY 2022-23)

Based on the material before it and based on its analysis, the Authority proposes the following regarding RAB and Depreciation for the FY 2021-22 and 2022-23

- 5.8.1. The Authority proposes to consider Depreciation as per Table no 16.
- 5.8.2. The Authority proposes to consider RAB as per Table no 17.
- 5.8.3. The Authority also proposes to true up Depreciation and Regulatory Asset Base for FY 2021-22 and 2022-23 during the tariff determination for the Second Control Period.

6. FAIR RATE OF RETURN (FROR)

- 6.1. Based on the loan repayment structure and the position of equity and debt the FRoR as submitted by M/s BKFFPL is given below:

Table No. 18 – Fair rate of Return (FRoR) as submitted by M/s BKFFPL for the years FY 2021-22 and FY 2022-23

Particulars (Rs. In lakhs)	FY 2021-22	FY 2022-23
Opening Equity	900.00	900.00
Closing Equity	900.00	900.00
Average Equity	900.00	900.00
Opening Debt	1075.00	1052.00
Closing Debt	1052.00	995.00
Average Debt	1063.00	1024.00
Gearing	54.16%	53.21%
Cost of Debt	7.90%	7.71%
Cost of Equity	16%	16%
FRRoR	11.61%	11.61%

6.2. Authority's examination on FRoR for FY 2021-22 and FY 2022-23

- 6.2.1. The Authority notes that M/s BKFFPL has claimed a return on equity of 16% as against the Cost of Equity considered by the Authority in similar cases, 14%.
- 6.2.2. After considering the Opening balance for FY 2021-22 as per the audited accounts and after considering the cost of equity at 14%, the revised FRoR proposed to be considered for FY 2021-22 and FY 2022-23 is given below:

Table No. 19 – Revised Fair rate of Return (FRoR) proposed to be considered by the Authority for the years FY 2021-22 and FY 2022-23

Particulars (Rs. In lakhs)	FY 2021-22	FY 2022-23
Opening Equity	900.00	900.00
Closing Equity	900.00	900.00
Average Equity	900.00	900.00
Opening Debt	1052.00	1029.00
Closing Debt	1029.00	972.00
Average Debt	1040.50	1000.50
Gearing	53.62%	52.64%
Cost of Debt	7.90%	7.71%
Cost of Equity	14%	14%
FRRoR		
Equity Portion	6.49%	6.63%
Debt Portion	4.24%	4.06%
Total	10.73%	10.69%
Average FRoR	10.71%	

- 6.2.3. The Average FRoR for the two years comes to 10.71% which is being used for calculating the return on RAB and Discounting Factor.

6.3. Authority's Proposal regarding FRoR for the balance period of First Control Period (FY 2021-22 and 2022-23)

Based on the material before it and based on its analysis, the Authority proposes the following regarding FRoR for FY 2021-22 and 2022-23

- 6.3.1. The Authority proposes to maintain the Cost of Equity at 14%
- 6.3.2. The Authority proposes to adopt the revised FRoR as per Table no 19.
- 6.3.3. The Authority also proposes to true up FRoR for FY 2021-22 and 2022-23 during the tariff determination for the Second Control Period.

7. OPERATING EXPENSES FOR THE BALANCE PERIOD OF FIRST CONTROL PERIOD (FY 2021-22 AND FY 2022-23)

- 7.1.** M/s BKFFPL has submitted the details of operating expenses for the FY 2021-22 and FY 2022-23.
- 7.2.** In order to reduce the expenditure M/s BKFFPL has submitted that the following austerity measures were taken to optimize and reduce costs:
- 7.2.1. M/s BKFFPL requested M/S BPCL to reduce the staff from 4 to 3 for FY 2020-21 onwards
- 7.2.2. M/s BKFFPL got the budgeted costs for FY 2021-22 reduced from Rs.410 lakhs to Rs.350 lakhs.
- 7.2.3. M/s BKFFPL has already communicated to the Operators of Fuel Farm (ie BPCL) to take prior approval of CEO, BKFFPL for expenses amounting to more than Rs.20,000/= to control costs.
- 7.3.** The Operating Expenses for the year FY 2021-22 and FY 2022-23 as submitted by M/s BKFFPL is given below:

Table No. 20 – Operating Expenses as submitted by M/s BKFFPL for the years FY 2021-22 and FY 2022-23

Particulars (Rs. In lakhs)	FY 2021-22	FY 2022-23	Total
Salaries	17.00	18.00	35.00
Land lease Rent	137.06	149.40	286.46
Insurance	1.00	1.00	2.00
Power charges	10.00	11.00	21.00
Operator charges to BPCL	350.00	367.49	717.49
Repair & Maintenance	2.00	2.00	4.00
Other Expenses	54.24	56.95	111.20
Total	571.30	605.84	1,177.15

7.4. Authority's examination on Operating Expenses for FY 2021-22 and FY 2022-23

- 7.4.1. The Authority notes that for the year FY 2021-22, the salary cost of M/s BKFFPL's own staff has been projected 9.4% more than the staff cost for the year FY 2020-21. The increase for FY 2022-23 has been projected at 5% over FY 2021-22 levels. The Authority proposes to consider a 5% growth rate for FY 2021-22 over the FY 2020-21 levels in line with the growth rate projected by M/s BKFFPL for FY 2022-23.
- 7.4.2. The Authority notes that the land lease rent payable to the Airport Operator has been treated as Right of Use Assets in the books of accounts in line with Ind AS116. However in line with the approach of the Authority treating the same as part of operating expenses they have been included in the operating expenses by BKFFPL. The lease rent in the first year is applicable to the tune of Rs.475.24/sq. for an area of 28000 sq.m and thereafter an escalation of 9% YoY in the month of December is also applicable as per the relevant agreement. The land rent is the second major element in the operating cost constituting 24% of the total costs.

- 7.4.3. M/s BKFFPL has submitted that the operating costs are more fixed in nature and not volume dependent.
- 7.4.4. M/s BPCL carries out the Operation and Maintenance of Fuel Farm and Into Plane facilities on behalf of M/s BKFFPL. The refuellers for Into Plane services are also deployed by BPCL and the costs are recovered from M/s BKFFPL. The Operator charges payable to M/S BPCL is the major component of O&M expenditure of M/s BKFFPL i.e. 61% of the total cost. The Authority feels that efforts should be made to reduce the costs so that the Fuel Farm can be operated economically with reasonable tariff. For an in-depth examination of Operator Charges paid to BPCL, the Authority sought additional details relating to the Operator Charges. The details submitted by M/s BKFFPL are given below:

Table No.21 Details of Operator Expenses for FY 2021-22 and FY 2022-23 as submitted by M/s BKFFPL

Particulars (Rs. In lakhs)	FY 2021-22	FY 2022-23	Total
Employee Cost	85.59	89.87	175.46
Personnel cost - Third Party	95.58	100.36	195.94
Repairs & Maintenance	37.72	39.61	77.33
Refueller - Depreciation - Bowesers etc.	28.93	30.38	59.31
Safety/ Security Expenses	18.51	19.44	37.95
Power & Fuel	18.67	19.60	38.27
Rates & Taxes	4.49	4.71	9.20
Travelling and conveyance	1.88	1.97	3.85
Legal/ Professional fee	2.13	2.24	4.37
Other Expenditure	1.60	1.68	3.28
Communication/ Postal Expenses	0.96	1.01	1.97
Stores & Spares	5.04	5.29	10.33
Printing	0.62	0.65	1.27
Grand Total	301.72	316.81	618.53
Overheads recovery and Margin @ 16%	48.28	50.69	98.96
Total Operator Charges	350.00	367.49	717.49

- 7.4.5. The Authority notes that the employee for BPCL staff projected for FY 2021-22 as a part of operator expenses is more than FY 2020-21 levels in respect of station Manager is 35%, Assistant Manager is 169% and Executive level is 10%. In order to standardize the growth rate at various levels, the Authority proposes to consider a 5% growth rate for FY 2021-22 over the FY 2020-21 levels. Similarly, for FY 2022-23 a growth of 5% is proposed to be considered as projected by M/s BKFFPL.
- 7.4.6. The Authority also notes that the cost of outsourced employees included in the operator expenses for FY 2021-22 is more than the FY 2020-21 levels by 12%. In line with the proposal regarding staff cost of M/s BKFFPL and M/s BPCL, the Authority proposes to considered a 5% growth rate for FY 2021-22 over FY 2020-21 levels. Similarly for FY 2022-23 a growth rate of 5% is proposed to be considered as projected by M/s BKFFPL.

- 7.4.7. The Authority observes that the expenditure on Power and Fuel projected for FY 2021-22 is 104% more than the FY 2020-21 levels and 28% of FY 2019-20 levels. It is proposed to limit the Power and Fuel expenses at Rs.15.35 lakhs for FY 2021-22 which is more than the FY 2019-20 levels by 5%. For the year FY 2022-23, a further increase of 5% is also proposed as projected by M/s BKFFPL as part of MYTP submission.
- 7.4.8. Similarly, the Authority notes that the expenditure on Stores and Spares projected for FY 2021-22 is more than 12 times of FY 2020-21 levels and 106% of FY 2019-20 levels. Therefore, it is proposed to limit the Stores and Spares expenditure at Rs.2.60 lakhs for FY 2021-22 which is more than the FY 2019-20 levels by 5%. For the year FY 2022-23 a further increase of 5% is proposed as projected by M/s BKFFPL.
- 7.4.9. Accordingly, the Authority proposes to revise the Operator Expenses for FY 2021-22 and FY 2022-23 as per details given below:

Table No.22 Revised Operator Expenses proposed to be adopted by the Authority for FY 2021-22 and FY 2022-23

Particulars (Rs. In lakhs)	FY 2021-22	FY 2022-23	Total
Employee Cost	58.50	61.43	119.93
Personnel cost - Third Party	89.71	94.20	183.91
Repairs & Maintenance	37.72	39.61	77.33
Refueller - Depreciation - Bowesers etc.	28.93	30.38	59.31
Safety/ Security Expenses	18.51	19.44	37.95
Power & Fuel	15.35	16.12	31.47
Rates & Taxes	4.49	4.71	9.20
Travelling and conveyance	1.88	1.97	3.85
Legal/ Professional fee	2.13	2.24	4.37
Other Expenditure	1.60	1.68	3.28
Communication/ Postal Expenses	0.96	1.01	1.97
Stores & Spares	2.57	2.70	5.27
Printing	0.62	0.65	1.27
Grand Total	262.97	276.12	539.09
Overheads recovery and Margin @ 16%	42.08	44.18	86.25
Total Operator Charges	305.05	320.30	625.34

- 7.4.10. The Authority also notes that Other Expenses projected for FY 2021-22 is more than 3 times of FY 2020-21 levels. For an in-depth examination of the expenditure, details of Other Expenses were obtained from M/s BKFFPL. The details as submitted by M/s BKFFPL are given below:

Table No.23 Details of Other Expenses for FY 2021-22 and FY 2022-23 as submitted by M/s BKFFPL

Particulars (Rs. In lakhs)	FY 20	FY 21	FY 22	FY 23	Total (FY 22 & FY 23)
Audit Fee	0.75	1.14	2.58	2.71	5.29
Accommodation Expenses	1.61	0.07	3.22	3.38	6.60
Annual Maint. Charges	0.13	0.00	0.76	0.80	1.56
Business Relation	0.28	0.20	2.00	2.10	4.10

Expenses					
Building Maint. Exp			2.00	2.10	4.10
Daily Allowance	1.19	0.15	2.53	2.66	5.19
Device Charges	0.27	1.60	1.60	1.68	3.28
Food Expenses	0.48	0.18	1.20	1.26	2.46
Facilitation Expense			0.50	0.53	1.03
Gardening			4.00	4.20	8.20
Licence Fee	0.83	0.52	0.85	0.89	1.74
Meeting Expense			0.75	0.79	1.54
Office Expenses	0.93	0.60	1.50	1.58	3.08
Other Misc items	5.28	0.77	0.94	0.99	1.93
Professional & Consultancy	7.18	4.06	8.00	8.40	16.40
Postage & Courier	0.13		0.22	0.23	0.45
Printing & Stationery	0.22	0.13	1.00	1.05	2.05
Rates & Taxes	24.65	0.93	4.97	5.22	10.19
Stamping Charges	0.20		0.15	0.16	0.31
Salary reimbursement		1.35	1.35	1.42	2.77
Training Expenses			1.00	1.05	2.05
Travelling Expenses	6.37	0.52	10.23	10.74	20.97
Telephone Charges			0.25	0.26	0.51
Water Charges	1.51	1.21	2.64	2.77	5.41
Total Other Expenses	52.01	13.43	54.24	56.95	111.19

7.4.11. The Authority notes that the projections made by M/s BKFFPL for Audit Fee, Accommodation Expenses, Business Relation Expenses, Daily allowance, Food Expenses and Travelling Expenses are disproportionately high compared to the FY 2019-20 levels which was a pre Covid year. Expenses towards Building maintenance and Gardening are new expenses which were not there during the previous year's i.e. FY 2019-20 and FY 2020-21. The Authority feels that M/s BKFFPL shall require to adopt cost control measures on such expenses to maintained efficiency in its operations. Therefore, the Audit Fee has been kept for FY 2021-22 at Rs.1.20 lakhs which is 5% over FY 2020-21 levels.

Further, the expenses such as accommodation expenses, Business Relation, Daily Allowance, Food Expenses, Office Expenses and Travelling Expenses have been considered at 5% more than the FY 2019-20 levels. The projections for Building Maintenance and Gardening have been kept at 50% of the projections made by M/s BKFFPL. The projections for FY 2022-23 have been maintained at 5% over the FY 2021-22 levels as projected by M/s BKFFPL. The revised Other Expenses proposed to be adopted by the Authority for FY 2021-22 and FY 2022-23 are given below:

Table No.24 Revised Other Expenses proposed to be considered by the Authority for FY 2021-22 and FY 2022-23

Particulars (Rs. in lakhs)	FY 2021-22	FY 2022-23	Total
Audit Fee	1.20	1.26	2.46
Accommodation Expenses	1.69	1.78	3.47
Annual Maintenance charges	0.76	0.80	1.56

Business Relation expenses	0.29	0.31	0.60
Building maintenance expenses	1.00	1.05	2.05
Daily Allowance	1.25	1.31	2.56
Device charges	1.60	1.68	3.28
Food Expenses	0.50	0.53	1.03
Facilitation expense	0.50	0.53	1.03
Gardening and greenery development	2.00	2.10	4.10
License Fee	0.85	0.89	1.74
Meeting expense	0.75	0.79	1.54
Office Expenses	0.98	1.03	2.00
Other Misc items	0.94	0.99	1.93
Professional & Consultancy Charges	8.00	8.40	16.40
Postage and Courier Charges	0.22	0.23	0.45
Printing and Stationery	1.00	1.05	2.05
Rates & Taxes	4.97	5.22	10.19
Stamping charges	0.15	0.16	0.31
Salary reimbursement	1.35	1.42	2.77
Training Expense	1.00	1.05	2.05
Travelling Expenses	6.69	7.02	13.71
Telephone Charges	0.25	0.26	0.51
Water Charges	2.64	2.77	5.41
Other Expenses as per Financial Statement	40.58	42.61	83.19

7.4.12. Considering the above examination by the Authority, the revised Operating and Maintenance Expenditure proposed to be adopted by the Authority for FY 2021-22 and FY 2022-23 are given below:

Table No.25 Revised Operating and Maintenance Expenses proposed to be adopted by the Authority for FY 2021-22 and FY 2022-23

Particulars (Rs. In lakhs)	FY 2021-22	FY 2022-23	Total
Salaries	16.32	17.14	33.46
Land lease Rent	137.06	149.40	286.46
Insurance	1.00	1.00	2.00
Power Charges	10.00	11.00	21.00
Operator Charges to BPCL	305.05	320.30	625.34
Repair & Maintenance	2.00	2.00	4.00
Other Expenses	40.58	42.61	83.19
Total	512.01	543.44	1055.45

7.5. Authority's proposal regarding Operating Expenses for the balance period of First Control Period (FY 2021-22 and 2022-23)

Based on the material before it and based on its analysis, the Authority proposes the following regarding Operating Expenses for FY 2021-22 and FY 2022-23

7.5.1. The Authority proposes to consider the operating expenses as per Table no 25.

7.5.2. The Authority proposes to true up Operating Expenses for FY 2021-22 and FY 2022-23 during the tariff determination for the Second Control Period.

8. OTHER INCOME

8.1. M/s BKFFPL has not projected any Other Income during the balance period of the First Control Period i.e. FY 2021-22 and FY 2022-23.

8.2. Authority's examination of Other Income for FY 2021-22 and FY 2022-23.

8.2.1. The Authority observes that other income consists mainly of interest income and income from sale of scrap. The interest income is dependent on availability of surplus funds and income from sale of scrap is a non recurring uncertain income.

8.2.2. M/s BKFFPL has also made losses in the previous two years, it will be difficult to estimate the likely interest income. Therefore The Authority proposes not to consider "Other Income" for the years FY 2021-22 and 2022-23.

8.3. Authority's Proposal regarding other income for the balance period of First Control Period (FY 2021-22 and FY 2022-23)

Based on the material before it and based on its analysis, the Authority proposes the following regarding "Other Income"

8.3.1. The Authority proposes not to consider "Other Income" for the years FY 2021-22 and FY 2022-23

8.3.2. The Authority also proposes that "Other Income" will be trued up during the tariff determination for the Second Control Period.

9. INCOME TAX

9.1. M/s BKFFPL submitted that no income tax was due from FY 2018-19 to FY 2020-21 due to losses. The accumulated losses as on 31st March 2021 is Rs.621 lakhs. Due to the uncertainties in the revenue, M/s BKFFPL does not expect to pay any taxes during FY 2021-22 and FY 2022-23. However M/s BKFFPL has requested Authority to true up the income tax based on actuals during the tariff determination for the next control period.

9.2. Authority's Proposal regarding Income Tax for the balance period of First Control Period (FY 2021-22 and FY 2022-23)

Based on the material before it and based on its analysis, the Authority proposes the following regarding "Income Tax"

9.2.1. The Authority proposes not to consider any income tax for FY 2021-22 and FY 2022-23.

9.2.2. The Authority proposes to true up income tax for the years FY 2021-22 and FY 2022-23 during the tariff determination for the Second Control Period.

10. AGGREGATE REVENUE REQUIREMENT

10.1. M/s BKFFPL submitted that Fuel Infrastructure Fee (FIF) is the only source of revenue for Fuel Farm. The current FIF of Rs.1846/kl is not sufficient to cover the costs. The Operating costs of Fuel Farm are fixed in nature and are not volume dependant. As such unless there is adequate volume of sale, the Fuel Farm will not be in a position to recover the costs with the present level of FIF. Therefore an increase in tariff is inevitable to meet the operating and finance costs.

10.2. M/s BKFFPL has calculated the Aggregate Revenue Requirement as per the table given below:

Table No. 26 – Aggregate Revenue Requirement as submitted by M/s BKFFPL for the years FY 2021-22 and FY 2022-23

Particulars (Rs in Crores)	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Average Regulatory Asset Base	8.24	16.19	15.57	14.86	14.11	68.97
FRoR	12.70%	12.48%	11.97%	11.61%	11.61%	
Return on RAB	1.05	2.02	1.86	1.73	1.64	8.30
Depreciation	0.22	0.73	0.75	0.75	0.75	3.20
Operating Expenses	1.70	6.16	5.03	5.73	6.08	24.70
Taxation	0.00	0.00	0.00	0.00	0.00	0.00
Total Aggregate Revenue Requirement	2.96	8.91	7.64	8.21	8.47	36.19
Revenues collected – Actuals	1.27	8.54	3.26	1.84		14.91
Estimated Kilolitres (From Oct 21-March 23)				13262	33662	46924
Revenue per KL estimated				4996	4996	9992
Revenue projections				6.63	6.63	23.45
Total Revenue	1.27	8.54	3.26	8.47	16.82	38.36
Discount Rate	1.00	0.89	0.79	0.71	0.64	
Discounted ARR	2.96	7.92	6.07	5.84	5.40	28.19
Discounted revenue	1.27	7.59	2.59	6.03	10.72	28.19

10.3. Considering the above ARR the tariff has been worked out by M/S BKFFPL at Rs 4996 / KL which results in an increase of 170% on the existing FIF of Rs. 1846/KL. The revised tariff has been considered effective from 1st October 2021.

10.4. Authority's examination on Aggregate Revenue Requirement for FY 2021-22 and FY 2022-23

10.4.1. M/s BKFFPL is engaged in providing both Fuel Infrastructure services and Into Plane Services. The Fuel Infrastructure Fee (FIF) determined is a comprehensive and composite fee for both the services.

10.4.2. After considering the changes as discussed in the previous chapters regarding various building blocks of tariff determination, the revised ARR considered for the third control period is given below.

Table No. 27 – Revised Aggregate Revenue Requirement proposed to be considered by the Authority for the years FY 2021-22 and FY 2022-23

Particulars (Rs. In lakhs)	Reference	FY 2021-22	FY 2022-23	Total
Average RAB (<i>refer Table No. 17</i>)	A	1485.71	1411.22	
FRoR (<i>refer Table No. 19</i>)	B	10.71%	10.71%	
Return on RAB	$C=A*B$	159.10	151.12	310.23
Depreciation (<i>refer Table No. 16</i>)	D	74.49	74.49	148.98
Opex (<i>refer Table No.25</i>)	E	512.01	543.44	1055.45
Income Tax	F	0.00	0.00	0.00
Gross ARR	$G=C+D+E+F$	745.60	769.06	1514.65
Less Other Revenue	H	0.00	0.00	0.00
Net ARR	$I=G-H$	745.60	769.06	1514.65
Under Recovery (<i>refer Table No. 11</i>)	J	492.31		492.31
Total ARR	$K=I+J$	1237.90	769.06	2006.96
Discount Factor	L	1.0000	0.9033	
NPV of ARR	$M=K*L$	1237.90	694.67	1932.57
Current FIF Rate	N	1846.00	1846.00	
Fuel Volume (<i>Refer Table No.14</i>) (in lakhs KL)	O	0.27	0.45	
FIF income at current rate	$P=N*O$	498.42	830.70	1329.12
Revised FIF Rate	Q	1846.00	2577.00	
Revised FIF Income	$R=O*Q$	498.42	1159.65	1658.07
NPV of Revised FIF Income	$S=R*L$	498.42	1047.48	1545.90
Carried Forward to next Control Period	$T=M-S$			386.67

10.5. Authority's Proposal regarding ARR and FIF Rates for the balance period of First Control Period (FY 2021-22 and FY 2022-23)

Based on the material before it and based on its analysis, the Authority proposes the following regarding ARR and FIF rates for FY 2021-22 and FY 2022-23

- 10.5.1. The Authority proposes to consider the Aggregate Revenue Requirement for FY 2021-22 and 2022-23 as per Table no 27.
- 10.5.2. The Authority proposes FIF rates for FY 2021-22 and FY 2022-23 as per Annexure-I.
- 10.5.3. The Authority proposes to true up ARR for FY 2021-22 and FY 2022-23 during the tariff determination for the Second Control Period.

11. ANNUAL TARIFF PROPOSAL

11.1. M/s BKFFPL's Submission on Annual Tariff Proposal for Balance period of First Control Period (FY 2021-22 and FY 2022-23)

- 11.1.1. M/s BKFFPL has submitted Multi Year Tariff Proposal (MYTP) for the Balance period of First Control Period (FY 2021-22 and FY 2022-23)
- 11.1.2. The increase requested by M/s BKFFPL for FIF at Kannur Airport for Balance period of First Control Period (FY 2021-22 and FY 2022-23) is 170% over the existing rate of Rs.1846/KL.
- 11.1.3. M/s BKFFPL has not requested for any increase in the Aircraft Defueling and Refueling Rates.
- 11.1.4. The proposed Fuel Infrastructure Fee by M/s BKFFPL at Kannur International Airport is given below:

Tariff Period (Amount in Rs.)	Fuel Infrastructure Cost (including Aircraft Refueling)	Aircraft Defueling	Refueling of Aircraft with defueled product	
			Within 48 Hours	Beyond 48 Hours
From 01.10.2021 to 31.03.2022	4996 per KL	Rs. 300 per KL	Rs. 350 per KL	Rs. 400 per KL
From 01.04.2022 to 31.03.2023	4996 per KL	Rs. 300 per KL	Rs. 350 per KL	Rs. 400 per KL

11.2. Authority's Examination and Analysis regarding Tariff Proposal for the Balance period of First Control Period (FY 2021-22 and FY 2022-23)

- 11.2.1 The Authority notes that air traffic demand has been widely impacted due to challenges posed by the Covid-19 pandemic and the resultant slowdown in the economy. Moreover international aircraft operations have not yet started at Kannur International Airport. The reduced demand for ATF due to these factors have resulted in under recovery during the years FY 2019-20 and FY 2020-21. Further, the Authority notes that the existing volume is not sufficient for complete recovery of ARR during the balance period of First Control Period i.e. FY 2021-22 and FY 2022-23 and this would require a substantial increase in Fuel Infrastructure Fee.
- 11.2.2 The Authority has taken a cognizance of the situation and is of the view that keeping the tariff at the current level for the entire control period and postponing the full recovery of shortfalls to the next control period will create substantial recovery burden and lead to steep tariff increases in the Second Control Period. The Authority, however, is of the view that targeting a full recovery at this time may not be fair to all stakeholders and may dampen the stakeholders' efforts to revive demand. The Authority notes that the Fuel Farm operator has the provision of the true up of any shortfalls in revenue recovery in the Second Control Period.
- 11.2.3 Based on the above analysis, the Authority proposes not to increase Fuel Infrastructure Fee in the current financial year 2021-22, and proposes to revise the Fuel Infrastructure Fee from 01 April 2022.

- 11.2.4 Further, the Authority proposes to carry forward Rs. 386.67 lakhs of the (NPV) ARR of the First Control Period to the Second Control Period in order to reduce the burden on users during the First Control Period on account of lower volume.
- 11.2.5 Based on the above annual tariff proposal of the Authority for this consultation paper is given below:

Tariff Period (Amount in Rs.)	Fuel Infrastructure Cost (including Aircraft Refueling)	Aircraft Defueling	Refueling of Aircraft with defueled product	
			Within 06 Hours	Beyond 06 Hours
From 01.04.2022 to 31.03.2023	2577 per KL	Rs. 300 per KL	Rs. 350 per KL	Rs. 400 per KL

- 11.2.6 The FIF rate proposed by the Authority is Rs. 2577/KL as against the existing rate of Rs.1846/KL.
- 11.2.7 No increase is proposed in the Aircraft Defueling and Refueling Rates for the year FY2021-22 and FY 2022-23.

12. Summary of Authority's Proposal

Chapter No.	Para No.	Details of Proposals	Page No
Chapter-2	2.4.1	The Authority proposes to adopt "Price Cap Approach" on Single Till Basis for tariff determination of M/S BKFFPL for FY 2019-20 to FY 2022-23 of First Control Period.	11
Chapter 3	3.21.1.	The Authority proposes to consider Capital Expenditure as per Table no 1 for true up of FY 2019-20 and FY 2020-21	19
	3.21.2.	The Authority proposes to consider Depreciation as per Table no 3. for true up of FY 2019-20 and FY 2020-21	
	3.21.3.	The Authority proposes to true up Regulatory Asset Base as per Table no 4. for true up of FY 2019-20 and FY 2020-21	
	3.21.4.	The Authority proposes to true up FRoR as per Table no 7.for true up of FY 2019-20 and FY 2020-21	
	3.21.5.	The Authority proposes to consider Operating Expenses as per Table no 8. for true up of FY 2019-20 and FY 2020-21	
	3.21.6.	The Authority proposes to consider Income Tax as "Nil" for true up of FY 2019-20 and FY 2020-21	
	3.21.7.	The Authority proposes to consider other income as per Table no 9 for true up of FY 2019-20 and FY 2020-21	
	3.21.8.	The Authority proposes to true up Aggregate Revenue Requirement as per Table no 11 for true up of FY 2019-20 and FY 2020-21 and also proposes to consider the under recovery of Rs.492.31 lakhs in tariff determination for the balance period of First Control period i.e. FY 2021-22 and FY 2022-23	
Chapter 4	4.4.1	The Authority proposes to consider the projected Fuel Throughput (volumes) for determination of tariff for FY 2021-22 and FY 2022-23 as per Table no 14.	21
	4.4.2	The Authority also proposes to true up the Fuel Throughput (Volumes) for FY 2021-22 and FY 2022-23 during the tariff determination for the Second Control Period.	
Chapter 5	5.8.1	The Authority proposes to consider Depreciation for FY 2021-22 and FY 2022-23 as per Table no 16.	24
	5.8.2.	The Authority proposes to consider RAB for FY 2021-22 and FY 2022-23 as per Table no 17.	
	5.8.3.	The Authority also proposes to true up Depreciation and Regulatory Asset Base for FY 2021-22 and 2022-23 during the tariff determination	

		for the Second Control Period.	
Chapter 6	6.3.1.	The Authority proposes to maintain the Cost of Equity at 14% for FY 2021-22 and FY 2022-23	26
	6.3.2.	The Authority proposes to adopt the revised FRoR for FY 2021-22 and FY 2022-23 as per Table no 19.	
	6.3.3.	The Authority proposes to true up FRoR for FY 2021-22 and 2022-23 during the tariff determination for the Second Control Period.	
Chapter 7	7.5.1.	The Authority proposes to consider the operating expenses for FY 2021-22 and FY 2022-23 as per Table no 25.	31
	7.5.2.	The Authority also proposes to true up Operating Expenses for FY 2021-22 and FY 2022-23 during the tariff determination for the Second Control Period.	
Chapter 8	8.3.1.	The Authority proposes not to consider “Other Income” for the years FY 2021-22 and FY 2022-23	32
	8.3.2.	The Authority also proposes that other income for FY 2021-22 and FY 2022-23 will be trued up during the tariff determination for the Second Control Period.	
Chapter 9	9.2.1.	The Authority proposes not to consider any income tax for FY 2021-22 and FY 2022-23	33
	9.2.2.	The Authority also proposes to true up income tax for the years FY 2021-22 and FY 2022-23 during the tariff determination for the Second Control Period.	
Chapter 10	10.5.1.	The Authority proposes to consider the Aggregate Revenue Requirement for FY 2021-22 and 2022-23 as per Table no 27.	35
	10.5.2.	The Authority proposes FIF rates for FY 2021-22 and FY 2022-23 as per Annexure-I.	
	10.5.3.	The Authority also proposes to true up ARR for FY 2021-22 and FY 2022-23 during the tariff determination for the Second Control Period.	

13. STAKEHOLDERS' CONSULTATION TIMELINE

- 13.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the **Chapter 12 – Summary of Authority's Proposals** read with the relevant discussion in the other chapters of the paper is hereby put forth for Stakeholders' Consultation.
- 13.2 For removal of doubts, it is clarified that the contents of this consultation paper may not be construed as any Order or Direction by the Authority. The Authority shall pass an Order, in the matter, only after considering the submissions of the stakeholders' in response hereto and by making such decisions fully documented and explained in the tariff Order in terms of the provisions of the Act.
- 13.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposals made in Chapter 12 above, latest by **27/12/2021**

Secretary,

Airports Economic Regulatory Authority of India

AERA Building, Administrative Complex Safdarjung Airport New Delhi -110003

Tel: 011-24695044-47, Fax: 011-24695048

Email: satish.kr@aera.gov.in, mravi.aera@govcontractor.in

Copy to : director-ps@aera.gov.in; secy@aera.gov.in

(Chairperson)

AERA PROPOSED FIF TARIFF RATES

For BPCL Kannur Fuel Farm Private Limited (BKFFPL) providing Fuel Farm Infrastructure and ITP Services as Composite Service at Kannur International Airport for FY 2021-22 & FY 2022-23 of the First Control Period.

Tariff Period (Amount in Rs.)	Fuel Infrastructure Cost (including Aircraft Refueling)	Aircraft Defueling	Refueling of Aircraft with defueled product	
			Within 06 Hours	Beyond 06 Hours
From 01.04.2021 to 31.03.2022	Rs.1846 per KL	Rs. 300 per KL	Rs. 350 per KL	Rs. 400 per KL
From 01.04.2022 to 31.03.2023	Rs. 2577 per KL	Rs. 300 per KL	Rs. 350 per KL	Rs. 400 per KL

Note: The rates proposed herein are ceiling rates, excluding taxes, if any, and, as applicable as per Government Orders issued from different time to time.



BPCL-KIAL Fuel Farm Private Limited

Reg. Office: C/o Kannur International Airport, Karaperavoor P.O., Mattannur
Dist. Kannur - 670702, Kerala. CIN: U23200KL2015PTC038487
GSTIN/UIN : 32AAGCB3129A1ZG

Ref: BKFFPL/AERA/2021-22/03

27.09.2021

The Chairman,
Airports Economic Regulatory Authority of India,
AERA Building, Safdarjung Airport,
New Delhi.

Dear Sir,

Sub: UPDATED SUBMISSION OF MYTP FOR DETERMINATION OF TARIFF FOR THE REMAINING PERIOD OF 2021-22 AND 2022-23

Ref: Letter dated 24th August 2021 submitted by BKFFPL and AERA letter dated 17th September 2021

This refers to our aforementioned letter requesting for adhoc increase in charges and the response from AERA requesting BKFFPL to submit the MYTP.

Accordingly we are hereby submitting the updated MYTP submission for your review. We request you to review the same and issue the order for revision of tariff as requested.

We remain at your disposal, to clarify any queries on the same.

Thanking you,

Yours truly,

For M/S BPCL-KIAL FUEL FARM PRIVATE LIMITED

JITHENDRA P.V
CHIEF FINANCIAL OFFICER



BPCL Kannur Fuel Farm Private Limited

**Submission to
Airports Economic Regulatory Authority of India**

**Revision of Tariff for Fuel Farm and Into Plane
Services**

**For the remaining part of the Control Period – FY
2018 - 2019 to FY 2022 – 2023**

27th September 2021

CONTENTS

1. Background	3
1.1. Overview of Kannur International Airport (KIAL) and BPCL-KIAL Fuel Farm Private Limited	3
1.2. Overview of Fuel Farm and Into Plane Services.....	3
1.2.1. Fuel Farm Infrastructure	3
1.2.2. Model of Operation	4
2. Tariff and past approvals from AERA.....	4
3. Current State of affairs at BKFFPL.....	5
4. Financial position for the years upto March 2021.....	5
5. Building Blocks – Details of Actual and estimates for future.....	6
5.1. Traffic/ Volumes of Operation	6
5.2. Capital Expenditure / Additions to RAB	7
5.3. Depreciation.....	7
5.4. Average RAB.....	7
5.5. Fair Rate of Return	8
5.6. Operating Expenditure.....	8
5.7. Aggregate Revenue Requirement and Revenue estimates	9
6. Proposed Tariff.....	10
6.1. Revenue Requirement and Tariff derived.....	10
7. Enclosures	10

1. Background

1.1. Overview of Kannur International Airport (KIAL) and BPCL-KIAL Fuel Farm Private Limited

Kannur International Airport is a Greenfield airport setup under the Public Private Partnership (“PPP”) model. KIAL has been promoted by Govt. of Kerala with equity participation from PSUs (BPCL and Kerala PSUs), Airport PSUs and private sector participation. The Airport is located close to Mattannur in Kannur district of Kerala. The Airport has been planned for development in phases.

Kannur International Airport Limited (KIAL/ Company) was incorporated on 3rd December 2009 with the objective to establish, operate, manage, undertake and maintain airports and allied aircraft infrastructure facilities in Kannur and / or other parts of India.

KIAL was given the right to construct Kannur International Airport (KIA), in Moorkhanparambu in Kannur District of Kerala. Ministry of Civil Aviation (MoCA), Government of India (GoI) granted the licence to KIAL for operations of the Airport. Land for construction and operation of airport was brought in by GoK as part of the Share Capital Contribution.

Kannur International Airport commenced operations on 9th Dec 2018.

BPCL KIAL Fuel Farm Private Limited (BKFFPL) is a Joint Venture Company of BPCL and KIAL with 74:26 equity shareholding respectively. The Company was formed to design, develop, construct, manage, maintain, upgrade and operate the Aviation Fuel farm with allied facilities and hydrant system (at a later stage) at both domestic and international terminals of Kannur International Airport for the supply of ATF on exclusive basis. Accordingly, BKFFPL has the right to operate the fuel farm at the Kannur International Airport for a period of 30 years, extendable by an additional period of 30 years on mutually agreed terms and conditions.

BKFFPL was incorporated as a Private limited Company on 18th May 2015. The Joint venture Company is promoted by Bharat Petroleum Corporation Limited (a Govt. of India Enterprise under the Ministry of Petroleum & Natural Gas) and Kannur International Airport Ltd., a company promoted by a Government led consortium.

1.2. Overview of Fuel Farm and Into Plane Services

1.2.1. Fuel Farm Infrastructure

BPCL-KIAL Fuel Farm shall be an integral part of the KIAL Airport infrastructure and would be catering exclusively to the ATF demand at the airport. The plan is to develop the fuel farm in two

phases wherein majority of the infrastructure would be set up under Phase I and additional tanks along with associated infrastructure would be set in Phase II in 3 acres (approx.) of land

- 2 x 45 KL Underground Tank
- 2 x 450 KL Aboveground Tank
- 4 bays Tank Lorry decantation & Refueller Loading (Common) Gantry
- 2 Storey Admin Building
- MCC Room
- Product Pumps
- Associated pipelines

The Hydrant system was planned to be constructed and put into use by FY 23. This has not been done by the company currently and has been deferred due to the ongoing pandemic situation and the conditions at the airport. Based on the Air Traffic Movement and ATF demand at Kannur International Airport, this is proposed to be taken up at a later date.

1.2.2. Model of Operation

The Fuel-Farm has been set up to function under “Open Access” model for use by all eligible Oil Marketing Companies. In Phase 1, the Fuel will be supplied into plane with the help of refuellers. Operations and Maintenance (O&M) of the Fuel Farm and Into-plane services are carried out by BPCL.

Currently, Bharat Petroleum, Indian Oil and Shell MRPL use the Fuel Farm and Into Plane facility to provide ATF to the airlines.

2. Tariff and past approvals from AERA

- Authority had issued an Adhoc tariff order No 34/2018-19 dated 04/12/2018 permitting adhoc collection of charges at Rs. 1900 per KL.
- Subsequently, based on the review of MYTP submitted by BKFFPL, Authority had issued a Consultation Paper No 05/2019-20 dated 16.08.2019 for seeking comments on the charges proposed to be approved.
- Based on review of submissions, Authority had issued Order No 14/2019-20 dated 28.10.2019 approving a charge of Rs.1846 per KL to be collected towards the Fuel Farm charges and the Into Plane services for the period till 31st March 2021.
- Salient features of Order 14/ 2019-20 are as below:
 - Tariff determined under Price Cap approach
 - Authority had taken cognizance of the new facility and that the costs will be trued up

- Authority had taken cognizance of the need for provision of a Hydrant System which may have a significant impact on the tariff and had ordered that the rates will be reviewed for further periods.
- Subsequently, the Authority vide Order No 67/2020-21 dated 25.03.2021 approved continuance of the charges till September 2021.
- BKFFPL hereby makes submissions on the actual details for the past years and the proposed building blocks for Authority's consideration and revision of Traffic.

3. Current State of affairs at BKFFPL

- The year 2020 witnessed the onslaught of COVID-19 on the global economy and aviation sector is the worst affected and continues to be impacted till date.
- Airlines across the globe were forced to ground their aircrafts due to travel restrictions and lack of demand during 2020 and with limited domestic and international operations at present, the aviation sector is engulfed in deep crisis.
- Airport and constituents thereof are facing severe financial crisis with huge debt burden sitting in the books. With limited operations, revenues are minimal and airports and allied activities are struggling to meet their operating costs.
- Kannur Airport was not approved as a port of call facilitating Foreign Airlines to fly to Kannur.
- Hydrant system which was proposed to be commissioned in FY 2022/ 23 has now been deferred considering the current circumstances.
- As a result of the above, the operations of BKFFPL have resulted in loss in the Financial Years 2019-20 and 2020-21.
- Due to restrictions on international and domestic passenger flight operations, the demand for Aviation Turbine Fuel (ATF) dropped in FY 2020-21 by 63% vis-a-vis the previous financial year. While volume of sales increased marginally during the last quarter of FY 2020-21, it decreased again during the April 2021 – June 2021 quarter due to the second wave of COVID 19. Below table gives an insight into the effect of second wave of pandemic on our operations.

Particulars	Apr'21-Jun'21	Jan'21-Mar'21	% of Decrease
ATF Sales (In KL)	4,305.74	7,344.13	-41%

4. Financial position for the years upto March 2021

- While the company was able to generate cash surplus during FY 2019-2020, COVID-19 pandemic pushed the company into deep crisis with erosion in net worth.
- The Company incurred a loss of Rs. 6.06 Crore during the FY 2020-21 and a loss of Rs. 1.97 crores for FY 2019-20. There is a further decline in net worth to Rs. (2.13) Crores as on 30 June 2021. Details are given below.

	Rs. In Cr	
Particulars	2019-20	2020-21
Revenue		
a.Revenue From Operations	8.41	3.10
b.Other Income	0.13	0.16
I.Total Revenue	8.54	3.26
Expenses		
c. Fuel Farm expenses	4.20	3.35
d.Employee Benefit Expense	0.17	0.16
e.Finance Cost	3.33	3.47
f. Depreciation and Amortization Expenses	1.89	1.90
g. Other Expenses	0.65	0.26
II.Total Expenses	10.24	9.13
III.Profit before tax (I)-(II)	-1.69	-5.87
Tax Expense		
h. Current Tax	-	-
i.Deferred Tax	0.27	0.19
IV.Total Tax	0.27	0.19
V.Profit after Tax (III)-(IV)	-1.97	-6.06

- Fuel Infrastructure charges (FIC) is the only source of revenue for Fuel Farm. Income of BKFFPL is based on the FIC rate fixed by Airport Economic Regulatory Authority of India (AERA) on the litres of ATF sold by BKFFPL. Our current FIC rate is Rs.1846/KL. The operating and finance cost of fuel farm are fixed in nature and are not largely volume dependant. As such, unless there is adequate volume sale, the Fuel Farm is not in a position to recover the fixed costs with the present tariff of Rs 1846/KL approved by AERA. Hence, an increase in tariff is inevitable for the fuel farm to meet its operating and finance costs.
- With the present level of revenue, the Company has no other option but to increase the FIC charges.

5. Building Blocks – Details of Actual and estimates for future

5.1. Traffic/ Volumes of Operation

Traffic estimates submitted at the time of MYTP submission have not been achieved due to COVID-19 pandemic and the non-commencement of the International Airlines operations to Kannur.

Below table provides the comparison of the actuals vis a vis the estimates submitted at the time of MYTP submission.

Financial Year	Estimate KL	Actual KL	Shortfall
2019-20	55640	44882	19.3%
2020-21	59534	16776	71.8%

Due to restrictions on international and domestic passenger flight operations, the demand for Aviation Turbine Fuel (ATF) dropped in FY 2020-21 by 63% vis-a-vis the previous financial year. While volume of sales increased marginally during the last quarter of FY 2020-21, it decreased again during the April 2021 – June 2021 quarter due to the second wave of COVID 19. Below table gives an insight into the effect of second wave of pandemic on our operations.

Particulars	Apr'21-Jun'21	Jan'21-Mar'21	% of Decrease
ATF Sales (In KL)	4,305.74	7,344.13	-41%

During the period April 2021 – Aug 2021, the throughput has been very low at 7773 KL (Average of 1554 KL per month). Even considering a higher KL per month for remaining 7 months in FY 21-22, the total through put is expected to be significantly lower than the 63702 KL estimated for 2021-22 at the time of MYTP submissions for tariff determination.

Financial Year	Estimate KL
2021-22	23254.19
2022-23	33661.69

5.2. Capital Expenditure / Additions to RAB

A total of Rs. 16.69 crores has been incurred in Phase 1 for creating the Infrastructure relating to the Fuel Farm and allied activities. Additionally, an amount of Rs.0.16 crores and Rs.0.08 crores has been spent in the subsequent years (FY 2019-20 and FY 2020-21).

Considering the pandemic situation, BKFFPL does not propose to incur any major Capital Expenditure in FY 2021-22 and FY 2022-23, except for certain minor spends that may be necessitated due to site/safety requirements etc.

5.3. Depreciation

BKFFPL has adopted the following useful lives for the assets capitalized.

Particulars	Book Depreciation
Tanks	3.80%
Admin buildings	3.17%
Service buildings	3.17%
Other (Pipeline/valve/civil/Refuellers electrical etc.)	6.33%

Depreciation estimate for the years 2021-22 and 2022-23 are considered to be the same as in FY 2020-21.

Considering the same, the depreciation for past years and the estimate for the balance 2 years is as given below

Particulars	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Depreciation as per Financials	0.22	1.89	1.90	1.93	1.93
Less: Relating to RoU asset	0.00	1.15	1.15	1.18	1.18
Balance depreciation	0.22	0.73	0.75	0.75	0.75

5.4. Average RAB

Based on the actual additions to RAB till 2020-21 and considering Nil additions in the next 2 years and considering the depreciation estimates as above, the average RAB for the 5 years is as follows.

Particulars	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Opening RAB	0.00	16.47	15.91	15.23	14.48
Additions:	16.69	0.16	0.08	0.00	0.00
Depreciation:	0.22	0.73	0.75	0.75	0.75
Closing RAB	16.47	15.91	15.23	14.48	13.73
Average RAB	8.24	16.19	15.57	14.86	14.11

5.5. Fair Rate of Return

- BKFFPL has tied up finance from Bank for the Project. Of the total initial project cost of Rs.16.69 crores, loan has been tied up for Rs. 10.75 crores.
- Due to the pandemic, BKFFPL has requested the bank and restructured the repayment period. The terms of payment after restructuring is as follows:

Loan	Payment terms
Loan Amount Rs.8.95 Cr	- Interest need to be serviced monthly basis at the rate of 7.65% p.a. - Received moratorium on principal repayment for a period of two from 01.04.2021 till 31.03.2023

- Based on the loan repayment structure and the position of equity and Debt, the Fair Rate of Return is worked out as follows, considering Cost of Equity at 16%

Particulars	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Opening Equity	7.50	9.00	9.00	9.00	9.00
Closing Equity	9.00	9.00	9.00	9.00	9.00
Average Equity	8.25	9.00	9.00	9.00	9.00
Opening Debt	4.44	8.99	8.99	10.75	10.52
Closing Debt	8.99	8.99	10.75	10.52	9.95
Average Debt	6.72	8.99	9.87	10.63	10.24
Gearing	44.88%	49.98%	52.30%	54.16%	53.21%
Cost of Debt	8.65%	8.96%	8.29%	7.90%	7.71%
Cost of Equity	16.00%	16.00%	16.00%	16.00%	16.00%
FRoR	12.70%	12.48%	11.97%	11.61%	11.61%

5.6. Operating Expenditure

BPCL carries out the O&M of Fuel Farm and Into plane facilities. Refuellers for Into Plane activities are also deployed by BPCL for which a cost is being recovered from BKFFPL.

Considering COVID situation, BKFFPL had undertaken certain austerity measures to optimize and reduce costs, as detailed below:

1. As per our request, Operators have reduced their manpower. There were four BPCL staff working in BKFFPL for the FY 2019-20, operators have reduced the number of staff to three for the FY 2020-21 onwards for reducing cost to the company.
2. Operator has reduced the budgeted operator charges for the FY 2021-22 from Rs.4.1 Cr to Rs.3.5Cr (excluding GST).
3. For control over the expenses spent by operators, BKFFPL already communicated to operators to take approval from CEO of BKFFPL for expenses incurring more than Rs.20,000.

4. To cope up with the pandemic situation, the Company has already restructured our existing HDFC term loan.

The total Operating Cost actuals till FY 2020-21 and estimate for next 2 years is as given below

Particulars (Rs. Crores)	2018-19	2019-20	2020-21	2021-22	2022-23	Basis of Projection
Salaries	0.17	0.17	0.16	0.17	0.18	2022-23 estimate made considering 5% increase from 21-22
Rent	0.14	1.37	1.25	1.37	1.49	Land lease as per agreement with KIAL - 28000 Sq ft at Rs. 475.24 per sq. ft. per year. Escalation of 9% every year in December. 2022-23 estimate made considering 9% increase as per agreement
Insurance	0.02	0.01	0.03	0.01	0.01	2022-23 estimate made considering 5% increase
Power Charges	0.03	0.10	0.09	0.10	0.11	2022-23 estimate made considering 5% increase from 21-22
Operator Charges to BPCL	1.02	3.98	3.36	3.50	3.68	Cost for FY 2021-22 based on estimates submitted and approved by Board. 2022-23 considered at 5% increase
Repair & Maintenance	0.01	0.02	0.01	0.02	0.02	2022-23 estimate made considering 5% increase from 21-22
Other Expenses	0.31	0.52	0.13	0.55	0.57	2022-23 estimate made considering 5% increase from 20-21
Interest on WC	0.00	0.00	0.00	0.01	0.02	

5.7. Aggregate Revenue Requirement and Revenue estimates

Considering the above, BKFFPL has re-calculated the Aggregate Revenue Requirement to be as follows for the 5 years' period from 2018-19 to 2022-23.

(Amount in Rs. Crore)

FY	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23
RAB	8.24	16.19	15.57	14.86	14.11
FROR (Considering return of equity at 16%)	12.70%	12.48%	11.97%	11.61%	11.61%
RAB * FROR	1.05	2.02	1.86	1.73	1.64
Depreciation	0.22	0.73	0.75	0.75	0.75
Opex	1.70	6.16	5.03	5.73	6.08
Tax	0.00	0.00	0.00	0.00	0.00
Aggregate Revenue Requirement	2.96	8.91	7.64	8.21	8.47

The above ARR is estimated based on the proposed Capex, Debt Equity Structure and Operating Expenses. The company requests that the same may be trued up at actuals at the end of the control period.

6. Proposed Tariff

6.1. Revenue Requirement and Tariff derived

Considering the above ARR, the reworked Tariff and the estimated revenue to match the Aggregate Revenue Requirement is as given below

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Total Aggregate Revenue Requirement	2.96	8.91	7.64	8.21	8.47	
Revenues collected - Actuals	1.27	8.54	3.26	1.84		
Estimated Kilo litres (From Oct 21 - March 23)				13262	33662	
Revenue per KL estimate				4996	4996	
Revenue projections				6.63	16.82	
Total Revenue	1.27	8.54	3.26	8.47	16.82	
Discount Rate	1.00	0.89	0.79	0.71	0.64	
Discounted ARR	2.96	7.92	6.07	5.84	5.40	28.19
Discounted Revenue	1.27	7.59	2.59	6.03	10.72	28.19

BKFFPL requests AERA to approve the proposed tariff of Rs. 4,996 per KL, as computed above, and allow the tariff to be re-determined for the next control periods considering the ARR and collections during the first control period, based on actual revenues and truing up of all elements of ARR.

A meeting with stakeholders was conducted on 7th September 2021 wherein BKFFPL had informed of the need for increase in rates and the proposal being submitted to AERA. Consent has been received from one of the customer BPCL. A copy of minutes of meeting is enclosed herewith.

7. Enclosures

- Audited Financial Statement – 2018-19
- Audited Financial Statement – 2019-20
- Audited Financial Statement – 2020-21
- Minutes of meeting with Stakeholders

Aggregate Revenue Requirement workings

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Average Regulatory Asset Base	8.24	16.19	15.57	14.86	14.11	
FRoR	12.70%	12.48%	11.97%	11.61%	11.61%	
Return on RAB	1.05	2.02	1.86	1.73	1.64	
Depreciation	0.22	0.73	0.75	0.75	0.75	
Operating Expenses	1.70	6.16	5.03	5.73	6.08	
Taxation	0.00	0.00	0.00	0.00	0.00	
Total Aggregate Revenue Requirement	2.96	8.91	7.64	8.21	8.47	
Revenues collected - Actuals	1.27	8.54	3.26	1.84		
Estimated Killitres (From Oct 21 - March 23)				13262	33662	
Revenue per KL estimate				4996	4996	
Revenue projections				6.63	16.82	
Total Revenue	1.27	8.54	3.26	8.47	16.82	
Discount Rate	1.00	0.89	0.79	0.71	0.64	
Discounted ARR	2.96	7.92	6.07	5.84	5.40	28.19
Discounted Revenue	1.27	7.59	2.59	6.03	10.72	28.19

Regulatory Asset Base

	Actuals	Actuals	Actuals	Projection	Projection
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Block	0.00	16.47	15.91	15.23	14.48
Additions	16.69	0.16	0.08	0.00	0.00
Depreciation	0.22	0.73	0.75	0.75	0.75
Closing Block	16.47	15.91	15.23	14.48	13.73
Average RAB	8.24	16.19	15.57	14.86	14.11

Basis of Projections

Considering the ongoing Covid-19 situation no capital expenditure is proposed to be incurred in 21-22 and 22-23

BKFFPL requests that any capex that may actually be incurred considering Business conditions, safety etc. be approved as part of the true up exercise

Depreciation estimate has been considered the same as 2020-21. BKFFPL requests AERA to true up the same based on actuals

BKKFPL ATF SALES QTY

Actuals	Actuals	Actuals	Actuals	Actuals	Projections	Projections
Particulars	2018-19	2019-20	2020-21	2021-22	2021-22	2022-23
April		3549.32	0.00	2181.57		
May		3852.57	223.20	1156.38		
June		3832.77	1057.50	967.79		
July		3754.31	831.81	1479.00		
August		4168.43	810.83	1988.46		
September		3836.51	877.45		2219.00	
October		3910.78	1529.18		2230.00	
November		3944.75	1899.12		2240.00	
December		4016.67	2203.25		2195.00	
January		4408.24	2479.40		2168.00	
February		3610.14	2351.10		2174.00	
March		1997.77	2513.63		2255.00	
Sales Qty (In KL)	6617.195	44882.25	16776.47	7773.19	15481.00	0.00

6617.20 44882.25 16776.47 23254.19 33661.69

FROR Calculation

	Actuals	Actuals	Actuals	Projection	Projection
Particulars	2018-19	2019-20	2020-21	2021-22	2021-23
Opening Equity	7.50	9.00	9.00	9.00	9.00
Closing Equity	9.00	9.00	9.00	9.00	9.00
Average Equity	8.25	9.00	9.00	9.00	9.00
Opening Debt	4.44	8.99	8.99	10.75	10.52
Closing Debt	8.99	8.99	10.75	10.52	9.95
Average Debt	6.72	8.99	9.87	10.63	10.24
Interest cost	0.41	0.80	0.82	0.84	0.79
Gearing - Debt %	44.88%	49.98%	52.30%	54.16%	53.21%
Cost of Debt	8.65%	8.96%	8.29%	7.90%	7.71%
Cost of Equity	16.00%	16.00%	16.00%	16.00%	16.00%
WACC	12.70%	12.48%	11.97%	11.61%	11.61%

Operating Expenditure

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Basis of Projections
	Actuals	Actuals	Actuals	Projection	Projection	
Operator charges	1.02	3.98	3.36	3.50	3.68	Cost for FY 2021-22 based on estimates submitted and approved by Board. 2022-23 considered at 5% increase
Land Lease Rent	0.14	1.37	1.25	1.37	1.49	Land lease as per agreement with KIAL - 28000 Sq ft at Rs. 475.24 per sq. ft. Per year .Escalation of 9% every year on Dec 2022-23 estimate made considering 9% increase as per agreement
Electricity /Power Charges	0.03	0.10	0.09	0.10	0.11	5% increase over Previous year considered for FY 21-22 and 22-23
Salary	0.17	0.17	0.16	0.17	0.18	5% increase over Previous year considered for FY 21-22 and 22-23
Insurance	0.02	0.01	0.03	0.01	0.01	2022-23 estimate made considering 5% increase considering 21-22
Repair & Maintanace	0.01	0.02	0.01	0.02	0.02	2022-23 estimate made considering 5% increase considering 21-22
Other exp	0.31	0.52	0.13	0.55	0.57	2022-23 estimate made considering 5% increase considering 21-22
TOTAL (Excluding Interest costs)	1.70	6.16	5.03	5.72	6.06	
Int on New Working Capital Loan				0.01	0.02	Working Capital limit requested is Rs.3.4Cr.Interest rate will be 7.65% p.a on the basis of utilisation of funds.

Note:

BKFFPL requests AERA to considers the aforementioned projections and true up the same as at actuals.

	Actuals	Actuals	Actuals	Projection	Projection
Particulars	2018-19	2019-20	2020-21		
Revenue earned	1.27	8.54	3.26		
Revenue projected till Sep 2021				1.84	

Revenue as per Financials

Operations Revenue 1.26 8.41 3.10

Other Income 0.01 0.13 0.16

Total Income 1.27 8.54 3.26

Difference 0.00 0.00 0.00

	Actuals	Actuals	Actuals	Projection	Projection
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Tax cost	0.00	0.00	0.00	0.00	0.00

Notes:

In the past 3 years no income tax has been paid due to c/f losses. As of 31st March 2021, the c/f losses was Rs. 6.21 crores.

In view of the uncertainties over revenues, the company does not expect to pay taxes in FY 22-23 and FY 21-22. However, should any tax be paid in these years, BKFFPL requests the Authority to true up the same based on actuals.

As per Financials

Current Tax	0.00	0.00	0.00
Deferred Tax	13.27	27.22	18.61

Tax losses as per FS

Expiry in	
FY 28-29	4.01
FY 7-28	0.11
FY 26-27	2.09
TOTAL	6.21