



IN THE MATTER OF
DETERMINATION OF TARIFF FOR INTO PLANE SERVICES IN RESPECT OF
INDIAN OIL SKYTANKING DELHI PRIVATE LIMITED (IOSDPL) AT
INDIRA GANDHI INTERNATIONAL AIRPORT (IGIA), DELHI
FOR THE THIRD CONTROL PERIOD
(01.04.2021 – 31.03.2026)

Date of Issue: 23rd February, 2022

AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110003

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 ISP. Accordingly, the Authority's opinion on the various aspects forming part of the Tariff determination process has 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. 33/2021-22 dated 23rd February, 2022 are invited from the Stakeholders, preferably in electronic form, at the following address:

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Last Date for submission of Stakeholders' comments	22/03/2022
Last Date for submission of counter comments	04/04/2022

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.

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List of Abbreviations

Abbreviation	Full Form
AAI	Airports Authority of India
ACS	Annual Compliance Statement
AERA	Airports Economic Regulatory Authority
ARR	Aggregate Revenue Requirement
ATM	Aircraft Traffic Movement
AUCC	Airport Users Consultative Committee
BPCL	Bharat Petroleum Corporation Limited
CAGR	Compounded Annual Growth Rate
DDF	Dirt Defense Filters
DIAL	Delhi International Airport Limited
FRoR	Fair Rate of Return
GoI	Government of India
GST	Goods and Services Tax
HD	Hydrant Dispensers
HPCL	Hindustan Petroleum Corporation Limited
IGIA	Indira Gandhi International Airport
IOCL	Indian Oil Corporation Limited
IOSDPL	IndianOil Skytanking Delhi Private Limited
JIG	Joint Inspection Group
ITP	Into Plane
KL	Kiloliter / Kilolitre
MoCA	Ministry of Civil Aviation
MYTP	Multi-Year Tariff Proposal
NAR	Non-Aeronautical Revenue
OMCs	Oil-Marketing Companies
RAB	Regulatory Asset Base
RF	Refuellers
SPV	Special Purpose Vehicle
ST	Skytanking Holding GmbH, Germany
YoY	Year on Year
YPU	Yield Per Unit

CHAPTER 1. INTRODUCTION

- 1.1. M/s Indian Oil Skytanking Private Limited (IOSPL) is a Joint Venture Company (JVC) of Indian Oil Corporation Limited (IOCL) and Skytanking Holdings GmbH, Germany with 50:50 equity shareholding. IOSPL was incorporated on 21st August 2006 and involved in implementing Open Access Model in Fuel Farm Operations and Single Man Refuelling in India. Indian Oil Skytanking Private Limited (IOSPL) is in the business of providing Into Plane (ITP) Services to Airlines on behalf of the suppliers and commenced its operations at Indira Gandhi International Airport (IGIA), Delhi in July 2010 through a 10 years Concession awarded by Delhi International Airport Limited (DIAL). This concession was valid till 31.03.2020 and was subsequently extended for a period of (01) one year till 31st March 2021.
- 1.2. Further, through a bidding process, Indian Oil Skytanking Private Limited (IOSPL) awarded concession by DIAL for another 15 years commencing from 01st April, 2021 for providing Into Plane services at Indira Gandhi International Airport (IGIA), Delhi. As per the concession agreement, the ITP services are to be rendered through a Special Purpose Vehicle (SPV). Thus, IOSPL has formed a SPV, IOSDPL which is a 100% subsidiary of Indian Oil Skytanking Private Limited (IOSPL) for the purpose.
- 1.3. The Authority vide its Order No 04/2017-18 dated 12.06.2017 determined Annual Tariffs for first two Tariff years i.e., FY 2016-17 and FY 2017-18 of the Second Control Period under 'Light Touch Approach'. The Authority further vide order No.43/2017-18 dated 28.03.2018 extended the existing Tariff as on 31.03.2018 for a period of six months up to 01.10.2018 or till determination of Tariff whichever is earlier.
- 1.4. The Authority vide Order No. 19/2018-19 dated 14.09.2018 determined the Tariff for FY 2018-19, FY 2019-20 and FY 2020-21 upto 31.07.2020 as the concession agreement of IOSPL with DIAL was valid upto 31.07.2020. This concession agreement was further extended by another 8 months (i.e. upto 31.03.2021). The Authority therefore vide Order No 15/2020-21 dated 25.06.2020 extended the existing Tariff for the remaining period of FY 2020-21 (from 01.08.2020 to 31.03.2021) of the Second Control Period under "Light Touch Approach".
- 1.5. Subsequently, the Authority vide its Order No.67/2020-21 dated 25.03.2021 extended the same Tariff up to 30.09.2021 or till the determination of Tariff for Third Control Period, whichever is earlier. The Authority further vide order No. 18/2021-22 dated 15.09.2021 extended the same Tariff as applicable as on 30th September, 2021 up to 31st March 2022 or till the determination of Tariff for Third Control Period, whichever is earlier.
- 1.6. IOSPL vide letter dated 17.09.2021 informed that w.e.f 01.04.2021, a special purpose vehicle namely "Indian Oil Skytanking Delhi Pvt. Ltd. (IOSDPL)" has been formed as a new concessionaire at IGIA, Delhi for providing of Into Plane Service. Accordingly, the Authority vide Amendment to Order No: 18/2021-22 dated 1st October, 2021 amended the interim Order no. 18/2021-22 in the name of IOSDPL.
- 1.7. M/s Indian Oil Skytanking Delhi Private Limited (IOSDPL), Delhi submitted its Multi-Year Tariff Proposal (MYTP) seeking revision of Tariffs for providing ITP services at IGIA, Delhi for the

Third Control Period under “Light Touch Approach”. M/s IOSDPL, Delhi has sought 46.11% increase in Tariff for FY 2021-22 over the Tariff approved by AERA for FY 2020-21 and thereafter proposes 4.40% YoY increase for the remaining period of Third Control Period.

- 1.8. The Authority has examined the MYTP and notes that M/s IOSDPL has not submitted the justification on the proposed CAPEX, OPEX and other Building Blocks. The Authority, therefore held protracted correspondences during December & January 2021 with IOSDPL seeking additional details and clarifications on the CAPEX, OPEX etc. In response, IOSDPL submitted the informations/justifications on the CAPEX, OPEX as sought by the Authority and also submitted the revised Traffic Projection & revised Tariff Rates. In the revised submission, IOSDPL sought 29.73% increase in Tariff for FY 2021-22 over the existing Tariff rates for FY 2020-21 and thereafter from FY 2022-23 onwards YoY increase/decrease proposed as given below: `

Table 1: Year on Year (%) Increase/Decrease in revised Tariff proposed by IOSDPL, Delhi for the Third Control Period.

Particulars	Increase/Decrease in Tariff Over previous Year				
	2021-22	2022-23	2023-24	2024-25	2025-26
For Aircraft Fuelling	29.73%	4.40%	-6.28%	0.78%	-12.57%

- 1.9. IOSDPL, Delhi has also submitted the audited annual accounts for FY 2016-17 to FY 2020-21 for standalone operations which includes Segmented Revenue and profitability Statements for FY 2016-17 to FY 2020-21 for IOSDPL, Delhi Unit.
- 1.10. IOSDPL has submitted the copy of Minutes of the Stakeholders Meeting held on 3rd November, 2021 and the ISP has also submitted the copies of User Agreements for its ITP Service at Delhi Airport.
- 1.11. IOSDPL, Delhi has submitted the “Business plan for Delhi ITP Services” for FY 2021-22 to FY 2025-26. Further, IOSDPL has the following assets as on 31st March 2021:

Table 2 : Technical Details of IOSDPL, Delhi.

Refuelling Equipment's	Nos.
Aircraft Hydrant dispensers	28
Aircraft Refuellers	7
Total	35

- 1.12. As per the terms and conditions of Concessional Agreement, IOSDPL Delhi is required to share 7% of its Gross Revenue with the Airport Operator (DIAL) in respect of the aggregate Volume of ATF at Airport upto 3 million kilolitre per annum. Once the overall Volume of Aviation Turbine Fuel (ATF) at the Airport exceeds 3 million kilolitre, the revenue share percentage as payable to DIAL shall be 9% of the total gross revenue from Into Plane Services rendered at IGIA, Delhi. Whereas, the Authority proposes to cap the Airport Operator Fees @ 5% of the

Aeronautical Revenue based on AERA Order No.01/2018-19 dated 5th April 2018 on Capping the amount of Royalty license Fee/Revenue Share payable to Airport Operator as a “pass through” expenditure for the Independent Service Providers providing Cargo Facility, Ground handling, Supply of Fuel to Aircrafts at Major Airports.

- 1.13. As per IOSDPL, Delhi submission presently, they are providing ITP Services to Indian Oil Corporation Limited, Reliance Industries Limited and Hindustan Petroleum Corporation Limited. IOSDPL has submitted copies of the User Agreements with Indian Oil Corporation Limited (IOCL) and Reliance Industries Limited.
- 1.14. The Authority notes that IOSDPL has conducted AUCC meeting in virtual mode on 3rd November, 2021. As per the ISP, the invitations for Stakeholder’s Consultation Meeting were sent to 17 stakeholders/organizations including 6 airlines; however out of 6 airlines, the representatives from one airline i.e. Indigo attended the meeting. As per the ‘Minutes’ of the AUCC meeting dated 3rd November, 2021, Indigo Airline raised certain issues relating to the Fuel Volume forecast, OPEX and the CAPEX proposed for the Third Control Period. BSSPL has also raised the impact on Volume after commercial operation of Jewar Airport. However, none of the stakeholders has raised any query on Tariff hike proposed by IOSDPL, Delhi.
- 1.15. The Authority has reviewed the submissions made by IOSDPL with respect to various building blocks. The ensuing chapters in this consultation paper present the Authority’s review of the MYTP submitted by IOSDPL, Delhi. The Authority’s positions on various building blocks are based on the submission made by IOSDPL, Delhi including their inputs on the queries raised by the Authority.
- 1.16. 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 the consultation paper.

CHAPTER 2. PRINCIPLES FOR DETERMINATION OF AERONAUTICAL TARIFF.

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 The Authority vide its Order No. 12/2010-11 dated January 10, 2011 and Direction No. 4/2010-11 dated February 28, 2011 ("CGF Guidelines"), had issued guidelines under Section 15 of the AERA Act, 2008 and the amendments issued from time to time, to determine Tariffs for ISP's providing aeronautical services at 'Major Airports' based on set procedures for determination of Aggregate Revenue Requirement (ARR) for regulated service(s) deemed 'Materiality Assessment', 'Competition Assessment' and 'User agreement(s) between the Service Provider(s) and User(s) of the Regulated Service(s)'. As stipulated in Clause 3 of the guidelines, the Authority shall follow a three stage process for determining its approach to the regulation of regulated service.

Stage-I: Materiality Assessment:

2.3 The Materiality Index (MI_F) of Fuel Throughput at Delhi airport is as under:

$$= \frac{\text{Fuel Throughput in Kiloliters at Delhi Airport}}{\text{Total Fuel Throughput in Kiloliters at all Major Airports}} \times 100$$

$$\text{Fuel Throughput at Delhi Airport} = \frac{2617412}{8697575} \times 100 = 30.09\%$$

2.4 Based on IOSDPL Delhi submission, Materiality index (on the basis of Fuel Throughput at Indira Gandhi International Airport, Delhi in comparison to Fuel Throughput at other major airports) is 30.09% in FY 2019-20 which is more than 5% Materiality index fixed for assessing the materiality of the subject regulated service as per clause 4(2)(ii) of "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". Hence the regulated service is deemed as '**Material**' for the Third Control Period.

Stage-II: Competition Assessment:

- 2.5 As per IOSDPL, Delhi's submissions there is another ITP service provider i.e. BSSDPL at Indira Gandhi International Airport, Delhi. Hence, as per the ISP the regulated service should be deemed as "Competitive" at Delhi Airport.

Stage-III: Reasonableness of User Agreement:

- 2.6 IOSDPL, Delhi has submitted user agreement with their supplier i.e. Indian Oil Corporation Limited (IOCL) and Reliance Industries Ltd. (RIL). The agreement is valid for 15 years from the commencement date i.e. 01st April, 2021. As per the IOSDPL submission, they do not have any user agreement with the Airlines.
- 2.7 The Authority vide Consultation Paper No 06&08/2019-20 dated 13.09.2019 and 19.09.2019 respectively, regarding ITP services providing by IOSPL & BSSPL at KIA International Airport (BIAL) stated and shall be read as:

"The Service providers BSSPL & IOSPL are promoted by two Oil Marketing Companies viz. BPCL and IOCL, and, both the companies mainly cater to their own clients, hence, in real terms, there is no competition as ITP Service providers. However, the Authority, vide its Order No. 01/20 17-18 dated 17.04.2017 has already decided to determine the Tariff under "light touch approach" for the Second Control Period. Therefore, the Authority, has decided to determine the Tariff of the remaining period of the 2 Control Periods under 'light touch approach'. Notwithstanding the above, the Authority's considered view is that since there is no competition in real term between the two ISP's, hence, from Third Control Period, the Authority should be inclined to determine the Tariff of Into Plane (ITP) service provider under "price cap approach."

- 2.8 The Authority noted that the IOSPL, parent company of IOSDPL, Delhi has been promoted by (Oil Marketing Company) i.e. IOCL and caters to its own clients mainly its promoters, hence, in real terms, there is no competition as ITP Service providers. Further, based on reasoning given in Para 2.7 above, the Authority is of the view that the Tariff of IOSDPL, Delhi for Third Control Period is to be determined under "Price Cap Approach".
- 2.9 The Authority also reviewed the MYTP submission on "competition assessment" and "reasonableness of user agreement" and observed that IOSDPL, Delhi is providing ITP services to the Airlines on behalf of the Oil Marketing Company without any user agreement with the airlines. Both the ITP service providers i.e. BSSDPL and IOSDPL at Indira Gandhi International Airport (IGIA), Delhi primarily caters to the clients of BPCL and IOCL as principal service providers, only a small portion of their business around 5% is generated from other clients such as HPCL and RIL. Hence, it signifies that there is no competition in real terms.
- 2.10 The Authority has also examined the Annual Compliance Statement (ACS) submitted by IOSDPL, Delhi for the Second Control Period (from FY 2016-17 to FY 2020-21). It is observed that for this period IOSDPL had projected CAPEX of Rs. 2483.12 Lacs. However, against the above projections, IOSDPL has actually incurred a CAPEX (capitalization) of Rs.1233.81 Lacs. The

Authority also observed that IOSDPL had submitted a very optimistic business plan for the Second Control Period by projecting high CAPEX, however, on comparing with the actuals, it is seen that the target capitalization has not been achieved within the approved timelines and higher costs/returns claimed in the previous period have been underutilized resulting in inefficiency, causing undue burden on the end Users.

2.11 It is also noted that IOSDPL, Delhi is not carrying out any Non-Aeronautical service apart from the regulated ITP service at Indira Gandhi International Airport, Delhi. Further as per the User agreements with the users IOSDPL, Delhi is entrusted to carry out only the regulated service. As per the IOSDPL, Delhi, submission they do not have other source of revenue. Therefore, the Authority decided to adopt Price Cap Approach under ‘Single Till’ methodology which will be more appropriate and reasonable for Tariff determination of IOSDPL, Delhi for providing ITP service.

2.12 Hence, the Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority is calculated as under:

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

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

Where,

t is the Tariff year in the Control Period, ranging from 1 to 5

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

FRoR is the Fair Rate of Return for the Control Period

RAB_t is the Aeronautical Regulatory Asset Base for Tariff year ‘t’

D_t is the Depreciation corresponding to the Regulatory Asset Base for Tariff year ‘t’

O_t is the Aeronautical Operation and Maintenance expenditure for the Tariff year ‘t’

T_t is the Aeronautical taxation expense for the Tariff year ‘t’

NAR_t is the Non-Aeronautical Revenue in Tariff year ‘t’.

2.13 The detailed submissions made by IOSDPL, Delhi in respect of the Regulatory Building Blocks have been discussed in the subsequent sections of this Consultation Paper.

2.14 **Authority’s Proposal on Principles for Determination of Aeronautical Tariff for Third Control Period:**

Based on the material before it and based on its analysis, the Authority proposes the following regarding Methodology for Tariff determination for IOSDPL, Delhi for the Third Control Period:

2.14.1 To adopt “Price Cap Approach” on ‘Single Till’ basis for Tariff determination for IOSDPL providing ITP services at Indira Gandhi International Airport, Delhi for the Third Control Period.

CHAPTER 3. FUEL THROUGHPUT FORECAST

3. IOSDPL, Delhi's submission on Fuel Throughput for the Third Control Period as part of MYTP.

3.1 The projected Fuel Throughput (Volume) as per the revised submission of IOSDPL, Delhi for the Third Control Period is given below:

Table 3: Projection of Fuel Throughput as per IOSDPL, Delhi for the Third Control Period.

Year	(KL)		
	International Flights	Domestic Flights	Total
2019-20	1194659	623198	1817857
2020-21	586848	392739	979587
2021-22	649501	475332	1124833
2022-23	765938	587271	1353209
2023-24	948863	702376	1651239
2024-25	1051656	761544	1813200
2025-26	1129146	817658	1946804
Total (2021-22 to 2025-26)	4545104	3344181	7889285

3.2 IOSDPL, Delhi submitted the projection of Fuel Throughput based on the following assumptions:

- Fuel Volumes associated with International flights are likely to recover to Pre-Covid levels by 2023-24, as per IATA.
- Business travel to be negatively impacted in the long term as more companies rely on e-meetings & video conferencing.
- Visiting friends and family (VFR) and Leisure travel are likely to recover by 2023.
- Resurgence of Covid-19 in India or overseas is likely to negatively impact both domestic & inbound/outbound International travels.
- Airlines are likely to phase out older aircrafts and replace them with more narrow body and newer, more Fuel-efficient aircraft.
- Jewar Airport is likely to be operational by 2024 and this will lead to a shift in substantial ITP Volumes from Delhi to Jewar Airport. Therefore, the growth rate in Volume for FY 2024-25 & FY 2025-26 is considered 5% and 2% respectively.
- IOSDPL's market share is likely to be 75% in the Third Control Period.

3.3 There are two ITP service providers at IGIA, Delhi namely IOSDPL and BSSDPL. As per the Fuel Throughput data of the Second Control Period (FY 2016-17 – FY 2020-21), the market share of IOSDPL was in the range of 71.9% to 79.2% at IGIA, Delhi. The historical data of Fuel Throughput (Volume) for the FY 2016-17 to FY 2020-21 is given below:

Table 4: Actual Fuel Throughput submitted by IOSDPL, Delhi for the Second Control Period.

Year	(KL)			% Change over Previous Year		
	International Flights	Domestic Flights	Total	International Flights	Domestic Flights	Total
2016-17	1001140	296660	1297800			
2017-18	1116460	431999	1548459	12%	46%	19%
2018-19	1213910	558388	1772298	9%	29%	14%
2019-20	1194659	623198	1817857	-2%	12%	3%
2020-21	586848	392739	979587	-51%	-37%	-46%
CAGR (First 4 Years)	6%	28%	12%			
CAGR (5 Years)	-13%	7%	-7%			

Authority's Examination and Analysis:

- 3.4 The Authority notes that the historical data of Fuel Throughput for IOSDPL, Delhi for FY 2016-17 to FY 2019-20 (4 years CAGR) shows an increase of 12% in Fuel Throughput Volumes. The Authority further notes the CAGR of 5 years (including the FY2020-21 Covid-19 impacted year) shows a decrease of 7% on total Fuel uplifted during the Second Control Period (refer Table 4 above).
- 3.5 The Authority further notes that IOSDPL's assumptions are based on a combination of factors (refer para 3.2). M/s IOSDPL has projected CAGR of 14.70% in Fuel Throughput Volumes during the Third Control Period.
- 3.6 The Authority determined Tariff for few major airports recently and during the Tariff determination process, the Authority has considered the adverse impact of the COVID-19 pandemic and has made its own assessment of the pattern of Traffic resurgence in the next 5-year period. While doing so, the Authority has considered the opinions/forecasts of the experts in the aviation field such as CAPA, ACI and IATA.
- 3.7 The Authority is of the view that the ATM and Fuel Throughput are correlated activity and a key indicator for the purpose of projections for both Fuel Farm as well as ITP Services.
- 3.8 The Authority after assessing the Traffic projection submitted by IOSDPL, Delhi observed that the Fuel Throughput Volume as projected by IOSDPL seems to be reasonable. The Authority notes that during the period from April 2021 to December 2021, IGIA, Delhi has achieved 51% ATM of FY 2019-20 (pre-covid year). Therefore, considering the market share of IOSDPL and other factors, the ATM Traffic and Fuel Throughput Volume proposed by the IOSDPL has been considered by the Authority for the Third Control Period.
- 3.9 The Authority proposes to consider Fuel Throughput (Volumes) for IOSDPL, Delhi for Third Control Period as given in Table 5 below:

Table 5: Fuel Throughput (Volume) proposed by the Authority for IOSDPL, Delhi for Third Control Period.

Year	(KL)			As % of FY 2019-20		
	International	Domestic	Total	International	Domestic	Total
2019-20*	1194659	623198	1817857	-	-	-
2021-22	649501	475332	1124833	54%	76%	62%
2022-23	765938	587271	1353209	64%	94%	74%
2023-24	948863	702376	1651239	79%	113%	91%
2024-25	1051656	761544	1813200	88%	122%	100%
2025-26	1129146	817658	1946804	95%	131%	107%
Total**	4545104	3344181	7889285			

*FY 2019-20 taken as base year for projection

** FY 2021-22 to FY 2025-26.

3.10 Authority's proposals on Fuel Throughput for the Third Control Period:

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

3.10.1 To consider the Fuel Throughput (Volume) for the Third Control Period for IOSDPL, Delhi as per Table 5.

3.10.2 To true-up the Fuel Throughput Volume based on actual numbers for the Third Control Period at the time of determination of Tariff for the next Control Period.

CHAPTER 4. CAPITAL EXPENDITURE

4. IOSDPL, Delhi's submission on Capital Expenditure for the Third Control Period as part of MYTP.

- 4.1 As per clause 9.2 of the CGF guidelines dated 10th January 2011, 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.

IOSDPL's Submission-Capital Expenditure (CAPEX)

- 4.2 As per MYTP submission, IOSDPL, Delhi has projected capital expenditure of Rs. 3920.00 Lacs for the Third Control Period. The Asset-wise capital expenditure submitted by IOSDPL, Delhi for the Third Control Period is given below:

Table 6: Capital Expenditure projected by IOSDPL, Delhi for the Third Control Period.

Amount (Rs. in Lacs)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicle –Dispensers	360.00	914.00	639.00	1007.00	146.00	3066.00
Vehicle –Refuellers		74.00	179.00			253.00
Dirt Defence Filters (DDF)	85.00	14.00			28.00	127.00
Computer i-6 system		194.00				194.00
ITP Depot		280.00				280.00
TOTAL CAPEX	445.00	1476.00	818.00	1007.00	174.00	3920.00

- 4.3 IOSDPL has projected year wise no. of vehicles and Per Unit Cost for Refurbishment & new purchase as given below:

Table 7: Year wise projection of Vehicles for the Third Control Period.

Vehicles		Nos. of Vehicles proposed					
		2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles	Hydrant Dispensers - New		6	4	6		16
	Hydrant Dispensers – Refurbishment	6				2	8
	Refuellers- New			1			1
	Refuellers- Refurbishment		1				1
	Total	6	7	5	6	2	26
Per Unit Cost proposed for New and Refurbishment Vehicles							
		Amount (Rs. in Lacs)					
		2021-22	2022-23	2023-24	2024-25	2025-26	
Vehicles	Hydrant Dispensers - New		152.16	159.75	167.83		
	Hydrant Dispensers - Refurbishment	60.00					73.00
	Refuellers—New			179.00			

	Refuellers-- Refurbishment		74.00				
Capital Expenditure proposed for New and Refurbishment of Vehicles				Amount (Rs. in Lacs)			
		2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles	Hydrant Dispensers - New	0.00	914.00	639.00	1007.00		2560.00
	Hydrant Dispensers – Refurbishment	360.00				146.00	506.00
	Refuellers—New			179.00			179.00
	Refuellers-- Refurbishment	0.00	74.00				74.00
	Dirt Defence Filters	85.00	14.00			28.00	127.00
	Total	445.00	1002.00	818.00	1007.00	174.00	3446.00

- Escalation YoY 5%.

4.4 IOSDPL vide mail dated 10th December, 2021 submitted that presently 20-24 Hydrant Dispensers and 3-5 Refuellers are required during peak hours. However, peak hours vary based on the days of the week and the flight schedules. IOSDPL also submitted the quotations/invoice in respect of the refurbishment & new purchase of Hydrant Dispensers & Refuellers.

4.5 As per the Annual Compliance Statement (ACS) submitted by IOSDPL, Delhi the year-wise details of actual/projected Capital Expenditure for the period FY 2016-17 to FY 2020-21 is given Table 8 below:

Table 8: Actual/Projected Capital Expenditure of IOSDPL, Delhi for the Second Control Period.

	Amount (Rs. in Lacs)					
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Actual Capital Expenditure.	23.17	50.77	809.26	233.89	116.70	1233.79
Projected CAPEX of SCP.	606.48	1065.00	631.63	180.00	0.00	2483.12
Difference	-583.31	-1014.23	177.63	53.89	116.70	1249.32

Authority's Examination and Analysis:

4.6 The Authority noted that the IOSDPL has projected total capital expenditure of Rs. 3920.00 Lacs for the Third Control Period.

4.7 The Authority, based on the information as submitted by IOSDPL, Delhi, examined the requirement of capital expenditure on each component i.e. Hydrant Dispensers, Refuellers, ITP Depot etc. and rationale of proposed capital expenditure in detailed manner. The Authority also examined the life profile of vehicles to be refurbished, cost of refurbishment of each vehicle, requirement of new vehicles and total capital expenditure projected. As per the local RTO Guidelines, the present life of vehicle is 10 years.

4.8 The Authority notes that IOSDPL has projected to purchase 16 dispensers & 1 Refueller and also refurbishment of existing 8 dispensers & 1 Refueller at a cost of Rs 3446.00 lacs during the Third Control Period.

4.9 The Authority sought justification from IOSDPL about the requirement of purchase & refurbishment of Hydrant Dispensers and Refueller, wherein M/s IOSDPL vide their response dated 27.11.2021 submitted that out of the existing 25 Hydrant Dispensers and 7 Refuellers operating at Terminal 2 & Terminal 3 at GIA, Delhi, the following is projected for refurbishment and purchase to meet the operational requirement:

- Six Hydrant Dispensers will be refurbished in FY 2021-22.
- Six Hydrant Dispensers will be purchased in FY 2022-23.
- Two Hydrant Dispensers will be refurbished in FY 2025-26
- One Refueller will be refurbished in FY 2022-23.

In its submission, IOSDPL submitted that due to operational requirements, it will not be possible to refurbish all the hydrant dispensers together as they would be taken out of the fleet. Furthermore, for operational reliability, it is proposed to have a mix of refurbishments and new purchases. IOSDPL further submitted that the (06) six Dispensers have structural wear and tear which are not likely to be refurbished. Therefore, 06 six Dispensers will be scrapped in due course as per the age profile of the assets.

4.10 The Authority notes that out of the (14) fourteen Dispensers, (12) twelve Hydrant Dispensers were purchased in FY 2010-11 and (02) two Hydrant Dispensers purchased in FY 2015-16. The Authority notes from the IOSDPL submission that (06) Dispensers have structural issues and may not be likely to be refurbished. Thus, the Authority taking note of the age profile of Hydrant Dispensers and IOSDPL clarification thereon, proposes to allow the purchase of (06) new Dispensers and refurbishment of (08) eight Dispensers out of the existing 25 Dispensers.

4.11 IOSDPL, further stated that DIAL is renovating/modernizing Terminal (T-1) with a Hydrant Refuelling system and therefore to cater to the futuristic ATM Traffic /demand at T-1 at IGIA, Delhi, IOSDPL shall require (10) ten new Hydrant Dispensers and (01) one new Refueller during the Third Control Period.

4.12 The Authority sought clarification from IOSDPL regarding the requirement of (10) ten new Hydrant Dispensers proposed for Terminal-1. M/s IOSDPL vide mail dated 20.01.2022 informed that DIAL is under the process of modernisation/ revamping of Terminal-1 which is likely to be completed in FY2023-24. Presently flights at T1 are Fuelled directly by three Oil Marketing Companies namely IOCL, BPCL and HPCL having 15 Refuelling Equipments to provide the services at T1. Under T-1 revamping process, DIAL is developing Hydrant Refuelling System (HRS). Once HRS will be operational, IOSDPL and BSSDPL will start to provide the ITP Services at T-1. As per ISP the present market share of three Oil Marketing Companies at T-1 are shown in Table 9.

Table 9: Present market share of OMC's at Terminal-1 IGIA, Delhi.

S. No.	Oil Marketing Company	Market Share
1.	Indian Oil Corporation Limited (IOCL)	60%
2.	Bharat Petroleum Corporation Limited (BPCL)	30%
3.	Hindustan Petroleum Corporation Limited (HPCL)	10%

Therefore, considering the present market share of IOSDPL at T-3, the Authority assumes that IOSDPL may have similar market share at T1 also. Accordingly, IOSDPL projected to purchase

(10) ten new Hydrant Dispensers proposes for the operation of Terminal-I seems to be reasonable.

4.13 The Authority based on the above submission and considering the market share & futuristic demand at T-1, proposes to allow the purchases of (10) Ten new Dispensers as projected by the IOSDPL.

4.14 The Authority notes that IOSDPL has projected Rs. 127.00 Lacs for installation of Dirt Defense Filters (DDF) during the Third Control Period. The Authority further notes that as per the Joint Inspection Group (JIG) guidelines, the service provider is under obligation to install Dirt Defense Filters (DDF) in all the Hydrant Dispensers & Refuellers to meet the safety standards at the airport and Fueling of aircrafts. Therefore, the Authority proposes to consider Rs. 127.00 Lacs for installation of Dirt Defense Filters during the Third control period.

4.15 The Authority in view of the above, proposes to allow the refurbishment of (08) eight Dispensers & (01) one Refueller and also allow to purchase of (16) sixteen new dispensers & (01) one new Refueller during the Third Control Period. The year wise projection of capital expenditure on Dispensers and Refuellers considered by the Authority for Third Control Period is given below:

Table 10: New and Refurbished vehicles proposed by the Authority for IOSDPL, Delhi for the Third Control Period.

New and Refurbishment of Vehicles		Nos. of Vehicles proposed					
		2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles	Hydrant Dispensers – New		6	4	6		16
	Hydrant Dispensers – Refurbishment	6				2	8
	Refuellers – New			1			1
	Refuellers – Refurbishment		1				1
	Total	6	7	5	6	2	26
Capital Expenditure on Vehicles proposed by the Authority for IOSDPL, Delhi for the Third Control Period Amount (Rs. in Lacs)							
		2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles	Hydrant Dispensers – New		912.63	638.23	1004.26		2700.12
	Hydrant Dispensers – Refurbishment	360.00				145.31	565.31
	Refuellers – New			178.26			340.26
	Refuellers – Refurbishment		73.43				143.43
	Dirt Defence Filters	85.00	14.00			28.00	127.00
	Total	445.00	1000.06	816.50	1004.26	173.31	3439.12

• Escalation YoY 4.9%.

4.16 The Authority further notes that IOSDPL has projected Rs 280.00 Lacs for construction of ITP Depot. As per the Concessional Agreement, IOSDPL shall construct the ITP Depot at the land allotted by the DIAL. DIAL has allotted 2000 sq. mt. land to IOSDPL for the development of ITP Depot at IGIA, Delhi. The Authority vide mail dated 9th December, 2021 sought clarification from IOSDPL regarding detail break up of projected cost and construction status. In response, IOSDPL vide mail dated 10.12.2021 has submitted that they have received the land for ITP Depot and presently the project is in the design engineering stage. Tender for the construction of ITP Depot is likely to be floated by February, 2022 and the project shall be commenced in April, 2022 and likely to complete by March, 2023. The cost break up of construction of ITP depot is given below:

Table 11: Cost break up of construction of ITP Depot submitted by IOSDPL, Delhi.

Particulars	Amount Rs. In Lacs
Engineering & Design	8.40
Procurement	42.00
Construction Cost	165.20
Statutory Approvals	2.80
Total	218.40
Contingency @ 10%	21.84
GST @ 18%	43.24
Total	283.48
Rounded off	280.00

The Authority notes that IOSDPL, Delhi has taken contingency @ 10% whereas the Authority has considered contingency @ 3% for other Airport Operator/ISP. Therefore, the Authority proposes to consider contingency @ 3%. Accordingly, total reworked cost of ITP Depot is Rs. 265.44 Lacs.

4.17 The Authority further notes that IOSDPL has proposed Capital Expenditure of Rs.194.00 Lacs for i-6 Into Plane Dispatching system for Automation of Refuelling equipment. As per the schedule XVI of the Concession Agreement, IOSDPL is committed to implement the i-6 system to facilitate seamless flow of data and information, which helps back office to ensure proper and synchronized data with the Stakeholder in real time basis. The Authority vide mail dated 9th December, 2021 sought clarification from IOSDPL regarding detail of the proposed cost and commissioning status. In response, IOSDPL vide mail dated 10th December, 2021 has submitted that the project will start in second quarter of FY 2022-23 and will take around 6 months to complete. The Cost break is given below:

Table 12: Cost break up of i-6 System submitted by IOSDPL, Delhi.

(Amount Rs in Lacs)

Particulars	Numbers of Dispensers & Refuellers	Cost per Vehicle	Total cost
Dispensers	28	2.79	78.07
Refuellers	7	2.79	19.51
Site Visits			11.25
System Setup			33.75
Total (A)			142.59

Taxes (B)			25.66
Contingency (C) @ 17.69%			25.23
Total Implementation Cost (A+B+C)			193.50

The Authority observes that IOSDPL, Delhi has taken contingency @ 17.69%; whereas, the Authority has considered contingency @ 3% for other Airport Operator/ISP. Therefore, the Authority proposes to consider contingency @ 3%. Accordingly, total reworked cost of Electronic Data Interchange (EDI) system comes to Rs. 173.30 Lacs.

- 4.18 Having examined the proposals relating to Capital Expenditure submitted by the IOSDPL and keeping in view the above facts, the Authority proposes the Capital Expenditure for IOSDPL as (additions to RAB) for the Third Control Period as given below:

Table 13: Capital Expenditure proposed by the Authority for IOSDPL, Delhi for the Third Control Period.

(Amount Rs in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicle-Dispensers	360.00	912.63	638.23	1004.26	145.30	3060.42
Vehicle-Refuellers		73.43	178.26			251.61
Dirt Defence Filters (DDF)	85.00	14.00			28.00	127.00
Computer-i-6 system		173.30				173.30
ITP Depot		265.44				265.44
TOTAL CAPEX	445.00	1438.80	816.39	1004.26	173.30	3877.77

- 4.19 The Authority examined the past trends of IOSPL, Delhi regarding capital expenditure, and observes that IOSPL, Delhi is having a tendency of not executing the approved capital expenditure in the relevant Control Period which is against the interest of the end users.

The Authority, in order to ensure that M/s IOSDPL adheres to the Capital Expenditure plan, decides to reduce 1% of the non-capitalized CAPEX from the projected ARR/Target Revenue for the next Control Period during True Up, in case CAPEX targets are not achieved as per the Capitalization schedule.

4.20 Authority's Proposal on Capital Expenditure for Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding Capital Expenditure (CAPEX) for IOSDPL, Delhi for the Third Control Period:

- 4.20.1 To consider the capital expenditure for IOSDPL, Delhi for the Third Control Period in accordance with Table 13.
- 4.20.2 To reduce 1% of the non-capitalized CAPEX from the projected ARR/Target Revenue for the next Control Period during True Up, in case CAPEX targets are not achieved as per the Capitalization schedule.
- 4.20.3 To true up the Capital Expenditure based on actual at the time of Tariff determination for next Control Period.

CHAPTER 5. DEPRECIATION

5. IOSDPL, Delhi's submission on Depreciation for the Third Control Period as part of MYTP.

5.1 As per the IOSDPL Delhi's submission, the asset wise depreciation projected on the Regulatory Assets during the Third Control Period has been summarized as per Table 14 below:

Table 14: Depreciation (Asset-wise) as projected by IOSDPL, Delhi for Third Control Period.

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles-Hydrant Dispensers & Refuellers	132.65	334.83	437.09	562.98	584.75	2052.3
Plant and Machinery-IPS	0.06	0.13	0.13	0.13	0.13	0.58
Land & Building (ITP Depot)	-	4.67	4.67	4.67	4.67	18.68
Office Equipment's	0.78	1.56	1.56	1.56	1.56	7.02
Furniture and Fittings	0.28	0.56	0.56	0.56	0.56	2.52
Computer Software & Hardware	0.19	64.89	64.89	64.70	-	194.67
Total	133.96	406.64	508.90	634.60	591.67	2275.77

Authority's Examination and Analysis:

5.2 The Authority issued Order No. 35/2017-18 in the matter of "Determination of Useful life of Airport Assets" for determining appropriate depreciation rates in line with the provisions of the Companies Act 2013. Accordingly, the Authority has considered the useful life and depreciation rates as prescribed in the aforesaid Order No 35 for IOSDPL, Delhi.

5.3 The Authority compared the Depreciation rates and useful life of Assets proposed by IOSDPL, Delhi during the Third Control Period and those prescribed as per AERA Order No. 35/2017-18 as shown in the Table 15 below:

Table 15: Comparison of Depreciation rates IOSDPL vis-a-vis AERA Order no 35/2017-18.

Particulars	As Per IOSDPL Submission		As Per AERA Order no. 35/2017-18	
	Useful Life (in Years)	SLM Rate	Useful Life (in Years)	SLM Rate
Refuellers and Dispensers – New	8	12.50%	8	12.50%
Refuellers and Dispensers – Refurbished	8	12.50%	8	12.50%
Vehicles –Motor Car	8	12.50%	8	12.50%
Office Equipment's	5	20.00%	5	20.00%
Furniture & Fixtures	10	10.00%	7	14.29%
Computers-i-6 system	3	33.33%	3	33.33%

5.4 The Authority observed the variance in depreciation rates for "Furniture & Fixtures". IOSDPL has taken useful life of furniture 10 years whereas AERA has considered 7 years. Accordingly, the Authority has calculated the depreciation rate as per the prescribed useful life of 7 years for

furniture & fixtures.

- 5.5 The Authority further observed that IOSDPL has taken full year depreciation on the assets commissioned during the year. However, the Authority has considered depreciation on average basis on the assets commissioned during the year. The Authority notes that IOSDPL has taken depreciation for six months in FY 2021-22, as the value of the asset has been taken in the books of IOSDPL as on 30th September, 2021. Therefore, the Authority has also considered depreciation for six months in FY 2021-22.
- 5.6 Keeping in view of the above, the Authority proposes the following depreciation for the Third Control Period as shown in Table 16 below:

Table 16: Depreciation proposed by the Authority for IOSDPL, Delhi for Third Control Period.

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Plant and Machinery-Hydrant & Refueller	104.84	272.19	385.72	499.52	573.11	1835.38
Plant and Machinery-IPS	0.06	0.13	0.13	0.13	0.13	0.58
Land & Building (ITP Depot)	0.00	2.21	4.42	4.42	4.42	15.47
Furniture and Fixture	0.40	0.80	0.80	0.80	0.80	3.60
Office Equipment	0.78	1.56	1.56	1.56	1.56	7.02
Computer- i-6 System	0.19	29.27	58.15	58.15	28.49	174.25
Total	106.27	306.16	450.78	564.58	608.51	2036.30

5.7 Authority's Proposal on Depreciation for Third Control Period:

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

- 5.7.1 To consider depreciation on the assets of IOSDPL, Delhi for the Third Control Period as per Table 16.
- 5.7.2 To true up the depreciation based on actuals at the time of Tariff determination for next Control Period.

CHAPTER 6. REGULATORY ASSET BASE (RAB)

6. IOSDPL, Delhi's submission on Regulatory Asset Base (RAB) for the Third Control Period as part of MYTP.

- 6.1 As per clause 9.2 of the CGF guidelines, dated 10th January, 2011 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.
- 6.2 The assets that substantially provide services not related to or not normally provided as part of Regulated Service(s) may be excluded from the scope of RAB by the Authority, in its discretion.
- 6.3 The projected Regulatory Asset Base (RAB) as per IOSDPL, Delhi submission for the Third Control Period is given in Table 17 below:

Table 17: Regulatory Asset Base (RAB) projected by IOSDPL, Delhi for Third Control Period.

Amount (Rs. in Lacs)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Opening RAB (A)	1249.00	1426.03	2494.07	2803.23	3175.77	11148.1
Addition (B)	444.96	1474.67	818.05	1007.13	174.18	3918.99
Disposal (C)	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (D)	133.96	406.64	508.9	634.6	591.67	2275.77
Closing RAB (E) = (A)+(B)-(C)-(D)	1560.00	2628.03	2937.18	3309.71	2892.22	
Average RAB (F)=(A+E)/(2)	1404.50	2094.01	2782.60	3123.45	3100.96	

- 6.4 The historical Regulatory Asset Base (RAB) as per IOSDPL, Delhi submission for the Second Control Period is given in Table 18 below:

Table 18 :Actual RAB of IOSDPL, Delhi for Second Control Period.

Amount (Rs. in Lacs)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Opening RAB (A)	692.68	463.55	284.05	1017.17	1113.85	3571.30
Addition (B)	23.12	50.77	809.26	233.89	116.70	1233.74
Disposal (C)	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (D)	252.29	230.27	76.14	137.21	162.57	858.48
Closing RAB (E) = (A)+(B)-(C)-(D)	463.55	284.05	1017.17	1113.85	1067.98	–
Average RAB (G)=(A+E)/(2)	578.11	373.80	650.61	1065.51	1090.91	–

Authority's Examination and Analysis:

- 6.5 The Authority has examined each element of RAB projected by IOSDPL, Delhi for the Third Control Period and its utilization as well as requirement in the functioning of the IOSDPL, Delhi.
- 6.6 The Authority noted that IOSDPL, Delhi has submitted Rs 1249.00 Lacs as Opening RAB for FY 2021-22 whereas ACS of FY 2020-21 is showing Closing RAB of Rs 1067.98 Lacs. The

Authority vide mail dated 9th December, 2021 has sought clarification from IOSDPL regarding variance in the Opening RAB of FY 2021-22. In response, IOSDPL vide mail dated 22.12.2021 has submitted that the existing assets of IOSPL have been transferred to its fully owned subsidiary M/s Indian Oil Skytanking Delhi Pvt Ltd (IOSDPL) under Slump Sale. In order to transfer assets from one company to another company, valuations of existing assets have been carried out by valuers. IOSDPL has submitted the valuation report of the transfer asset. The Authority examined the valuation report and found that Resurgent Valuers Private Limited conducted the valuation of the asset and valued Rs 1249.00 Lacs of the transferred asset. As the valuation has been conducted by an authorized valuer therefore, the Authority consider opening RAB for FY 2021-22, as submitted by IOSDPL.

- 6.7 The Authority, based on the clarification submitted by IOSDPL, Delhi on CAPEX to be incurred for refurbishment/purchase of new vehicles, installation of DDF and considering the depreciation proposed by the Authority, RAB to be considered for the determination of ARR, as given in Table 19 below:

Table 19: RAB proposed by the Authority for IOSDPL, Delhi for the Third Control Period.

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Opening RAB (A)	1249.00	1587.69	2720.34	3086.05	3525.72	12168.80
Capital Additions (B) (Refer Table 13)	444.96	1438.80	816.49	1004.25	173.30	3877.80
Disposal (C)	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (D) (Refer Table 16)	106.27	306.15	450.78	564.58	608.52	2036.30
Closing RAB (E) = (A)+(B)-(C)-(D)	1587.69	2720.34	3086.05	3525.72	3090.50	–
Average RAB (F)=(A+E)/2)	1418.35	2154.02	2903.20	3305.89	3308.11	–

6.8 Authority's Proposal on Average RAB for Third Control Period

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

- 6.8.1 To consider Average RAB for IOSDPL, Delhi for the Third Control Period as per Table 19.
- 6.8.2 To true up the RAB for the Third Control Period based on actuals, at the time of determination of Tariff for the Fourth Control Period.

CHAPTER 7. FAIR RATE OF RETURN (FRoR)

7 IOSDPL, Delhi's submission on Fair Rate of Return (FRoR) for the Third Control Period as part of MYTP.

- 7.1 IOSDPL, Delhi has considered Fair Rate of Return (FRoR) as 14% in MYTP for the Third Control Period.
- 7.2 As per the MYTP submission made by IOSDPL, Delhi has stated that it will not take any debt for the CAPEX of Third Control Period. Capitalization activity is proposed to be funded by 100% Equity.

Authority's Examination and Analysis:

- 7.3 The Authority has noted that IOSDPL, Delhi has not projected any debt for financing its Regulatory assets and proposes to meet its CAPEX requirement through equity funds only.
- 7.4 The Authority had earlier considered the FRoR at 14% for other ISP's and Airport Operators wherein the financing for CAPEX was proposed to be funded by 100% from equity.
- 7.5 The Authority therefore, proposes to consider the same FRoR (i.e.14%) as proposed by IOSDPL, Delhi for determination of ARR of IOSDPL, Delhi for the Third Control Period. However, IOSDPL is advised to evaluate optimal means of financing and leveraging debt, in the interest of the stakeholders.
- 7.6 In future, Authority shall consider noitonal gearing ratio for calculation of Fair Rate of Return (FRoR), if IOSDPL does not bring appropriate leverage to the funding of the project.

7.7 Authority's Proposal on Fair Rate of Return (FRoR)

Based on the material before it and based on its analysis, the Authority proposes the following regarding Fair Rate of Return (FRoR) for IOSDPL, Delhi for the Third Control Period:

- 7.7.1 To consider 14% as Fair Rate of Return (FRoR) for IOSDPL, Delhi for the Third Control Period.

CHAPTER 8. AERONAUTICAL REVENUE

8 IOSDPL Delhi submission on Aeronautical Revenue for the Third Control Period as part of MYTP.

8.1 As per IOSDPL, Delhi submission, the projected Aeronautical Revenue for the Third Control Period is given in Table 20 below:

Table 20: Projected Aeronautical Revenue (Revenue from ITP services) as per IOSDPL, Delhi submission for Third Control Period.

Amount (Rs. In Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue from ITP services	3086.08	4201.78	4606.89	4875.02	4347.21	21116.98

8.2 IOSDPL, Delhi has projected, the CAGR for Aeronautical Revenue (Revenue from Into Plane Services) from Into Plane Services as 8.94% during the Third Control Period.

Authority's Examination and Analysis:

8.3 The Authority has revised the projected Aeronautical Revenue, keeping in view the Fuel off take and revised Tariff for IOSDPL at IGI Airport, Delhi for the Third Control Period is given below:

Table 21: Aeronautical Revenue proposed by the Authority for Third Control Period.

Amount (Rs. In Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue from ITP services	2244.29	2620.49	3101.73	3256.89	3342.69	14566.09

8.4 Authority's Proposal on Aeronautical Revenue.

Based on the material before it and based on its analysis, the Authority proposes to consider Aeronautical Revenue (Revenue from Into Plane Services) for the Third Control Period.

8.4.1 To consider Aeronautical Revenue for IOSDPL, Delhi for the Third Control Period as per Table 21.

CHAPTER 9. OPERATION AND MAINTENANCE EXPENDITURE

9 IOSDPL, Delhi's submission on Operation and Maintenance Expenditure for the Third Control Period as part of MYTP.

9.1 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.

9.2 The category-wise Operation and Maintenance expenditure based on actuals as per IOSDPL submission for the Second Control Period (FY 16-17 to FY 20-21) is given Table 22 below:

Table 22: Actual Operation and Maintenance Expenditure & CAGR for the Second Control Period.

Amount (Rs. in Lacs)							
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total	CAGR*
Payroll Costs	559.97	655.42	842.46	944.2	764.94	3766.99	19%
Administrative and General Expenditure	87.78	77.25	85.21	111.27	54.29	415.80	8%
Repair and Maintenance Expenditure	139.76	118.19	184.51	217.62	112.14	772.22	16%
Utilities and Outsourcing Expenditure	68.85	86.27	157.00	163.82	115.18	591.12	34%
Airport Operator Fees	208.18	260.63	321.00	337.08	264.30	1391.19	17%
Total	1064.56	1197.76	1590.18	1773.99	1310.85	6937.34	19%

*FY 2016-17 to FY 2019-20.

9.3 As per the IOSDPL MYTP submission, Operation and Maintenance (O&M) expenditure are segregated into the following categories:

- Payroll Costs;
- Administration and General expenditure;
- Repair and Maintenance expenditure;
- Utility and Outsourcing Expenditure
- Airport Operator Fees
- Licence fees/Rental

9.4 The summary of growth rates projected by IOSDPL, Delhi for the projection of Operation and Maintenance expenditure for the Third Control Period has been presented in the Table 23 below:

Table 23: Growth rates in O&M projected by IOSDPL, Delhi for Third Control Period.

Particulars	CAGR
Payroll cost	13%
Administrative and General cost	11%
Repairs & Maintenance Costs	22%

Utilities Cost	8%
Airports Operators Fees	6%
Licence fees/Rental	10%

9.5 IOSDPL based on the above assumptions has projected Operation and Maintenance Expenditure for the Third Control Period as given in Table 24 below:

Table 24: Operation and Maintenance Expenditure projected by IOSDPL, Delhi for the Third Control Period.

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Payroll Costs	800.03	900.03	1028.14	1153.73	1293.40	5175.33
Administrative and General Expenditure	416.42	469.81	521.99	568.41	628.99	2605.62
Repair and Maintenance Expenditure	111.95	139.53	171.59	208.94	249.27	881.28
Utilities and Outsourcing costs	156.63	168.93	182.20	196.52	211.97	916.25
Airport Operator Fees	216.02	294.12	322.48	341.25	304.30	1478.17
Licence fees/Rental	290.48	475.91	523.38	575.59	630.01	2495.37
Total	1991.53	2448.33	2749.78	3044.44	3317.94	13552.02

9.6 As per IOSDPL submission there is no change in department wise number of employees of Maintenance and Administration departments, however, there is slight increase in the manpower for operations from FY 2022-23 onwards as shown in Table 25 below:

Table 25: Department-wise no. of Employees projected by IOSDPL.

No. of Employees-IOSDPL					
Department	2021-22	2022-23	2023-24	2024-25	2025-26
Operations	126	130	138	142	146
Maintenance	16	16	16	16	16
Administration	2	2	2	2	2
Total	144	148	156	160	164

Authority's Examination and Analysis:

9.7 The Authority examined the category wise share of each expenditure in total expenditure as projected by IOSDPL, Delhi for the Third Control Period which is given below:

Table 26: Category wise percentage share of Operation & Maintenance Expenditure.

Category of Operation and Maintenance Expenditure	% Share of Total Expenditure
Payroll Costs	38%
Administrative and General Expenditure	19%
Repair and Maintenance Expenditure	7%
Utilities and Outsourcing costs	7%
Airport Operator Fees	11%
Licence Fees/Rental	18%
Total	100%

9.8 The Authority notes that Payroll Cost, Rentals and Administrative expenses are major components of operating cost i.e. about 75% of the total operating expenditure of IOSDPL, Delhi whereas for other categories of expenditure account for 25% of the total operating expenditure.

9.9 The Authority, based on its examination projected O&M expenditure, rate of increase in each category of expenditure and after taking into consideration the effect of COVID-19, proposes to revise each category of O&M expenditure as given below:

- i. **Payroll Costs** - The Authority noted the CAGR of projected Payroll Costs for Third Control Period is 13% whereas the CAGR of actual Payroll Costs for the Second Control Period (FY 2016-17 to FY 2019-20) was 19%. IOSDPL submitted that payroll cost will increase due to annual increment of 10.5% (5.5% on account of an annual increase and 5% on account of inflation) towards Payroll (manpower costs) and addition of more manpower in the operation department during the Third Control Period. The Authority is however, of the view that due to COVID -19 pandemic, there is slow down in the aviation sector and to sustain the operations, the increase in the payroll costs may not be that as maybe during the normal operations. Hence, the Authority proposes to consider 7.00% YoY increase for the purpose of projection of “Payroll Cost” including inflation effect of 4.90% for the Third Control Period.
- ii. **Administrative and General Expenditure** - The Authority has also examined the projections of Administrative and General expenditure of IOSDPL, Delhi and noted that the CAGR of projected Administrative and General expenditure for Third Control Period is 11% whereas the CAGR of actual Administrative and General expenditure during the Second Control Period (FY 2016-17 to FY 2019-20) was 8% which is low as compared to projected CAGR. IOSDPL considered 10% inflation impact on Legal Expenses, Insurance, and Printing & Stationery, Consumption of Stores, Recruitment/Training and considered 5% inflation impact on audit, security and other miscellaneous expenses. The Authority, keeping in view the inflation rate as per RBI rate, proposes an annual increase in Administrative and General expenditure by 4.90% for the Third Control Period. The Authority also noted that IOSDPL has proposed 16% margin on the total operating expenses under Administrative & General expenses which can not be considered.

- iii. **Repair and Maintenance Expenditure** - The Authority has examined the projections of Repairs and Maintenance Expenditure made by IOSDPL, Delhi and noted that the CAGR of projected Repairs and Maintenance Expenditure for Third Control Period is 22% whereas the CAGR of actual R&M expenditure during the Second Control Period (FY 2016-17 to FY 2019-20) was 16%. IOSDPL considered annual inflation 8.0% and additional repair & maintenance expenditure on new vehicles for the Third Control Period. The Authority also noted that R&M cost increase during the Third Control Period due to including the i-6 system R&M cost from FY 2022-23 onwards. The Authority, proposes Repairs and Maintenance expenditure, considering R&M cost of i-6 system and keeping in view inflation rate as per RBI rate, for the Third Control Period.
- iv. **Utilities and Outsourcing costs** - The Authority has examined the projections made by IOSDPL, Delhi and noted that the CAGR of projected Utility Costs for Third Control Period is 8% whereas the CAGR of actual Utility Costs during the Second Control Period (FY 2016-17 to FY 2019-20) was 34% which is very high when compared with the CAGR of the projected R&M expenditure. IOSDPL considered 5% inflation rate for power and rent & rates. The Authority, keeping in view the inflation rate as per RBI rate, proposes an annual increase in Utility Costs expenditure by 4.90% for the Third Control Period.
- v. **Rental Expenditure** – The Authority notes that as per the concessional agreement IOSDPL have to pay rental for 2000 sq. mt. land for ITP Depot with an annual escalation in the range of 7.5% to 10% and in its MYTP, IOSDPL proposed rental on 3000 sq. mt. land for ITP Depot, start from 1st April, 2021. In this regard, the Authority sought clarification from IOSDPL regarding area of the land for ITP Depot and the starting date of the rental. IOSDPL vide mail dated 16th December, 2021 submitted that 2000 sq. mt land for ITP Depot handing over to them by December, 2021. According, IOSDPL has submitted the revised rental start from December, 2021. The Authority proposes rental as per the revised submission of IOSDPL.

9.10 The Authority noted that IOSDPL, Delhi has projected the Airport Operator Fees @ 7% of the Aeronautical revenue (ITP revenue) whereas the Authority had approved Airport Operator Fees @ 5% of the aeronautical revenue vide its Order No. 01/2018-19 dated 5th April 2018 on Capping the amount of Royalty/licence Fee / Revenue Share payable to Airport Operator as a “pass through” expenditure for the Independent service Providers providing Cargo Facility, Ground handling, Supply of Fuel to Aircrafts at Major Airports. The Authority based on its order, proposes Airport Operator Fees @ 5% of the aeronautical revenue of IOSDPL, Delhi for the Third Control Period.

9.11 Based on the trends of O&M expenditure considering the actuals of Second Control Period and projections made by IOSDPL for Third Control Period, the Authority proposes to consider FY 2021-22 as base for increase in Operation and Maintenance Expenditures for FY 2022-23 to FY 2025-26 and proposes the following percentage (%) increase for each category of expenditure as given in Table 27 below:

Table 27: Percentage (%) increase in Operation and Maintenance Expenditure proposed by the Authority for revision of Operation and Maintenance Expenditure for IOSDPL, Delhi for Third Control Period.

Particulars	2022-23	2023-24	2024-25	2025-26
Payroll	7.00%	7.00%	7.00%	7.00%
Administrative and General	4.90%	4.90%	4.90%	4.90%
Repairs and Maintenance	4.90%	4.90%	4.90%	4.90%
Utility & Outsourcing cost	4.90%	4.90%	4.90%	4.90%
Airport Operator Fees (Revenue Share) (based on AERA Order)	5.00%	5.00%	5.00%	5.00%

9.12 The Authority after considering the above growth rates, has proposed the Operating and Maintenance Expenditure as given in Table 28 below:

Table 28: Operating and Maintenance Expenditure proposed by the Authority for the Third Control Period.

Amount (Rs. in Lacs)						
Particulars	2021-22*	2022-23	2023-24	2024-25	2025-26	Total
Payroll Costs	800.03	856.03	915.95	980.07	1048.68	4600.76
Administrative and General Expenditure	116.72	122.44	128.44	134.73	141.34	643.67
Repair and Maintenance Expenditure	111.95	136.96	165.58	198.46	232.95	845.90
Utilities and Outsourcing costs	156.63	164.3	172.36	180.8	189.66	863.75
Airport Operator Fees	112.21	131.02	155.09	162.84	167.31	728.47
Licence fees/Rental	290.48	475.91	523.38	575.59	630.01	2495.37
Total	1588.02	1886.66	2060.80	2232.49	2409.95	10177.92

*FY 2021-22 taken as base to revise projection (except for Airport Operator Fees and Administrative & General expenses).

9.13 Authority's Proposal on Operation and Maintenance Expenditure

Based on the material before it and based on its analysis, the Authority proposes the following regarding Operation and Maintenance Expenditure for IOSDPL, Delhi for the Third Control Period:

- 9.13.1 To consider the Operation and Maintenance Expenditure as given in Table 28 above, for the purpose of determination of Tariffs for Third Control Period.
- 9.13.2 To cap the revenue sharing @5% and the same shall be true up for the Third Control Period based on actuals at the time of determination of Tariffs for the next Control Period.
- 9.13.3 To true up the Operation and Maintenance Expenditure based on actuals at the time of Tariff determination for next Control Period.

CHAPTER 10. TAXATION

10 IOSDPL Delhi submission on Taxation for the Third Control Period as part of MYTP.

10.1 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 Aggregate Revenue Requirement. The Authority shall review forecast for corporate tax calculation with a view to ascertain inter alia the appropriateness of the allocation and the calculations thereof.

10.2 IOSDPL, Delhi has projected income tax @ 25.16% (Basic rate 25%, Surcharge, Health and Education Cess 0.16%) on regulatory profits.

10.3 The tax projections submitted by IOSDPL, Delhi for the Third Control Period as given in Table 29 below:

Table 29 : Tax as per IOSDPL, Delhi submission for Third Control Period.

Amount (Rs. In Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Aeronautical Revenue (Refer Table 20)	3086.08	4201.78	4606.89	4875.02	4347.21	21116.98
OPEX (Refer Table 24)	1991.53	2448.33	2749.78	3044.44	3317.94	13552.02
Interest on Security Deposit	15.00	21.14	18.72	20.56	22.27	97.69
Depreciation (Refer Table 14)	133.96	406.64	508.9	634.6	591.67	2275.77
Profit before tax	945.59	1325.67	1329.49	1175.42	415.33	5191.50
Tax rate (%)	25.16%	25.16%	25.16%	25.16%	25.16%	
Tax	237.91	333.53	334.49	295.73	104.49	1306.15

Authority's Examination and Analysis:

10.4 The Authority has computed the following tax projections for the Third Control Period as given in Table 30 below:

Table 30: Tax proposed by the Authority for the Third Control Period.

Amount (Rs. In Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Aeronautical Revenue (Refer Table 21)	2244.29	2620.49	3101.73	3256.89	3342.69	14566.09
OPEX (Refer Table 28)	1588.03	1886.67	2060.80	2232.49	2409.95	10177.94
Interest on Security Deposit	15.00	15.00	15.00	16.20	17.64	78.84
Depreciation (Refer Table 16)	106.27	306.16	450.78	564.58	608.51	2036.30
Profit before tax	534.99	412.66	575.15	443.62	306.59	2273.01
Tax rate (%)	25.16%	25.16%	25.16%	25.16%	25.16%	
Tax	134.65	103.86	144.75	111.65	77.21	572.11

10.5 Authority's Proposal on Taxation

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

- 10.5.1 To consider provision of tax as shown in Table 30 for determination of ARR for the Third Control Period of IOSDPL, Delhi.
- 10.5.2 To True-up amount of tax in the next Control Period based on the actual tax liability during the Third Control Period.

CHAPTER 11. AGGREGATE REVENUE REQUIREMENT (ARR)

11 IOSDPL, Delhi's submission on Aggregate Revenue Requirement for the Third Control Period as part of MYTP.

11.1 IOSDPL, Delhi has submitted Aggregate Revenue Requirement (ARR) for the Third Control Period. The summary of ARR has been presented in the Table 31 below:

Table 31: IOSDPL, Delhi's submission of the Aggregate Revenue Requirement (ARR) for the Third Control Period.

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue from Regulated Services (1)	3086.08	4201.78	4606.89	4875.02	4347.21	21116.98
Revenue from Services other than Regulated Services (2)	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenditure (3)	1991.53	2448.33	2749.78	3044.44	3317.94	13552.02
Depreciation (4)	133.96	406.64	508.90	634.60	591.67	2275.77
Return on security deposit (5)	15.00	21.14	18.72	20.56	22.27	97.69
Total Expenditure (3+4+5)= (6)	2140.49	2876.11	3277.40	3699.60	3931.88	15925.48
Regulatory Operating Profit 1+2-6=(7)	945.59	1325.67	1329.49	1175.42	415.33	5191.50
Tax (8)	237.91	333.53	334.49	295.73	104.49	1306.15
Opening RAB (9)	1249.00	1426.03	2494.07	2803.23	3175.77	1249.00
Capital Expenditure(10)	444.96	1474.67	818.05	1007.13	174.18	
Disposals/Transfers (11)	0.00	0.00	0.00	0.00	0.00	
Closing RAB (10+9-4-11)=(12)	1560.00	2628.03	2937.18	3309.71	2892.22	
Average RAB (9+12) /2=(13)	1404.50	2094.01	2782.60	3123.45	3100.96	
Return on Average RAB (14)	196.63	293.16	389.56	437.28	434.13	1750.77
Total Fuel Throughput (Volume) (KLs in Lacs) (15)	11.24	13.53	16.51	18.13	19.46	78.87
Aggregate Revenue Requirement (ARR) 16=(6+8+14)	2575.03	3502.80	4001.45	4432.61	4470.50	18982.40

11.2 M/s IOSDPL submitted that as per “para 6.7” of the Concession Agreement, the selected bidder has to deposit Security Deposit, equivalent to Rs 3 Crores (INR Three Crore only) with DIAL as an interest-free refundable security deposit and at the end of every Financial Year, the Concessionaire shall reset the Security Deposit amount, which shall be higher of the followings:

- (i) An amount equivalent to the Revenue Share Amount paid during the preceding six (06) months and License Fee of last 06 months of License Fee for the location; and
- (ii) Rs 3,00,00,000/- (Rs Three Crore only).

11.3 Accordingly, M/s IOSDPL has projected the required Security Deposit (SD) in each Tariff year for the 3rd Control Period as given in Table below:

Table 32: Return on Security Deposit projected by IOSDPL, Delhi for the Third Control Period.

Amount (Rs. in Lacs)					
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26
Security Deposit	300.00	422.80	374.40	411.20	445.40
Return on SD @ 5%	15.00	21.14	18.72	20.56	22.27

Authority's Examination and Analysis regarding ARR and Security Deposit:

11.4 The Authority, having noted and examined the submissions made by IOSDPL regarding ARR, proposes to determine ARR as per its own philosophy and guiding principles based on its analysis of building blocks/ RAB as discussed in prior Chapters of this Consultation Paper.

11.5 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR. With respect to each element of the regulatory building blocks considered by IOSDPL in computation of ARR, the Authority proposes as below:

- To consider the average RAB in accordance with Table 19.
- To consider the O&M expenses as per Table 28.
- To consider the depreciation as per Table 16.
- To consider the tax as per Table 30.
- To consider the Non-Aeronautical Revenue/Other Income Nil
- To consider the total Volume in accordance Table 5.

11.6 The Authority notes that IOSDPL has calculate Security Deposit as per Concession Agreement and proposed 5% return on the Security Deposit.

The Authority while examine the security deposit, has also considered 5% return on security deposit in respect of the IOSDPL, which is consistent with the Authority proposals in case of other ISP's/Airport Operators. Accordingly, the Authority re-calculated the Security Deposit (SD) based on the relevant provisions of the Concession Agreement (refer para 11.2 above) as given in Table below:

Table 33: Return on Security Deposit proposed by the Authority for Third Control Period.

Amount (Rs. in Lacs)					
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26
Security Deposit	300.00	300.00	300.00	324.00	352.80
Return on SD @ 5%	15.00	15.00	15.00	16.20	17.64

11.7 After considering the above, the Authority proposes the following ARR as presented in the Table

34 below:

Table 34: Aggregate Revenue Requirement (ARR) proposed by the Authority for IOSDPL, Delhi.
Amount (Rs. In Lacs)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Average RAB (Refer Table 19)	1418.35	2154.02	2903.20	3305.89	3308.11	
Fair Rate of Return	14%	14%	14%	14%	14%	
Return on average RAB	198.57	301.56	406.45	462.82	463.14	1832.54
O&M (Refer Table 28)	1588.03	1886.67	2060.80	2232.49	2409.95	10177.94
Depreciation (Refer Table 16)	106.27	306.16	450.78	564.58	608.51	2036.30
Tax (Refer Table 30)	134.65	103.86	144.75	111.65	77.21	572.11
Return on security deposit @ 5%	15.00	15.00	15.00	16.20	17.64	78.84
ARR	2042.51	2613.25	3077.78	3387.75	3576.26	14697.56
Discount Rate	14%	14%	14%	14%	14%	
Discount Factor	1.00	0.88	0.77	0.67	0.59	
PV of ARR based @ 14%	2042.51	2292.33	2368.25	2286.64	2117.43	11107.16
Present Tariff rate (Rs./KL)	199.67					
Fuel Throughput (Lacs KL) (Refer Table 05)	11.24	13.53	16.51	18.13	19.46	78.87
Total Revenue on existing Tariff	2244.29	2701.54	3296.55	3620.02	3885.58	15747.97
PV Revenue on existing Tariff	2244.29	2369.77	2536.59	2443.41	2300.57	11894.63
Proposed Tariff rates (Rs./KL)	199.67	193.68	187.87	179.64	171.77	
Revised Revenue at proposed Tariff rates (Refer Table 21)	2244.29	2620.49	3101.73	3256.89	3342.69	14566.09
PV Revenue at proposed Tariff rates	2244.29	2298.67	2386.68	2198.31	1979.14	11107.09

11.8 Based on the detailed analysis and approach on each regulatory building block, the Authority noted that the ARR recoverable calculated as above results in one time decrease of 8.13% on the existing Tariff. The Authority proposes to reduce the Tariff rates to meet ARR due to the following reasons:

- The Authority has estimated CAPEX of Rs 3877.77 Lacs for the Third Control Period after due consideration of the purchase/refurbishment of Dispensers/Refuellers against the IOSDPL submission of Rs 3920.00 Lacs. The Authority notes that IOSDPL has proposed 10% contingency on construction of ITP Depot & 17.65% contingency on purchase of i6 systems. However, the Authority has considered 3% contingency on ITP Depot & i6 systems.
- The Authority has estimated OPEX of Rs 10177.94 Lacs for the Third Control Period against the IOSDPL submission of Rs 13552.02 Lacs. The Authority notes that IOSDPL has proposed Airport Operator Fee's @ 7% against the 5% as per the Authority order No 01/2018-19. The Authority further notes that IOSDPL proposed 13%, 11% and 22% CAGR for Payroll cost,

Administrative & General expenditure, Repair & Maintenance expenditures respectively for the Third Control Period. However, the Authority proposes 7% CAGR for Payroll expenditure and 4.9% CAGR for Administrative & General expenditure, Repair & Maintenance expenditures respectively.

11.9 Authority's Proposal on Aggregate Revenue Requirement (ARR)

Based on the material before it and based on its analysis, the Authority proposes the following regarding Aggregate Revenue Requirement (ARR) for IOSDPL, Mumbai for the Third Control Period.

11.9.1 To consider the ARR for IOSDPL, Delhi for the Third Control Period as per Table 34.

11.9.2 To true up the ARR based on actuals at the time of Tariff determination for next Control Period.

CHAPTER 12. ANNUAL TARIFF PROPOSAL

12 IOSDPL Delhi's submissions on Annual Tariff Proposal for the Third Control Period as part of MYTP.

12.1 M/s Indian Oil Skytanking Delhi Private Limited (IOSDPL), Delhi submitted Multi Year Tariff Proposal (MYTP) for Into Plane Services at Indira Gandhi International Airport, Delhi for the Third Control Period and proposed Tariff rates as per Table 35 below:

Table 35: Tariff rates proposed by IOSDPL, Delhi for the Third Control Period.

Tariff Year	Aircraft Fuelling	Amount (Rs. per KL)			
		Aircraft De-Fuelling		Aircraft Re-Fuelling of De-Fuelled Product into an Aircraft	
		Within 48 hours	Beyond 48 hours	Within 48 hours	Beyond 48 hours
FY 2021-22	291.75	291.75	350.10	320.93	350.10
FY 2022-23	304.59	304.59	365.51	335.05	365.51
FY 2023-24	317.99	317.99	381.59	349.79	381.59
FY 2024-25	331.98	331.98	398.38	365.18	398.38
FY 2025-26	346.59	346.59	415.91	381.25	415.91

12.2 Further, IOSDPL vide mail dated 19.01.2022 has submitted the revised Tariff rates as given Table 36 below:

Table 36: Percentage increase/decrease and revised Tariff rates proposed by IOSDPL, Delhi for the Third Control Period.

Particulars	Amount (Rs. per KL)				
	2021-22	2022-23	2023-24	2024-25	2025-26
For Aircraft Fuelling	259.05	270.45	253.44	255.42	223.30
Increase in tariff over previous year	29.73%	4.40%	-6.28%	0.78%	-12.57%

Authority's Examination and Analysis:

12.3 The Authority noted that IOSDPL sought one time 46.11% increase in Tariff for FY 2021-22 over the Tariff approved by AERA for FY 2020-21 and thereafter 4.4% Year on Year increase for the remaining Third Control Period on the existing ITP charges as per the MYTP. Subsequently, IOSDPL submitted the revised Tariff rates and sought 29.73% increase in Tariff for FY 2021-22 over the existing Tariff rates for FY 2020-21 and thereafter proposed increase/decrease in Tariff as per Table 36 above.

12.4 The Authority also observes that only 2 to 3 months of the current Financial Year i.e. 2021-22 is left and issuing of Tariff order will take some time. As a result, the Authority proposes to continue

the existing Tariff rate for the remaining period of FY 2021-22 and the revised Tariff rates shall be made effective from 1st April, 2022 or the date of issue of the order.

12.5 Based on the detailed analysis and approach on each regulatory building block, the Authority notes that the ARR recoverable calculated as above results in one time decrease of 8.13% on the existing Tariff. However, in order to reduce the impact of drastic reduction in the Tariff, the Authority proposes to stagger the decrease over the entire Third Control Period. The year wise decrease on the existing Tariff rate and the proposed Tariff rates for the Third Control Period for IOSDPL, Delhi is given Table 37 below:

Table 37: Percentage decrease and Tariff Rate proposed by the Authority for IOSDPL, Delhi for the Third Control Period.

Tariff Year	Decrease in Tariff over previous year	Aircraft Fuelling	Amount (Rs. per KL)			
			Aircraft De-Fuelling		Aircraft Re-Fuelling of De-Fuelled Product into an Aircraft	
			Within 06 hours	Beyond 06 hours	Within 06 hours	Beyond 06 hours
FY 2021-22	0.00%	199.67	199.67	300.18	249.26	300.18
FY 2022-23	3.00%	193.68	193.68	291.17	241.78	291.17
FY 2023-24	3.00%	187.87	187.87	282.44	234.53	282.44
FY 2024-25	4.38%	179.64	179.64	270.07	224.26	270.07
FY 2025-26	4.38%	171.77	171.77	258.24	214.43	258.24

12.6 Authority's Proposal on Tariff Rate

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

12.6.1 To consider the Tariff Rate for IOSDPL, Delhi for the Third Control Period as per **Annexure-I**.

CHAPTER 13. SUMMARY OF AUTHORITY'S PROPOSALS

Chapter and Para		Summary of Authority's Proposals	Page No.
Chapter No 2	2.14.1	To adopt "Price Cap Approach" on 'Single Till' basis for Tariff determination for IOSDPL providing ITP services at Indira Gandhi International Airport, Delhi for the Third Control Period.	12
Chapter No 3	3.10.1	To consider the Fuel Throughput (Volume) for the Third Control Period for IOSDPL, Delhi as per Table 5.	15
	3.10.2	To true-up the Fuel Throughput Volume based on actual numbers for the Third Control Period at the time of determination of Tariff for the next Control Period.	
Chapter No 4.	4.20.1	To consider the capital expenditure for IOSDPL, Delhi for the Third Control Period in accordance with Table 13.	21
	4.20.2	To reduce 1% of the non-capitalized CAPEX from the projected ARR/Target Revenue for the next Control Period during True Up, in case CAPEX targets are not achieved as per the Capitalization schedule	
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Chapter No 5.	5.7.1	To consider depreciation on the assets of IOSDPL, Delhi for the Third Control Period as per Table 16.	23
	5.7.2	To true up the depreciation based on actuals at the time of Tariff determination for next Control Period.	
Chapter No 6.	6.8.1	To consider Average RAB for IOSDPL, Delhi for the Third Control Period as per Table 19.	25
	6.8.2	To true-up RAB in the next Control Period depending on the actual CAPEX incurred and date of capitalization of assets.	
Chapter No 7.	7.7.1	To consider 14% as Fair Rate of Return (FRoR) for IOSDPL, Delhi for the Third Control Period	26
Chapter No 8.	8.4.1	To consider Aeronautical Revenue for IOSDPL, Delhi for the Third Control Period as per Table 21.	27
Chapter No 9.	9.13.1	To consider the Operation and Maintenance Expenditure as given in Table 28 above, for the purpose of determination of Tariffs for Third Control Period.	32
	9.13.2	To cap the revenue sharing @5% and the same shall be trued up for the Third Control Period based on actuals at the time of determination of Tariffs for the next Control Period.	
	9.13.3	To true up the Operation and Maintenance Expenditure based on actuals at the time of Tariff determination for next Control Period.	

Chapter No 10.	10.5.1	To consider provision of tax as shown in Table 30 for determination of ARR for the Third Control Period of IOSDPL, Delhi.	34
	10.5.2	To True-up amount of tax in the next Control Period based on the actual tax liability during the Third Control Period.	
Chapter No 11.	11.9.1	To consider the ARR for IOSDPL, Delhi for the Third Control Period as per Table 34.	38
	11.9.2	To true up the ARR based on actuals at the time of Tariff determination for next Control Period.	
Chapter No 12.	12.6.1	To consider the Tariff Rate for IOSDPL, Delhi for the Third Control Period as per Annexure-I	40

CHAPTER 14. STAKEHOLDERS' CONSULTATION TIMELINE

- 14.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 13 “Summary of proposals” read with the relevant discussion in the other chapters of the paper is hereby put forth for Stakeholders’ Consultation.
- 14.2 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 as per the provisions of AERA Act.
- 14.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in Chapter 13 above, latest by **22/03/2022**.

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

Chairperson

ANNEXURE-I**PROPOSED TARIFF RATE FOR STAKEHOLDER CONSULTATION**

For Indian Oil Skytanking Delhi Private Limited (IOSDPL) providing Into Plane Services at Indira Gandhi International Airport (IGIA), Delhi for the 3rd Control Period.

Amount (Rs. per KL)

Tariff Year	Aircraft Fuelling	Aircraft De-Fuelling		Aircraft Re-Fuelling of De-Fuelled Product into an Aircraft	
		Within 06 hours	Beyond 06 hours	Within 06 hours	Beyond 06 hours
FY 2021-22	199.67	199.67	300.18	249.26	300.18
FY 2022-23	193.68	193.68	291.17	241.78	291.17
FY 2023-24	187.87	187.87	282.44	234.53	282.44
FY 2024-25	179.64	179.64	270.07	224.26	270.07
FY 2025-26	171.77	171.77	258.24	214.43	258.24

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

Ref: IOSL-Delhi ITP CP3 Tariff Proposal

Date: 17 September 2021

To,
The Secretary
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport, NEW DELHI - 110 003.

Subject: Tariff determination for 3rd Control Period for IndianOil Skytanking Delhi Private Limited in rendering ITP Services at Delhi International Airport (DEL).

Dear Sir,

IndianOil Skytanking Private Limited has been providing Into Plane Fuelling Services at Delhi International Airport since July 2010 through a 10 Year Concession awarded to it by Delhi International Airport Limited (DIAL). This Concession was valid till 2020 and was subsequently extended for a period of 1 year till 31st March 2021.

Through a global competitive bidding process, IndianOil Skytanking was selected as the selected bidder and was awarded a concession term of 15 Years commencing from 01st April 2021. As a requirement of this tender, the services are to be rendered through a Special Purpose Vehicle (SPV). To meet this requirement, IOSL will be rendering ITP services at Delhi Airport through IndianOil Skytanking Delhi Private Limited (IOSDPL), which is a 100% subsidiary of IndianOil Skytanking Private Limited (IOSPL).

The present tariff approval for Delhi ITP Services is valid till 30th September 2021 and in the name of IndianOil Skytanking Private Limited. We are hereby submitting our tariff proposal for the 3rd control period.

Assessment of Materiality

Delhi Airport is the largest airport in India in terms of numbers of passengers handled and ATM's. The consumption of ATF at Delhi Airport (in KL) exceeds 5% of all ATF consumed (in KL) at all major airports in India and therefore IOSL's ITP service at Delhi Airport are "**Material**"

Assessment of Competition

ITP Services at Delhi Airport is being provided by IndianOil Skytanking Private Limited and Bharat Stars Services Private Limited. As per AERA Guidelines, if ITP services are being provided by 02 companies then the services rendered are deemed to be competitive. Therefore, ITP Services at Delhi Airport being provided by the company are deemed "**Competitive**"

Reasonableness of User Agreements

At Delhi Airport, IOSPL has Into Plane Agreements with various Oil Companies. IOSL has not received any adverse comments on the agreements with the end users and these agreements have been in place for the last 12 years without issues, therefore it can be established that the user agreements, IOSPL has in place with its end users are **"Reasonable"**. We are in the process of executing new ITP Agreements in the name of IndianOil Skytanking Delhi Private Limited (IOSDPL) and the same process should be completed shortly.

Tariff Determination Methodology

Based on AERA guidelines, if the services being rendered are Material and Competitive and where the reasonableness of User Agreements is established, the tariff determination of the service shall be done on "Light Touch Approach". Therefore, the company's tariff proposal is submitted to the authority under **"Light Touch Approach"**

SCALE OF OPERATIONS & HISTORICAL DATA

Delhi Airport is the busiest airport in India. Statistics pertaining to the scale of operations at Delhi is mentioned below.

	FY17	FY18	FY19	FY20	FY21
Passengers (in Mn)	57.7	65.6	69.2	67.3	22.6
ATM's (Numbers)	3,97,799	4,41,299	4,60,429	4,50,012	2,13,986
IOSL ITP Volumes (in KL)	12,97,800	15,48,459	17,72,298	18,17,857	9,79,589
IOSL Market Share Average in %	75%				
Number of Flights	91,344	1,16,988	1,42,296	1,48,782	88,005

IOSL's market share saw an increase from FY20 to FY21. We believe that this is a temporary phenomenon as international flight operations are significantly impacted presently. As international flight operations improve, IOSL's market share number will also moderate, as IOSL's competitor BSSPL also has a share in international flight volumes.

VOLUME FORECAST FOR 3rd CONTROL PERIOD

IOSL's ITP Services at Delhi Airport have been severely impacted by COVID-19. In FY21, ITP Volumes fell by -46% compared to FY20.

We expect that a full recovery of volumes at Delhi ITP Services will occur by FY24. Based on the current trends and expected improvements the volume forecast used for the purpose of tariff determination is presented below.

	3 rd Control Period (01 April 2021 to 31 st March 2026)					
	FY21	FY22	FY23	FY24	FY25	FY26
IOSL Estimate ITP Volumes (In KL)	9,79,589	1273466	1553628	1817745	1908632	1946805
Growth %		+30%	+22%	+17%	+5%	+2%

36

This volume forecast is based on the following assumptions.

1. Fuel Volumes associated with International flights are likely to recover to Pre-Covid levels by 2024. This is based on projections made by IATA.
2. Travel segments such as Visiting Friends, Family & Relatives (VFR) and leisure travel are likely to recover by 2023, however business travel is likely to be negatively impacted in the long term as more companies rely on e-meetings & video conferencing.
3. Recovery of VFR and Leisure travel is also subject to mass administration of a COVID-19 which is likely to take at least 1 Years. During this time, travel is expected to be limited.
4. Resurgence of COVID-19 in India or overseas is likely to negatively impact both domestic and inbound / outbound international travel.
5. Airlines are likely to phase out older aircrafts and replace them with more narrow body and newer, more fuel-efficient aircraft. This is likely to negatively impact fuel volumes at Delhi Airport.
6. Jewar Airport which will compete with Delhi Airport is likely to be operational by 2024. We believe that this will lead to a shift in substantial ITP Volumes from Delhi Airport to Jewar Airport. Therefore, in FY25 the growth rate considered in volumes is +5% and +2% in FY26.

Confidentiality of the documents submitted

You may kindly note that we are bound to ensure confidentiality of our client agreements and its terms and the disclosure made herein above is to ensure compliance with the AERA Guidelines. The terms of the Agreements for providing various Services at Delhi Airport, the commercial terms agreed to between us, as the Into plane Service Provider and the suppliers, various service parameters and service specifications, are all key ingredients in determining the quality of services being provided by us at Delhi Airport.

These specifications cannot be put into public domain for the following reasons:

- a) The performance indicators/specifications are unique to this arrangement.
- b) The specifications set out are quality related specifications, acting as indicators of performance of the into plane agents as well as the quality of services being provided by us.
- c) Ours is a service industry and performance specifications and standards are key ingredients to our functioning, and we regard these specifications and parameters as our intellectual property and value it as our trade secret.
- d) Such information, if in public domain, is at the risk of being copied by our competitors and also the competitors of our service providers.
- e) As a result of the specifications being copied by our competitors, what is otherwise a 'competitive service' may cease to be so since we will not be able to retain our uniqueness in providing these services; and
- f) As per the terms of our agreement with DIAL and the users, we are under an obligation to keep confidential the terms of all agreements entered into with respect to Delhi Airport.

For the reasons stated above and to ensure that that the distinctiveness and competitive nature of services developed and retained by us for many years is not hampered in any manner by a disclosure of our confidential information, we request that the agreements entered into between us and our service provides or any part thereof, should not be uploaded on your website or made public in any other manner.

We also request you to kindly ensure confidentiality of our financials which are sensitive to our businesses.

Tariff Proposal

Based on the tariff determination methodology and as per tariff calculations in line with AERA guidelines, we submit the following tariff proposal for the authority's consideration and approval for the 3rd control period.

	2021-22		2022-23		2023-24		2024-25		2025-26	
	Hours	Rate per KL	Hours	Rate per KL	Hours	Rate per KL	Hours	Rate per KL	Hours	Rate per KL
Aircraft Fuelling		291.75		304.59		317.99		331.98		346.59
Aircraft Defuelling Within	6	291.75	6	304.59	6	317.99	6	331.98	6	346.59
Aircraft Defuelling Beyond	6	350.10	6	365.51	6	381.59	6	398.38	6	415.91
Aircraft Refueling Defueled Product Within	6	320.93	6	335.05	6	349.79	6	365.18	6	381.25
Aircraft Refueling Defueled Product Beyond	6	350.10	6	365.51	6	381.59	6	398.38	6	415.91

For the period after 30th September 2021, we request you to approve the existing tariffs in the name of IndianOil Skytanking Private Limited (IOSDPL) till such time the tariff determination process is not completed.

Thanking you,

Yours truly
For IndianOil Skytanking Private Limited



Bipin Wankhede
Chief Finance Officer

Attachments

1. Various Forms as required for the tariff submission process
2. Business Plan for ITP Services at Delhi Airport
3. ITP Services Concession Agreement Signed with Delhi Airport.

RE: IOSDPL- Delhi ITP-Tariff clarifications

From : yaduarora@iosl.in Mon, Jan 24, 2022 05:22 PM
Subject : RE: IOSDPL- Delhi ITP-Tariff clarifications 📎 1 attachment
To : TRILOK CHAND <trilok@aera.gov.in>, cfo@iosl.in, venkat@iosl.in
Cc : RAM KRISHAN <director-ps@aera.gov.in>, SATISH KUMAR <satish.kr@aera.gov.in>

Dear Trilok Ji,

Due to recent developments, on account of the 3rd wave, In the air traffic and volume trends, we have observed that the reduction in flight activity has been more than anticipated. This has led to a fall in our fuel volumes at Delhi ITP. We believe this reduction is likely to remain for a few months, before we get back into the volume recovery phase, based on previous experience from the 1st and 2nd wave.

Due to this reason, we have revised our volume forecast, for the current financial year, leading into FY24-25. No change has been made to the volumes of FY25-26. Therefore, for the purpose of tariff determination for Delhi ITP Services, kindly use the volumes as per the revised table below.

Financial Year	Domestic (in KL)	International (in KL)	Total (In KL)
2021-22	475,332	649,501	1,124,832
2022-23	587,271	765,938	1,353,209
2023-24	702,376	948,863	1,651,239
2024-25	761,544	1,051,656	1,813,199
2025-26	817,658	1,129,146	1,946,804

Best Regards,
Yadu Arora
Business Development Manager
IndianOil Skytanking Pvt Ltd,
Fuel Farm Facility, Bangalore International Airport
Devanahalli, Bangalore - 560 300
Mobile: +91 8826917075
email: yaduarora@iosl.in | Web: www.iosl.in



RE: IOSDPL- Delhi ITP-Tariff clarifications**From :** cfo@iosl.in

Wed, Jan 19, 2022 04:10 PM

Subject : RE: IOSDPL- Delhi ITP-Tariff clarifications 1 attachment**To :** TRILOK CHAND <trilok@aera.gov.in>**Cc :** RAM KRISHAN <director-ps@aera.gov.in>, SATISH KUMAR <satish.kr@aera.gov.in>, venkat@iosl.in

With refence to below mail, proposed tariff rates (Actual Yield per Unit) in the working file has been adjusted for your reference.

Regards
Bipin

From: TRILOK CHAND <trilok@aera.gov.in>**Sent:** 19 January 2022 11:34**To:** cfo@iosl.in; venkat@iosl.in**Cc:** RAM KRISHAN <director-ps@aera.gov.in>; SATISH KUMAR <satish.kr@aera.gov.in>**Subject:** Re: IOSDPL- Delhi ITP-Tariff clarifications

Dear Vipin ji,

In reference to the trailing mail, In your working file Revenue is considered on earlier proposed rates. Accordingly, ARR, Airport Operator Fee's etc also calculated on the earlier rates. You are advised to submit the revised working sheet on revised proposed rates as soon as possible.

Regards
Trilok Chand
Manager (Fin)

From: cfo@iosl.in**To:** "TRILOK CHAND" <trilok@aera.gov.in>**Cc:** "RAM KRISHAN" <director-ps@aera.gov.in>, "SATISH KUMAR" <satish.kr@aera.gov.in>, venkat@iosl.in**Sent:** Wednesday, January 19, 2022 10:05:12 AM**Subject:** RE: IOSDPL- Delhi ITP-Tariff clarifications

Dear Trilok ji

As discussed, our rates are given below. Detailed working file is already submitted.

Actual Maximum Allowed Yield (AMAY)		2021-22	2022-23	2023-24	2024-25	2025-26
Yield Per unit	a	259.05	270.45	282.35	294.78	307.75
AMAY=Y*(1+F)+S+OM+U+K		259.05	270.45	253.44	255.42	223.30