File No. AERA/20010/MYTP/MAFFFL/FF/CP-III/2021-26

Consultation Paper No. 05/2021-22

सत्यमेव जयते

Airports Economic Regulatory Authority of India

IN THE MATTER OF DETERMINATION OF FUEL INFRASTRUCTURE CHARGES IN RESPECT OF MUMBAI AVIATION FUEL FARM FACILITY PRIVATE LIMITED (MAFFFL) AT CSMI AIRPORT, MUMBAI, FOR THE THIRD CONTROL PERIOD (01.04.2021 – 31.03.2026)

28th May, 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. 05/2020-21 dated 28th May, 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 Airports, New Delhi – 110003, India
Email: gita.sahu@aera.gov.in and mravi.aera@govcontractor.in
Copy to: director-ps@aera.gov.in and secretary@aera.gov.in

Last Date for submission of Stakeholders' comments: 28/06/2021

Last Date for submission of counter comments: 08/07/2021

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

Content of Table

LIST OF ABBREVIATIONS

AAI	Airports Authority of India
AERA or the Authority	Airports Economic Regulatory Authority of India
Aero	Aeronautical
ARR	Aggregate Revenue Requirement
ATA	Air Travellers Association
ATM	Air Traffic Movement
ATP	Annual Tariff Proposal
BPCL	Bharat Petroleum Corporation Limited
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
CSMIA	Chhatrapati Shivaji Maharaj International Airport, Mumbai
E&Y	Ernst & Young
FIC or Infrastructure charge	Fuel Infrastructure Charge
FRoR	Fair Rate of Return
FY	Financial Year
GoI	Government of India
HPCL	Hindustan Petroleum Corporation Limited
IATA	International Air Transport Association
ICDS	Income Computation and Disclosure Standards
IND AS	Indian Accounting Standards
INR or ₹	Indian Rupees
IOCL	Indian Oil Corporation Limited
IRR	Internal Rate of Return
ITP	Into Plane Services
JVC	Joint Venture Company
CoE	Cost of Equity
Licence Agreement	Licence Agreement between MAFFFPL and MIAL entered into on 30th December 2014 till 02nd May 2036
MAFFFPL/ Fuel Farm Operator	Mumbai Aviation Fuel Farm Facility Private Limited
MIAL	Mumbai International Airport Private Limited
MYTO	Multi Year Tariff Order
MYTP	Multi Year Tariff Proposal
O&M	Operation and Maintenance

OIL PSUs	IOCL, BPCL and HPCL
OPEX	Operating Expenses
P&L	Profit and Loss
p.a.	per annum
PAX	Passenger(s)
RAB	Regulatory Asset Base
SLM	Straight Line Method
Sq.m.	Square Metre
YPP	Yield Per Passenger

1. BACKGROUND

1.1. MAFFFL is a Joint Venture Company (JVC) floated by Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL) and Mumbai International Airport Private Limited (MIAL), each holding an equal ownership. Pursuant to License Agreement between MAFFFL and MIAL dated 30th December 2014 valid till 02nd May 2036.

1.2. MAFFFL was incorporated for the purpose of taking over and managing the aviation fuel facilities of the Oil PSUs, creating an integrated aviation fuel facility at that time for the Airport on an "***open access***" model.

1.3. In response to AERA letter dated 10.09.2020, MAFFFL submitted the MYTP for the 3rd Control Period to the Authority vide letter dated 14.01.2021 proposing a tariff of ₹1321/KL, as Fuel Infrastructure Charges (FIC) for the 3rd Control Period (FY 2021 to FY 2026).

1.4. Subsequently, the Authority vide letter dated 28.01.2021 requested additional details and clarifications on the MYTP. The additional details and the financial model were submitted by MAFFFL vide their letter/mail dated 15.02.2021.

1.5. As per MAFFFPL submissions, during the 2nd Control Period all the Oil PSUs namely HPCL, BPCL and IOCL operated from their respective facilities located at Sahar and Santa Cruz areas on the land provided by the Airport. The planned Integrated Fuel Farm Facility (built on an area of approximately 30,000 sqm. and having static storage capacity of 47,500 KL of ATF) is expected to operate from a single point (i.e., at the site of the existing facilities of IOCL and HPCL near the Domestic terminal 1A, Santa Cruz) so as to bring in efficiencies of integrated operations. It has been further stated that, the existing assets acquired from the Oil PSUs will be disposed-off once the Integrated Fuel Farm is operational.

1.6. The Authority asked for the confirmation whether 'open access' model of the facility has been implemented or not. MAFFFL vide their letter dated 15.02.2021 stated that all construction works related to the implementation of 'open access' model are completed. However, approval from statutory authorities is awaited for commissioning and the same is expected by July 2021.

1.7 MAFFFL has also submitted the audited accounts for the Financial Year 2016-17 to 2019-20 as per the statuary requirement of AERA Act and Guidelines issued from time to time. MAFFFL has also submitted the projected accounts for the Financial Year 2020-21.

1.8 The depreciation rates for the purpose of the tariff determination exercise that have been considered are based on AERA's Order no. 35/2017-18 dated 12th January, 2018 as well as Amendment Order no. 35/2017-18 dated 9th April, 2018. The useful life of the assets as determined by AERA also forms the basis for the depreciation of assets of MAFFFL.

1.9 MAFFFL has also submitted the additional financial and non-financial information, clarifications and financial model in response to queries raised by AERA from time to time.

1.10 The Authority has reviewed the submissions made by MAFFFL with respect to various building blocks. The ensuing chapters in this Consultation Paper present the Authority's review of the MYTP submitted by MAFFFL, under its guidelines issued in this regard from time to time.

1.11 The final chapter summarizes Authority's proposals regarding each of the building blocks. The Authority invites views of the Stakeholders regarding proposals put forward for tariff determination for the third Control Period in this Consultation Paper.

2. METHODOLOGY FOR TARIFF CALCULATION

2.1 According to Section 2(a) of AERA Act, 2008 "aeronautical service" means any service provided-

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

2.2 As stipulated in the CGF Guidelines, the Authority follows a three stage process for determining its approach to the regulation of a Regulatory service:

2.2.1 Materiality Assessment;

2.2.2 Competition Assessment;

2.2.3 Assessment of reasonableness of the User Agreements between service providers and users of the Regulatory services.

2.3 Based on the Authority's review as described above where the Regulatory Service(s) provided are deemed:

2.3.1 'not material', the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period

2.3.2 'material but competitive', the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period

2.3.3 'material and not competitive' but where the Authority is assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period

2.3.4 'material and not competitive' and where the Authority is not assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) based on price cap approach for the duration of the Control Period.

2.4 The Materiality Index (MI) of Fuel Throughput at Mumbai airport is as under:

$$= \frac{\textbf{\textit{Fuel Throughput in Kiloliters at Mumbai Airport}}}{\textbf{\textit{Total Fuel Throughput in Kiloliters at all Major Airports}}} \; \boldsymbol{X100}$$

Fuel Throughput at Mumbai Airport$= \frac{1482755}{8697575}$ X100 = 17.05%

2.5 Based on MAFFFPL’s submission, materiality index is more than 5% and, therefore, the service is deemed to be "material".

2.6 The CGF Guidelines provide that where a Regulatory Service is being provided at a major airport by two or more Service Provider(s), it shall be deemed "competitive" at that airport and if such service is provided by less than two Service Provider(s), it shall be deemed "not competitive". The Guidelines also provide that the Authority may in its discretion consider such other additional evidence regarding reasonableness of competition, as it may deem fit and the determination of number of Service Provider(s) at a major airport shall include the Airport Operator, if the Airport Operator is also providing Regulatory Service(s) at that major airport.

2.7 At present, the fuel farm services at CSMIA are being provided solely by MAFFFPL. Hence, the service is deemed to be "not competitive".

2.8 The Authority has noted that as per the CGF Guidelines, based on the assessment of materiality and competition, when such Regulatory service is deemed "material and not competitive", the Authority shall then assess the reasonableness of existing User Agreement(s) and where the Authority is assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) for the service providers based on a light touch approach.

2.9 Regarding Reasonableness of User Agreement(s), the CGF Guidelines provide that the Authority shall consider the existing User Agreement(s) as reasonable provided that:

2.9.1 "(i) The service provider submits existing User Agreement(s) between the Service Provider and all the User(s) of the Regulatory Service(s), clearly indicating the tariff(s) that are agreed to between the Service Provider and the User(s) of the Regulatory Service(s), and

(ii) The User(s) of the Regulatory Service(s) have not raised any reasonable objections or concerns in regard to the existing User Agreement(s), which have not been appropriately addressed.

Provided that the Authority may in its discretion consider such other additional evidence regarding reasonableness of User Agreement(s), as it may deem fit."

2.10 The tariff for the 2nd Control Period was done under ‘price cap’ method. MAFFFL has submitted the Multi Year Tariff Proposal under ‘price cap’ method for the Third Control Period. The Authority noted that MAFFFL has not conducted user consultation for the tariff proposals. The Authority noted that MAFFFL was set up essentially to provide common access to all suppliers of fuel and continues to remain as to be a single service provider of infrastructure of fuel supply. Hence, the Authority decides to determine tariff for fuel supply service provided by MAFFFL at CSMIA under price cap regulation for the third Control Period. This is in line with the earlier decision of the Authority to resort to price cap method for tariff determination in case of MAFFFL.

2.11 Where the Regulatory Service is deemed 'material and not competitive' and where the Authority is not assured of the reasonableness of the existing User Agreement(s), the Authority shall calculate the Aggregate Revenue Requirement (ARR) on the basis of the following Regulatory Building Blocks:

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

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

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’

2.12 The present value of total aeronautical revenue that is estimated to be realized each year during the Control Period at proposed tariff levels is compared with the present value of the ARR during the Control Period. In case the present value of estimated aeronautical revenue during the Control Period is lower than the present value of ARR, the Regulatory entity may opt to increase the proposed tariff. In case the present value of estimated aeronautical revenue is higher than the present value of the ARR then the Regulatory entity will have to reduce its proposed tariff.

2.13 The detailed submissions provided by MAFFFL in respect of the Regulatory Building Blocks have been discussed in the subsequent sections.

2.14 MAFFFL is in the sole business of providing infrastructure for storage and supply of fuel to the aircrafts and their entire activity comprises of aeronautical services. Therefore, the application of ‘Single Till’ methodology will be more appropriate and reasonable, to be adopted for tariff determination process of MAFFFL, Mumbai. Accordingly, the Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority on ‘price cap approach’ under ‘single till’ has been calculated.

2.15 Authority’s Proposal regarding Methodology for Tariff Determination for Third Control Period:

Based on the material before it and based on its analysis, the Authority has proposed the following regarding Methodology for Tariff determination for MAFFFL, Mumbai for the Third Control Period:

2.15.1 The Authority proposes to adopt “Price Cap Approach” on ‘Single Till’ basis for Tariff determination of MAFFFL, Mumbai for the 3rd Control Period.

3 TRUE UP FOR THE 2ND CONTROL PERIOD

The Authority in its Order no. 30/2017-18 dated 18th December 2017 relating to the 2nd Control Period, decided to True up each building blocks of the 2nd Control Period during the tariff determination for the 3rd Control Period. Accordingly, MAFFFL has submitted their calculations regarding the True up for the 2nd Control Period as under:

3.1 True-up for the 2nd Control Period (01.04.2016-31.03.2021) has been calculated as the difference between:

3.1.1 Permissible fuel revenue calculated based on actual fuel off take and financials; and

3.1.2 Actual fuel revenue received by MAFFFL for the 2nd Control Period

Table No.1 MAFFFL's submission for True up for 2nd Control Period

Particulars (in INR lakhs)	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	Total
Return on avg. RAB	3,676.10	3,289.17	3,317.45	3,960.24	5,209.88	19,452.84
Depreciation	3,811.80	2,901.13	2,559.21	2,768.33	2,464.11	14,504.58
Operating expenses	3,087.53	3,734.87	4,882.18	3,518.75	1,306.85	16,530.18
Taxes	1,536.10	2,180.56	2,051.25	1,091.64	-	6,859.55
Less : Interest income	(207.36)	(202.35)	(356.76)	(247.27)	(86.36)	-1,100.10
Less : Other income	(355.69)	(525.11)	(475.12)	(360.57)	(393.90)	-2,110.39
Less : CSR expenses	(9.53)	(41.37)	(97.88)	(128.23)	(135.40)	-412.41
Actual ARR : Based on RAB working	11,538.95	11,336.90	11,880.32	10,602.89	8,365.18	53,724.24
Discounted ARR	18,282.58	16,018.07	14,960.67	11,896.45	8,365.18	69,522.95
Discounted ARR for the Control Period	**69,522.95**					

3.2 MAFFFL earned revenue of INR **53,800.69 lakhs** during the 2nd Control Period through FIC as under:

Table No.2 FIC Revenue during the 2nd Control Period – MAFFFL submission

Particulars (in INR lakhs)	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Actual Revenue	11,752.44	12,986.83	13,429.28	11,123.32	4,508.82
Total Revenue	**53,800.69**				

3.3 Correspondingly, MAFFFL has observed a surplus of INR 1,347.77 lakhs for the 2nd Control Period as follows:

Table No.3 Calculation of Claw-back – MAFFFL submission

Particulars (in INR lakhs)	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	Total
Revenue based on recoverable rate*	11,873.88	12,935.71	12,849.62	10,639.86	4,313.17	**52,612.24**
Actual Revenue	11,752.44	12,986.83	13,429.28	11,123.32	4,508.82	**53,800.69**
Surplus (-)/ shortfall (+)	121.44	(51.12)	(579.66)	(483.46)	(195.65)	**-1,188.45**
Present value of surplus (-)/ shortfall (+)	192.51	(72.23)	(729.96)	(542.45)	(195.64)	**-1,347.77**
Over/(Under) Recovery for the 2nd Control Period	**1,347.77**					

**MAFFFL has worked out the recoverable rate by dividing the ARR trued up by the discounted value of volumes handled during the 2nd Control Period as per the financial model.*

3.4 The FRoR for the 2nd Control Period has been considered as per the Cost of Equity at 14% as approved by AERA.

3.5 Finance cost included long term borrowings as well as the total capitalization of interest cost.

3.6 Following are the deprecation rates used by MAFFFL to calculate the depreciation for key assets:

Table No.4 Depreciation rates – MAFFFL submission

S. No.	Asset Class	Depreciation rate for Existing Assets	Average depreciation rate for Integrated Fuel Farm Facility
1.	Buildings	14.26%	5.03%
2.	Roads	14.26%	5.03%
3.	Plant and Machinery	14.26%	5.03%
4.	Deadstock	0	0
5.	Furniture and Fittings	10%	3.89%
6.	Motor Vehicles	12.50%	9.26%
7.	Office Equipment	20%	17.54%
8.	Computers	33.34%	33.34%
9.	Electrical Installations	10%	4.11%

3.7 Adjustments were made for income earned through interest on fixed deposits and earnings on liquid funds. These incomes were subtracted from the total revenue.

3.8 Adjustments were also made for other Incomes earned from sources other than operations. Refunds on property tax and excess provisions written back were excluded.

Authority's examination regarding True-up for the 2nd Control Period:

3.9 The Authority observed that MAFFFL has calculated the excess recovery in the following manner:

a. Based on the Aggregate Revenue requirement recoverable as calculated (Refer Table No.1), the FIC rate recoverable to get the ARR has been calculated by dividing the ARR by the sum of discounted value of throughput volume.

b. The difference between the actual revenue (Refer Table No.2) and the revenue recoverable based on the recoverable rate has been calculated as **per table no.3**. The Net Present Value (NPV) of the difference has been worked out as the amount excess recovered during the 2nd Control Period, which works out to INR. 1347.77 lakhs.

c. The detailed calculations were not submitted by MAFFFL in their MYTP. Subsequently, MAFFFL submitted the financial model on 15.02.2021 after the clarifications were sought by the Authority.

The analysis and consideration of the Authority for True up of 2nd Control Period on each of the building blocks are as under:

A. Capital Expenditure

3.10 The capital expenditure considered by the Authority for the 2nd Control Period in the Order no.30/2017-18 dated 18th December 2017 for the integrated fuel farm facility is given below:

Table No. 5 – Capital Expenditure as approved by the Authority for the 2nd Control Period

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Building - RCC	212.00	1,894.00	1,822.00	-	-	**3,928.00**
Building Non-RCC	-	-	-	-	-	**-**
Roads	37.00	332.00	319.00	-	-	**688.00**
Lab Equipment	-	-	-	-	-	**-**
Plant & Machinery	385.00	3,331.00	3,275.00	-	-	**6,991.00**
Dead Stock	-	-	687.00	-	-	**687.00**
Storage Tanks	647.00	5,776.00	5,556.00	-	-	**11,979.00**
Pipelines	226.00	2,022.00	1,945.00	-	-	**4,193.00**
Electrical Installations	65.00	576.00	554.00	-	-	**1,195.00**
Total	**1,572.00**	**13,932.00**	**14,157.00**	-	-	**29,661.00**

3.11 As against the total capital expenditure of Rs.29,661.00 lakhs (excluding IDC) determined in the 2nd Control Period Order, the actual expenditure incurred during the 2nd Control Period is Rs. 22,036.54 lakhs. After inclusion of IDC and project expenses to the actual expenditure, the total capital expenditure is Rs. 30,719.92 lakhs (including IDC of Rs. 8,683.38 lakhs), the detail of which is given below.

Table No. 6 Actual Capital Expenditure incurred by MAFFFL during the 2nd Control Period

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Buildings	371.70	1,308.57	286.77	805.87	791.64	**3,564.55**
Roads	-	5.25	-	-	-	**5.25**
Plant & machineries	2,840.35	8,018.79	6,030.36	4,156.13	2,454.16	**23,499.79**
Deadstock	-	-	-	741.88	-	**741.88**
Furniture & fitting	4.38	0.20	-	-	-	**4.58**
Motor vehicles	77.91	14.78	-	-	-	**92.69**
Office equipment	15.43	0.30	-	0.85	-	**16.58**
Computers	0.85	6.79	-	1.83	-	**9.47**
Electric installations	504.38	576.27	429.02	1,048.26	227.20	**2,785.13**

Total	3,815.00	9,930.95	6,746.15	6,754.82	3,473.00	**30,719.92**
IDC	2,243.00	1,851.27	982.77	2,978.34	628.00	8,683.38
Total Capex Net of IDC	**1572.00**	**8079.68**	**5763.38**	**3776.48**	**2845**	**22036.54**

B. Depreciation

3.12 The Authority proposes to recalculate the depreciation rates as per the Order no.35/2017-18.

Table No.7 Depreciation Rates Proposed to be considered for True up of 2nd Control Period by the Authority

Sl. No	Asset Class	Useful life as per Order No. 35/2017-18	Depreciation Rate Applied as per Order no.35/17-18
1	Buildings	60	1.67%
2	Roads	20	20%
3	Plant & Machinery	20	6.67%
4	Dead stock	0	0
5	Furniture	10	10%
6	Motor vehicles	8	12.5%
7	Office Equipment	5	20%
8	Computers	3	33.33%
9	Electrical Installation	10	10%

3.14. MAFFFL has considered 10% as residual value of assets and has depreciated only 90% of the value of assets. This is in line with para 9.3.4 of CGF guidelines as stated below.

> "*the residual value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the original cost of the asset*"

3.15. The depreciation rate adopted in respect of Buildings varies much from the rates prescribed in Order no.35/2017-18 as well as Companies' Act 2013. Further Pipelines and Storage Tanks have a separate life span as per Companies' Act. The life of Plant and Machinery is 15 years as per Companies' Act and life Storage Tanks is 25 years and life of Pipelines is 30 years. However, MAFFFL has clubbed Pipelines and Storage Tanks in to Plant &Machinery.

3.16. The amount of depreciation calculated and submitted by MAFFFL and the revised depreciation calculated by the Authority in accordance with the rates specified in the Order no.35/2017-18 are given below:

Table no.8 – Depreciation Amount as proposed for Truing up during the 2nd Control Period by the Authority.

Particulars (Rs.In lakhs)	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**Total**
As submitted by MAFFFL in MYTP	3811.8	2901.13	2559.21	2768.33	2464.11	14504.58
As recalculated by the Authority	3389.13	2663.45	2453.52	2189.05	2496.41	13191.56

C. Regulatory Asset Base

3.17. The Regulatory Asset base recalculated after considering the above depreciation for the 2nd Control Period is given below:

Table no.9 Regulatory Asset base proposed for True up for the 2nd Control Period

Particulars (Rs. In lakhs)	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**Total**
Opening RAB-A	31,724.47	29,042.62	25,806.10	28,078.75	24,991.54	1,39,643.48
Commissioned Assets -B	1,056.71	132.42	7,104.48	1,184.36	17,225.30	26,703.27
Depreciation -C	3389.13	2663.45	2453.52	2189.05	2496.41	13,191.56
Disposals -D	349.43	705.49	2,378.31	1,602.52	0	5,035.75
Closing RAB - E =(E+F-C-D)	29,042.62	25,806.10	28,078.75	25,471.54	39,720.43	1,48,119.44
Average RAB -F = (A+E)/2)	30,383.55	27,424.36	26,942.43	26,775.15	32,355.99	1,43,881.46

3.18 The value of dead stock in the books of accounts is given below. This is treated as a non-depreciable asset in line with the decision taken during the tariff determination for the 2nd Control Period.

Table no. 10- Dead Stock as considered by the Authority during the 2nd Control Period

Particulars (Rs. In lakhs)	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Opening Balance	3876	3876	3876	3876	4617
Additions				741	
Closing Balance	3876	3876	3876	4617	4617

C. Operating Expenses and CSR

3.19. The component wise details of operating expenses were not initially submitted by MAFFFL. The Authority sought additional details and certain clarifications vide its mail dated 28.01.2021 and MAFFFL's response thereon dated 15.02.2021. The details submitted were cross checked with the published accounts for the period FY 2016-17 to FY2019-20.The Employee Benefit Expenses and other expenses were tallying with the accounts. As per books of accounts, the licence fees pertaining to the project site is accounted under CWIP as per IndAS116, whereas as per AERA's tariff Order for the 2nd Control Period (Order no.30/2017-18) the licence fee for the project site was considered under operating expenses. Accordingly, the entire licence fee/lease rent is proposed to be considered as operating expense. Since the treatment is in line with the decision of Authority in the 2nd Control Period.

3.20. Initially, MAFFFL has not considered CSR expenses as expenditure in the True up calculations for the 2nd Control Period. Subsequently, based on the judgment of TDSAT Order dated 16th December 2020 in respect of Bangalore Airport, MAFFFL has requested to consider the CSR Expenses of Rs. 412.41 lakhs in the tariff determination. The year wise expenses of Operating Expenses and CSR expenses are given below:

Table No.11 Operating Expenses proposed to be considered for True up of the 2nd Control Period by the Authority:

Particulars (Rs. In lakhs)	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**Total**
Fuel Farm and ITP operating Expenses	2,116.48	2,642.24	3,273.28	2,234.89	621.46	**10,888.35**
Employee Benefit Expenses	164.21	215.38	292.25	231.52	262.71	**1,166.07**
Other Expenses	797.31	835.88	1,218.77	924.11	287.28	**4,063.35**
CSR Expenses	9.53	41.37	97.88	128.23	135.4	**412.41**
Lease rent	281.84	494.32	691.95	328.25	344.67	**2,141.03**
Total	**3,369.37**	**4,229.19**	**5,574.13**	**3,847.00**	**1,651.52**	**18,671.21**

3.21 The Authority noted that part of license fee was capitalized and treated as lease asset. Since, the lease rent is a recurring payment and is generally treated as part of Operating Expenses, the Authority, proposes to treat the entire lease rent as part of OPEX.

E. Income Tax

3.22 The year wise Income Tax claimed as a building block in the True up for the 2nd Control Period is give below. Since they are as per the audited accounts and being a statutory payment, it is proposed to accept the same as submitted. There is no income tax projected for the FY 2020-21, since it is likely to result in a loss making year due to COVID 19 Pandemic.

Table no. 12 Income Tax proposed to be considered by the Authority for the True up of 2nd Control Period

Particulars (Rs. In lakhs)	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**Total**
Income Tax	1536.10	2180.56	2051.25	1091.64	-	6859.55

F. Other Income

3.23 Since the tariff determination exercise for MAFFFL is being done on a '**Single Till'** basis, the entire other income will be considered for subsidizing the FIC tariff. The other income as submitted was examined in detail by the Authority. The income from ITP revenue and some write back of provisions were not included by MAFFFL. It is proposed to include the ITP revenue, since the entire expenditure including the share of Airport Operator i.e. 5% in the ITP revenue has been considered in the OPEX.

Excess provision of Rs.12.00 lakhs in FY 2018-19 relates to BG commission for the year FY 2017-18. This was included by MAFFFL after clarifications. The year wise detail of other income to be considered for the True up is given below:

Table no. 13 – Other Income proposed to be considered for True up of the 2nd Control Period by the Authority

Particulars (Rs. In lakhs)	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**Total**
Interest Income	207.36	202.35	356.76	247.27	86.36	**1,100.10**
ITP Revenue	196.83	222.52	281.27	240.92	103	**1,044.54**
Other Income	355.69	525.11	475.12	372.57	393.9	**2,122.39**
Total	**759.88**	**949.98**	**1,113.15**	**860.76**	**583.26**	**4,267.03**

G. Fair Rate of Return

3.24 MAFFFL has adopted a rate of return of 14% on equity which is in line with the rate adopted by the Authority in its calculations for determination of tariff for the 2nd Control Period. The interest rate has been taken as 8.95% up to FY 2019-20 and 8.5% for the year 2020-21. The adjusted WACC for the 2nd Control Period for the True up is worked out below:

Table No.14 – FRoR proposed to be considered for True up of the 2nd Control Period by the Authority

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21
Equity	17244	20648	26727	32735	34171
Debt	16884	14827	14165	13183	12162
Total	34128	35475	40892	45918	46333
Equity %	50.53%	58.20%	65.36%	71.29%	73.75%
Debt %	49.47%	41.80%	34.64%	28.80%	26.25%
WACC					
Equity	7.07%	8.15%	9.15%	9.98%	10.33%
Debt	4.43%	3.74%	3.10%	2.57%	2.23%
Total	11.50%	11.89%	12.25%	12.55%	12.56%

3.25. The Authority has adopted an average rate of FRoR for computation of discounting factor for True up of 2nd Control Period.

H. Aggregate Revenue Requirement

3.26 The result of True up for the 2nd Control Period on the Aggregate Revenue Requirement as well as actual revenue realized during the 2nd Control Period and the amount of excess/short recovery are given below:

Table no. 15 ARR proposed to be considered for True up of the 2nd Control Period by the Authority

Particulars (Rs. In lakhs)	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**	**Total**
Average RAB (A)	30,383.55	27,424.36	26,942.43	26,775.15	32,355.99	
FRoR (B)	11.50%	11.89%	12.25%	12.55%	12.56%	
Return on RAB (C=A*B)	3494.61	3260.57	3300.63	3360.32	4062.71	17478.84

Depreciation (D)	3389.13	2663.45	2453.52	2189.05	2496.41	13191.56
O&M including CSR (E)	**3,369.37**	**4,229.19**	**5,574.13**	**3,847.00**	**1,651.52**	18671.21
Income Tax (F)	1536.10	2180.56	2051.25	1091.64	0.00	6859.55
ARR (G = C+D+E+F)	11,789.21	12,333.77	13,379.53	10,488.01	8,210.64	56,201.16
Less: Other Income (H)	**759.88**	**949.98**	**1,113.15**	**860.76**	**583.26**	4267.03
Net ARR (I= G-H)	11,029.33	11,383.79	12,266.38	9,627.25	7,627.38	51,934.13
Discount Factor	1.7741	1.5819	1.4106	1.2578	1.1215	
NPV of ARR	19,567.62	18,008.52	17,302.54	12,108.71	8,554.08	75,541.47
FIC Revenue	11,752.44	12,986.83	13,429.00	11,123.00	4,508.00	53,799.27
NPV of Actual Revenue	20,850.53	20,544.44	18,942.49	13,989.99	5,055.70	79,383.16
Over/(Under) Recovery for the 2nd Control Period	**3841.69**					

3.27 The excess recovery (claw back) to be adjusted out of 3rd Control Period is **Rs. 3841.69 lakhs.** The excess recovery could be much more but for the effect of COVID 19 pandemic in the year 2020-21.

3.28 Authority's Proposal regarding True up for the 2nd Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding True up for the 2nd Control Period:

3.28.1 The Authority proposes to consider the depreciation for the 2nd Control Period as per Table no.8;

3.28.2 The Authority proposes to True up the Regulatory Asset Base as per Table no.9;

3.28.3 The Authority proposes to consider the Operational Expenses including CSR for True up of 2nd Control Period as per Table no.11;

3.28.4 The Authority proposes to consider Income Tax for the 2nd Control Period as per Table no. 12;

3.28.5 The Authority proposes to True up the FRoR for the 2nd Control Period as per Table no.14;

3.28.6 The Authority proposes to True up the Aggregate Revenue Requirement of MAFFFL for the 2nd Control Period as per Table no.15 and also proposes to consider the claw back of **Rs. 3841.69 lakhs** for adjustment in the third Control Period.

4 REGULATORY ASSET BASE (RAB) AND DEPRECIATION OF THIRD CONTROL PERIOD

MAFFFL, Mumbai's submissions on Capital Expenditure for the Third Control Period as part of MYTP.

4.1 Regulatory Asset Base (RAB)

4.1.1. As stated in clause 9.2 of the CGF Guidelines in Direction 04/2010-11, RAB assets shall be all fixed assets proposed by the Service Provide(s), after providing for such exclusions therefrom or inclusions therein as may be determined by the Authority.

4.1.2. The Capital Expenditure for the 3rd Control Period that MAFFFL expects to incur is given in the table below:

Table no.16 – Capital Expenditure – MAFFFL submission for 3rd Control Period

Particulars (in INR lakhs)	**FY 21-22**	**FY 22-23**	**FY 23-24**	**FY 24-25**	**FY 25-26**
Building	1327.58	165.21	CAPEX Proposed - 'Nil'		
Roads	14.57	1.32			
Plant & Machinery	9681.48	1012.98			
Deadstock	273.84	46.16			
Furniture & Fittings	0.14	0.01			
Vehicles	1.28	0.12			
Office equipment's	0.23	0.02			
Computers	0.28	0.03			
Electrical Installation	2072.70	239.38			
Total	**13372.11**	**1465.23**			

4.1.3. The Capital Expenditure projections made by MAFFFL as part of its MYTP submission are for the balance construction activity of the integrated fuel farm facility at Santacruz with a storage capacity of ATF 47,500 KL in 5 aboveground tanks and connecting this facility to Terminal T2 hydrant infrastructure via 2 pipelines. Of these 5 fuel tanks, 3 fuel tanks have been commissioned and 2 fuel tanks to be completed by December 2021. The above mentioned proposed capital expenditure is in line with the Original Master Plan submitted in the Mott Macdonald report. It is to be noted that the projected capital expenditure for the 3rd Control Period is associated with the same project that was approved by the Authority in its Order No.30/2017-18. The capital expenditure approved for the entire project of purchasing assets from Oil PSUs and cost of construction of the New Integrated Fuel Farm Facility is Rs.75453.00 Lakhs as submitted by MAFFFL and the total capex for entire project is within the approved amount.

4.1.4. MAFFFL has submitted that in the 2nd Control Period unanticipated delays were caused in completion of the construction of integrated Fuel Fam facility. Following are the reasons cited by MAFFFL for such delays in the 2nd Control Period:

4.1.4.1. Considerable time was spent in grant of all major statutory approvals which were in place only by March 2017, all major construction activities could start only after receipt of the statutory approvals.

4.1.4.2. Several man days were lost on account of heavy rainfall which resulted in halting construction activity in its entirety.

4.1.4.3. VIP movements caused some disruptions which resulted in access being closed to Fuel Farm and certain areas of the Mumbai Airport.

4.1.4.4. The Integrated Fuel Farm project is a brown-field project which is being constructed at the same premises where the existing operational plant exists. Therefore, the construction activity is undertaken in phases as the existing operations of the Mumbai Airport could not be hampered,

4.1.4.5. MAFFFL has already commissioned three tanks which were capitalized on 31st March 2019.

4.1.4.6. The restrictions imposed by State/Central Governments to arrest the spread of COVID 19 pandemic have further delayed the project.

4.1.5. By virtue of the Transfer Deed, the existing fuel farm facilities of oil PSUs (IOCL, BPCL and HPCL) were transferred to MAFFFL. The facility comprises of storage tanks, pumps, plant and machinery, pipeline, building, and, deadstock. MAFFFL as part of their MYTP submission, apprised the Authority that deadstock is the minimum level of ATF which is always required to be held in the storage tank and pipelines in order to keep the facilities operational and is required throughout the life of the facility. There is no quantity variation in this stock during the course of the business unless a particular facility is demolished. Hence deadstock cannot be disposed of at any given point in time.

4.1.6. The existing deadstock taken over from Oil PSUs, therefore, will be used in the two new tank, connector pipeline, plant piping & filter vessels which are part of integrated fuel farm facility in the third Control Period.

4.1.7. After consuming the existing deadstock, any additional deadstock required will be procured as per the need in the third Control Period.

4.1.8. Following is the summary of the CWIP and RAB during the 3rd Control Period:

Table no.17 – CWIP and RAB for TCP – MAFFFL Submission as part of MYTP

Particulars (in INR lakhs)	**FY 21-22**	**FY 22-23**	**FY 23-24**	**FY 24-25**	**FY 25-26**
Opening CWIP	4,721.22	1,465.48	-	-	-
Capex during the period	10,116.38	-	-	-	-
Commissioned	(13,372.11)	(1,465.48)	-	-	-

assets					
Closing CWIP	1,465.48	-	-	-	-
Opening RAB	42,247.87	51,699.78	49,890.80	46,618.76	43,346.81
Commissioned Assets	13,372.11	1,465.48	-	-	-
Depreciation	(3,181.60)	(3,274.46)	(3,272.04)	(3,271.95)	(3,271.78)
Disposals	(738.60)	-	-	-	-
Closing RAB	51,699.78	49,890.80	46,618.76	43,346.81	40,075.02

Authority's examination regarding Capital Expenditure

4.1.9. The Authority notes that the details of capital expenditure to be incurred year-wise as given at Table no.16 as part of MYTP submission of MFFFL is incorrect. It is observed that instead of capital expenditure to be incurred, the likely capitalization expected during the 3rd Control Period has been given in the Table No.17 above.

4.1.10 The Authority proposes that in the event of any delay in execution of capital expenditure as planned for 3rd Control Period, it will consider reduction in the RAB by 1% of the cost of the delayed part of the work, in the True up during tariff determination for the next Control Period.

4.1.11 The Authority also notes that the proposed capital expenditure for the 3rd Control Period is Rs.7625.15 lakhs (excluding IDC). This works out to be Rs.10124.69 lakhs including IDC of Rs.2499.54 lakhs as detailed below at Table no.18. MAFFFL has planned the entire expenditure to be spent in FY 2021-22 as per Para 4.1.3 above. It is also noted that the entire capital expenditure proposed is a part of Integrated Fuel Farm Facility approved in the 2nd Control Period. Accordingly, the revised capital expenditure for the 3rd Control Period is given below:

Table no.18 Capital Expenditure proposed to be considered for the 3rd Control Period by the Authority

Particulars (in INR lakhs)	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Total**
Building	648.78	Capex – 'Nil'				**648.78**
Roads	10.05					**10.05**
Plant & Machinery	7643.10					**7643.10**
Dead Stock	320.00					**320.00**
Furniture	0.10					**0.10**
Vehicles	0.88					**0.88**
Office Equipments	0.16					**0.16**
Computers	0.20					**0.20**
Electrical Installation	1501.42					**1,501.42**
Total	**10124.69**					**10124.69**

Depreciation

4.2.1. Following are the depreciation rates assumed for the 3rd Control Period (in %) by MAFFFL:

Table no. 19 Depreciation Rates as part of MAFFEL MYTP Submission for Third Control Period

Particulars	Useful life (# years)	Residual value	Depreciation Rates
Buildings - RCC	20	10.00%	5.03%
Roads	20	10.00%	5.03%
Plant and Machinery	20	10.00%	5.03%
Furniture	10	10.00%	10.00%
Vehicles	8	10.00%	12.50%
Office Equipment	5	10.00%	20.00%
Computers	3	10.00%	33.33%
Electrical Installations	10	10.00%	10.00%
Deadstock	-	-	-

4.2.2. Depreciation has been considered as per the provisions of the CGF guidelines in Direction No.4/2010-11 wherein the residual value of the asset is considered as 10% and depreciation is allowed up to 90% of the original cost of the asset.

Authority's examination regarding Depreciation

4.2.3. The depreciation rate adopted by MAFFFL in certain assets is not in line with the rates prescribed in the Companies' Act or the rates laid down in the Order no.35/2017-18 of the Authority. The Companies' Act lays down a residual value of 5% and directions under CGF guidelines mandates a residual value of 10%. The Order no.35/2017-18 does not specify any residual value and entire asset value is to be depreciated.

4.2.4 MAFFFL has adopted a residual value of 10% in line with the CGF guidelines. The rates of depreciation adopted for Building, Plant & Machinery, and, Roads are different. The Companies' Act also prescribes separate life for Storage Tanks as well as for Pipelines. MAFFFL has merged these items in "Plant & Machinery." The useful life adopted by MAFFFL and prescribed by Companies' Act / AERA Guidelines are given below.

Table no.20 Comparison of Useful Life of Assets for 3rd Control Period

Particulars	Useful life MAFFFL (years)	Useful life as per Order No. 35/2017-18 (Years)
Building	20	60
Roads	20	10
Plant & Machinery	20	15
Furniture	10	10
Vehicles	8	8
Office Equipment’s	5	5
Computers	3	3
Electrical Installations	10	10

4.2.4. The adjusted depreciation taking into account the useful life of assets as per Order No. 35/2017-18 for the 3rd Control Period proposed by the Authority is given below:

Table no. 21 Depreciation Amount proposed to be considered by the Authority for 3rd Control Period

Particulars (Rs. In lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
As per MAFFFL	3,181.60	3,274.46	3,272.04	3,271.95	3,271.78	**16,271.83**
Revised Depreciation as per AERA	3,449.39	3,540.10	3,534.54	3,529.42	3,504.02	**17,557.47**

4.2.5 The Authority proposes to True up the depreciation considered based on ‘actuals’ at the time of tariff determination for the Next Control Period subject to the same corresponding to the efficient capex considered by the Authority for the 3rd Control Period.

4.2.6. The revised Regulatory Asset Base after taking into account the Capital Expenditure and Depreciation is given below:

Table no. 22 RAB proposed to be considered by the Authority for 3rd Control Period

Particulars (Rs. In lakhs**)**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Opening RAB (A)	39,240.43	47,692.56	45,397.70	41,383.16	37,373.74	
Capitalization of Assets during the Year (B)	13,120.12	1,725.24				14,845.36
Depreciation (C)	3449.39	3540.1	3534.54	3529.42	3504.02	17557.47
Disposals (D)	738.6					738.6
Closing RAB (E=A+B-C-D)	48,172.56	45,877.70	41,863.16	37,853.74	33,869.72	
Average RAB (F = A+E)/2	43,706.50	46,785.13	43,630.43	39,618.45	35,621.73	

4.2.7 Authority's Proposal regarding RAB and Depreciation for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding RAB and Depreciation for the 3rd Control Period:

4.2.7.1 The Authority proposes to consider the revised depreciation for the third control period as Table no. 21;

4.2.7.2 The Authority proposes to consider the Regulatory Asset Base of MAFFFL for the third Control Period as Table no.22;

4.2.7.3 The Authority proposes to rework the RAB of the MAFFFL, Mumbai for the 3rd Control Period, by reducing the RAB by 1% of the delayed cost of the projects, if MAFFFL, Mumbai fails to commission and capitalize the projects by March 2022;

4.2.7.4 The Authority also proposes to True up Depreciation and RAB during the tariff determination for the 4th Control Period.

5. FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

MAFFFL, Mumbai's submission on fair Rate of Return (FRoR) for the Third Control Period as part of MYTP.

MAFFFL, Mumbai has considered Fair Rate of Return (FRoR) for the 3rd Control Period which based on the proposed capital structure, funding mechanism and FRoR along with the computation as detailed in the subsequent paras as given below:

Table no.23 Fair Rate of Return – MAFFFL submission as part of MYTP for 3rd Control Period

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Debt	15,189.02	7,080.05	4,447.53	1,810.68	-
Equity	35,242.70	38,209.51	46,311.64	56,491.92	67,331.09
Debt + Equity	50,431.73	45,289.56	50,759.17	58,302.60	67,331.20
Cost of debt	8.50%	8.50%	8.50%	8.50%	8.50%
Cost of equity	16.00%	16.00%	16.00%	16.00%	16.00%
FRoR	15.00%	15.00%	15.00%	15.00%	15.00%

5.1 Cost of Equity

5.1.1. As per clause AI.5.2.3, of the CGF guidelines in accordance with the Direction No.4/2010 11, the "Service Provider(s) shall submit its assessment of Cost of Equity based on the Capital Asset Pricing model (CAPM)"

The CAPM model states that:

$$R_e = R_f + ß (R_m – R_f)$$

Where,

R_e is the cost of equity;

R_f is the risk-free rate;

ß is the market volatility; and

R_m is the market risk

5.1.2. The risk-free rate and market risk rates can be obtained based on Government Bonds and 5-year CAGR of Sensex. However, since there is no listed Fueling Service Provider in India, a suitable 'beta' value for MAFFFL's operations cannot be arrived at. However, the Return on Equity for MAFFFL would be based on the high-risk levels that the business is operating with:

5.1.3. Fuel is a dangerous good. Hence, fuel storage and handling involves various security and safety procedures as well as several risk aversion systems;

5.1.4. Providing an essential service (into dangerous goods) at a vulnerable area (high risk area) such as an airport possesses an additional risk;

5.1.5. Since MAFFFL depends on airport operator for utilities and other complementary services, any failure by the airport operator in providing the same would directly impact MAFFFL's operations;

5.1.6. Varying State policies and taxes results in changing prices of ATF, across countries as well, thereby creating more volatility and risk;

5.1.7. Execution of an Integrated Fuel Farm project at a brownfield airport will require more precautions and clearances from regulatory bodies. This is likely to result in hindrance in project execution;

5.1.8. With Navi Mumbai Airport development under consideration, there is a risk of lower recovery due to significant traffic risks;

5.1.9. Due to the higher levels of risk involved in MAFFFL's operations, business conditions, and environment, MAFFFL proposes a 16% Cost of Equity rate to be considered for the 3rd Control Period.

5.2 Cost of Debt

5.2.1. HDFC Bank has been shortlisted as the lender by way of a limited tender. The Rupee term loan from HDFC Bank comprised of two separate facilities – RTL-1 and RTL-2. The purpose of RTL1 is to finance the acquisition cost of the existing assets from Oil PSUs and MIAL and the purpose of RTL-2 is to finance the cost of the Integrated Fuel Farm Facility. While RTL-2 has been repaid, a principal outstanding of Rs.103.14 crores of RTL-1 is outstanding as on 31st December 2020.

5.2.2. In addition to RTL-1, HDFC Bank has sanctioned a new Capex loan of Rs.101.00 crores (out of which Rs.30.00 crores has been availed till 31st December 2020)

5.3 Debt-Equity Ratio

5.3.1. MAFFFL has considered the debt-equity ratio 60:40 as per the decision of its board. In Order to maintain a debt-equity ratio of 60:40, MAFFFL projected an equity infusion of Rs.7.69 crores in FY 2021-22.

Authority's examination regarding Fair Rate of Return

5.4 Cost of Equity

5.4.1 MAFFFL has considered cost of equity at 16% for the 3rd Control Period on the ground that the Fuel Farm Infrastructure deals with dangerous goods in a vulnerable area, dependence on airport operator, many clearances and precautions required as per regulations, and, the business risk posed by Navi Mumbai Airport.

5.4.2 The Authority also notes that there is no change in the risk position since almost all these factors were already known and considered. In fact Fuel Farm Facility is 'monopolistic' in nature and is an essential service for the smooth running of the airport. Therefore, it is proposed to maintain the Cost of Equity at 14% as considered in the 2nd Control Period tariff determination.

5.5 Cost of Debt

5.5.1. MAFFFL has adopted a rate of 8.50% as cost of debt for the entire 3rd Control Period. It is seen that the interest rate for RTL-I was 8.2% and the cost of new loan was 7.5%. Considering the same, the revised Cost of Debt calculated by the Authority for the 3rd Control Period is given below:

Table no.24 Revised Cost of Debt proposed to be considered by the Authority for the 3rd Control Period

Particulars (Rs. In lakhs)	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
Opening Debt	12345.09	15459.42	7713.90	4447.53	1810.69
Closing Debt	15459.42	7713.90	4447.53	1810.69	0
Average Debt	13907.25	11586.66	6080.72	3129.11	905.35
Interest cost	994.52	1075.16	496.48	253.23	66.66
Cost of Debt	**7.15%**	**9.28%**	**8.16%**	**8.09%**	**7.36%**

5.5.2. After considering the revised Cost of Debt, the Authority proposes to revise the FRoR for 3rd Control Period as per calculations as given below:

Table no.25 Revised FRoR proposed to be considered by the Authority for the 3rd Control Period

Particulars (Rs. In lakhs)	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Equity	35,242.70	38,209.51	46,311.64	56,491.92	67,331.09
Debt	15,459.42	7,713.90	4,447.53	1,810.69	-
Total	50,702.12	45,923.41	50,759.17	58,302.61	67,331.09
Equity %	0.70	0.83	0.91	0.97	1.00
Debt %	0.30	0.17	0.09	0.03	0.00
FRoR					
Equity	9.73%	11.65%	12.78%	13.57%	14.00%
Debt	2.18%	1.56%	0.71%	0.25%	0.00
Total	11.91%	13.21%	13.49%	13.82%	14.00%

5.5.3 The Authority calculated the Average FRoR @ 13.28% for 3rd Control Period for calculating the Discount Factor.

5.6 Authority's Proposal regarding FRoR for the 3rd Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding FRoR for the Third Control Period:

5.6.1 The Authority proposes to maintain the cost of equity at 14% for the 3rd Control Period;

5.6.2 The Authority proposes to adopt the '**cost of debt'** as per Table no.24 for the 3rd Control Period;

5.6.3 The Authority also proposes to adopt the FRoR as calculated in Table no. 25 for the 3rd Control Period;

5.6.4 The Authority also proposes to True up the FRoR during the tariff determination for the 4th Control Period.

6. OPERATION AND MAINTENANCE EXPENDITURE FOR THIRD CONTROL PERIOD

6.1 As provided in Clause 9.4 of the CGF Guidelines mentioned in Direction No. 04/2010-11, the operational and maintenance expenditure incurred by the Service provider(s) include expenditure incurred on security, operating costs, other mandated operating costs and statutory operating costs.

6.2 Operation and Maintenance expenditure submitted by MAFFFL has been segregated into:

- Employee costs
- Utilities and Outsourced expenses
- Repair and Maintenance expenses
- Administration and General expenses
- Other O&M expenses

6.3 MAFFFL has submitted the following contains the proposed operation and maintenance expenditure for the 3rd Control Period:

Table No. 26 Operation and Maintenance Expenditure- Submission of MAFFFL

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
Employees Expenses	315.19	339.42	365.54	393.7	424.05	**1837.9**
Utilities and Outsourced expenses	1694.1	1787.83	1887.27	1992.78	2104.77	**9466.75**
Repair and Maintenance expenses	37.33	38.58	39.89	41.27	42.71	**199.78**
Administration and General expenses	1132.93	1210.62	393.5	414.99	437.68	**3589.72**
Other O&M expenses	21	22	23.05	24.15	25.31	**115.51**
CSR	116.18	89.59	76.45	74.15	141.66	**498.03**
Total	**3316.73**	**3488.04**	**2785.7**	**2941.04**	**3176.19**	**15707.70**

6.4 Following are the assumptions considered for each item of Operation and Maintenance Expenditure.

Item	Assumptions and basis
Employee Expenses	• Salaries of employees are forecasted by using a growth rate of 8% per year with 2020-21 expenses being the base year. • Staff Welfare expenses are forecasted using a growth rate of 5% per year with 2020-21 expenses being the base year. • Salary expenses for capex projects was calculated as the

	payroll costs that MAFFFL is incurring as indirect capital expenditure costs. Moreover, these salary expenses for projects were forecasted at a growth rate of 5% per year.
Utilities and outsources expenses	• The Fuel Farm operation cost is calculated based on the average yearly cost incurred to cater the historical volumes excluding the volume for FY 2020-21 which is exceptional year in view of Pandemic. This average yearly cost is assumed to escalate at 8% PA on year-on-year basis. • Expenditure on contracts and services was assumed to be INR 20 lakh for 2021-22, after which an escalation rate of 8% was used to forecast
Repair and Maintenance expenses	The repair and maintenance cost is to upkeep and maintain the fuel farm facilities and expected to escalate at 5% PA year on year basis.
Administration and General expenses	• Administration and general expenses including insurance premium, consultancy charges and commission for bank guarantee were assumed to be INR 349.63 lakh for the year 2021-22, after which an escalation percentage of 5% was applied to calculated forecasts. • In the case of the license fees of Sahar facility, an escalation percentage of 7.5% is considered as per license agreement. License fees for Sahar facility is considered for two years 2021-22 and 2022-23, assuming thereafter IFF will be functional. • In the case of license fees of Santacruz facility, an escalation percentage of 5% is considered as per license agreement. • In the case of license fees for ITP land, an escalation percentage of 7.5% is considered.
Other O&M Expenses	• A fixed expense of INR 1 lakh per year was assumed for stamp duty and registration fees. • Electricity charges of INR 20 lakh was assumed for 2021-22, after which an escalation percentage of 5% was used to calculate forecasts for all years of the 3rd Control Period

Authority's examination regarding Operation and Maintenance Expenditure

6.5 The Authority notes that growth rate projected for the various expenses during the 3rd Control Period is as given below:

Table No.27 Growth Rate for O&M Expenses Proposed to be considered by the Authority for the Third Control Period.

Expenditure	Growth Rate projected
Staff Cost	
➢ Salaries	8%
➢ Welfare Exp.	5%
Fuel Farm Exp. (Utilities & outsourced)	8%
R&M	5%
Admin & General	5%
Licensing Fee	
Sahar	7.5%
Santacruz	5%
ITP Land	7.5%
Other O&M	5%

6.6 The Authority examined the Operating expenses as submitted by MAFFFL. The Authority notes that the increase proposed by MAFFFL in the 3rd Control Period ranges from 5% to 8%.

6.7 The staff cost is projected to increase by 8% during the 3rd Control Period. However, the staff cost projected for FY 2021-22 is higher by 36% over the base year (2019-20). It is proposed to escalate 7% year on year to arrive at the projection for FY 2021-22. Since, the undertakings/PSUs have adopted various austerity measures due to COVID 19 pandemic, it is proposed to cap the year on year increase to 7% per annum against the projection of 8% made by MAFFFL for the 3rd Control Period. The escalation in the license fee is based on the Agreement entered in to with the Airport Operator.

6.8 Section 135 (4) of Companies' Act 2013, states, "The Board of every company referred to in sub section (1) shall ensure that the company spends, in every financial year , at least 2% of the average net profits of the company made during the 03 (three) immediately preceding financial years, in pursuance of its CSR Policy.

Accordingly, the CSR expenses are recalculated based on the estimated net profit during the 3rd Control Period.

6.9 The Authority has proposed the following O&M Expenses to be considered for tariff determination for 3rd Control Period as given below:

Table No. 28. Operation and Maintenance Expenditure proposed to be considered by the Authority for the 3rd Control Period

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
Employees Expenses	265.07	283.62	303.48	324.72	347.45	**1524.34**
Utilities and Outsourced expenses	1694.1	1787.83	1887.27	1992.78	2104.77	**9466.75**
Repair and Maintenance expenses	37.33	38.58	39.89	41.27	42.71	**199.78**
Administration and General expenses	1439.83	1210.62	393.5	414.99	437.68	**3896.62**
Other O&M expenses	21.00	22.00	23.05	24.15	25.31	**115.51**
Sub Total	**3457.33**	**3342.65**	**2647.19**	**2797.91**	**2957.92**	**15203.00**
CSR	65.16	30.29	-	39.89	117.6	252.94
Total	**3,522.49**	**3,372.94**	**2,647.19**	**2,837.80**	**3,075.52**	**15,455.94**

6.10 Authority's Proposal regarding O&M Expenditure for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding O&M for the Third Control Period:

6.10.1 The Authority proposes to consider the Operation and Maintenance expenditure as per Table no.28.

6.10.2 The Authority also proposes to True up the Operation and Maintenance expenses during the tariff determination for the 4th Control Period.

7. FUEL THROUGHPUT (VOLUMES) FOR THIRD CONTROL PERIOD

MAFFFL, Mumbai's submission on Fuel Throughput for the Third Control Period as part of MYTP.

7.1 MAFFFL has projected the following fuel offtake volumes for the 3rd Control Period:

Table no.29 Projected Fuel volumes by MAFFFL as part of MYTP Submission for 3rd Control Period

In (TKL)	FY 2019-20	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Yearly Volume	1483	840	916	1364	1556	1616	**6292**

Authority's examination of Projected Volumes

7.2 The yearly volumes projected by MAFFFL are based on the Study conducted by M/s Deloitte in November 2020 for MAFFFL to assess the fuel offtake considering the COVID 19 pandemic impact. However, based on the study, the growth rate adopted for recovery from the post COVID 19 pandemic to pre- COVID 19 pandemic levels appears to be less in volume.

The Authority kept in view its recent Tariff Order issued for 3rd Control Period in respect of Mumbai Airport (MIAL) with regard to the domestic/international ATM mix considered for projections in the said Order. Accordingly, a comparison of the volumetric projections submitted by MAFFFL and those proposed to be considered by the Authority for the 3rd Control Period is given in table below.

Table no. 30 - Comparison of Projections by MAFFFL – Proposed by Authority for the 3rd Control Period

Particulars (in TKL)	**FY 2019-20 (Base Year)***	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
As projected by MAFFFL	1483*	840	916	1364	1556	1616
As a % of Base Year	100%	57%	62%	92%	105%	109%
Volume Proposed by Authority		**771**	**1483**	**1616**	**1780**	**1854**
As a % of Base Year		52%	100%	109%	120%	125%

7.3 The Authority has considered FY 2019-20 as Base Year (pre-Covid year) to project the Fuel Throughput Volume for MAFFFL for 3rd Control Period. Since, the economy is already witnessing the 2nd wave of COVID 19 pandemic concurrently, the Authority, has attempted to factor the same for the purpose of volumetric projections, and, accordingly, proposes to consider volumes for 1st tariff year FY 2021-22 @ 52% of the base year FY 2019-20 projections by MAFFFL (Refer Table 30). Based on the above assumptions, the revised fuel offtake of MAFFFL for the 3rd Control Period is proposed to be considered as given in table below:

Table no.31 – Fuel Throughput proposed to be considered by the Authority for the 3rd Control Period

In (TKL)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Yearly Volume	771	1483	1616	1780	1854	**7504**

7.4 As a measure of sanity check the Authority notes that the volumetric projections by MAFFFL for FY 2019-20 also tallies with the sum of the actual Fuel Throughput volumes of the two ITP Operators at Mumbai airport viz. M/s IOSPL & M/s BSSPL. The Authority may consider a different mix of growth rate for domestic / international volumes at the Order stage based on the inputs to be received from the Stakeholders during the consultation process.

7.6 Authority's Proposal regarding Fuel Throughput (Volume) for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding Fuel Throughput (Volume) for the 3rd Control Period:

7.6.1 The Authority proposes to consider the projected Fuel Throughput (Volume) for determination of tariff for the 3rd Control Period as per Table no. 33;

7.6.2 The Authority also proposes to True up the Fuel Throughput (Volume) during the tariff determination for next Control Period.

8 OTHER INCOME FOR THIRD CONTROL PERIOD

MAFFFL, Mumbai's submission on other Income for the Third Control Period as part of MYTP.

8.1. MAFFFL has projected the Other Income for the 3rd Control Period which is as given below:

Table No. 32- Other Income as part of MAFFFL submission for Third Control Period

(Rs. In lakhs)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Other Income	416.49	440.43	465.8	492.69	521.2	**2336.61**

Authority's Examination regarding Other Income.

8.2. The Authority observed that MAFFFL has three streams of Other Income in the hands of ISP that contains:

- Interest income,
- ITP revenue
- Other Miscellaneous income.,

8.3 MAFFFL has recognized only the miscellaneous income and has not considered the other two source of income. While the certainty of interest income is uncertain, the ITP income is certain.

8.4 Therefore, Authority proposes not to consider interest income because of uncertainties in, since it depends on the generation of cash flow. However, this will be trued up in the next Control Period. In the ITP services.

8.5. The Authority also observed that MAFFFL gets 6% of revenue from ITP service providers, out of this 5% is paid to the Airport Operator and 1% is retained by MAFFFL. This needs to be considered in the tariff determination for the third Control Period. Since MAFFFL has not considered the expenses (5%) in the OPEX, it is proposed to add the net income (1%) with other income already submitted. It is also likely to undergo change because of the change in the projected volumes adopted for the tariff determination. While projecting this revenue a uniform rate of Rs.271/Kl is assumed.

Based on the above, the revised computation of Other Income is given as below:

Table No. 33 – Other Income proposed to be considered by the Authority for 3rd Control Period

Particulars (Rs. In lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Volume in lakhs of KL	7.71	14.83	16.16	17.8	18.54	75.04
ITP Revenue (In Lakhs)	149.59	240.25	262.76	289.43	301.46	1243.49
MAFFFL Share (1%) (A)	24.93	40.04	43.79	48.23	50.24	207.23

Misc Income (In Lakhs) (B)	416.49	440.43	465.8	492.69	521.2	2336.61
Total (In Lakhs) C= A+B	**441.42**	**480.47**	**509.59**	**540.92**	**571.44**	**2543.84**

8.6 Authority's Proposal regarding Other Income for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding Other Income for the Third Control Period:

8.6.1 The Authority proposed to consider other income as per Table no. 33 for the 3rd Control Period;

8.6.2 The Authority also proposes to True up Other Income of 3rd Control Period during the tariff determination of the next Control Period.

9. TAXATION FOR THIRD CONTROL PERIOD

9.1 As per clause 9.5 of CGF Guidelines, taxation represents payments by the Service Provider in respect of corporate tax on income from assets and services taken into consideration for determination of ARR.

9.2 Following are the tax liabilities of MAFFFL as per their submissions for the 3rd Control Period:

Table No. 34 Income Tax –MAFFFL submission as part of MYTP for Third Control Period

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Adjusted Earning before tax	3656.47	4073.97	11461.14	14164.20	15059.27
Add: Book Depreciation	3181.60	3274.46	3272.04	3271.95	3271.78
Add: Book Interest Cost	292.31	1298.23	609.29	329.37	83.81
Less: IT Depreciation	(5580.17)	(4819.53)	(4242.84)	(3652.44)	(3146.07)
Less: Interest Permissible as per ICDS	(1143.64)	(888.74)	(609.29)	(329.37)	(83.81)
Taxable Profit/ (Loss)	406.58	2938.39	10490.34	13783.70	15184.99
Less: Unabsorbed depreciation set off	(406.58)	(2184.89)	-	-	-
Taxable Income post set off losses	-	753.50	10490.34	13783.70	15184.99
Corporate Tax	-	189.64	2640.21	3469.08	3821.76

Authority's examination regarding Taxation

9.3 The Authority considered the revised calculations for Depreciation and earnings as well as suggested FIC (ARR) etc. Accordingly, the revised tax liability as considered for the 3rd Control Period is given below:

Table No.35 Income Tax proposed to be considered by the Authority for Third Control Period

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
Revised Income	6,673.84	12,468.38	13,572.61	14,929.64	15,558.35	**63,202.81**
Expenditure (Opex)	3,457.33	3,342.65	2,647.19	2,797.91	2,957.92	**15,203.00**
PBDIT	3,216.51	9,125.73	10,925.42	12,131.73	12,600.43	**47,999.81**

Interest - ICDS	1,143.64	888.74	609.29	329.37	83.81	**3,054.85**
Depreciation - IT	5,580.17	4,819.53	4,242.84	3,652.44	3,146.07	**21,441.05**
PBT	-3,507.30	3,417.46	6,073.29	8,149.92	9,370.55	**23,503.91**
Carried forward loss	-	3,417.54	2,681.19			**6,098.73**
Profit subject to Tax	-	-	3,392.10	8,149.92	9,370.55	**20,912.57**
Income Tax	-	-	853.79	2,051.34	2,358.57	**5,263.69**

9.4 Authority's Proposal regarding Income Tax for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding Income Tax for the Third Control Period:

9.4.1 The Authority proposes considers Income Tax for determination of tariff for the 3rd Control Period as per Table no. 35;

9.4.2 The Authority also proposes to True up Income Tax during the tariff determination for the Next Control Period.

10. AGGREGATE REVENUE REQUIREMENT FOR THIRD CONTROL PERIOD

MAFFFL, Mumbai's submission on ARR for the Third Control Period as part of MYTP.

10.1. MAFFFL has submitted the following computation of ARR for the 3rd Control Period :

Table No.36 - Aggregate Revenue Requirement as part of MAFFFL submission for 3rd Control Period

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Average RAB	53,977.60	57,319.35	54,298.42	50,546.01	46,794.39
FRoR	15%	15%	15%	15%	15%
Return of Average RAB	8,098.63	8,600.00	8,146.75	7,583.76	7,020.87
Add : Depreciation	3,661.36	3,754.22	3,753.12	3,751.71	3,751.54
Add : Operating Expenses	3,316.73	3,488.05	2,785.69	2,941.0.	3,176.19
Add : Lease Payment	-	-	-	-	-
Add : Taxation	-	189.64	2,640.21	3,469.08	3,821.76
Loss on Sale of Assets	702.62	-	-	-	-
Less : Other Income	(416.49)	(440.43)	(465.80)	(492.69)	(521.20)
Less : CSR expenses	(116.18)	(89.59)	(76.45)	(74.15)	(141.66)
Add : Under /Over recovery from pervious Control Period	(1,347.77)	-	-	-	-
ARR	13,898.89	15,501.89	16,783.53	17,178.73	17,107.50
Fuel throughput (TKL)	840.00	916.00	1,364.00	1,556.00	1, 616.00
Annual FIC	**1,321**	**1,321**	**1,321**	**1,321**	**1,321**

Authority's examination of Aggregate Revenue Requirement

10.2. Considering the changes proposed in the various building blocks of tariff determination the revised ARR for the third Control Period has been worked out in the following table.

10.3 The Authority also observed that FIC will have to be increased from the existing level to meet the ARR requirement. This has been resulted an overall increase of 21.1% on the existing Tariff for the Control Period. This is basically because of the disruptions caused due to the COVID 19 pandemic. Otherwise, there would have been a reduction from the existing charges. Therefore the revised ARR is given as below:

Table No. 37 Aggregate Revenue Requirement proposed to be considered by the Authority for Third Control Period

Particulars (Rs in Lakhs)	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Total**
Average RAB (Refer Table 22) - (A)	43,706.50	46,785.13	43,630.43	39,618.45	35,621.73	
FRoR (Refer Table 25) – (B)	11.91%	13.21%	13.49%	13.82%	14.00%	
Return on RAB – C = (A*B)	5,206.20	6,178.93	5,885.19	5,473.90	4,987.04	27731.26
Depreciation (Refer Table 21) - D	3,449.39	3,540.10	3,534.54	3,529.42	3,504.02	17557.47
O&M (Refer Table 28) - E	3457.33	3342.65	2647.19	2797.91	2957.92	15203.00
Income Tax (Refer Table 35) - F	-	-	853.79	2,051.34	2,358.57	5263.69
CSR Expenses - G	65.16	30.29	-	39.89	117.60	252.94
Gross Aggregate Revenue Requirement – H =(C+D+E+F+G)	12,178.07	13,091.98	12,920.71	13,892.45	13,925.15	66,008.36
Less Other income (Refer Table 33)- (I)	441.42	480.47	509.59	540.92	571.44	2,543.84
Excess Recovery of 2nd Control Period (Refer Table 15) – (J)	3,841.69					3,841.69
Net ARR – K = (H-I-J)	7,894.97	12,611.51	12,411.12	13,351.53	13,353.71	59,622.84
Discounting Factor	1.0000	0.8827	0.7792	0.6878	0.6072	
NPV of ARR	7,894.97	11,132.57	9,670.92	9,183.67	8,108.03	45,990.15
Current FIC Rate	750.00	750.00	750.00	750.00	750.00	
FIC Volume in lakhs KL (Refer Table 31)	7.71	14.83	16.16	17.80	18.54	75.04
FIC Income at current rate	5,782.50	11,122.50	12,120.00	13,350.00	13,905.00	56,280.00
Revised rate	808.36	808.36	808.36	808.36	808.36	
Revised FIC Income	6,232.42	11,987.91	13,063.02	14,388.72	14,986.91	60,658.97
NPV of Revised Income	6,232.42	10,582.10	10,178.89	9,897.08	9,099.66	45,990.15

10.4 The Authority proposes one time increase of 7.78% for the third Control Period. The year wise FIC rates proposed are given below:

Table No. 38 - FIC Rate proposed to be considered by the Authority for Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revised rate (In INR)	808.36	808.36	808.36	808.36	808.36

10.5 Authority's Proposal regarding ARR and Tariff Rate for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding ARR and Tariff Rate for the Third Control Period:

10.5.1 The Authority proposes to consider the Aggregate Revenue Requirement for the 3rd Control Period as calculated in Table no. 37;

10.5.2 The Authority proposes FIC rate for the 3rd Control Period as per Table no. 38;

10.5.3 The Authority also proposes to True up ARR during the tariff determination for the Next Control Period.

11. Fuel Throughput and Revenue from Aeronautical Services

11.1 Following table summarizes the projected fuel throughput during the 3rd Control Period:

Table no. 39 - Fuel Throughput proposed to be considered by the Authority for the 3rd Control Period

Particulars (in TKL)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Yearly Volume (Refer Table 31)	771.00	1483.00	1616.00	1780.00	1854.00	**7504.00**

11.2 Following table summarizes the projected revenue from aeronautical services during the 3rd Control Period:

Table no.40 - Revenue from Aeronautical Services considered by the Authority for the 3rd Control Period

Particulars (in INR Lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
Fuel Revenue	6,232.42	11,987.91	13,063.02	14,388.72	14,986.91	60,658.97
ITP revenue	149.59	240.25	262.76	289.43	301.46	1243.49
Total	**6,382.01**	**12,228.16**	**13,325.78**	**14,678.15**	**15,288.37**	**61,902.46**

11.3 The following table consists of the assumptions and basis for the aeronautical revenue projections of the Authority:

Table no. 41 - Assumptions

S. No.	Particulars	Assumptions/ Basis
1.	Fuel Revenue	Revenue from FIC has been projected on the basis of the projected fuel offtake volumes and the revised tariff rate as per table no. 37 for the 3rd Control Period.
2.	ITP Revenue	ITP charges were calculated at a uniform rate of Rs.271/kl. MAFFFL's share calculated at 6% of ITP Turnover.

12 List of Tables

14. Summary of Proposals

Para No.	Details of Proposals	Page No
2.15	The Authority proposes to adopt "Price Cap Approach" on 'Single Till' basis for Tariff determination for MAFFFL, Mumbai for the 3rd Control Period.	10
3.28	3.28.1 The Authority proposes to consider the depreciation for the 2nd Control Period as per Table no.8. 3. 28.2 The Authority proposes to True up the Regulatory Asset Base as per Table no.9 3. 28.3 The Authority proposes to consider the Operational Expenses including CSR for True up of 2nd Control Period as per Table no.11 3. 28.4 The Authority proposes to consider Income Tax for the 2nd Control Period as per Table no. 12. 3. 28.5 The Authority proposes to True up the FRoR for the 2nd Control Period as per Table no.14 3. 28.6 The Authority proposes to True up the Aggregate Revenue Requirement of MAFFFL for the 2nd Control Period as per Table no.15 and also proposes to consider the claw back of Rs.3841.69 lakhs for adjustment in the third Control Period.	20
4.2.7	4.2.7.1 The Authority proposes to consider the revised depreciation for the third Control Period as Table no. 21 4.2.7.2 The Authority proposes to consider the Regulatory Asset Base of MAFFFL for the third Control Period as Table no.22 4.2.7.3 The Authority proposes to rework the RAB of the MAFFFL, Mumbai for the third Control Period, by reducing the RAB by 1% of the delayed cost of the projects, if the MAFFFL, Mumbai fails to commission and capitalize the projects by March 2022. 4.2.7.4 The Authority also proposes to True up Depreciation and RAB during the tariff determination for the fourth Control Period.	26
5.6	5.6.1 The Authority proposes to maintain the cost of equity at 14% for the third Control Period. 5.6.2 The Authority proposes to adopt the '**cost of debt'** as per Table no.24 5.6.3 The Authority also proposes to adopt the FRoR as calculated in	29-30

	Table no. 25 for the third Control Period. 5.6.4 The Authority also proposes to True up the FRoR during the tariff determination for the fourth Control Period.	
6.10	6.10.1 The Authority proposes to consider the Operation and Maintenance expenditure as per Table no.28. 6.10.2 The Authority also proposes to True up the Operation and Maintenance expenses during the tariff determination for the fourth Control Period.	34
7.6	7.6.1 The Authority proposes to consider the projected Fuel Throughput (Volume) for determination of tariff for the third Control Period as per Table no. 33 7.6.2 The Authority also proposes to True up the Fuel Throughput (Volume) during the tariff determination for next Control Period.	36
8.6	8.6.1 The Authority proposed to consider other income as per Table no. 30 for the third Control Period. 8.6.2 The Authority also proposes to True up other income of third Control Period during the tariff determination for the fourth Control Period.	38
9.4	9.4.1 The Authority proposes considers Income Tax for determination of tariff for the third Control Period as per Table no. 35. 9.4.2 The Authority also proposes to True up Income Tax during the tariff determination for the fourth Control Period.	40
10.5	10.5.1 The Authority proposes to consider the Aggregate Revenue Requirement for the third Control Period as calculated in Table no. 37. 10.5.2 The Authority proposes a FIC rate as per table no. 38 for the third Control Period. 10.5.3 The Authority also proposes to True up ARR during the tariff determination for the fourth Control Period.	43

15. STAKEHOLDERS' CONSULTATION TIMELINE

15.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 14 – Summary of proposals read with the relevant discussion in the other chapters of the paper is hereby put forth for Stakeholders' Consultation.

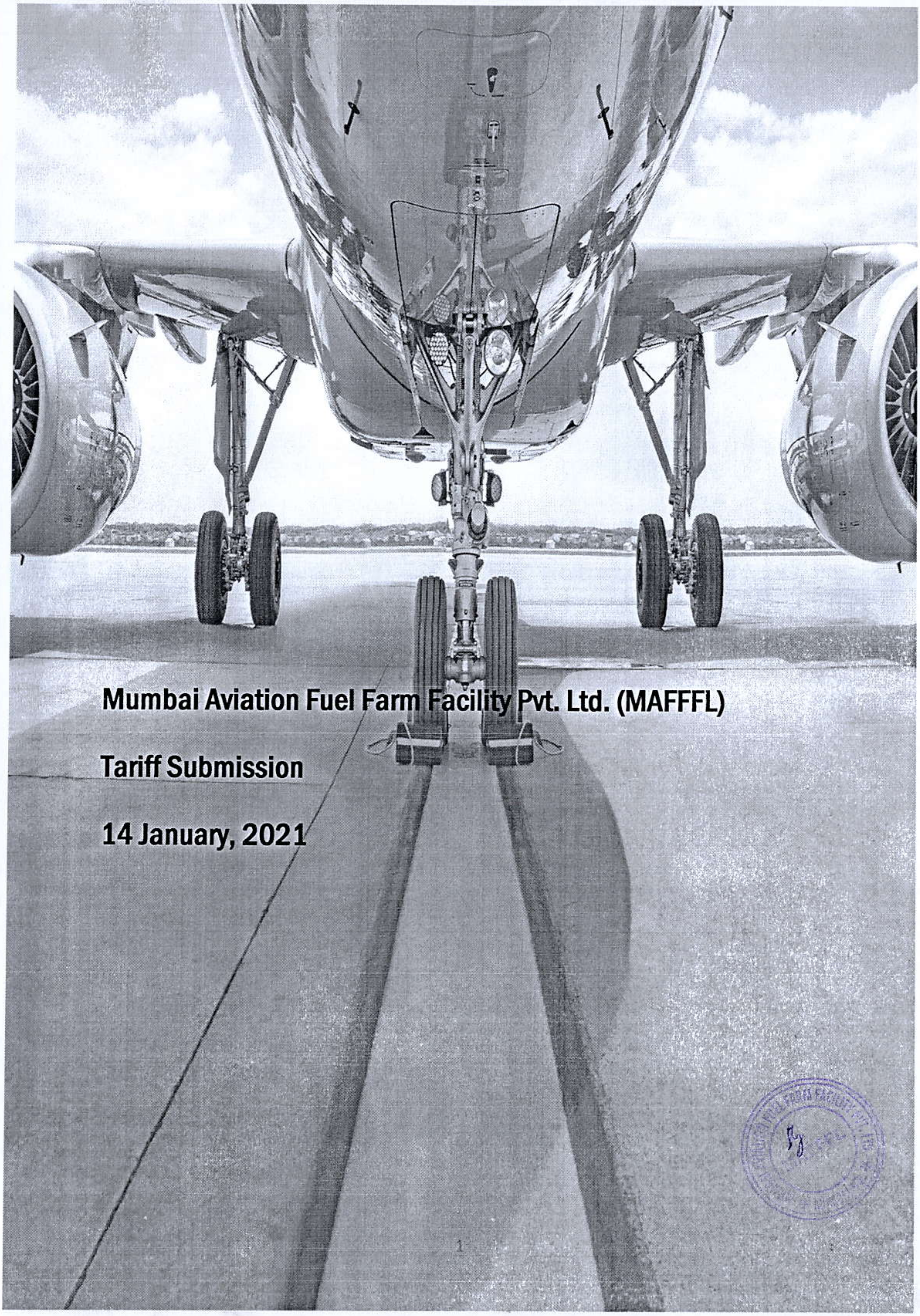
15.2 For removal of doubts, it is clarified that the contents of this consultation paper may not be construed as any Order or Direction by the Authority. The Authority shall pass an Order, in the matter, only after considering the submissions of the stakeholders' in response hereto and by making such decisions fully documented and explained in the tariff Order in terms of the provisions of the Act.

15.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in Chapter 14 above, latest by **28/06/2021.**

Secretary,
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex Safdarjung Airport New Delhi -110003
Tel: 011-24695044-47, Fax: 011-24695048

Email: mravi.aera@govcontractor.in, gita.sahu@aera.gov.in
Copy to : director-ps@aera.gov.in; secy@aera.gov.in

(Chairperson)



Mumbai Aviation Fuel Farm Facility Pvt. Ltd. (MAFFFL)

Tariff Submission

14 January, 2021

Contents

MUMBAI AVIATION FUEL FARM FACILITY PVT. LTD. MAFFFL MUMBAI-99.

List of Abbreviations

AERA	Airport Economic Regulatory Authority of India
ARR	Aggregate Revenue Requirement
BPCL	Bharat Petroleum Corporation Limited
CAPM	Capital Asset Pricing Model
CCI	Competition Commission of India
CGF	Cargo Facility , Ground-handling & Fuel Supply Services
CSIA	Chhatrapati Shivaji International Airport
FRoR	Fair Rate of Return
HPCL	Hindustan Petroleum Corporation Limited
IOCL	Indian Oil Corporation Limited
JVC	Joint Venture Company
MAFFFFL	Mumbai Aviation Fuel Farm Facility Pvt Ltd
MIAL	Mumbai International Airport Limited
MoCA	Ministry of Civil Aviation
MoP&NG	Ministry of Petroleum and Natural Gas
MoU	Memorandum of Understanding
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
PSU	Public Sector Undertakings
RAB	Regulated Asset Base

Units

INR	Indian National Rupee
KL	Kilo litre

1. Background

1.1. Mumbai Aviation Fuel Farm Facility Pvt Ltd (MAFFFL) is a joint venture company (JVC) comprising of the Oil Public Sector Undertakings (PSUs) namely; Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation (HPCL) and Mumbai International Airport Private Limited (MIAL), each holding equal ownership. Pursuant to License Agreement between MAFFFL and MIAL dated 30th December 2014 valid up till 2nd May 2036, MAFFFL was incorporated for the purpose of taking over and managing the current aviation fuel facilities of the Oil PSUs, creating an integrated aviation fuel facility near Terminal 1A of CSIA (Chhatrapati Shivaji International Airport) and operating the integrated aviation fuel facility on an open access model.

1.2. MIAL is the joint venture company owned in consortium led by GVK and Airports Authority of India (AAI), which is responsible for the management and development of CSIA in Mumbai.

1.3. MIAL's vision is to make CSIA a truly world class airport equipped with the best possible facilities, infrastructure and management. MIAL aimed to handle more than 40 million passengers a year through the planned-up gradation of infrastructure.

1.4. In a meeting held at Mumbai on 15th April 2009, attended by representatives from Ministry of Civil Aviation (MoCA), Ministry of Petroleum and Natural Gas (MoP&NG), Oil PSUs, and MIAL, it was decided to form a joint venture company comprising of all the oil public sector undertakings, namely IOCL, BPCL, HPCL, and MIAL, for the purposes stated earlier.

1.5. Subsequently, an MoU dated 30th September 2010 was executed between the parties. The new integrated fuel facility was envisaged to be a crucial step towards airport development. The JVC (MAFFFL) was formed on 28th October 2014 after procuring clearance from the antitrust regulator, the Competition Commission of India (CCI).

1.6. ITP operations have been outsourced to two sub-concessionaires, selected through competitive bidding by way of public tender. The fuel farm facility is owned by MAFFFL and it's operations are outsourced.

1.7. It was planned that the integrated Fuel Farm Facility (built on an area of ~37,947 square metres and having static storage capacity of 47,500 kilolitres of ATF) will operate from a single point (i.e., at the site of the existing facilities of IOCL and HPCL near the Domestic terminal 1A, Santa Cruz) to bring efficiencies of integrated operations. It was also stated that the existing assets acquired from the Oil PSUs will be disposed-off once the Integrated Fuel Farm is operational. The commercial operations of MAFFFL thus started from 1st February 2015.

1.8. The Authority has requested MAFFFL in the letter dated 10th November 2020 to submit the MYTP for the third control period starting 01.04.2021 in order to have uniformity in submissions for the entire duration of the 3rd control period (01.04.2021-31.03.2026).

1.9. MAFFFL is approaching the Authority with its MYTP seeking approval on tariff for FIC of 1,321 INR/KL for the 3rd Control period (01.04.2021-31.03.2026). MAFFFL is further, approaching the Authority to calculate the tariff using the price-cap approach, as has been approved for the 2nd control period as per Order No. 30/2017-18.

1.10. It is proposed to consider FY2019-20 as base year instead of FY2020-21 as base year, as FY 2020-21 has been an abnormal year because of the COVID-19 pandemic affecting fuel off take of MAFFFL.

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2. Methodology for Tariff Calculation

2.1. The methodology adopted by the Authority to determine Aggregate Revenue Requirement ("ARR") has been based on AERA Act, 2008 and the Airport Guidelines issued by AERA.

2.2. As stipulated in the CGF Guidelines in Direction 04/2010-11, which states the Authority shall follow a three-stage process for determining its approach to the regulation of a regulated service-

2.2.1. Materiality Assessment;

2.2.2. Competition Assessment;

2.2.3. Assessment of reasonableness of the User Agreements between the service providers and the users of the regulated services.

2.3. Based on the Authority's review as described above where the Regulated Service(s) provided are deemed:

2.3.1. 'not material', the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period

2.3.2. 'material but competitive', the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period

2.3.3. 'material and not competitive' but where the Authority is assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period

2.3.4. 'material and not competitive' and where the Authority is not assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) based on price cap approach for the duration of the Control Period.

2.4. The Authority deemed MAFFFL's fuel farm services to be "material" and "not competitive" during the 2nd control period's tariff application. Moreover, since the Authority noted that MAFFFL was set up essentially to provide common access to all suppliers of fuel and remains a monopoly provider of infrastructure of fuel supply, the Authority decided to determine tariff for fuel supply service under price cap regulation for the second control period.

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2.5. Keeping in line with the second control period's approach, MAFFFL is submitting its MYTP under the price cap approach for the third control period.

2.6. The Authority determined the Aggregate Revenue Requirement (ARR) for the 3rd Control Period on the basis of the following Regulatory Building Blocks:

2.6.1. Fair Rate of Return applied to the Regulatory Asset Base (FRoR x RAB);

plus

2.6.2. Depreciation (D);

plus

2.6.3. Operation and Maintenance Expenditure (O);

plus

2.6.4. Taxation (T);

minus

2.6.5. Revenue from services other than aeronautical services (NAR).

2.7. Based on the building blocks provided above, the formula for determining ARR under Hybrid Till is as follows:

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

$$ARR_t = (FRoR\ \times RAB_t) + D_t + O_t + T_t - 30\%\ of\ NAR_t$$

Where

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

$\mathrm{ARR_t}$ is the Aggregate Revenue Requirement for year 't';

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

$\mathrm{RAB_t}$ is the Regulatory Asset Base for the year 't';

$\mathrm{D_t}$ is the Depreciation corresponding to the RAB for the year 't';

$\mathrm{O_t}$ 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;

$\mathrm{T_t}$ is the corporate tax for the year 't' paid by the airport operator on the aeronautical profits; and

$\mathrm{NAR_t}$ is revenue from services other than aeronautical services for the year 't'

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2.8. The present value of total aeronautical revenue that is estimated to be realized each year during the control period at proposed tariff levels is compared with the present value of the ARR during the control period. In case the present value of estimated aeronautical revenue during the control period is lower than the present value of ARR during the control period, the airport operator may opt to increase the proposed tariff. In case the present value of estimated aeronautical revenue is higher than the present value of the ARR then the airport operator will have to reduce its proposed tariff.

2.9. The detailed submissions provided by MAFFFL in respect of the Regulatory Building Blocks have been discussed in the subsequent sections.

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3. True Up for 2nd control period (01.04.2016-31.03.2021)

3.1. True-up for the 2nd control period (01.04.2016-31.03.2021) has been calculated as the difference between:

3.1.1. Permissible fuel revenue calculated based on actual fuel off take and financials; and

3.1.2. Actual fuel revenue received by MAFFFL for the 2nd control period

3.2. Based on MAFFFL's working, the following is the true-up calculated for the 2nd control period:

Table 3-1

Particulars (in INR lakhs)	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
FRoR return on avg. RAB	3,676.10	3,289.17	3,317.45	3,960.24	5,209.88
Depreciation	3,811.80	2,901.13	2,559.21	2,768.33	2,464.11
Operating expenses	3,087.53	3,734.87	4,882.18	3,518.75	1,306.85
Taxes	1,536.10	2,180.56	2,051.25	1,091.64	-
Less: Interest income	(207.36)	(202.35)	(356.76)	(247.27)	(86.36)
Less: Other income	(355.69)	(525.11)	(475.12)	(360.57)	(393.90)
Less: CSR expenses	(9.53)	(41.37)	(97.88)	(128.23)	(135.40)
Actual ARR: Based on RAB working	11,538.95	11,336.90	11,880.32	10,602.89	8,365.18
Discounted ARR	18,292.58	16,018.07	14,960.67	11,896.45	8,365.18
Discounted ARR for the control period	69,532.94				

3.3. Based on the working, MAFFFL earned a revenue of INR 538.01 crores during the second control period through FIC:

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Table 3-2

Particulars (in INR lakhs)	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
ARR as per actual tariff	11,752.44	12,986.83	13,429.28	11,123.32	4,508.82
ARR as per actual tariff for the control period	53,800.69				

3.4. Correspondingly, MAFFFL has observed a surplus of INR 13.48 crores for the second control period as follows:

Table 3-3

Particulars (in INR lakhs)	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
ARR as per true-up computation	11,873.88	12,935.71	12,849.62	10,639.86	4,313.17
ARR as per actual tariff	11,752.44	12,986.83	13,429.28	11,123.32	4,508.82
Surplus (-) / shortfall (+)	121.44	(51.12)	(579.66)	(483.46)	(195.65)
Present value of surplus (-) / shortfall (+)	192.51	(72.23)	(729.96)	(542.45)	(195.65)
Present value of surplus (-) / shortfall (+) for the 2nd control period	(1,347.77)				

3.5. The FRoR for the 2nd control period has been considered as per Cost of Equity at 14% as approved by AERA.

3.6. Finance cost included the finance cost on long term borrowings as well as the total capitalisation of interest cost.

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3.7. Following are the depreciation rates used by MAFFFL to calculate the depreciation for key assets:

Table 3-4

S No.	Asset Class	Depreciation Rate for Existing Assets	Average Deprecation Rate for Integrated Fuel Farm Facility
1	Buildings	14.26%	5.03%
2	Roads	14.26%	5.03%
3	Plant & Machinery	14.26%	5.03%
4	Deadstock	0	0
5	Furniture & Fittings	10%	3.89%
6	Motor Vehicles	12.50%	9.26%
7	Office Equipment	20%	17.54%
8	Computers	33.34%	33.34%
9	Electrical Installations	10%	4.11%

3.8. Adjustments were made for income earned through interest on fixed deposits and earnings on liquid funds. These incomes were subtracted from the total revenue.

3.9. Adjustments were also made for other incomes earned from sources other than operations. Refunds on property tax and excess provisions written back were excluded.

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4. Regulatory Asset Base (RAB)

4.1. As stated in clause 9.2 of the CGF Guidelines in Direction 04/2010-11, RAB assets shall be all fixed assets proposed by the Service Provider(s), after providing for such exclusions therefrom or inclusions therein as may be determined by the Authority.

4.2. The capital expenditure for the 3rd control period that MAFFFL is expected to be incurred is provided below:

Table 4-1

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Building	1,327.58	165.21	-	-	-
Roads	14.57	1.32	-	-	-
Plant & machinery	9,681.48	1,012.98	-	-	-
Deadstock	273.84	46.16	-	-	-
Furniture & fittings	0.14	0.01	-	-	-
Vehicles	1.28	0.12	-	-	-
Office equipment	0.23	0.02	-	-	-
Computers	0.28	0.03	-	-	-
Electrical installations	2,072.70	239.38	-	-	-
Total	13,372.11	1,465.23	-	-	-

4.3. The capital expenditure projections are for the balance construction activity of the integrated fuel farm facility at Santacruz with a storage capacity of ATF 47,500 KL in 5 aboveground tanks and connecting this facility to Terminal T2 hydrant infrastructure via 2 pipelines. Of these 5 fuel tanks, 3 fuel tanks have been commissioned and 2 fuel tanks will be completed by December 2021. The abovementioned proposed capital expenditure is in line with the original master plan submitted in the Mott Macdonald report. It is to be noted that the projected capital expenditure for the 3rd control period is associated with the same project that was approved by the Authority in Order No. 30/2017-18. The capital expenditure approved for the entire project of purchasing assets from Oil PSUs and cost of construction of the new integrated fuel farm facility is INR 754.53 crore (as approved by the MAFFFL board) and the total capex for entire project is within the approved amount.

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4.4. In the second control period unanticipated delays were caused in completion of the construction of integrated fuel Farm facility. Following are the reasons for such delays in the 2nd control period:

4.4.1. Considerable time was spent in grant of all major statutory approvals which were in place only by March 2017. All major construction activities could start only after receipt of the statutory approvals.

4.4.2. Several man days were lost on account of heavy rainfall which resulted in halting construction activity in its entirety.

4.4.3. VIP movements caused some disruptions which resulted in access being closed to Fuel Farm and certain areas of the Mumbai Airport.

4.4.4. The Integrated Fuel Farm project is a brown-field project which is being constructed at the same premises where the existing operational plant exists. Therefore, the construction activity is undertaken in phases as the existing operations of the Mumbai Airport could not be hampered.

4.4.5. MAFFFL has already commissioned three tanks which were capitalised on 31 March 2019.

4.4.6. The restrictions imposed by State/Central Governments to arrest the spread of Covid-19 pandemic has further delayed the project.

4.5. By virtue of the transfer deed, the existing fuel farm facilities of oil PSUs (IOCL, BPCL and HPCL) were transferred to MAFFFL. The facility comprises of storage tanks, pumps, plant and machinery, pipeline, building and deadstock. We want to apprise the Authority that deadstock is the minimum level of ATF which is always required to be held in the storage tank and pipelines in order to keep the facilities operational and is required throughout the life of the facility. There is no quantity variation in this stock during the course of the business unless a particular facility is demolished. Hence deadstock cannot be disposed off at any given point in time.

4.6. The existing deadstock taken over from Oil PSUs, therefore, will be used in the two new tanks, connector pipeline, plant piping & filter vessels which are part of integrated fuel farm facility in the third Control Period.

4.7. After consuming the existing deadstock, any additional deadstock required will be procured as per the need in the third Control Period.

4.8. Following is the summary of the CWIP and RAB during the 3rd control period:

Table 4-2

Particulars (in INR lakhs)	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
Opening CWIP	4,721.22	1,465.48	-	-	-
Capex during the period	10,116.38	-	-	-	-
Commissioned assets	(13,372.11)	(1,465.48)	-	-	-
Closing CWIP	1,465.48	-	-	-	-
Opening RAB	42,247.87	51,699.78	49,890.80	46,618.76	43,346.81
Commissioned Assets	13,372.11	1,465.48	-	-	-
Depreciation	(3,181.60)	(3,274.46)	(3,272.04)	(3,271.95)	(3,271.78)
Disposals	(738.60)	-	-	-	-
Closing RAB	51,699.78	49,890.80	46,618.76	43,346.81	40,075.02

5. Depreciation

5.1. Following are the depreciation rates assumed for the third control period (in%):

Table 5-1

Particulars	Useful life (# years)	Residual value	Depreciation Rate
Building - RCC	20	10.00%	5.03%
Roads	20	10.00%	5.03%
Plant & machinery	20	10.00%	5.03%
Furniture	10	10.00%	10.00%
Vehicles	8	10.00%	12.50%
Office equipment	5	10.00%	20.00%
Computers	3	10.00%	33.33%
Electric installations	10	10.00%	10.00%
Deadstock	-	-	-

5.2. Depreciation has been considered as per the provisions of the CGF guidelines in Direction No. 4/2010-11 wherein the residual value of the asset is considered as 10% and depreciation is allowed up to 90% of the original cost of the asset.

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6. Fair Rate of Return

6.1. Following table consists the proposed capital structure, funding mechanism, and FRoR:

Table 6-1

Particulars (in INR lakhs)	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
Debt	15,189.02	7,080.05	4,447.53	1,810.68	-
Equity	35,242.70	38,209.51	46,311.64	56,491.92	67,331.09
Debt + Equity	50,431.73	45,289.56	50,759.17	58,302.60	67,331.20
Cost of debt	8.50 %	8.50 %	8.50 %	8.50 %	8.50 %
Cost of equity	16.00 %	16.00 %	16.00 %	16.00 %	16.00 %
FRoR	15.00 %	15.00 %	15.00 %	15.00 %	15.00 %

Cost of Equity

6.2. As per clause AI.5.2.3. of the CGF guidelines in accordance with the Direction No. 4/2010-11, the "Service Provider(s) shall submit its assessment of cost of equity based on the Capital Asset Pricing Model (CAPM)."

6.3. The CAPM model states that:

$$R_e = R_f + \beta(R_m - R_f)$$

6.4. Where,

6.4.1. R_e is the cost of equity;

6.4.2. R_f is the risk-free rate;

6.4.3. β is the market volatility; and

6.4.4. R_m is the market risk

6.5. The risk-free rate and market risk rates can be obtained based on government bonds and 5-year CAGR of Sensex. However, since there is no listed fuelling service provider in India, s suitable beta value for MAFFFL's operations cannot be arrived at.

6.6. However, the return on equity for MAFFFL would be based on the high-risk levels that the business is operating with:

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6.6.1. Fuel is a dangerous good; hence fuel storage and handling involves various security and safety procedures as well as several risk aversion systems;

6.6.2. Providing an essential service (into dangerous goods) at a vulnerable area (high risk area) such as an airport possesses an additional risk;

6.6.3. Since MAFFFL depends on airport operator for utilities and other complementary services, any failure by the Airport Operator in providing the same would directly impact MAFFFL's operations;

6.6.4. Varying state policies and taxes results in changing prices of ATF across countries as well, thereby creating more volatility and risk;

6.6.5. Execution of an Integrated Fuel Farm project at the brownfield airport will require more precautions and clearances from regulatory bodies. This is likely to result in hindrance in project execution;

6.6.6. With Navi Mumbai Airport development under consideration, there is a risk of lower recovery due to significant traffic risks

6.7. Due to the higher levels of risk involved in MAFFFL's operations, business conditions, and environment, MAFFFL proposes a 16% Cost of Equity rate to be considered for the 3rd control period.

Cost of Debt

6.8. HDFC has been shortlisted as the lender by way of a limited tender. The Rupee term loan from HDFC comprised of two separate facilities – RTL-1 and RTL-2. The purpose of RTL 1 is to finance the acquisition cost of the existing assets from Oil PSUs and MIAL and the purpose of RTL – 2 is to finance the cost of the Integrated Fuel Farm Facility. While RTL-2 has been repaid, a principal outstanding of INR 103.14 crores of RTL-1 is outstanding as on 31 December 2020

6.9. In addition to RTL-1, HDFC has sanctioned a new capex loan of INR 101 crores (out of which INR 30 crores has been availed till 31 December 2020)

Debt-Equity Ratio

6.10. MAFFFL has considered ~~the~~ debt-equity ratio of 60:40 as per the decision of its board. In order to maintain a debt-equity ratio of 60:40, MAFFFL projected an equity infusion of INR 7.69 crores in 2021-22.

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7. Operation and Maintenance Expenditure

7.1. As provided in Clause 9.4 of the CGF Guidelines mentioned in Direction No. 04/2010-11, the operational and maintenance expenditure incurred by the Service provider(s) include expenditure incurred on security, operating costs, other mandated operating costs and statutory operating costs.

7.2. Operation and Maintenance expenditure submitted by MAFFFL has been segregated into:

7.2.1. Employee costs

7.2.2. Utilities and Outsourced expenses

7.2.3. Repair and Maintenance expenses

7.2.4. Administration and General expenses

7.2.5. Other O&M expenses

7.3. The following table contains the proposed operation and maintenance expenditure for the 3rd control period:

Table 7-1

S No.	Particulars (in INR lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26
A	Employee Expenses	315.19	339.42	365.54	393.70	424.05
B	Utilities and Outsourced expenses	1694.10	1787.83	1887.27	1992.78	2104.77
C	Repair and Maintenance expenses	37.33	38.58	39.89	41.27	42.71
D	Administration and General expenses	1132.93	1210.62	393.50	414.99	437.68
E	Other O&M expenses	21.00	22.00	23.05	24.15	25.31
F	CSR	116.18	89.59	76.45	74.15	141.66
G	Total	3316.73	3488.04	2785.70	2941.04	3176.19

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7.4. Following are the assumptions considered for each item of Operation and Maintenance Expenditure. Management to add if any other expenses are there:

Table 7-2

S No.	Item	Assumptions and basis
A	Employee Expenses	1. Salaries of employees are forecasted by using a growth rate of 8% per year with 2020-21 expenses being the base year 2. Staff Welfare expenses are forecasted using a growth rate of 5% per year with 2020-21 expenses being the base year 3. Salary expenses for capex projects was calculated as the payroll costs that MAFFFL is incurring as indirect capital expenditure costs. Moreover, these salary expenses for projects were forecasted at a growth rate of 5% per year
B	Utilities and Outsourced expenses	1. The Fuel Farm operation cost is calculated based on the average yearly cost incurred to cater the historical volumes excluding the volume for FY 2020-21 which is exceptional year in view of Pandemic. This average yearly cost is assumed to escalate at 8% PA on year-on-year basis. 2. Expenditure on contracts and services was assumed to be INR 20 lakh for 2021-22, after which an escalation rate of 8% was used to forecast
C	Repair and Maintenance expenses	The repair and maintenance cost is to upkeep and maintain the fuel farm facilities and expected to escalate at 5% PA year on year basis.
D	Administration and General expenses	1. Administration and general expenses including insurance premium, consultancy charges and commission for bank guarantee were assumed to be INR 349.63 lakh for the year 2021-22, after which an escalation percentage of 5% was applied to calculated forecasts 2. In the case of the license fees of Sahar facility, an escalation percentage of 7.5% is considered as per license agreement. License fees for Sahar facility is considered for two years 2021-22 and 2022-23, assuming thereafter IFF will be functional. 3. In the case of license fees of Santacruz facility, an escalation percentage of 5% is considered as per license agreement. 4. In the case of license fees for ITP land, an escalation percentage of 7.5% is considered.

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E	Other O&M expenses	1. A fixed expense of INR 1 lakh per year was assumed for stamp duty and registration fees 2. Electricity charges of INR 20 lakh was assumed for 2021-22, after which an escalation percentage of 5% was used to calculate forecasts for all years of the 3rd control period

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8. Projected Volumes

8.1. Following are the projected fuel offtake volumes for the 3rd control period:

Table 8-1

In (TKL)	2021-22	2022-23	2023-24	2024-25	2025-26
Yearly Volume	840.00	916.00	1,364.00	1,556.00	1,616.00

8.2. The above projections were made based on the Deloitte report on fuel offtake volumes for the 3rd control period, since FY 2020-21 was an unusual year due to the impact of the Covid-19 pandemic on air traffic.

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9. Taxation

9.1. As per clause 9.5 of CGF Guidelines, taxation represents payments by the Service Provider in respect of corporate tax on income from assets and services taken into consideration for determination of ARR.

9.2. Following are the tax liabilities for MAFFFL for the 3rd control period:

Table 9-1

Particulars (in INR lakhs)	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
Adjusted Earning before tax	3,656.47	4,073.97	11,461.14	14,164.20	15,059.27
Add: Book Depreciation	3,181.60	3,274.46	3,272.04	3,271.95	3,271.78
Add: Book Interest Cost	292.31	1,298.23	609.29	329.37	83.81
Less: IT Depreciation	(5,580.17)	(4,819.53)	(4,242.84)	(3,652.44)	(3,146.07)
Less: Interest Permissible as per ICDS	(1,143.64)	(888.74)	(609.29)	(329.37)	(83.81)
Taxable Profit / (Loss)	406.58	2,938.39	10,490.34	13,783.70	15,184.99
Less: Unabsorbed depreciation set off	(406.58)	(2,184.89)	-	-	-
Taxable Income post set off losses	-	753.50	10,490.34	13,783.70	15,184.99
Corporate Tax	-	189.64	2,640.21	3,469.08	3,821.76

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10. Aggregate Revenue Requirement

10.1. Following table consists the ARR for the third control period (in INR lakhs):

Table 10-1

Particulars (in INR Lakhs)	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
Average RAB	53,977.64	57,319.35	54,298.42	50,546.01	46,794.39
FRoR	15.00 %	15.00 %	15.00 %	15.00 %	15.00 %
Return on Average RAB	8,098.63	8,600.00	8,146.75	7,583.76	7,020.87
Add: Depreciation	3,661.36	3,754.22	3,753.12	3,751.71	3,751.54
Add: Operating expenses	3,316.73	3,488.05	2,785.69	2,941.03	3,176.19
Add: Lease Payment	-	-	-	-	-
Add: Taxation	-	189.64	2,640.21	3,469.08	3,821.76
Loss on Sale of Assets	702.62	-	-	-	-
Less: Other Income	(416.49)	(440.43)	(465.80)	(492.69)	(521.20)
Less: CSR expenses	(116.18)	(89.59)	(76.45)	(74.15)	(141.66)
Add: Under/Over recovery from previous control period	(1,347.77)	-	-	-	-
ARR	13,898.89	15,501.89	16,783.53	17,178.73	17,107.50
Fuel throughput (TKL)	840.00	916.00	1,364.00	1,556.00	1,616.00
Annual FIC	1,321	1,321	1,321	1,321	1,321

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11. Fuel Throughput and Revenue from Aeronautical Services

11.1. Following table summarizes the projected fuel throughput during the 3rd control period:

Table 11-1

Particulars (in TKL)	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
Uplift of fuel in a year	840.00	916.00	1,364.00	1,556.00	1,616.00

11.2. Following table summarizes the projected revenue from aeronautical services during the 3rd control period:

Table 11-2

Particulars (in INR Lakhs)	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
Fuel Revenue	11,092.92	12,096.56	18,012.79	20,548.31	21,340.66
ITP Revenue	150.45	172.26	269.34	322.62	351.81
Total	**11,243.37**	**12,268.83**	**18,282.13**	**20,870.93**	**21,692.47**

11.3. Following table consists the assumptions and basis for the aeronautical revenue projected by MAFFFL:

Table 11-3

S No.	Particulars	Assumptions/Basis
1	**Fuel Revenue**	Revenue from FIC has been projected on the basis of the projected fuel offtake volumes for the 3rd control period. A tariff of INR 1,321/KL was assumed for the 3rd control period.
2	**ITP Revenue**	ITP charges were assumed to be escalated at a 5% rate per year. MAFFFL's share of revenue was assumed to be 1% of the total ITP revenue generated.

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Annexure

1. **Extract of Deloitte Report**

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