

फा. सं. ऐरा/20010/एमवाईटीपी/ एएआई-श्रीनगर/सीपी-III/2021-26  
F.N. AERA/20010/MYTP/AAI-Srinagar/CP-III/2021-26

परामर्श पत्र संख्या 04/2023-24  
Consultation Paper No. 04/2023-24



सत्यमेव जयते

भारतीय विमानपत्त आर्थिक विनियामक प्राधिकरण  
Airports Economic Regulatory Authority of India

श्रीनगर अंतर्राष्ट्रीय हवाईअड्डा (एसएक्सआर) के लिए तृतीय नियंत्रण अवधि (01.04.2021 से 31.03.2026) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF  
DETERMINATION OF AERONAUTICAL TARIFF FOR  
SRINAGAR INTERNATIONAL AIRPORT (SXR)  
FOR THE THIRD CONTROL PERIOD  
(01.04.2021 - 31.03.2026)

जारी करने की तारीख : 05 जुलाई, 2023  
Date of issue: 05<sup>th</sup> July, 2023

ऐरा भवन/AERA Building  
प्रशासनिक कॉम्प्लेक्स/Administrative Complex  
सफदरजंग हवाईअड्डा/Safdarjung Airport  
नई दिल्ली/ New Delhi – 110003

### STAKEHOLDERS' COMMENTS

Srinagar International Airport had passenger throughput of about 2.82 MPPA in the FY 2019-20 (being the pre-pandemic year). The Airport witnessed a steady recovery in the passenger traffic in FY 2021-22, in the aftermath of COVID-19 pandemic and has achieved more than 4.40 MPPA in FY 2022-23.

The Authority after considering the entire information currently available, the views of the Airport Operators, industry bodies such as IATA, ACI and other Expert Agencies on air traffic and analysing various scenarios, has reviewed the necessary adjustments in traffic and other regulatory building blocks on account of the expected changes and uncertainties in the prevailing business scenario.

For this Consultation Paper, the Authority has considered the audited financial results (being the audited Trial Balance for Srinagar Airport) for all the 5 tariff years of the Second Control Period (FY 2017- FY 2021).

The Authority has released this Consultation Paper putting forward its proposals in the background of i) Government of India's decision to resume commercial flights and pick up in the passenger/ ATM traffic and ii) Authority's analysis and observations on the Multi Year Tariff Proposal (MYTP) submitted by the Airport Operator.

The Authority shall consider written evidence-based feedback, comments and suggestions from all the stakeholders on the proposals made in the Consultation Paper and pass a suitable Order determining the Tariff for aeronautical services. The Authority would like to emphasize that the consultation process timelines are sacrosanct and hereby requests the stakeholders to provide their comments/ inputs within the timelines specified in this Consultation Paper, beyond which the same will not be considered by the Authority

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Consultation Paper No. 04/ 2023-24 dated July 5, 2023 are invited from the stakeholders, preferably in electronic form, at the following address:

Director (P&S, Tariff)

Airports Economic Regulatory Authority of India (AERA),

AERA Administrative Complex,

Safdarjung Airport, New Delhi – 110003, India

Email: [director-ps@aera.gov.in](mailto:director-ps@aera.gov.in), [satish.kr@aera.gov.in](mailto:satish.kr@aera.gov.in), [rajan.guptal@aera.gov.in](mailto:rajan.guptal@aera.gov.in), [secretary@aera.gov.in](mailto:secretary@aera.gov.in)

<b>Stakeholder Consultation Meeting:</b>	July 19, 2023
<b>Last Date for submission of comments:</b>	August 2, 2023
<b>Last Date for submission of counter comments:</b>	August 11, 2023

Comments and Counter-comments will be posted on AERA's website: [www.aera.gov.in](http://www.aera.gov.in).

For any clarification/ information, Director (P&S, Tariff) may be contacted at Telephone Number: Tel: 011-24695043

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**GLOSSARY**

<b>Abbreviation</b>	<b>Full Form</b>
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
AVDGS	Advanced Visual Docking Guidance System
AERA/ The Authority	Airports Economic Regulatory Authority of India
ANS	Air Navigation Services
ARR	Aggregate Revenue Requirement
ATM	Aircraft Traffic Movement
AOCC	Airports Operations Control Centre
AUCC	Airport Users Consultative Committee
BCAS	Bureau of Civil Aviation Security
BIAL	Bangalore International Airport Limited
BSF	Border Security Force
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CCEA	Cabinet Committee on Economic Affairs
CFT	Crash Fire Tender
CHQ	Corporate Headquarters
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CRPF	Central Reserve Police Force
CSR	Corporate Social Responsibility
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
FA	Financing Allowance
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GHIAL	GMR Hyderabad International Airport Limited
GoI	Government of India
GST	Goods and Services Tax
IAF	Indian Air Force
IDC	Interest During Construction
IOCL	Indian Oil Corporation Limited
MoCA	Ministry of Civil Aviation
MoU	Memorandum of Understanding
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
MIAL	Mumbai International Airport Limited
NAR	Non-aeronautical revenue
PCN	Pavement Classification Number
PIB	Public Investment Board
PMC	Project Management Consultancy

<b>Abbreviation</b>	<b>Full Form</b>
PPP	Public Private Partnership
PSF	Passenger Service Fee
PTB	Passenger Terminal Building
RAB	Regulatory Asset Base
RCC	Reinforced Cement Concrete
RHQ	Regional Headquarters
SIA	Srinagar International Airport
SITC	Supply, Installation, Testing & Commissioning
Sq.m.	Square Metre
UDF	User Development Fees
YTD	Year to Date
YPP	Yield per Passenger

## 1. INTRODUCTION

### 1.1. Background

- 1.1.1. Sheikh Ul-Alam International Airport ('Srinagar International Airport' or 'Srinagar Airport'), owned by Indian Air Force and is operated by Airports Authority of India, as a Civil Enclave. It is currently the 15<sup>th</sup> busiest Airport<sup>1</sup> in India by passengers handled and 17<sup>th</sup> busiest Airport<sup>1</sup> by air traffic movements. The Airport has received international airport status in March 2005. It is situated 7.5 kilometers from the city of Srinagar.
- 1.1.2. The total land area of Srinagar Civil Enclave area is 67.10 acres. Out of this, the total area of the integrated Terminal Building is 23,217 Sq.m, which handles both domestic and international operations. The Airport has the capacity to handle 475 passengers (domestic and international) at Arrival and 475 passengers (domestic and international) at Departure during peak hours. The length of the Runway is 3,568 metres. The Airport has two taxi tracks and 9 apron bays.

### 1.2. Tariff determination history of Srinagar International Airport (SIA)

- 1.2.1. Srinagar International Airport was declared as a "Major Airport" as per section 2(i) AERA Act, 2008, based on the actual passenger traffic throughput (i.e., in excess of one and half million) in the FY 2015-16 vide Order No. 17/ 2015-16 dated June 5, 2015.

The Authority determined tariff for the Second Control Period (starting from FY 2016-17 to FY 2020-21) vide Order Number 14/ 2017-18 dated October 30, 2017, as tariff for the First Control Period could not be determined, due to less than a year being only available for completion of First Control Period (i.e. March 31, 2016), after its declaration as a Major Airport.

- 1.2.2. As per the AERA Act, 2008 read with Amendment Act 2019, the passenger throughput limit was amended from 'one and a half million' to 'three and a half million' passengers, whereby Srinagar Airport had become a non-Major Airport, as its passenger throughput or designated capacity was lower than the threshold limit of 3.5 MPPA defined under the AERA Act.
- 1.2.3. Further, MoCA vide Letter No. AV 20036/9/2017-AD dated January 14, 2020 clarified that tariff determined by AERA would continue to be applicable for the Second Control Period and that the tariff for the next Control Period would be determined based on the passenger throughput criteria as defined in the AERA (Amendment) Act 2019.
- 1.2.4. Subsequently, MoCA vide Order No. S.O. 4606(E) dated November 05, 2021 notified Srinagar International Airport as a "Major Airport".

Therefore, as per the sequence of the above events, Srinagar International Airport had been a Non-Major Airport throughout FY 2020-21, vide AERA Amendment Act 2019, as its passenger throughput was only 1.8 MPPA in FY 2020-21, which was lesser than the threshold limit of 3.5 MPPA defined under the AERA Amendment Act, 2019. The Authority has taken cognizance of this fact, in its examination of the regulatory building blocks for true up of the Second Control Period, while determining tariff for the Third Control Period and accordingly, has excluded the Under/ Over recovery of FY 2020-21, as Srinagar International Airport was a Non-Major airport during FY 2020-21.

The same has been explained in the respective Chapters. Further, the Authority has kept in mind the interest of Airport Users, as it may not be fair to make them bear the extra tariff burden, arising on account of the NPV of the Under-recovery of FY 2020-21, due to the Government of India's decision

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<sup>1</sup> As per data on top 50 busiest airports for FY 2020-21, published by AAI

on ‘Major’ /‘Non- Major’ status of the Airport.

### 1.3. Profile of Srinagar International Airport

1.3.1. Technical and Terminal Building details of Srinagar International Airport submitted by the Airport Operator are provided in the table below:

*Table 1: Technical and Terminal Building details of Srinagar Airport submitted by AAI*

<b>Particulars</b>	<b>Details</b>
Total airport land area	67.10 acres
Total area of Terminal Building	23,217 sqm
Car Parking area	4,700 sqm
Designated Capacity	2.5 MPPA
Runway orientation and length	Runway 13/31, dimension 3,568m x 45m
Apron	09 nos. stands
Taxiway	2 Nos. <ul style="list-style-type: none"> <li>• Taxiway (D) – with length of 215m and width of 23m.</li> <li>• Taxiway (D1) – with length of 158m and width of 30.20m</li> </ul>
Boarding/ Aero Bridges	06 nos.

## 2. TARIFF DETERMINATION OF SRINAGAR INTERNATIONAL AIRPORT

### 2.1. Introduction

2.1.1. AERA was established by the Government of India vide notification No. GSR 317(E) dated 12<sup>th</sup> May 2009. The functions of AERA, in respect of Major Airports, are specified in section 13(1) of The Airports Economic Regulatory Authority of India Act, 2008 ('AERA Act' or 'the Act') which are as below:

- a) To determine the tariff for Aeronautical services taking into consideration –
  - i. the capital expenditure incurred and timely investment in the improvement of airport facilities.
  - ii. the service provided, its quality and other relevant factors
  - iii. the cost for improving efficiency.
  - iv. economic and viable operation of Major Airports
  - v. revenue received from services other than the Aeronautical services
  - vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and
  - vii. any other factor which may be relevant for the purpose of this Act:

Provided that different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii).
- b) To determine the amount of the development fees in respect of Major Airports.
- c) To determine the amount of the passengers service fee levied under Rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934.
- d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authority authorized by it in this behalf.
- e) To call for any such information as may be necessary to determine the tariff for Aeronautical services; and
- f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of the Act.

2.1.2. The terms "aeronautical services" and "Major Airports" are defined in Sections 2(a) and 2(i) of the Act, respectively.

2.1.3. As per the AERA Act, 2008 the following are the Aeronautical services:

- i. Aeronautical services provided by the airport operators.
- ii. Cargo, Ground Handling and Fuel Supply Services; and
- iii. Air Navigation Services.

Tariff determination for Air Navigation Services is carried out by the Ministry of Civil Aviation (MoCA) across all airports to maintain uniformity.

2.1.4. Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have also been issued. The details of Orders and Guidelines issued in this behalf are as

under:

- i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination of tariff for Airport Operators); and
- ii. Order No. 07/2016-17 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- iii. Order No. 14/2016-17 dated 23.01.2017 in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India.
- iv. Order No. 35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09.04.2018 in the matter of determination of useful life of Airport assets.
- v. Order No. 42/2018-19 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).

- 2.1.5. AAI had submitted Multi Year Tariff Proposal (MYTP) for the Second Control Period from April 1, 2016, till March 31, 2021. AERA vide its Order No. 14/2017-18 dated October 30, 2017, had determined tariffs for Aeronautical services for Srinagar International Airport for the Second Control Period.
- 2.1.6. As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority. AAI has submitted the MYTP for the Third Control Period commencing from FY 2021-22 to FY 2025-26 for Srinagar International Airport on June 01, 2022 i.e. after a gap of six months from the date MoCA notified Srinagar Airport as a Major Airport. The MYTP is available on the AERA's website.
- 2.1.7. The Authority had appointed an independent consultant, M/s R. Subramanian and Company LLP to assess the MYTP submitted by AAI for the Third Control period. Accordingly, M/s R. Subramanian and Company LLP has assisted the Authority in examining the true up submission of AAI by comparing the each regulatory building block with the Tariff Order for the Second Control period, examined the MYTP of AAI for the current Control Period, by verifying the data from various supporting documents submitted by AAI such as audited financials, Fixed Asset Register (FAR), documentary evidence of the process of approval of Capital expenses, Operation and Maintenance expenses, examining the building blocks in tariff determination and ensuring that the treatment given to it is consistent with the Authority's methodology, approach, etc.
- 2.1.8. AAI has informed that accounts of AAI are audited by the Comptroller and Auditor General of India ('CAG') as mandated by the AAI Act. The CAG audits the financial records and statements of AAI airports, regional and field offices. However, the CAG issues the final audit certificate for the AAI as a whole and only trial balance is available for Srinagar Airport. The Authority has examined the audited trial balance (FY 2017 to FY 2022) submitted by AAI for determination of tariff.
- 2.1.9. The Authority through its Independent Consultant has examined the MYTP submitted by Airport Operator, verified the data and the projections for the Third Control Period including CAPEX and obtained clarifications on the information provided by AAI from time to time, for finalizing this

Consultation Paper.

2.1.10. All the figures presented in this Consultation Paper, have been rounded off up to two decimals.

## **2.2. Construct of the Consultation Paper**

2.2.1. This Consultation Paper has been developed/ constructed in the following sequence of Chapters:

- i. The background of the Authority's tariff determination process is explained in this Chapter (Chapter 2) and in Chapter 3, wherein the framework for determination of tariff is discussed.
- ii. Chapter 4 lists out the submissions of AAI for true up of the Second Control Period which is from FY 2016-17 to FY 2020-21. This is followed by the Authority's examination and proposals on the specific issues regarding the true up of the Second Control Period.
- iii. Chapter 5 presents the submissions of AAI regarding Traffic Projections and the Authority's proposals on the same.
- iv. Chapter 6 includes the submissions of AAI regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Third Control Period along with the Authority's detailed examination, adjustments, rationalisation and proposals on the Aeronautical capital expenditure, useful lives and RAB for the Third Control Period.
- v. Chapter 7-12 includes the submissions of AAI regarding various building blocks pertaining to the Third Control Period including Fair Rate of Return, Inflation, Operation and Maintenance Expenses, Non-aeronautical Revenue, Taxation and Quality of Service along with Authority's examination and proposals on each matter.
- vi. Chapter 13 presents the Aggregate Revenue Requirement as determined by the Authority based on the proposals for the Third Control Period.
- vii. Chapter 14 presents the Aeronautical Revenue proposed by the Authority for Srinagar International Airport for the Third Control Period.
- viii. Chapter 15 summarizes the Authority's proposals put forward for consultation.
- ix. In Chapter 16, the Authority invites views of all the stakeholders regarding proposals put forward for tariff determination for the Third Control Period in the Consultation Paper.
- x. Chapter 17 contains Annexures:
  - Annexure I: Annual Tariff proposal submitted by AAI for Srinagar International Airport for the Third Control Period.
  - Annexure II: Annual Tariff proposed by the Authority for Consultation process.
  - Annexure III: Clarification with respect to project on expansion of Terminal Building by AAI.

### 3. FRAMEWORK FOR DETERMINATION OF TARIFF FOR SRINAGAR INTERNATIONAL AIRPORT

#### 3.1. Methodology

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

3.1.2. As per the guidelines, for the Second Control Period, the Authority had adopted the Hybrid-Till mechanism for tariff determination, wherein, only 30% of the Non-aeronautical revenue is to be used for cross-subsidising the Aeronautical charges. The Authority has considered the same methodology in the true up of the Second Control Period and for tariff determination in the Third Control Period.

3.1.3. The ARR under hybrid till for the Control Period (ARR) shall be expressed as under:

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

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

Where,

- $t$  is the tariff year in the control period, ranging from 1 to 5
- $ARR_t$  is the Aggregate Revenue Requirement for tariff year ‘ $t$ ’
- FRoR is the Fair Rate of Return for the Control Period
- $RAB_t$  is the Aeronautical Regulatory Asset Base for tariff year ‘ $t$ ’
- $D_t$  is the Depreciation corresponding to the Regulatory Asset Base for tariff year ‘ $t$ ’
- $O_t$  is the Aeronautical Operation and Maintenance expenditure for the tariff year ‘ $t$ ’
- $T_t$  is the Aeronautical taxation expense for the tariff year ‘ $t$ ’
- $s$  is the cross-subsidy factor for revenue from services other than Aeronautical services. Under the Hybrid Till methodology followed by the Authority,  $s = 30\%$ .
- $NAR_t$  is the Non-aeronautical revenue in tariff year ‘ $t$ ’.

3.1.4. Based on ARR, Yield per passenger (Y) is calculated as per the formula given below:

$$Yield\ per\ passenger(Y) = \frac{\sum_{t=1}^5 PV(ARR_t)}{\sum_{t=1}^5 VE_t}$$

- Where,  $PV(ARR_t)$  is the Present Value of ARR for all the tariff years. All cash flows are assumed to occur at the end of the year. The Authority has considered discounting cash flows, one year from the start of the Control Period.
- $VE_t$  is the passenger traffic in year ‘ $t$ ’.

#### 3.2. Control Period

3.2.1. In terms of Direction No. 5 issued on 28 February 2011, Control Period means “a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant to such order shall subsist”. The Second Control Period for Srinagar International Airport commenced



from April 1, 2016 and the Third Control Period has commenced from April 1, 2021.

### **3.3. Revenues from Air Navigation Services (ANS) and Cargo**

- 3.3.1. AAI provides Air Navigation Services (ANS) in addition to parking and other Aeronautical services at Srinagar Airport. AAI has submitted that the tariff proposal does not consider assets, expenses and revenues on account of ANS. This Consultation Paper discusses the determination of tariffs for Aeronautical services at the airport excluding ANS, as tariff for ANS is presently regulated by the Ministry of Civil Aviation for all the airports. Therefore, all the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.
- 3.3.2. AAI has further submitted that all Cargo Operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), a wholly owned subsidiary of AAI and the tariff proposal does not consider expenditure and assets on account of cargo operations. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's internal agreement with AAICLAS.
- 3.3.3. This Consultation Paper discusses the determination of tariff for Aeronautical services at Srinagar International Airport excluding Cargo Operations. The tariff related to Cargo Operations of Srinagar International Airport will be determined separately since its operations are carried out by AAICLAS.

#### 4. TRUE UP OF THE SECOND CONTROL PERIOD

##### 4.1 AAI's submission on True up of the Second Control Period for Srinagar International Airport

4.1.1. AAI has submitted the following shortfall of ₹ 523.42 Crores for Srinagar International Airport for the Second Control Period, as part of its MYTP submission for the Third Control Period:

Table 2: True up for Second Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
<b>Total Revenue from Regulated Services (a)</b>	<b>9.87</b>	<b>21.37</b>	<b>51.68</b>	<b>58.24</b>	<b>38.64</b>	<b>179.80</b>
Revenue from services other than Regulated Services (30% considered for Hybrid Till) (b)	2.60	2.61	4.58	8.50	2.32	<b>20.61</b>
Operating Expenditure (c)	27.83	32.03	46.64	56.14	57.25	<b>219.90</b>
Depreciation (d)	8.59	8.11	10.24	5.98	6.64	<b>39.56</b>
Total Expenditure (c) + (d) = (e)	36.43	40.14	56.88	62.12	63.89	<b>259.46</b>
Regulatory operating Profit (a) + (b) - (e) = (f)	(23.95)	(16.15)	(0.62)	4.62	(22.94)	<b>(59.04)</b>
Average RAB = (g)	89.49	83.28	76.70	77.27	83.94	<b>410.68</b>
Return on Average RAB (g) *14% (h)	12.53	11.66	10.74	10.82	11.75	<b>57.50</b>
Return on Land (i)	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Financing Allowance for the First Control Period (j)	0.17	-	-	-	-	<b>0.17</b>
Compounding amt. of return on Dep. And Average RAB for First Control Period (k)	0.27	-	-	-	-	<b>0.27</b>
Tax @ 34.944% (FY18-19) & 25.17% w.e.f. FY 19-20 on (f) = (l)	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
(Excess)/Shortfall of FCP (m)	177.10	-	-	-	-	<b>177.10</b>
<b>ARR</b> [(e)+(h)+(i)+(j)+(k)+(l)+(m)]-(b) = (n)	<b>223.76</b>	<b>49.22</b>	<b>63.08</b>	<b>64.47</b>	<b>73.36</b>	<b>473.89</b>
<b>(Excess)/Shortfall (n-a)</b>	<b>213.89</b>	<b>27.85</b>	<b>11.39</b>	<b>6.23</b>	<b>34.72</b>	<b>294.08</b>
<b>Shortfall including Return @14%</b>	<b>411.82</b>	<b>47.03</b>	<b>16.88</b>	<b>8.10</b>	<b>39.58</b>	<b>523.42</b>

##### 4.2 Authority's examination of True up of the Second Control Period

4.2.1. The Authority has looked into the decisions taken at the time of determination of tariff for the Second Control Period and has then proceeded to examine the same as part of the tariff determination for the current Control Period.

4.2.2. The decisions taken at the time of determination of tariff for Aeronautical services for the Second Control Period vide Order No. 14/ 2017-18 dated October 30, 2017 have been reproduced below:

- **Decision No:2b – Traffic Forecast:** The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in Second Control Period while determining tariff for the Third Control Period.
- **Decision No. 5b – CAPEX:** The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines
- **Decision No. 5c – CAPEX:** The Authority decides to true up the opening RAB of the next control

period depending on the CAPEX incurred and date of capitalisation of underlying assets in a given year.

- **Decision No. 6b – Depreciation:** The Authority decides to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up of depreciation while considering tariff determination in future.
- **Decision No. 7b - RAB:** The Authority decides to true up the RAB of Second Control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority at the time of determination of tariff for the Third Control Period.
- **Decision No. 8a – FRoR:** The Authority decides to consider the FRoR at 14% for civil enclave at Srinagar for the 1<sup>st</sup> and 2<sup>nd</sup> control period.
- **Decision No. 8b - FRoR:** The Authority decides to undertake a study to determinate FRoR for major AAI airports given the low debt structure of AAI as whole.
- **Decision No. 9c – Non-aeronautical revenues:** The Authority decides that Non-aeronautical revenues will be trued up if its higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.
- **Decision No. 10b – O&M expenses:** The Authority expects AAI to reduce O&M expenditure over a period of time.
- **Decision No. 10c - O&M expenses:** The Authority decides to true up the O&M expenses for 2016-17 to 2020-21 of the 2nd Control Period based on the actuals at the time of determination of tariffs for the Third Control Period.
- **Decision No. 10d – O&M expenses:** The Authority decides the following factors for corrections while determining tariffs for the next control period:
  - i. Mandated cost incurred due to directions issued by Regulatory Agencies like DGCA
  - ii. Cost of actual operating expenses including electricity
  - iii. All statutory levies in the nature of fees, levies, taxes and such other charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/ service provided by AAI will be reviewed by the Authority for the purpose of corrections.
- **Decision No. 11b – Taxation:** The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the Second Control period during determination of tariffs for the Third Control Period.

### 4.3 True up of Traffic

- 4.3.1. AAI has submitted Passenger Traffic and ATM for Srinagar International Airport for the Second Control Period which is as follows:

*Table 3: AAI's submission for True up of traffic for the Second Control Period for Srinagar International Airport*

Particulars	FY 2016- 17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
<b>Passenger (In millions)</b>						
Domestic	2.09	2.42	2.72	2.80	1.80	11.84
International	0.01	0.01	0.02	0.02	0.02	0.08
Total	2.10	2.44	2.74	2.82	1.82	11.92
<b>ATM (In No's)</b>						
Domestic	15,467	17,834	18,620	19,367	13,051	84,339
International	76	84	126	288	21	595
Total	15,543	17,918	18,746	19,655	13,072	84,934

**Authority's examination and proposal regarding true up of traffic of the Second Control Period:**

4.3.2. The traffic approved by the Authority in the Tariff Order No. 14/ 2017-18 for the Second Control Period is shown in Table 4.

*Table 4: Passenger traffic and ATM approved by the Authority in the Tariff Order for the Second Control Period*

Particulars	FY 2016- 17	FY 2017-18	FY 2018-19	FY 2019- 20	FY 2020-21	Total
<b>Passenger (In millions)</b>						
Domestic	2.09	2.30	2.53	2.78	3.06	12.75
International	0.01	0.00	0.00	0.00	0.00	0.01
Total	2.10	2.30	2.53	2.78	3.06	12.76
<b>ATM (In No's)</b>						
Domestic	15,467	17,014	18,715	20,587	22,645	94,428
International	76	0	0	0	0	76
Total	15,543	17,014	18,715	20,587	22,645	94,504

4.3.3. The Authority notes from the above table that the actual Passenger traffic and ATM for the first four tariff years of the Second Control Period (as per Table 4) is more or less in line with that approved by the Authority in the Tariff Order for the Second Control Period, although there are minor deviations.

4.3.4. Further, the Authority notes that there is substantial variance in the passenger traffic and ATM for the FY 2020-21 between the actual traffic and the projections approved in the Tariff Order for the Second Control Period, which is attributable to the adverse impact of COVID-19 pandemic. After the outbreak of COVID-19 pandemic in December 2019, many chartered flights were cancelled from January 2020, due to which the domestic and international passenger traffic have been showing a decreasing trend. The actual traffic for the 5<sup>th</sup> tariff year viz., FY 2020-21 is significantly lower than the projections submitted in Tariff order for the Second Control Period, due to the adverse impact of the ongoing COVID-19 pandemic.

4.3.5. The Authority verified the actual Passenger traffic and ATM (as per Table 3) for the Second Control

Period based on the details available on AAI's website and noted no variances.

- 4.3.6. Based on the above analysis, the Authority proposes to consider the actual traffic submitted by AAI for the Second Control Period, as shown in Table 3, in line with its decision no. 2b of the Tariff Order No. 14/ 2017-18 dated October 30, 2017, which states "The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in Second Control Period while determining tariff for the Third Control Period."

#### 4.4 True up of Capital Expenditure (CAPEX), Depreciation and RAB

- 4.4.1. The actual CAPEX submitted by AAI for true up of the Second Control Period for Srinagar Airport is as follows:

Table 5: Capital additions during the Second Control Period submitted by AAI for Srinagar International Airport

(₹ Crores)

S. No	Asset category	CAPEX approved by AERA (1)	Actual CAPEX incurred (2)	Variance (2) – (1)	Financing Allowance (included in Actual CAPEX)
<b>A. CAPEX incurred towards projects approved by AERA for Second Control Period</b>					
1	Building- Terminal	131.70	2.00	(129.70)	-
2	Building- Residential	0.80	0.78	(0.02)	-
3	Tools & Equipment	0.10	3.12	3.02	-
4	Electrical Installations	125.50	7.56	(117.94)	-
	<b>Total Approved CAPEX (A)</b>	<b>258.10</b>	<b>13.46</b>	<b>(244.64)</b>	<b>-</b>
<b>B. Unplanned/ Unapproved CAPEX incurred by Srinagar International Airport during Second Control Period</b>					
5	Runways / taxiway / Aprons	-	0.28	0.28	-
6	Other Buildings- Unclassified	-	1.37	1.37	0.05
7	Computer & Peripherals: End User	-	0.21	0.21	-
8	Intangible Assets- Software	-	0.02	0.02	-
9	Plant & Machinery	-	19.34	19.34	0.56
10	Other Vehicles	-	0.94	0.94	-
11	Other Office Equipment	-	2.14	2.14	-
12	Furniture & Fixtures-Other than Trolley	-	0.69	0.69	-
13	Furniture & Fixtures- Trolley	-	0.23	0.23	-
14	X Ray Baggage System	-	0.80	0.80	-
	<b>Total Unapproved CAPEX (B)</b>	<b>-</b>	<b>26.02</b>	<b>26.02</b>	<b>0.61</b>
	<b>Total CAPEX incurred (A+B)</b>	<b>258.10</b>	<b>39.48</b>	<b>(218.62)</b>	<b>0.61</b>

- 4.4.2. The CAPEX approved by the Authority in the Tariff Order for the Second Control Period was ₹ 258.10

Crores. Year- wise details of the CAPEX approved by the Authority have been provided as follows:

*Table 6: Capital expenditure approved in the Tariff Order for the Second Control Period*

(₹ Crores)

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Building- Terminal	0.5	6.9	0.0	0.0	124.3	<b>131.7</b>
2	Building- Residential	0.8	0.0	0.0	0.0	0.0	<b>0.8</b>
3	Tools & Equipment	0.1	0.0	0.0	0.0	0.0	<b>0.1</b>
4	Electrical Installations	0.9	3.0	0.0	0.0	121.6	<b>125.5</b>
	<b>Total</b>	<b>2.3</b>	<b>9.9</b>	<b>0.0</b>	<b>0.0</b>	<b>245.9</b>	<b>258.1</b>

4.4.3. The Authority notes a variance of ₹ 218.62 Crores (84%) between CAPEX approved by the Authority and that incurred by AAI for the Second Control Period, which has been detailed asset-wise in Table 5.

4.4.4. AAI has submitted the following depreciation for the Second Control Period for Srinagar International Airport.

*Table 7: Depreciation for the Second Control Period submitted by AAI for Srinagar International Airport*

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Land Freehold	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Runways	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Runways / taxiway / Aprons	1.04	1.04	0.80	0.80	0.80	<b>4.49</b>
Road, Bridges & Culverts	0.02	0.02	0.24	0.00	0.00	<b>0.29</b>
Building- Terminal	2.36	2.37	1.95	1.95	1.98	<b>10.61</b>
Building - Temporary	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Building - Residential	0.13	0.14	0.14	0.14	0.14	<b>0.70</b>
Security Fencing - Temporary	0.09	0.09	0.00	0.00	0.00	<b>0.18</b>
Boundary Wall -Operational	0.08	0.00	0.00	0.00	0.00	<b>0.08</b>
Other Buildings-Unclassified	0.00	0.02	0.03	0.04	0.04	<b>0.14</b>
Computer & Peripherals: END User	0.15	0.15	0.49	0.02	0.03	<b>0.83</b>
Computer & Peripherals: Server & Net	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Intangible Assets- Software	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Plant & Machinery	0.57	0.62	0.67	1.01	1.54	<b>4.41</b>
Tools & Equipment	0.12	0.01	0.00	0.10	0.20	<b>0.43</b>
Office Furniture	0.11	0.11	0.29	0.00	0.00	<b>0.52</b>
Other Vehicles	0.00	0.02	0.05	0.06	0.09	<b>0.23</b>
Vehicle- Cars & Jeeps	0.02	0.02	0.02	0.00	0.00	<b>0.07</b>
Electrical Installations	3.01	2.87	4.88	1.05	0.79	<b>12.59</b>
Other Office Equipment	0.08	0.08	0.06	0.21	0.41	<b>0.85</b>
Furniture & Fixtures-Other than Trolley	0.01	0.01	0.05	0.10	0.10	<b>0.27</b>
Furniture & Fixtures-Trolley	0.01	0.01	0.11	0.08	0.08	<b>0.28</b>
X Ray Baggage System	0.78	0.52	0.43	0.43	0.44	<b>2.60</b>

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
CFT/Fire Fighting Equipment	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>8.59</b>	<b>8.11</b>	<b>10.24</b>	<b>5.98</b>	<b>6.64</b>	<b>39.56</b>

**Authority's examination and proposal regarding true up of Capital expenditure (CAPEX), Depreciation and RAB of the Second Control Period:**

4.4.5. The Authority analyzed the variances between the approved CAPEX (as per the Tariff Order for the Second Control Period) and the actual CAPEX incurred for the Second Control Period observed that AAI has not implemented 84% of approved CAPEX. The major items of variances have been presented asset-wise in the below paragraphs.

**A. CAPEX incurred towards projects approved by AERA for Second Control Period**

**A1 and A4: Terminal Building and Electrical Installations:**

The Authority as part of its examination notes the variances between the approved CAPEX and actual CAPEX incurred for the Second Control Period with respect to Terminal Building and Electrical Installations. The Authority had approved capital expenditure of ₹ 257.20 Crores (₹131.70 crores for Terminal Building and ₹ 125.50 crores for Electrical Installations) towards Construction, Modification and Expansion of existing Terminal Building in the FY 2020-21, at the time of determination of tariff for the Second Control Period. However, the Authority notes that AAI had incurred only ₹ 9.56 crores towards the above project and the work for the balance cost of ₹ 247.64 crores (₹ 129.70 crores on Terminal Building and ₹ 117.94 crores on Electrical Installations) have not been executed by AAI during FY 2020-21, resulting in non-incurrence of CAPEX by AAI on account of the following reasons:

- i. Proposed expansion of Terminal Building is fouling with the existing IOCL infrastructure which needs to be relocated to a location that will be identified by AAI and the same is in process.
- ii. Existing cargo building was fouling in the proposed expansion of Terminal Building. Therefore, a new cargo building was planned to be constructed to relocate existing Cargo Building.
- iii. Considering the proposed expansion of Terminal building, the State Administration which oversees the CRPF, needs to relocate CRPF Barracks to another location outside the airport premises.
- iv. Existing Jet cargo building was in locked condition due to litigation and goods/ equipment kept in this building needs to be shifted and the same was removed after formation of a committee by AAI.
- v. As per the AAI's Board meeting held on September 6, 2022, it was decided to prepare an additional concept of PTB preferably in a rectangular shape including option for service block in the basement to save space. Based on the new concept plan (which is still under discussion/ finalization), area of Terminal Passenger building would further increase.
- vi. AAI vide email dated January 27, 2023 submitted the revised estimate for the expansion of the Terminal Building (refer Annexure III) of this project is estimated to be over ₹ 1,000 Crores as against the earlier projection of ₹ 257.2 crores, due to increase in the cost of modification of Terminal Building, cost of Airport systems and also due to inflationary effect. Therefore, for the proposed cost of this project, approval needs to be obtained from

PIB and CCEA, which may take considerable time.

Based on the above factors, the Authority notes that AAI has shifted the expansion of Terminal Building to the fourth control period and the probable time of completion is estimated as January 2027.

In the background of the above facts, the Authority notes that the Capital project on Expansion of Terminal Building at Srinagar International Airport had been proposed in the Second Control Period by AAI and the same has now been postponed to the Fourth Control Period. In view of the above proposed CAPEX for the Second Control Period, there had already been a substantial increase in the ARR, which had resulted in significant increase in the Aeronautical tariffs. The Authority feels that such a practise is not in the interest of Airport users as they start paying higher tariffs in anticipation of enhanced services at the airport against the proposed capital expenditure, which is eventually postponed to Fourth Control period by the Airport Operator.

**B. Unplanned/ Unapproved CAPEX incurred by Srinagar International Airport during Second Control Period**

The Authority has sought clarification/ justification from AAI on the unplanned CAPEX having the value of more than ₹1 Crore as discussed below:

**B6: Other Unclassified Building:** The Authority notes that the capital expenditure incurred for other unclassified building includes the following:

- Provision of Canopy for Baggage Makeup Area (BMA) and ticketing counters at a cost of ₹ 0.53 Crores.
- Provisioning of Air-lock lobby ( Air-lock is a transitional space that typically has two doors in series, that are interlocked to avoid being opened at the same time) with sliding door amounting to ₹ 0.23 Crores.
- Provisioning of tensile canopy in front of Terminal Building amounting to ₹ 0.26 Crores.
- Borewell in non-residential area was provisioned at a cost of ₹ 0.20 Crores.
- Augmentation of water supply line from new Borewell to pump house and in Apron area amounting to ₹ 0.12 Crores.
- Portable shelters (2 Nos) were constructed at Srinagar Airport at a cost of ₹ 0.08 Crores.

**B9: Plant & Machinery:** The Authority notes that the capital expenditure of ₹ 19.34 Crores incurred for plant & machinery includes the following:

- Supply, Installation, testing and commissioning of Inline Baggage System (ILBS) at a cost of ₹ 11.92 Crores for faster movement and flawless security screening of baggage in order to manage the increased passenger movement.
- Supply, Installation, testing and commissioning of Public Address (PA) system at a cost of ₹ 1.19 Crores.
- CCTV cameras were installed at the cost of ₹ 1.13 Crores.
- Supply, Installation, testing and commissioning of 5 Explosive Trace Detectors (ETD) at a cost of ₹ 0.71 Crores.
- Supply, Installation, testing and commissioning of Chiller plants at a cost of ₹ 0.79 Crores.



**B11: Other Office Equipment:** The Authority notes that the capital expenditure of ₹ 2.14 Crores incurred for other office equipment included the following:

- Biometric Access Control System (BACS) was installed at Srinagar Airport at a cost of ₹ 1.78 Crores.
- LED Televisions (17 Nos.) were procured at a cost of ₹ 0.12 Crores.
- Drinking water coolers (6 Nos.) were installed for CISF at a cost of ₹ 0.02 Crores.
- Desktops (12 Nos.) were procured at a cost of ₹ 0.04 Crores.

Upon analysis of the above capital expenditure (para 4.4.5 B6, B10 and B12), the Authority is of the view that most of these expenses were incurred by Srinagar International Airport either for Passenger facilitation or Security purposes to improve operational needs and mitigate threats. Therefore, the Authority proposes to consider the same for true up of the capital expenditure of the Second Control Period.

4.4.6. The Authority notes that the common assets within the Terminal Building have been apportioned in the Terminal Building ratio of 90:10, in line with the Authority's decision (para 7.10) as per Tariff Order 14/2017-18 for the Second Control Period for Srinagar International Airport.

4.4.7. The Authority notes that Srinagar International Airport has claimed Financing allowance of ₹ 0.61 Crores in the MYTP submitted for the true up of Second Control Period. However, at the time of submission of the MYTP for the Second Control Period, such Financing allowance was neither proposed by Srinagar International Airport nor approved by the Authority in the Tariff Order for the Second Control Period. Even though, considering the nature of Srinagar International Airport as brownfield airport the issue of Financing allowance does not arise at all. However, the Authority has examined AAI's claim towards Financing Allowance and has the following views:

- The Authority considers that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.
- Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.
- Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.
- Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such airports. It may be further noted that the Authority has never provided financing allowance in the case of brownfield airports and any airport of AAI, in its any of the Tariff Orders. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.

- Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt. Further, the Authority opines that only IDC should be provided on the debt borrowings availed for execution of a project.

Therefore, based on the above analysis, the Authority proposes not to allow the Financing allowance of ₹ 0.61 Crores claimed by AAI for the Second Control Period.

- 4.4.8. The Authority recalls its Decision No. 7b in the Tariff Order 14/ 2017-18 dated October 30, 2017, which states that the “*The Authority decides to true up the RAB of Second Control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority at the time of determination of tariff for the Third Control Period*”. In this regard, the Authority notes that there has been no significant/ major asset addition during the Second Control Period at Srinagar International Airport. Therefore, the Authority proposes to consider the actual CAPEX as ₹ 38.87 Crores (after excluding Financing allowance of ₹ 0.61 Crores) for the purpose of true up for the Second Control Period. The same is detailed as follows:

*Table 8: Capital additions proposed by the Authority for True up of the Second Control Period*

*(₹ Crores)*

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
<b>A. CAPEX incurred towards projects approved by AERA for Second Control Period</b>							
1	Building- Terminal	0.48	-	0.17	-	1.35	<b>2.00</b>
2	Building- Residential	0.78	-	-	-	-	<b>0.78</b>
3	Tools & Equipment	0.05	-	0.02	2.78	0.27	<b>3.12</b>
4	Electrical Installations	1.00	3.23	0.97	-	2.36	<b>7.56</b>
	<b>Total (A)</b>	<b>2.32</b>	<b>3.23</b>	<b>1.15</b>	<b>2.78</b>	<b>3.98</b>	<b>13.46</b>
<b>B. Unplanned/ Unapproved CAPEX incurred by Srinagar International Airport during Second Control Period</b>							
5	Runways / taxiway / Aprons	-	-	0.28	-	-	<b>0.28</b>
6	Other Buildings-Unclassified	-	0.89	0.12	0.09	0.22	<b>1.32</b>
7	Computer & Peripherals: END User	0.09	0.01	0.00	0.07	0.02	<b>0.21</b>
8	Computer & Peripherals: Server & Net	-	0.00	-	-	-	<b>0.00</b>
9	Intangible Assets- Software	-	-	-	-	0.02	<b>0.02</b>
10	Plant & Machinery	0.54	1.36	1.45	8.12	7.30	<b>18.77</b>
11	Other Vehicles	-	0.37	0.09	-	0.49	<b>0.94</b>
12	Other Office Equipment	-	0.05	0.02	1.92	0.15	<b>2.14</b>
13	Furniture & Fixtures-Other than Trolley	0.06	0.01	0.59	-	0.04	<b>0.69</b>
14	Furniture & Fixtures-Trolley	-	-	0.23	-	-	<b>0.23</b>
15	X Ray Baggage System	-	0.61	-	-	0.19	<b>0.80</b>
	<b>Total (B)</b>	<b>0.69</b>	<b>3.30</b>	<b>2.78</b>	<b>10.20</b>	<b>8.43</b>	<b>25.40</b>
	<b>Financing Allowance</b>	-	-	-	-	-	-
	<b>Total (A+B)</b>	<b>3.01</b>	<b>6.53</b>	<b>3.93</b>	<b>12.98</b>	<b>12.41</b>	<b>38.87</b>

- 4.4.9. The Authority proposes to consider CAPEX of ₹ 38.87 crores for true up of the Second Control Period, which includes unapproved CAPEX of ₹ 25.40 crores, as the Authority notes that the same was incurred

by AAI for Srinagar International Airport for passenger facilitation or security purposes to improve operational needs and mitigate threats.

#### True up of Depreciation for the Second Control Period

4.4.10. The Authority notes that AAI has depreciated assets @ 50% of depreciation rates in the year of capitalization of assets. However, the Authority proposes to consider the depreciation based on the date of capitalization of the asset and compute the depreciation charge accordingly, instead of considering 50% of the depreciation rates in the year of capitalization of the assets.

4.4.11. Based on the above factors, the Authority has recomputed the depreciation on the total CAPEX (after excluding Financing Allowance), as ₹ 40.31 Crores and the same is presented below:

*Table 9: Depreciation proposed by the Authority for True up of the Second Control Period*

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Runways / taxiway / Aprons	1.04	1.04	0.80	0.80	0.80	4.50
Road, Bridges & Culverts	0.02	0.02	0.24	-	-	0.29
Building- Terminal	2.36	2.37	1.95	1.95	2.00	10.63
Building - Residential	0.12	0.14	0.14	0.14	0.14	0.69
Security Fencing - Temporary	0.09	0.09	0.00	0.00	0.00	0.18
Boundary Wall -Operational	0.08	0.08	-	-	-	0.16
Other Buildings-Unclassified	0.00	0.02	0.04	0.04	0.05	0.14
Computer & Peripherals: END User	0.15	0.15	0.48	0.01	0.03	0.83
Computer & Peripherals: Server & Net	-	0.00	0.00	0.00	0.00	0.00
Plant & Machinery	0.55	0.64	0.72	0.77	1.71	4.39
Tools & Equipment	0.12	0.13	0.00	0.17	0.21	0.64
Office Furniture	0.11	0.11	0.29	-	-	0.52
Other Vehicles	-	0.03	0.06	0.06	0.12	0.27
Vehicle- Cars & Jeeps	0.02	0.02	0.02	-	-	0.07
Electrical Installations	3.01	2.91	4.92	1.04	0.90	12.79
Other Office Equipment	0.08	0.08	0.07	0.05	0.43	0.71
Furniture & Fixtures-Other than Trolley	0.01	0.01	0.10	0.10	0.10	0.31
Furniture & Fixtures-Trolley	0.01	0.01	0.14	0.08	0.08	0.31
X Ray Baggage System	0.78	0.80	0.43	0.43	0.45	2.89
<b>TOTAL</b>	<b>8.58</b>	<b>8.66</b>	<b>10.42</b>	<b>5.64</b>	<b>7.02</b>	<b>40.31</b>

4.4.12. The RAB for the Second Control Period is provided in the Table below:

*Table 10: RAB proposed by the Authority for True up of the Second Control Period*

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Opening RAB (1)*	92.28	86.71	79.26	72.77	80.12	
Additions (2) (refer Table 8)	3.01	6.53	3.93	12.98	12.41	<b>38.87</b>
Disposal/Transfers (3)**	-	5.32	-	-	-	<b>5.32</b>

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Depreciation (4) (Refer Table 9)	8.58	8.66	10.42	5.64	7.02	<b>40.31</b>
Closing RAB (5) = [(1) +(2) – (3) – (4)]	86.71	79.26	72.77	80.12	85.52	
<b>Average RAB = [(1) + (5)]/2</b>	<b>89.50</b>	<b>82.99</b>	<b>76.02</b>	<b>76.44</b>	<b>82.82</b>	

\* Opening RAB has been obtained from tariff Order 14/2017-18 dated October 30, 2017.

\*\*Authority notes that Srinagar Airport has disposed of Operational Boundary wall amounting to ₹ 2.08 Crores, suspected luggage containment vessel and liquid explosive detector worth ₹ 1.57 Crores and X-Ray baggage systems worth ₹ 1.58 Crores during FY 2017-18.

#### 4.5 True up of Fair Rate of Return

4.5.1. The Authority notes that AAI has claimed 14% as Fair Rate of Return, as part of its True up submission for the Second control period and also notes that AAI has not availed any debt during the Second Control Period. Based on the above factors and in line with its decision No. 8a in the Tariff Order No. 14/ 2017-18 dated October 30, 2017 which states that “The Authority decides to consider the FRoR at 14% for civil enclave at Srinagar for the 1<sup>st</sup> and 2<sup>nd</sup> control period”, the Authority proposes to consider FRoR @ 14% for true up of the Second Control Period.

#### 4.6 True up of Non-aeronautical revenues

4.6.1. The Authority notes that the actual Non-aeronautical revenue submitted by AAI for Srinagar International Airport for true up of the Second Control Period is ₹ 68.71 Crores and the same has been explained in the table below:

Table 11: Actual Non-aeronautical revenue for the Second Control Period submitted by AAI for Srinagar International Airport

(₹ Crores)

S. No.	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Restaurant & Snack Bar	0.92	1.47	7.57	9.61	3.61	<b>23.16</b>
2	Stalls	1.83	2.46	2.45	6.16	0.71	<b>13.60</b>
3	Hoardings & displays	0.29	1.99	2.16	2.43	1.36	<b>8.23</b>
4	Buildings (Residential)	0.00	0.00	0.00	0.03	0.00	<b>0.03</b>
4	Buildings (Non-Residential)	4.22	1.69	1.98	1.78	1.31	<b>10.99</b>
5	Money Exchange Counter	0.07	0.00	0.00	0.00	0.00	<b>0.07</b>
6	Car Parking	0.47	0.47	0.70	0.67	0.20	<b>2.51</b>
7	Admission Tickets	0.07	0.06	0.04	0.06	0.05	<b>0.28</b>
8	Other Income	0.81	0.58	0.36	7.58	0.50	<b>9.83</b>
	<b>Total</b>	<b>8.67</b>	<b>8.72</b>	<b>15.26</b>	<b>28.33</b>	<b>7.74</b>	<b>68.71</b>

4.6.2. The Non-aeronautical revenue approved by the Authority in the Tariff Order for Second Control Period was ₹ 54.2 Crores. Component wise details of the Non-aeronautical revenue approved by the Authority in the Tariff Order for the Second Control Period is as follows:

Table 12: Non-aeronautical revenue approved by the Authority for the Second Control Period

(₹ Crores)

S. No	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Restaurant & Snack Bar	1.0	1.2	1.3	1.5	1.8	<b>6.8</b>

S. No	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
2	TR Stalls	1.3	1.5	1.6	1.8	2.2	8.4
3	Hoardings & Displays	0.1	1.7	1.9	2.1	2.6	8.4
4	Money Exchange Counter	0.1	0.1	0.1	0.1	0.1	0.5
5	Land Leases	0.3	0.3	0.3	0.4	0.4	1.7
6	Buildings (Residential)	0.0	0.0	0.0	0.0	0.0	0.0
7	Buildings (Non-Residential)	4.1	4.6	5.0	5.5	6.9	26.1
8	Car Rentals	0.2	0.2	0.2	0.2	0.3	1.1
9	Car Parking	0.3	0.3	0.3	0.4	0.5	1.8
10	Other Income	0.7	0.8	0.9	1.0	1.2	4.6
	<b>Sub-Total</b>	<b>8.2</b>	<b>10.6</b>	<b>11.7</b>	<b>12.9</b>	<b>16.0</b>	<b>59.4</b>
<b>Less:</b>	Adjustments for change in revenue of ground handling charges and cargo considered as Aeronautical revenues	0.5	0.8	0.6	0.7	2.6	5.2
	<b>Total</b>	<b>7.7</b>	<b>9.8</b>	<b>11.1</b>	<b>12.2</b>	<b>13.4</b>	<b>54.2</b>

#### Authority's examination and proposal regarding true up of Non-aeronautical revenues of the Second Control Period:

4.6.3. The Authority notes that the actual Non-aeronautical revenue (₹ 68.71 Crores) submitted by AAI for Srinagar International Airport for the Second Control Period is higher than that approved by AERA in the tariff order for the Second Control Period (₹ 54.20 Crores). The Authority examined variances between projected and actual revenue of the following categories:

- **Restaurants and Snack bar:** The revenue projected in this category was ₹ 6.8 Crores, whereas the actual revenue is ₹ 23.16 Crores, which is higher than the projections. The revenue for the year 2019-20 was observed to be higher than the other years (₹ 9.61 Crores), which may be attributable to the increase in passenger traffic in that year.
- **T.R Stalls:** The revenue projected in this category was ₹ 8.4 Crores, whereas the actual revenue is ₹ 13.60 Crores, which is higher than the projections. The revenue for FY 2019-20 was higher than the other years (₹ 6.16 Crores), due to higher passenger traffic.
- There are variances in the other revenue streams (like car parking, admission ticket etc.), which is also on account of drop in the revenues in FY 2020-21 due to the impact of COVID-19 pandemic.
- **Building Non-residential:** The revenue projected in this category was ₹ 26.1 Crores, whereas the actual revenue was ₹ 10.99 Crores which is considerably lower than the projections. It was noted that the revenue from Building Non-residential has depleted from FY 2017-18 onwards, due to reduction in the revenue rates.

Based on the above analysis, the Authority proposes to consider the actual Non-aeronautical revenue as presented in Table 11 for the purpose of true up of the Second Control Period, in line with its Decision No. 9c in the Tariff Order No. 14/ 2017-18 dated October 30, 2017 which states “*The Authority decides that Non-aeronautical revenues will be trued up if its higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues*”.

#### 4.7 True up of Operation and Maintenance (O&M) expenses

4.7.1. The Authority notes that the actual O&M expenses submitted by AAI for Srinagar International Airport for true up of the Second Control Period is ₹ 219.90 Crores and the same has been explained in the table

below:

*Table 13: Actual O&M expenses submitted by AAI for Srinagar International Airport for the Second Control Period*

(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure of Srinagar International Airport	7.48	10.43	11.07	10.55	9.70	<b>49.22</b>
2	Expenditure for Srinagar International Airport employee's retirement benefits allocated at CHQ	0.25	1.53	2.73	1.37	0.12	<b>6.00</b>
<b>A</b>	<b>Total Payroll expenditure (1+2)</b>	<b>7.73</b>	<b>11.96</b>	<b>13.80</b>	<b>11.92</b>	<b>9.81</b>	<b>55.21</b>
3	Administrative and General Expenditure	1.43	2.24	2.98	4.74	3.33	<b>14.72</b>
4	Apportionment of Administration & General expenditure of CHQ/RHQ	7.41	7.17	17.67	28.61	31.14	<b>92.01</b>
<b>B</b>	<b>Total Administration and General expenditure (3+4)</b>	<b>8.84</b>	<b>9.41</b>	<b>20.65</b>	<b>33.36</b>	<b>34.47</b>	<b>106.73</b>
<b>C</b>	<b>Repair &amp; Maintenance Expenditure (Total)</b>	<b>8.16</b>	<b>7.08</b>	<b>7.69</b>	<b>6.32</b>	<b>8.96</b>	<b>38.20</b>
5	Power Charges	2.98	3.25	4.05	3.91	3.95	<b>18.14</b>
6	Consumption of Stores and Spares	0.00	0.00	0.01	0.01	0.02	<b>0.04</b>
7	Other charges	0.03	0.03	0.03	0.03	0.03	<b>0.15</b>
<b>D</b>	<b>Utility and Outsourcing Expenditure (5+6+7)</b>	<b>3.01</b>	<b>3.29</b>	<b>4.08</b>	<b>3.94</b>	<b>4.00</b>	<b>18.33</b>
<b>E</b>	<b>Other Outflows</b>	<b>0.10</b>	<b>0.29</b>	<b>0.42</b>	<b>0.60</b>	<b>0.02</b>	<b>1.43</b>
	<b>Total (A+B+C+D+E)</b>	<b>27.84</b>	<b>32.03</b>	<b>46.64</b>	<b>56.14</b>	<b>57.26</b>	<b>219.90</b>

- 4.7.2. The O&M expenses approved by the Authority in the Tariff Order for Second Control Period was ₹ 134.50 Crores. Component wise details of the O&M expenses approved by the Authority in the Tariff Order for the Second Control Period is as follows

*Table 14: O&M expenses as per the Tariff Order for the Second Control Period*

(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure of Srinagar International Airport	8.5	10.6	11.4	12.2	13.0	<b>55.7</b>
2	Expenditure for Srinagar International Airport employee's retirement benefits allocated at CHQ	1.5	1.8	2.0	2.1	2.3	<b>9.7</b>
<b>A</b>	<b>Total Payroll expenditure (1+2)</b>	<b>10.0</b>	<b>12.5</b>	<b>13.3</b>	<b>14.3</b>	<b>15.3</b>	<b>65.4</b>
3	Administrative and General Expenditure	0.9	1.0	1.1	1.2	1.3	<b>5.5</b>
4	Apportionment of administration & General expenditure of CHQ/RHQ	2.1	2.2	2.3	2.5	2.6	<b>11.7</b>

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
B	Total Administration and General expenditure (3+4)	3.0	3.2	3.4	3.6	3.9	17.1
C	Repair & Maintenance Expenditure (Total)	6.0	6.6	7.2	8.0	8.8	36.6
5	Power Charges	1.6	1.6	1.6	1.6	1.6	8.0
6	Consumption of Stores and Spares	1.1	1.2	1.3	1.4	1.6	6.6
D	Utility and Outsourcing Expenditure (5+6)	2.7	2.8	3.0	3.1	3.2	14.8
E	Other Outflows	0.1	0.1	0.2	0.2	0.2	0.8
	Total (A+B+C+D+E)	21.8	25.2	27.1	29.1	31.3	134.5

4.7.3. The Authority notes a variance ₹ 85.40 Crores (39%) between the actual O&M expenses incurred by the Srinagar Airport and that approved by the Authority in the Tariff Order for the Second Control Period. The Authority has examined the variances and the same has been explained in the below-mentioned paragraphs:

**Authority’s examination and proposal regarding true up of O&M expenses of the Second Control Period:**

4.7.4. The Authority examined the variances between the projected and actual O&M expenses and notes the following:

- **Payroll expenses:** The Authority notes that the actual total payroll expenses submitted by AAI for Srinagar International Airport (₹ 55.21 crores) is within the expense approved by the Authority in the Tariff Order of the Second Control Period (₹ 65.4 crores). Therefore, the Authority proposes to consider the actual payroll expenses of FY 2016-17 to FY 2020-21 for true up of the Second Control Period.
- The Authority examined the actual **Administration and General expenditure and Repair & Maintenance expenditure** for the Second Control Period and noted the following:
  - **CHQ/ RHQ allocation** – The Authority reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to Srinagar International Airport and other airports and noted the following:
    - All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) is allocated to all the AAI airports, in the ratio of revenues earned by each Airport.
    - Expenses such as legal costs, interest/ penalties are related to some specific airports. However, these have been allocated to the common pool and apportioned to all the AAI airports.

The Authority is of the view that the above process followed by AAI for allocating the expenses is not transparent and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports. Towards this objective, the Authority has examined the major expense components of CHQ and RHQ for the FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21 submitted by AAI and has proposed the following views on allocation of CHQ/ RHQ expenses:

**a) Pay and Allowances of CHQ and RHQ:**

- AAI has considered pay and allowances of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses are Non-aeronautical in nature.
- AAI has excluded pay and allowances of employees involved in ATM, CNS and Cargo departments at CHQ and RHQ while working out the allocation to the airport. However, no exclusion has been done for support services of the departments of HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- Manpower of CHQ and RHQ also provide services to Non-aeronautical activities, ATC, and CNS cadres at respective airports. Hence, pay and allowances need to be adjusted accordingly.

Considering all the facts and figures as stated above, the Authority is of the view that 20% of pay and allowances of CHQ is to be excluded towards the following:

- i. Support services to ANS, Cargo and Commercial at CHQ and Airports.
- ii. Officials of Directorate of Commercial.

Balance 80% of pay and allowances of CHQ have been allocated to the Airports.

Further, the Authority notes that the cost of employees repatriated from Delhi Airport have been included under 'Pay and Allowances' of RHQ. Such employees mainly pertain to Fire and Non-Executive Cadre, who do not provide any services for Srinagar Airport. Also, the Authority understands that a portion of JVC employee costs were to be paid by DIAL as per Operation, Maintenance and Development Agreement (OMDA). However, AAI has not provided facts/details of costs reimbursed by DIAL.

The Authority, based on the above facts does not see any merit for inclusion of such cost relating to JVC cell in the tariff determination process or to provision of aeronautical services at the respective airports. Further, these expenses do not bear any cost-relatedness to the aeronautical services provided at the respective airports.

Therefore, based on the above factors, the Authority has rationalised the pay and allowances of RHQ, towards the following:

- i. Support services to ANS, Cargo and Commercial at RHQ and Airports.
- ii. Officials of Directorate of Commercial
- iii. Inclusion of JVC employee costs.

Accordingly, the balance pay and allowances of RHQ have been allocated to the Airport.

**b) Administration & General Expenses of CHQ and RHQ:**

- AAI has incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority is of the view that this expense should be analyzed and distributed to stations on a case-to-case basis. As the above details have not been provided by AAI, the same has not been allocated to the stations.
- AAI has paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority is of the view that the stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on the part of the Airport Operator. Hence such expenses have not been allocated to the airports.



Based on the above methodology, the Authority has derived the revised allocation of CHQ and RHQ expenses and the same is presented in the table below:

*Table 15: Re-allocation of CHQ/ RHQ – Admin and Gen expenses by the Authority for the Second Control Period*

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) = A	7.41	7.17	17.67	28.61	31.14	<b>92.01</b>
Revised allocation of CHQ/ RHQ expenses by the Authority = B	4.47	3.99	9.76	18.37	20.84	<b>57.43</b>
<b>Variance (A-B)</b>	2.94	3.18	7.91	10.24	10.30	<b>34.58</b>

The Authority is of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had tried to rationalise the CHQ/ RHQ expenses being allocated to Srinagar International Airport.

The Authority feels that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue is not transparent and efficient method, as it brings large variation in such expenses Year on Year, due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Users of the Major Airports have to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. Further, as the revenue from these airports goes up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect. The Authority, therefore expects AAI to examine these issues in detail and devise a full proof method for allocation of CHQ & RHQ expenses on priority.

Further, the Authority feels that AAI should exploit the potential of its non-traffic avenues fully so that 30% of the same, by cross subsidisation can be used to cover Aeronautical expenses.

- **Administration expenses (Other than CHQ/ RHQ):** - There is significant variance between the Administration Expenses approved in the Tariff Order of the Second Control Period (₹ 5.5 Crores) and actual expense claimed by AAI (₹ 14.72 Crores). The Authority notes that that such increase in Administration Expenses is due to higher upkeep expenses and also hiring of vehicles and manpower and extension of watch hours, which were needed for operational requirements. The Authority would like to draw reference to its Decision No. 10.b. on O&M expenditure in the Tariff Order 14/ 2017-18 for the Second Control Period, that the Authority expects AAI to reduce O&M expenditure over a period of time. However, the Authority notes that the operating time of Srinagar Airport has also increased from 17:30 hours to 21:00 hours, due to which there has been an increase in the Administration expenses. Therefore, the Authority proposes to consider the actual Administration expenses (Other than CHQ/ RHQ) submitted by AAI for Srinagar International Airport, which is ₹ 14.72 Crores.
- **Repair and Maintenance:** The Authority notes that the actual repair and maintenance cost for the Second Control Period ₹ 38.20 Crores. On further examination of the actual Repairs & Maintenance expenses, the Authority notes that the same are higher than 6% of Opening Net Block

(determined in line with the approach followed by the Authority in other similar airports). Therefore, the Authority proposes to rationalize the same by limiting the Repairs and Maintenance expenses to 6% of Opening RAB (Net Block) for all the 5 tariff years in the Second Control Period.

Furthermore, the Authority notes that the actual repair and maintenance expenses include snow clearing expenses amounting to ₹ 4.22 Crores for the Second Control Period. The Authority notes that the said expense has been incurred by the Srinagar Airport, due to the unusual climatic conditions, that are peculiar to this Airport. Based on the above factors, the Authority proposes to allow the actual snow clearing expenses of ₹ 4.22 Crores incurred by the Srinagar Airport, apart from the Repair and Maintenance expenses rationalized by the Authority (to the extent of 6% of Opening RAB of each tariff year) for the true up of the Second Control Period. Details of the same are provided in the table below:

*Table 16: Repairs and Maintenance expenses proposed by the Authority for true up of the Second Control Period*

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Repairs and Maintenance expenses claimed by AAI = A	8.16	7.08	7.69	6.32	8.96	<b>38.20</b>
Opening Net block (RAB) for Second Control Period (refer Table 10) = B	92.28	86.71	79.26	72.77	80.12	
Repairs and Maintenance as 6% of Opening RAB = C (6% * B)	5.54	5.20	4.76	4.37	4.81	<b>24.67</b>
Snow Clearing expenses = D	0.57	1.05	0.79	0.91	1.21	<b>4.22</b>
Total Repair and Maintenance proposed by Authority : E = (C+D)	6.10	6.25	5.55	5.28	5.72	<b>28.89</b>
<b>Variance (A-E)</b>	<b>2.06</b>	<b>0.83</b>	<b>2.14</b>	<b>1.04</b>	<b>3.24</b>	<b>9.31</b>

- Power Charges:** AAI has incurred actual power charges of ₹ 21.37 Crores during Second Control Period, out of which ₹ 3.23 Crores has been recovered from the Concessionaires and has claimed the net power charges of ₹ 18.14 Crores (Actual power charges less recoveries from Concessionaires) as a part of true up for the Second Control Period. However, the actual power charges claimed by AAI (₹ 18.14 Crores) is much higher than the approved expense of ₹ 8.00 Crores. The Authority notes that the variance between approved and actual power costs during the Second Control Period is due to extension of watch hours and operations at Srinagar Airport. Further, in peak winter season the Airport has to operate 03 numbers of HSD boilers and during peak summers, airport has to operate 02 no of Chiller plants. The Authority further notes that Srinagar International Airport was operated till 17:30 hours prior to FY 2016-17, whereas it was operated till 21:00 hours (approx.) during Second Control Period. Based on the above factors, the Authority proposes to consider the actual power costs incurred by AAI for Srinagar International Airport for true up of the Second Control Period.

The Authority notes that the above power costs incurred during the Second Control Period and claimed by AAI as a part of true up, are net of recoveries made from the Concessionaires. The total power costs incurred, recoveries made from Concessionaires and the net power costs have been summarized in the table below:

Table 17: Details of power costs incurred and recoveries made from Concessionaires

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Total power costs (A)	3.56	3.76	4.97	4.71	4.37	<b>21.37</b>
Recoveries from Concessionaires (B)	0.58	0.51	0.92	0.80	0.42	<b>3.23</b>
Recoveries (%) = (B/A%)	16%	13%	18%	17%	10%	
<b>Net power costs (A-B)</b>	<b>2.98</b>	<b>3.25</b>	<b>4.05</b>	<b>3.91</b>	<b>3.95</b>	<b>18.14</b>

- Consumption of Stores and Spares and other charges:**

The Authority notes that the actual expenses amounting to ₹0.04 Crore incurred by AAI for Srinagar International Airport on Consumption of Stores and Spares and other charges is within the amount approved by the Authority of ₹ 6.60 Crores in the Tariff Order for the Second Control Period. Therefore, the Authority proposes to consider the same for true up of the Second Control Period.

4.7.5. Based on the above review and analysis, the revised Operation and Maintenance expenses proposed to be considered by the Authority for the Second Control Period is provided in the table below:

Table 18: O&amp;M expenses as proposed by the Authority for True up of the Second Control Period

(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure of Srinagar International Airport	7.48	10.43	11.07	10.55	9.70	<b>49.22</b>
2	Expenditure for Srinagar International Airport employee's retirement benefits allocated at CHQ	0.25	1.53	2.73	1.37	0.12	<b>6.00</b>
<b>A</b>	<b>Total Payroll expenditure (1+2)</b>	<b>7.73</b>	<b>11.96</b>	<b>13.8</b>	<b>11.92</b>	<b>9.82</b>	<b>55.22</b>
3	Administrative and General Expenditure	1.43	2.24	2.98	4.74	3.33	<b>14.72</b>
4	Apportionment of Administration & General expenditure of CHQ/RHQ	4.47	3.99	9.76	18.37	20.84	<b>57.43</b>
<b>B</b>	<b>Total Administration and General expenditure (3+4)</b>	<b>5.90</b>	<b>6.23</b>	<b>12.74</b>	<b>23.11</b>	<b>24.17</b>	<b>72.15</b>
<b>C</b>	<b>Repair &amp; Maintenance Expenditure (Total)</b>	<b>6.10</b>	<b>6.25</b>	<b>5.55</b>	<b>5.28</b>	<b>5.72</b>	<b>28.89</b>
5	Power Charges	2.98	3.25	4.05	3.91	3.95	<b>18.14</b>
6	Consumption of Stores and Spares	0	0	0.01	0.01	0.02	<b>0.04</b>
7	Other charges	0.03	0.03	0.03	0.03	0.03	<b>0.15</b>
<b>D</b>	<b>Utility and Outsourcing Expenditure (5+6+7)</b>	<b>3.01</b>	<b>3.28</b>	<b>4.09</b>	<b>3.95</b>	<b>4.00</b>	<b>18.32</b>
<b>E</b>	<b>Other Outflows</b>	<b>0.10</b>	<b>0.29</b>	<b>0.42</b>	<b>0.60</b>	<b>0.02</b>	<b>1.43</b>

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
	<b>Total (A+B+C+D+E)</b>	<b>22.84</b>	<b>28.01</b>	<b>36.59</b>	<b>44.85</b>	<b>43.73</b>	<b>176.01</b>

#### 4.8 True up of Taxation

4.8.1. AAI has submitted taxation for the Second Control Period as follows:

*Table 19: Taxation submitted by AAI for Srinagar International Airport*

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>Revenue (A)</b>					
Aeronautical Revenue	9.87	21.37	51.68	58.24	38.64
<b>Total (A)</b>	<b>9.87</b>	<b>21.37</b>	<b>51.68</b>	<b>58.24</b>	<b>38.64</b>
<b>Expenses (B)</b>					
O&M expenses (Refer Table 13)	27.84	32.03	46.64	56.14	57.26
Depreciation (as per Income Tax Act, 1961)	8.70	7.60	7.32	7.60	8.47
<b>Total (B)</b>	<b>36.54</b>	<b>39.63</b>	<b>53.96</b>	<b>63.74</b>	<b>65.73</b>
<b>Profit /Loss (A-B)</b>	<b>(26.67)</b>	<b>(18.26)</b>	<b>(2.28)</b>	<b>(5.50)</b>	<b>(27.09)</b>
Tax Rates (D)	34.61%	34.61%	34.94%	25.17%	25.17%
<b>Tax (C*D)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

4.8.2. The Authority notes that AAI has incurred losses during all the five tariff years during the Second Control Period, due to which the taxes are nil. The Authority proposes to consider the tax as NIL for True up of Second control period.

#### 4.9 True up of Aeronautical Revenue

4.9.1. AAI has submitted the actual Aeronautical revenue for the Second Control Period for Srinagar International Airport, which is as follows:

*Table 20: Aeronautical revenue submitted by AAI for Srinagar International Airport*

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
<b>Parking &amp; Housing charges</b>						
Parking & Housing charges	0.00	0.01	0.06	0.07	0.18	0.32
<b>PSF and UDF charges</b>						
PSF Domestic	7.99	6.93	0.08	-	-	15.01
PSF International	-	-	-	-	-	-
UDF Domestic	-	11.62	47.65	53.05	35.18	147.49
UDF International	-	-	-	0.82	-	0.82
<b>Other revenue</b>						
Extension of Watch Hours	-	-	0.02	0.03	0.02	0.08
CUTE charges	1.07	1.62	2.03	2.38	1.71	8.81
Fuel Throughput Revenue	0.05	0.37	0.30	0.26	-	0.98
Ground Handling Revenue	0.50	0.58	0.59	0.65	0.53	2.85
Cargo Revenue	0.01	-	0.72	0.73	0.76	2.21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Land lease to Oil companies	0.24	0.25	0.23	0.26	0.26	1.24
<b>Total</b>	<b>9.87</b>	<b>21.37</b>	<b>51.68</b>	<b>58.24</b>	<b>38.64</b>	<b>179.80</b>

4.9.2. The Authority reviewed the Aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2017 to FY 2021) and proposes to consider the Aeronautical revenue as per Table 20 for True up of Second control period. The Authority notes the actual Aeronautical revenue achieved by Srinagar International Airport for the period FY 2016-17 to FY 2020-21 is based on the actual traffic data available in AAI's website.

#### **4.10 True up of Aggregate Revenue Requirement (ARR) for the Second Control Period**

4.10.1. As stated in para 1.2.4, Srinagar International Airport had become a Non-Major Airport in FY 2020-21, as its passenger throughput during FY 2020-21 was lesser than the threshold limit of 3.5 MPPA defined under the AERA Amendment Act, 2019. Therefore, the Authority proposes not to consider the under-recovery for the FY 2020-21 for true up of the Second Control Period, while determining tariff for the Third Control Period.

Simultaneously, the Authority proposes to calculate compounding of Under-recovery for the FY 2016-17 to FY 2019-20 by excluding compounding impact for FY 2020-21 (as the Airport had been a Non-Major Airport during FY 2020-21).

4.10.2. Based on the above factors and the regulatory building blocks discussed under the above sections, the Authority has derived the ARR for true up of the Second Control Period which is enumerated in the table below:

Table 21: ARR proposed by the Authority for True up of the Second Control Period

(₹ Crores)

Particulars	Formula	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Total
Average RAB (refer Table 10)	a	89.50	82.99	76.02	76.44	
FRoR	b	14%	14%	14%	14%	
Return on Average RAB	(c) = (a) * (b)	12.53	11.62	10.64	10.70	<b>45.49</b>
Depreciation (refer Table 9)	(d)	8.58	8.66	10.42	5.64	<b>33.30</b>
O&M expenses (refer Table 18)	(e)	22.84	28.01	36.59	44.85	<b>132.29</b>
Tax	(f)	-	-	-	-	-
Add: Under recovery of First Control Period*	(g)	177.10	-	-	-	<b>177.10</b>
Gross ARR	(h) = (c+ d+ e+ f+ g)	221.04	48.29	57.65	61.19	<b>388.18</b>
NAR (refer Table 11)		8.67	8.72	15.26	28.33	<b>60.98</b>
Less 30% NAR	(i)	2.60	2.61	4.58	8.50	<b>18.29</b>
Net ARR	(j) = (h - i)	218.44	45.68	53.08	52.70	<b>369.89</b>
Actual Aeronautical Revenue (refer Table 20)	(k)	9.87	21.37	51.68	58.24	<b>141.17</b>
Discount Factor (@14%)	(l)	1.69	1.48	1.30	1.14	
Discounted ARR	(m)	368.94	67.67	68.98	60.07	<b>565.66</b>
Discounted Aeronautical revenue	(n)	16.67	31.66	67.17	66.39	<b>181.90</b>
Under/ (Over) recovery of Second Control Period as on March 31, 2022	(m-n)	352.26	36.01	1.81	(6.32)	<b>383.76</b>
True up of Under Recovery of Second Control Period as on March 31, 2022		<b>383.76</b>				

4.10.3. The Authority notes that the Under-recovery of ₹ 383.76 Crores (in NPV terms) of the Second Control Period has not factored the Under-recovery and compounding effect of FY 2020-21, as Srinagar International Airport was a Non-Major Airport during FY 2020-21 (refer para 4.10.1). The Authority proposes to readjust the above Under-recovery of the Second Control Period in the ARR computation of the Third Control Period.

#### 4.11 Authority's proposal regarding True up of the Second Control Period

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

- 4.11.1. To consider capital additions as detailed in Table 8 for true up of the Second Control Period.
- 4.11.2. To consider Aeronautical depreciation as mentioned in Table 9 for true up of the Second Control Period.
- 4.11.3. To consider RAB as per Table 10 for true up for the Second Control Period.
- 4.11.4. To consider the Non-aeronautical revenues as presented in Table 11 for the purpose of true up of the Second Control Period.
- 4.11.5. To consider the O&M expenses as detailed in Table 18 for the purpose of true up of the Second Control Period.
- 4.11.6. To consider actual Aeronautical revenue as per Table 20 for true up of the Second Control Period for Srinagar Airport.
- 4.11.7. To consider ARR and Under-recovery as detailed in Table 21 for true up of the Second Control Period for Srinagar Airport and readjust the shortfall for the Third Control Period.

## 5. TRAFFIC FOR THE THIRD CONTROL PERIOD

### 5.1 AAI's submission of Traffic for the Third Control Period for Srinagar International Airport

5.1.1. The historical passenger traffic<sup>2</sup> and ATM at the airport has been shown in the table below:

*Table 22: Historical passenger and ATM traffic at Srinagar Airport (in numbers)*

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2009-10	906,824	19,696	926,520	8,386	264	8,650
2010-11	1,039,505	0	1,039,505	9,016	0	9,016
2011-12	1,632,098	0	1,632,098	12,187	0	12,187
2012-13	1,844,222	17,469	1,861,691	13,985	124	14,109
2013-14	1,985,806	17,380	2,003,186	15,158	130	15,288
2014-15	2,025,756	15,052	2,040,808	14,698	130	14,828
2015-16	2,304,199	6,630	2,310,829	16,228	40	16,268
2016-17	2,088,871	12,891	2,101,762	15,467	76	15,543
2017-18	2,424,748	15,719	2,440,467	17,834	84	17,918
2018-19	2,724,651	12,909	2,737,560	18,620	126	18,746
2019-20	2,799,154	21,770	2,820,924	19,367	288	19,655
2020-21	1,799,748	3,156	1,802,904	13,051	21	13,072

5.1.2. The traffic growth rates and traffic as submitted by AAI for the Third Control Period are as follows:

*Table 23: Traffic growth rates and traffic proposed by AAI*

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates (based on FY 20-21)</b>						
2021-22	75.01%	174.97%	75.18%	86.70%	257.14%	86.97%
2022-23	8.79%	-	8.50%	1.23%	-	0.92%
2023-24	10.00%	-	10.00%	8.00%	-	8.00%
2024-25	10.00%	-	10.00%	8.00%	-	8.00%
2025-26	7.00%	-	7.00%	6.00%	-	6.00%
<b>Traffic</b>						
2021-22	3,149,722	8,678	3,158,400	24,366	75	24,441
2022-23	3,426,720	0	3,426,720	24,666	0	24,666
2023-24	3,769,392	0	3,769,392	26,640	0	26,640
2024-25	4,146,331	0	4,146,331	28,771	0	28,771

<sup>2</sup> Source: Traffic News from AAI website

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
2025-26	4,436,575	0	4,436,575	30,497	0	30,497

5.1.3. AAI has submitted that the passenger traffic and aircraft movement projections are based on past trends, econometric and regression analysis, and various economic factors including policy framework.

## 5.2 Authority's examination of Srinagar International Airport's submission of Traffic for the Third Control Period

5.2.1. As part of its examination of AAI's forecast of traffic at Srinagar Airport, the Authority calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic and ATM from FY 2014-15 to FY 2019-20 (5-year CAGR) and FY 2016-17 to FY 2019-20 (3-year CAGR).

5.2.2. For the computation of CAGR, the Authority has considered the traffic data of FY 2019-20 as the base, since FY 2020-21 being an exceptional event year, may not provide an appropriate basis for arriving at CAGR. The CAGR details so computed have been provided in the table below:

*Table 24: CAGR for passenger traffic and ATM*

Particulars	5-year CAGR	3-year CAGR
<b>Passengers:</b>		
Domestic	6.7%	10.2%
International	7.7%	19.1%
Total Passenger Traffic	6.7%	10.3%
<b>ATM:</b>		
Domestic	5.7%	7.8%
International	17.2%	55.9%
Total ATM	5.8%	8.1%

5.2.3. The Authority has noted the wide variation in traffic in the recent past, which causes CAGR for 3-year period to be the highest for International Air Traffic Movement.

5.2.4. There is a de-growth of 36% and 86% in domestic passenger traffic and international passenger traffic respectively for FY 2020-21 (over previous financial year), due to the adverse impact of COVID-19 pandemic on the domestic and international travels. Similarly, a de-growth of 33% and 93%, respectively in domestic ATM and international ATM for FY 2020-21 (over previous financial year).

5.2.5. AAI assumes the traffic volume to revive in FY 2021-22 and have projected a growth of 75% in domestic passenger traffic and of 175% in international passenger traffic. Likewise, AAI has projected a growth of 87% in domestic ATM and 257% in international ATM in FY 2021-22.

5.2.6. AAI has not projected international passenger and ATM for Srinagar International Airport, due to stoppage of the Haj movements on account of COVID-19 pandemic, which may vary year on year.

### Computation of revised traffic forecasts by the Authority, considering the impact of COVID-19 pandemic

The revised traffic forecasts have been computed by the Authority, after considering the study and analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector:

#### 5.2.7. Airport International Council (ACI)

ACI in its recent report has analysed the impacts of COVID-19 pandemic on airports and its path to



recovery:

- *Despite strong headwinds, the industry is continuing to recover as more countries ease travel restrictions and open their markets, including Japan in the Asia-Pacific region. This coupled with the propensity for air travel will drive the industry's recovery, expected to reach 2019 levels in 2024.*
- *Markets like Colombia, Mexico and Nigeria welcomed a surge in demand and exceeded their 2019 levels. The United States (87% of 2019), Spain (82%), Brazil (80%) and India (75%) were among other major aviation markets also making strides to close the gap with 2019 passenger levels in the first half of 2022.*
- *Global passenger traffic in the year 2022 is expected to be 6.8 billion, representing a loss of 33.1% compared to the projected baseline, which is 74.4% of 2019 traffic.*
- *Full recovery to 2019 levels at the global level is forecast for 2024.*

#### 5.2.8. International Air Transport Association (IATA)

IATA in its report on January 9, 2023 had announced the air travel recovery continued through November 2022:

- *Total traffic in November 2022 (measured in revenue passenger kilometers or RPKs) rose 41.3% compared to November 2021. Globally, traffic is now at 75.3% of November 2019 Levels.*
- *International traffic rose 85.2% versus November 2021. The Asia-Pacific continued to report the strongest year-over-year results with all regions showing improvement compared to the prior year. November 2022 international RPKs reached 73.7% of November 2019 Levels.*
- *Domestic traffic for November 2022 was up 3.4% compared to November 2021 with travel restrictions in China continuing to dampen the global result. Total November 2022 domestic traffic was at 77.7% of the November 2019 Level.*

#### **Conclusion on traffic forecasts based on the above assumptions**

- 5.2.9. Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority has taken into consideration the forecast/data published by ACI and IATA cited in para 5.2.7 and 5.2.8 above for arriving at the revised traffic projections.
- 5.2.10. In the Authority's opinion, with the gradual revival of the economy, increase in the uptake of the vaccines, measures taken by the GoI to make the air travel safe along with easing of air travel by various countries, the aviation industry is expected to recover at a better pace in the next few years.
- 5.2.11. The Authority notes that international passenger traffic at Srinagar Airport is insignificant (8,678 pax in FY 2021-22) and AAI has proposed 'nil' international passenger and ATM traffic from FY 2022-23 to FY 2025-26. The Authority observes that international traffic has been projected as 'nil' by AAI due to stoppage of the Haj movements on account of COVID-19 pandemic, which may vary year on year.
- 5.2.12. The Authority has considered the actual traffic as per the AAI's website, for the FY 2021-22 and FY 2022-23 for deriving traffic forecast for the Third Control Period. The Authority notes that AAI has projected the growth rate of 10% for domestic passenger traffic and 8% for domestic ATM for the FY 2023-24 to FY 2025-26 in its MYTP, which is also in line with the 3-year CAGR, as there has been a growing trend in the passenger traffic and ATM in the recent past at Srinagar Airport. Based on the above factors, the Authority proposes to consider 12% Y-o-Y increase in

domestic and international passenger traffic and ATM for FY 2023-24 to FY 2025-26.

5.2.13. The traffic growth rates and the corresponding traffic for passengers and ATM as considered by the Authority for the Third Control Period has been given in the table below:

*Table 25: Traffic proposed to be considered by the Authority for the Third Control Period*

<b>Domestic Passengers (in Lacs)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>
As submitted by Srinagar Airport	31.50	34.27	37.69	41.46	44.37	189.29
As proposed by the Authority	31.50	43.98	49.26	55.17	61.79	241.70
Y-o-Y growth of Domestic PAX submitted by Srinagar Airport	-	9%	10%	10%	7%	
Y-o-Y growth of Domestic PAX proposed by the Authority	-	40%	12%	12%	12%	
<b>International Passengers (in Lacs)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>
As submitted by Srinagar Airport	0.09	0.00	0.00	0.00	0.00	0.09
As proposed by the Authority	0.09	0.12	0.13	0.15	0.16	0.64
Y-o-Y growth of International PAX submitted by Srinagar Airport	-	0%	0%	0%	0%	
Y-o-Y growth of International PAX proposed by the Authority	-	33%	12%	12%	12%	
<b>Total passengers (in Lacs)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>
Total as per Srinagar Airport's submission	31.59	34.27	37.69	41.46	44.37	189.37
Total (Domestic and International) proposed by the Authority	31.59	44.10	49.39	55.31	61.95	242.34
Y-o-Y growth of total PAX submitted by Srinagar Airport	-	8%	10%	10%	7%	
Y-o-Y growth of total PAX proposed by the Authority	-	40%	12%	12%	12%	
<b>Domestic ATM (in '000)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>
Domestic ATM submitted by Srinagar Airport	24.37	24.67	26.64	28.77	30.50	134.95
Domestic ATM proposed by the Authority	24.37	29.82	33.40	37.40	41.89	166.87
Y-o-Y growth of Domestic ATM submitted by Srinagar Airport	-	1%	8%	8%	6%	
Y-o-Y growth of Domestic ATM proposed by the Authority	-	22%	12%	12%	12%	
<b>International ATM (in '000)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>

TRAFFIC FOR THE THIRD CONTROL PERIOD

International ATM submitted by Srinagar Airport	0.08	0	0	0	0	0.08
International ATM proposed by the Authority	0.08	0.15	0.17	0.19	0.22	0.82
Y-o-Y growth of International ATM submitted by Srinagar Airport	-	0%	0%	0%	0%	
Y-o-Y growth of International ATM proposed by the Authority	-	88%	12%	12%	12%	
<b>Total ATM (in '000)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>
Total ATM (Domestic and International) as per Srinagar Airport's submission	24.44	24.67	26.64	28.77	30.50	135.02
Total ATM (Domestic and International) proposed by the Authority	24.44	29.97	33.57	37.60	42.11	167.69
Y-o-Y growth of total ATM submitted by Srinagar Airport	-	1%	8%	8%	6%	
Y-o-Y growth of total ATM proposed by the Authority	-	23%	12%	12%	12%	

Note: Actual passenger and ATM data has been considered for FY 2021-22 and FY 2022-23.

5.2.14. The Authority proposes to true up the traffic as per actual growth achieved during the Third Control Period at the time of determination of tariff for the Fourth Control Period.

### 5.3 Authority's Proposal regarding Traffic for the Third Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to traffic forecast for the Third Control Period:

- 5.3.1. To consider the ATM and passenger traffic for the Third Control Period for Srinagar Airport as per Table 25.
- 5.3.2. To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Third Control Period while determining tariff for the Fourth Control Period.

## 6. CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

### 6.1. Background

6.1.1. The Authority has presented its analysis on this chapter in the following order:

- Allocation of Gross block of assets in to Aeronautical and Non-aeronautical.
- Capital expenditure proposed for Third Control Period
- Depreciation for the Third Control Period
- Regulatory Asset Base for the Third Control Period

### 6.2. Allocation of Gross block of assets into Aeronautical and Non-aeronautical

6.2.1. AAI has submitted for Srinagar International Airport the following allocation of gross block of assets as on April 1, 2021, between Aeronautical and Non-aeronautical services:

*Table 26: Allocation of opening gross block of assets for April 1, 2021, between Aeronautical and Non-aeronautical as per AAI*

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-Aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land freehold	0.00	-	-	0.00	-	-	-	0.00	100%
Runway, Taxi Way & Apron	31.60	-	-	31.60	-	-	-	31.60	100%
Road, Bridge & Culverts.	0.72	-	-	0.72	-	-	-	0.72	100%
Terminal Building	85.09	-	5.37	10.33	69.39	62.45	6.94	72.77	86%
Buildings - Temporary	2.60	-	0.05	2.55	-	-	-	2.55	98%
Buildings - Residential	4.45	-	-	1.19	3.25	3.15	0.10	4.35	98%
Security Fencing	3.25	-	-	3.25	-	-	-	3.25	100%
Buildings - Others	1.58	-	0.07	1.51	-	-	-	1.51	96%
Computers & Peripherals	1.57	-	-	1.57	-	-	-	1.57	100%
Computer Software	0.15	-	-	0.15	-	-	-	0.15	100%
Machinery	33.01	2.43	-	29.17	1.40	1.29	0.11	30.46	92%
Tools & Equipment	5.34	-	-	5.34	-	-	-	5.34	100%
Office Furniture	2.28	-	-	2.28	-	-	-	2.28	100%
Vehicles	1.31	-	-	1.25	0.06	0.05	0.01	1.30	99%
Electrical Installations	40.33	-	0.33	37.96	2.04	1.84	0.20	39.80	99%
Office Equipment	2.58	0.00	-	2.52	0.06	0.06	-	2.58	100%
Furniture & Fixtures-Freehold-Operational Area	2.08	-	-	2.04	0.04	0.04	-	2.08	100%
Furniture & Fixtures – Trolleys	0.34	-	-	0.34	-	-	-	0.34	100%
X-Ray Equipment	15.39	-	-	15.39	-	-	-	15.39	100%
CFT & Firefighting equipment	0.03	-	-	0.03	-	-	-	0.03	100%
<b>Total</b>	<b>233.69</b>	<b>2.44</b>	<b>5.82</b>	<b>149.19</b>	<b>76.25</b>	<b>68.89</b>	<b>7.36</b>	<b>218.07</b>	<b>93%</b>

**Authority’s examination of allocation of Gross block of assets into Aeronautical and Non-aeronautical**

6.2.2. The Authority notes that the common assets within the Terminal Building have been apportioned to Aeronautical and Non-aeronautical activities by AAI for Srinagar International Airport in the Terminal Building ratio of 90%:10% (which was approved by the Authority in the Order No. 14/ 2017-18 dated October 30, 2017) for the Second Control Period. Therefore, the Authority proposes to consider the basis followed by AAI for allocation of assets for Srinagar Airport.

6.2.3. As mentioned under para 4.4.7 (under True up of Capital Expenditure), the Authority has not allowed Financing allowance of ₹ 0.61 Crores, capitalized by Srinagar Airport during the Second Control Period. Therefore, the above Financing allowance which has not been allowed by the Authority has been adjusted against the respective assets such as Apron, Terminal Building and Plant and Machinery and the same is provided in Table 27 below.

6.2.4. Based on the above observations, the Authority has presented the allocation of Gross Block of assets as on April 1, 2021 between Aeronautical and Non-aeronautical as per table below:

*Table 27: Allocation of Opening Gross Block of Assets as on April 1, 2021 between Aeronautical and Non-aeronautical proposed by the Authority*

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-Aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aero Assets	%
						Aero	Non-Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land freehold	0.00		-	0.00	-	-	-	0.00	100%
Runway, Taxi Way & Apron	31.60		-	31.60	-	-	-	31.60	100%
Road, Bridge & Culverts.	0.72		-	0.72	-	-	-	0.72	100%
Terminal Building	85.09		5.37	10.33	69.39	62.45	6.94	72.78	86%
Buildings - Temporary	2.60		0.05	2.55	-	-	-	2.55	98%
Buildings - Residential	4.44		-	1.19	3.25	3.15	0.10	4.34	98%
Security Fencing	3.25		-	3.25	-	-	-	3.25	100%
Buildings - Others	1.53		0.06	1.47	-	-	-	1.47	96%
Computers & Peripherals	1.57		-	1.57	-	-	-	1.57	100%
Computer Software	0.15		-	0.15	-	-	-	0.15	100%
Machinery	32.45	2.43	-	28.62	1.40	1.29	0.11	29.90	92%
Tools & Equipment	5.34		-	5.34	-	-	-	5.34	100%
Office Furniture	2.28		-	2.28	-	-	-	2.28	100%
Vehicles	1.31		-	1.25	0.06	0.05	0.01	1.30	99%
Electrical Installations	40.33		0.33	37.96	2.04	1.84	0.20	39.80	99%
Office Equipment	2.58	0.00	-	2.52	0.06	0.06	-	2.58	100%
Furniture & Fixtures-Freehold-Operational Area	2.08		-	2.04	0.04	0.04	-	2.08	100%
Furniture & Fixtures – Trolleys	0.34		-	0.34	-	-	-	0.34	100%
X-Ray Equipment	15.39		-	15.39	-	-	-	15.39	100%
CFT & Firefighting equipment	0.03		-	0.03	-	-	-	0.03	100%
<b>Total</b>	<b>233.08</b>	<b>2.44</b>	<b>5.82</b>	<b>148.58</b>	<b>76.24</b>	<b>68.88</b>	<b>7.36</b>	<b>217.46</b>	<b>93%</b>

6.2.5. The total Gross block of Aeronautical assets, as on April 1, 2021 is ₹ 217.46 crores.

**AAI’s submission of Capital Expenditure (CAPEX), Depreciation and RAB for the Third Control Period**

**6.3. Capital expenditure for the Third Control Period**

6.3.1. AAI has proposed capital expenditure of ₹ 235.60 Crores for the Third Control Period for Srinagar International Airport, which has been summarized in the table below:

*Table 28: Summary of Capital Expenditure projects submitted by AAI for Srinagar International Airport for Third Control Period*

(₹ Crores)

Project/Group	No.	Particulars	Amount
Capital expenditure proposed for the Third Control Period	1	Taxiways & Aprons	62.04
	2	Other Building	106.91
	3	Plant & Machinery	0.01
	4	Tools & Equipment	35.75
	5	Furniture & Fixtures	0.89
	6	Vehicles	0.12
	7	Electrical Installations	4.60
	8	Office Appliances	0.46
	9	XBIS	3.52
			<b>Capital expenditure proposed for the Third Control Period</b>
<b>IDC</b>			<b>12.78</b>
<b>Financing allowance (FA)</b>			<b>8.51</b>
<b>Total (including FA)</b>			<b>235.60</b>

**Authority’s examination of Capital Expenditure (CAPEX) for the Third Control Period**

6.3.2. The Authority while analyzing the Aeronautical Expenditure proposed by AAI for the Third Control Period, has appropriately rationalized the proposed CAPEX taking into cognizance of the essentiality and necessity of the CAPEX which is absolutely required for the smooth operation of the Airport as explained in the following paragraphs.

6.3.3. The Authority notes that AAI has not conducted Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the capital expenditure proposed to be undertaken at Srinagar International Airport for the Third Control Period. The Authority expects AAI to, by inviting inputs from all the stakeholders for any major CAPEX undertaken at the Airport and its likely impact on Airport charges, in accordance with the AERA Guidelines, 2011.

6.3.4. The capital additions stated have been explained project-wise in the table below:

*Table 29: Project wise Capital Expenditure submitted by AAI for Srinagar International Airport for Third Control Period*

(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc)	Financing allowance (FA)	Total CAPEX (incl. FA)
<b>A. Capital expenditure proposed for the Third Control Period</b>					
A1.	<b>Taxiways &amp; Apron</b>				
	Dismantling and re-construction of existing Taxi way D & D1 portions parallel to cross drainage at Srinagar International Airport	2022-23	0.43	-	0.43
	Expansion of existing Apron & associated works	2024-25	61.61	2.94	64.55
	IDC		4.41		4.41
A2.	<b>Other Building</b>				
	Provision of Tactile flooring and Miscellaneous allied Civil works for visually impaired DIVYANG JAN at Srinagar International Airport, Srinagar	2021-22	0.09	-	0.09
	Misc Civil works at Srinagar Airport. SH: Provision of toilet block, septic tank and associated civil works at half long and at CRPF barracks	2021-22	0.15	-	0.15
	Construction Of CISF Barracks at BSF Campus, Srinagar	2024-25	44.38	2.23	46.61
	IDC		3.35	-	3.35
	Densification of AAI Residential Colony	2024-25	62.29	2.91	65.20
	IDC		4.37	-	4.37
A3	<b>Plant &amp; Machinery</b>				
	Electronic Stethoscope (qty-1)	2025-26	0.01	-	0.01
A4	<b>Tools &amp; Equipment</b>				
	5 no of ETD-M S TECH- (124ETD)	2021-22	0.54	-	0.54
	Body Scanner (Qty-4)	2022-23	23.10	-	23.10
	SBD (Qty-2)	2022-23	0.80	-	0.80
	NLJD (Qty-1)	2022-23	0.04	-	0.04
	LED (Qty-1)	2022-23	0.50	-	0.50
	HHMD	2022-26	0.17	-	0.17
	WALKIE TALKIE	2022-26	0.23	-	0.23
	Digital EPABX (1)	2022-23	0.10	-	0.10
	Threat Containment Vessel (TCV) (Qty-1)	2023-24	10.00	-	10.00
	EVD (Qty-1)	2025-26	0.16	-	0.16
	FOSD (Qty-1)	2025-26	0.11	-	0.11
	IDC		0.65	-	0.65
A5	<b>Furniture &amp; Fixtures</b>				
	P/o Ultra Violet Germicidal Irradiation (UVGI) Sri TB	2021-22	0.21	-	0.21

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc)	Financing allowance (FA)	Total CAPEX (incl. FA)
	AIRPORT TERMINAL CHAIRS-102 CHAIR	2021-22	0.68	-	0.68
A6	<b>Vehicles</b>				
	BDDS VEHICLE FOR VSI AIRPORT-1 NO TRF TO SRINAGAR FROM PORTBLAIR	2021-22	0.12	-	0.12
A7	<b>Electrical Installations</b>				
	DFMD (QTY-7)	2021-22	0.12	-	0.12
	R/o Existing Taxiway & Apron Edge Light with LED	2021-22	0.14	-	0.14
	6 Nos Hamam Tank for CISF at BSF Barrack	2021-22	0.01	-	0.01
	Replacement of conventional light of Apron High Masts & faulty lights of terminal building with LED lights at Srinagar Airport	2022-23	0.70	-	0.70
	Provision of Electrostatic air filters etc in AHUs as COVID-19 protective measures at Srinagar Int'l Airport, Srinagar	2022-23	1.30	-	1.30
	Replacement of existing Chillers with Reversible Chillers (Chillers with Heat Pump) & associated works at Srinagar Airport	2023-24	2.00	-	2.00
	Entertainment TV	2025-26	0.33	-	0.33
A8	<b>Office Appliances</b>				
	Digital photocopy	2021-25	0.12	-	0.12
	Computer & UPS-5	2022-26	0.29	-	0.29
	Printers (MFP)	2022-26	0.04	-	0.04
	Scanners	2022-26	0.02	-	0.02
A9	<b>XBIS</b>				
	XBIS (7 nos RB and 4 nos HB)	2022-23	3.52	-	3.52
<b>Capital expenditure proposed for the Third Control Period</b>			<b>227.09</b>	<b>8.51</b>	<b>235.60</b>

6.3.5. The Authority has examined the CAPEX projects submitted by AAI, which is as follows:

**A1 - Taxiways & Apron - Expansion of existing Apron**

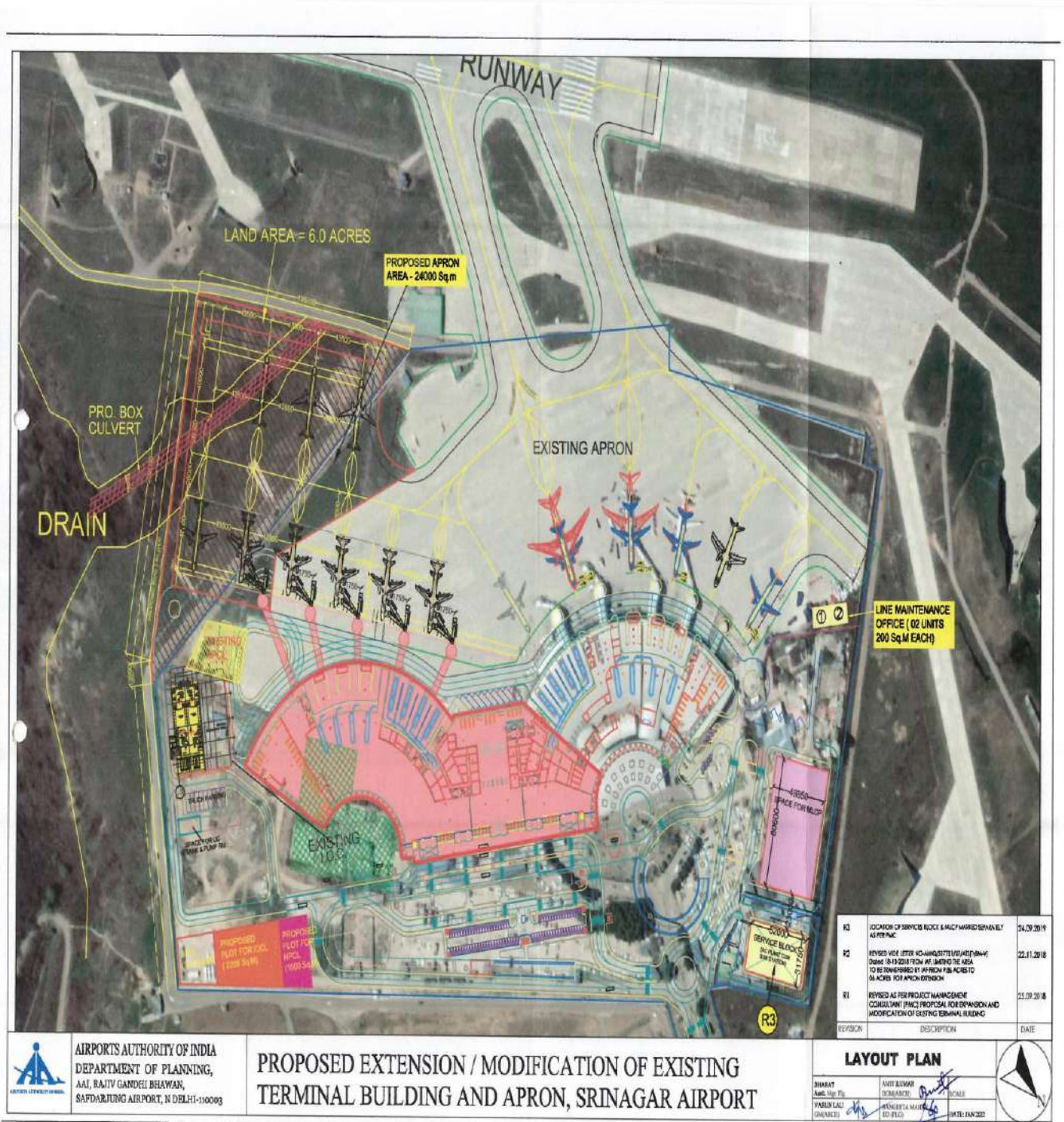
AAI has proposed expansion of existing Apron at Srinagar International Airport for ₹ 68.95 crores



CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

(including FA and IDC) for capitalization in FY 2024-25.

- i. The layout map of the projected work, submitted by AAI is as follows:



- ii. The existing Apron has 9 bays for parking 02 Code E, 02 Code D and 05 Code C aircraft. Two link taxi tracks connecting the Runway to the Apron are available. AAI has proposed for the extension of Apron for parking 6 numbers AB 321-200 type of aircraft in Power- in- Push- back configuration and to commission it by FY 2024-25. The area of Apron planned for extension is 24,000 sqm, for which 6 acres of land is required from Indian Air Force (IAF). The Authority notes that handing over of land from IAF is still awaited and the Administrative Approval and

Expenditure Sanction (A/A & E/S) for this project is under process.

iii. The Authority examined the justification for initiating the above project in this Control Period and is of the view that adding parking bays at the airport is an essential requirement due to the following factors:

- Traffic at Srinagar Airport has been growing in the recent past, primarily due to the unprecedented growth in tourism and travel.
- There is a proposal to procure more aircrafts in India (as reported in the recent public news) and for parking of these aircrafts, the parking bays at the airports have to be designated.

Based on these factors, the Authority feels that adding additional parking bays at Srinagar Airport is justified.

iv. Further, the Authority notes that AAI has submitted a detailed cost estimate for this project enumerating Civil works such as Pavement, a Box Culvert of 250 m, Boundary wall of 430m, Electrical and other miscellaneous works including shifting of IAF Road. The Authority has examined the reasonableness of the cost of the above-mentioned works based on the Normative Guidelines issued by the Authority and the same has been explained in the following paragraphs:

v. The Authority has computed the WPI adjusted normative rates for pavements, which is as follows:

Table 30: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Apron

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
WPI*	111.6	114.9	119.8	121.8	123.4		-	-	-	
Inflation **						7.14%#	9.60%	2.90%	2.90%	2.90%
Rate per Sq.m. (in ₹)	4,700	4,839	5,045	5,130	5,197	5,568	6,102	6,279	6,461	6,649
Rate per Sqm incl. GST @ 6% (refer Note below)										7,048

\* Source: Office of The Economic Adviser, Government of India (<https://eaindustry.nic.in>)

\*\* Source: Reserve Bank of India Publications (<https://www.rbi.org.in/Scripts/Publications>)

# Instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated April 18, 2022 by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority has considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which works out to 7.14%

**Note:** In the Order No.7/2016-17 dated June 13, 2016 on “In the matter of Normative Approach to Building blocks in Economic Regulation of Major Airports- Capital costs Regarding”, the ceiling cost mentioned is inclusive of taxes applicable at that time, which is 12%. Subsequently, GST has been introduced wherein the GST rate is 18%. Hence, on the inflation adjusted normative cost worked out above, differential tax @ 6% will be paid extra.

vi. The Authority has computed the allowable costs of this project, based on the normative rates, which is as follows:

Table 31: Cost of Apron works proposed by Authority for the Third Control Period

(₹ Crores)

Work	Cost submitted by AAI	Cost based on Normative Approach	Cost considered by Authority
<b>i. Pavements</b>			
• Civil Works	20.3	17.76**	17.76
• Earthwork & Miscellaneous work*	9.97	-	9.97
<b>Sub Total (i)</b>	<b>30.27</b>		<b>27.73</b>
<b>ii. Other costs</b>			
Box Culvert	28.04***		13.10
Boundary Wall	1.14		1.14
AVDGS and Signages	2.15		2.15
<b>Sub Total (ii)</b>	<b>31.33</b>		<b>16.39</b>
<b>Total</b>	<b>61.60</b>		<b>44.12</b>

\* Earthwork & Miscellaneous – It includes Earthwork in cutting, Earth disposed, Earth filling, dismantling of existing pavements, dismantling of boundary wall and shifting/ construction of IAF road.

\*\* Srinagar International Airport being a Hard Station Airport, the Authority considers to allow 5% over and above the Normative Cost.

\*\*\* Calculation errors were noted in AAI's MYTP submission, which were later on rectified by AAI.

Based on the above, the Authority proposes capitalization of the project on Expansion of Apron in the FY 2025-26 for ₹ 44.12 Crores.

## A2 – Other Building

### i. Construction of CISF Barracks at BSF Campus

The Authority notes that CISF had been deployed at Srinagar Airport on February 26, 2020, as the same is a hypersensitive airport due to its strategic location. Earlier, Security was handled by CRPF who had their own accommodation. On account of land constraints within the airport and nearby areas, a suitable location could not be identified for accommodation of CISF personnel. On the advice of the Ministry of Home Affairs, BSF had given "No Objection " to construct RCC structured infrastructure in 5 acres of land belonging to BSF, as an interim measure. AAI had requested for handing over the ownership or long-term lease of the land for 40 years, considering its plan for permanent structure and the same is yet to be settled.

The Authority observes that, in anticipation of the availability of land for the CISF infrastructure, AAI has prepared the Conceptual Plan, Scope of Work and estimate amounting to ₹ 48.44 cr. The A/A & E/S (AAI/CHQ/Engg(C)/Srinagar/CISF Barracks) has been granted on December 6, 2022 for initiating

this project. As per the Scope of Work (under A/A & E/S), the following works have been included:

- Construction of 3 Barracks for Gents (G+2) to house 640 males with the dining hall and kitchen
- 1 barrack for ladies to house 80 females with dining hall and kitchen
- GO Hostel block (G+2) for senior officers
- Dog kennel for eight dogs
- ESS Block
- Sewage treatment plant and
- Quarter Guard

The Authority also notes that, as per the information provided by AAI, in the meeting chaired by Chairman AAI on September 6, 2022 it was decided to prepare an additional concept of Passenger Terminal Building (PTB), including densification of AAI Colony and construction of CISF Barracks. The constitution of the new PTB is expected to start only in FY 2024-25. Further, as informed by AAI vide email dated April 17, 2023, the land is yet to be handed over by BSF to AAI. Based on the above factors and considering the hypersensitive nature of the Airport, in the background of safety and security of operations, the Authority proposes to consider the above CAPEX on actual incurrence basis, if incurred in this Control Period, at the time of true up of the Third Control Period, while determining tariff for the Fourth Control Period for Srinagar International Airport, subject to reasonableness and efficiency.

#### **ii. Densification of Residential Colony**

The Authority notes that AAI has proposed this project for ₹ 62.29 crores for capitalisation in the FY 2024-25. The Authority notes that there is a small residential colony of 6.45 acres and for better utilisation of this land, AAI had decided to go for multistorey blocks and has prepared a concept plan to construct following quarters:

- Type A - One Block (G+2) for 12 units.
- Type B - Two Blocks (G+4) for 40 units.
- Type C - One Block (G+4) for 20 units.
- Type D - One Block (G+1) for 8 units.
- Medical centre and Retiring Room Block (G+1).

However, the Authority notes that in the meeting chaired by Chairman, AAI on September 6, 2022, it was decided to prepare an additional concept of Passenger Terminal Building including densification of AAI Colony and CISF Barracks.

The Authority also notes that the land/ location is yet to be finalized and the A/A & E/S has not yet been granted. Further, as informed by AAI vide email dated April 17, 2023 the above-mentioned project on densification of AAI Colony is proposed to be undertaken along with the project on expansion of Terminal Building. Considering the complex nature and the current status of this project, the Authority proposes to consider the CAPEX for this project, on actual incurrence basis, if incurred in this Control Period, at the time of true up of the Third Control Period, while determining tariff for the Fourth Control Period for Srinagar International Airport, subject to reasonableness and efficiency.

#### **A4 – Tools and Equipment**

The Authority notes that AAI has proposed ₹ 35.75 Crores for Tools and Equipment which includes Procurement of Body Scanner (7 Nos.), Self-Bag Drop (2 Nos.), Threat Containment Vehicle (1 No.), Non-Liner Junction Detector (1 No.), Liquid Explosive Detector (1 No.), Explosive vapor detector (1

No.), Fiber Optic Surveillance Device (1 No.) and SCCTV. As these assets are needed for operational requirements or for security purposes, the Authority considers the same to be reasonable. However, based on the current status of the project, the Authority has shifted procurement of those items that were projected for capitalization by AAI in FY 2022-23 to the FY 2023-24. Further, the Authority has provided its views on the following major items of Tools and Equipment:

**i. Body Scanners**

The Authority notes that as per BCAS guidelines, all hypersensitive airports are required to install Body Scanners and Srinagar airport falls under the above category of airports. However, the Authority notes that the Body Scanner is a relatively new technology and still in its nascent stage. Therefore, the Authority feels that the same can be implemented in a phased manner. Further, the Authority notes there is a plan to commence construction of a new Passenger Terminal Building in the FY 2024-25.

The Authority further notes that AAI has projected ₹ 23.10 Crores for 7 number of Body scanners and has proposed to capitalize it in FY 2022-23. However, as per the current status (as on May 2023) no work order has been issued by AAI, whereby there is no estimate available for ascertaining the cost of procurement of Body scanners. As currently, no justification has been provided by AAI for the requirement of 7 body scanners, the Authority in the instant case has rationalized it to 3 Nos. of body scanners. In view of the above, the Authority proposes to consider capitalization of three (3) Body Scanners in the current Control Period at a total cost of ₹ 9 crores (in line with the cost considered by the Authority for other similar airports) in the FY 2023- 24.

**ii. Threat Containment Vessel**

As per BCAS circular, AVSEC Circular No. 13/2017, Threat Containment Vessel (TCV) may be procured for the Airports, where Inline Baggage Screening System (ILBS) has been installed. It is noted that at Srinagar Airport, ILBS has been installed. Considering the sensitivity of the Srinagar Airport, the proposal for procurement of TCV at the Airport is justified.

The Authority notes that AAI has projected ₹ 10 Crore for this work and has proposed to capitalise it in FY 2023-24. However, the Authority notes that no Work Order/ Request for quotation has been issued by AAI. Considering the fact that TCV is an integrated line item, the Authority notes that the cost projected for this asset is in line with that incurred by other similar airports and therefore, the Authority proposes to consider capitalization of this asset in FY 2023-24.

**A5- Furniture & Fixtures**

The Authority notes that AAI has proposed ₹ 0.89 Crores for Furniture & Fixtures which includes Procurement of Ultra Violet Germicidal Irradiation (UVGI) and 102 Airport Terminal chairs. As these assets are needed for operational requirements and have also been procured by AAI in FY 2021-22, the Authority considers the same to be reasonable.

**A6- Vehicles**

The Authority notes that AAI has proposed ₹ 0.12 Crores for BDDS Vehicle which has to be transferred from Port Blair Airport. As BDDS vehicle is needed for security reasons and have also been capitalized by AAI in its books in FY 2021-22, the Authority considers the same to be reasonable.

**A7 - Electrical installations** – AAI has proposed ₹ 4.60 Crores towards Electrical Installations and these include:

- a) Procurement of DFMD
- b) Replacement of existing Taxiway and Apron edge light with LED.

- c) Procurement of Tank for CISF Barracks.
- d) Procurement of FIDS, Passenger Announcement (PA) System, Signage, Entertainment TV
- e) Replacement of Conventional light of Apron High masts and faulty lights of terminal building with LED lights
- f) Provision of Electrostatic air filters in AHU's as a COVID-19 protective measure.
- g) Replacement of Existing chiller plants with reversible chillers and associated works.

The Authority notes that the works on electrical installations mentioned under point (a) to (c) have been completed (amounting to ₹ 0.28 crores) at Srinagar Airport. However, the work stated under points (d) to (g) are under progress. Therefore, the Authority proposes to shift the capitalisation of the same to FY 2023-24.

#### **A8 - Office Appliances:**

The Authority notes that AAI has proposed ₹ 0.47 Crores for Office Appliances which includes procurement of digital photocopy, computers, printers, UPS and Scanners. As these assets are needed for operational requirements, the Authority proposes to consider the same. However, the Authority notes that assets of ₹ 0.11 crores proposed by AAI for capitalization in FY 2022-23 have not been procured by AAI for Srinagar International Airport. Therefore, the Authority proposes to shift the capitalization of these assets that are proposed by AAI for FY 2022-23 to FY 2023-24.

#### **A9 - X-Ray:**

This includes procurement of X-Bis for ₹ 3.52 crores, which has been proposed by AAI for FY 2022-23. The Authority notes that the above CAPEX on X-Ray equipment has been projected to meet the operational requirements at the Airport and therefore, the Authority considers the same to be reasonable. However, the Authority notes aforementioned asset proposed by AAI for capitalization in FY 2022-23 has not been procured by AAI for Srinagar International Airport. Therefore, the Authority proposes to shift the capitalization of this asset that was proposed by AAI for FY 2022-23 to FY 2023-24.

6.3.6. In the background of the above mentioned facts, the Authority has revised the timelines for completion of the following works, as against that originally proposed by AAI.

*Table 32: Revised Timelines considered by the Authority for Capital Expenditure projects of Srinagar International Airport for Third Control Period*

S. No	Project Name	Original timeline for completion of work as per AAI	Revised timeline as per AERA	Total CAPEX (₹ crores)
1	Expansion of existing Apron and associated works	FY 2024-25	FY 2025-26	44.12
2	Body Scanner (Qty-4)	FY 2022-23	FY 2023-24	9.00
3	SBD (Qty-2)	FY 2022-23	FY 2023-24	0.80
4	NLJD (Qty-1)	FY 2022-23	FY 2023-24	0.04
5	LED (Qty-1)	FY 2022-23	FY 2023-24	0.50
6	HHMD	FY 2022-26	FY 2023-26	0.17
7	WALKIE TALKIE	FY 2022-26	FY 2023-26	0.23
8	Digital EPABX (1)	FY 2022-23	FY 2023-24	0.10

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S. No	Project Name	Original timeline for completion of work as per AAI	Revised timeline as per AERA	Total CAPEX (₹ crores)
9	Replacement of conventional light of Apron High Masts & faulty lights of terminal building with LED lights at Srinagar Airport	FY 2022-23	FY 2023-24	0.70
10	Provision of Electrostatic air filters etc in AHUs as COVID-19 protective measures at Srinagar Int'l Airport, Srinagar	FY 2022-23	FY 2023-24	1.30
11	Computer & UPS-5	FY 2022-26	FY 2023-26	0.29
12	Printers (MFP)	FY 2022-26	FY 2023-26	0.04
13	Scanners	FY 2022-26	FY 2023-26	0.02
14	XBIS (7 Nos. RB and 4 Nos. HB)	FY 2022-23	FY 2023-24	3.52
	<b>Total</b>			<b>60.83</b>

- 6.3.7. The Authority notes that Srinagar International Airport has claimed Financing allowance of ₹ 8.51 Crores, out of which ₹ 2.94 Crores has been proposed towards project on Extension of Apron, ₹ 2.23 Crores towards construction of CISF barracks, ₹ 2.91 Crores for densification of residential colony and ₹ 0.43 crores towards Tools and Equipment in the MYTP submitted for the Third Control Period. Further, the Authority notes that Srinagar International Airport has claimed IDC of ₹ 12.78 Crores, out of which ₹ 4.41 Crores has been proposed towards project on Extension of Apron, ₹ 3.35 Crores towards construction of CISF barracks, ₹ 4.37 Crores towards densification of residential colony and ₹ 0.65 crores towards Tools and Equipment. The Authority has examined the AAI's claim towards Financing Allowance and IDC in detail and the views of the Authority in this regard may be referred to in para No. 4.4.7. Accordingly, the Financing allowance has not been allowed. In respect of IDC, the Authority is inclined to allow the same and accordingly, has derived IDC (₹ 3.16 crores), which it proposes to consider, based on the allowable costs of the project on expansion of Apron and Tools and Equipment as explained in para 6.3.5 (A1) and (A4).
- 6.3.8. The Authority has considered the actual CAPEX incurred by AAI for the FY 2021-22 for deriving the allowable CAPEX for Srinagar International Airport for the Third Control Period and the same is shown in Table 33.
- 6.3.9. The Authority notes that AAI has not implemented the project on expansion of Terminal Building for Srinagar International Airport, which was approved for ₹ 257.20 Crores vide Order No. 14/ 2017-18 dated October 30, 2017 for the Second Control Period, out of which AAI had incurred only ₹ 9.56 crores and the work for the balance cost of ₹ 247.64 crores have not been executed by AAI during FY 2020-21 (refer para 4.4.5 (A1)). Keeping in view the delays in the execution of the approved capital projects, the Authority proposes to reduce 1% of the uncanceled project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, while determining tariffs for the next Control Period. It is further proposed that if the delay in completion of the project is beyond the timeline given in the capitalization schedule, due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the next Control Period. The re-adjustment in the ARR/ Target Revenue is to protect the interest of the stakeholders who are paying for services provided by AAI.
- 6.3.10. The Authority notes that AAI has submitted an average Terminal Building ratio of 93.47%: 6.53% for Srinagar International Airport, for the Third Control Period, based on the actual commercial area let out during each tariff year in the Second Control Period (FY 2017 to FY 2021), for apportionment of

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common assets/ expenses for the current Control Period. Further, the Authority notes that AAI has not applied this ratio for apportionment of common assets in respect of the Capital Expenditure proposed for the Third Control Period, as major CAPEX on expansion of Terminal Building has been shifted to the Fourth Control Period by AAI.

Considering the passenger profile at the Airport, the Authority is of the view that the Terminal Building ratio of 6.53% (Non-aeronautical area to total area) is lesser as compared to the similar airports such as Varanasi, Amritsar, Trichy, Calicut and Raipur. Therefore, the Authority proposes to consider the Terminal Building ratio of 90%:10% (Aeronautical: Non-aeronautical) as reasonable for apportionment of common assets within the Terminal Building and common O&M expenses, in line with the ratio approved by the Authority for Srinagar Airport for the Second Control Period (para 7.10 of Order No. 14/ 2017-18 dated October 30, 2017), optimum Non-aeronautical area allocation of 8%-12% as recommended by IMG norms (for airports having passenger traffic of less than 10 MPPA) and that approved for other similar airports for the Second Control Period.

6.3.11. In accordance with above, the Authority proposes the capital expenditure for the Third Control Period as per the table below:

*Table 33: Capital Expenditure (Project-wise) proposed by the Authority for Third Control Period*

(₹ Crores)

S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
<b>Capital expenditure proposed for the Third Control Period</b>						
A1.	<b>Runways/ Taxiways &amp; Apron</b>					
	Dismantling and re-construction of existing Taxi way D & D1 portions parallel to cross drainage at Srinagar International Airport	2022-23	2022-23	0.43	0.43	-
	Expansion of existing Apron & associated works	2024-25	2025-26	61.61*	44.12	(17.49)
	IDC			4.41	3.16	(1.25)
A2.	<b>Other Building</b>					
	Provision of Tactile flooring and Miscellaneous allied Civil works for visually impaired DIVYANG JAN at Srinagar International Airport, Srinagar	2021-22	2021-22	0.09	0.09	-
	Misc Civil works at Srinagar Airport. SH: Provision of toilet block, septic tank and associated civil works at half long and at CRPF barracks	2021-22	2021-22	0.15	0.15	-
	Construction Of CISF Barracks at BSF Campus, Srinagar	2024-25	-	44.38	-	(44.38)



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S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
	IDC			3.35	-	(3.35)
	Densification of Residential Colony	2023-24	-	62.29	-	(62.29)
	IDC			4.37	-	(4.37)
A3	<b>Plant &amp; Machinery</b>					
	Electronic Stethoscope (qty-1)	2025-26	2025-26	0.01	0.01	-
A4	<b>Tools &amp; Equipment</b>					
	5 no of ETD-M S TECH-(124ETD)	2021-22	2021-22	0.54	0.54	-
	Body Scanner (Qty-4)	2022-23	2023-24	23.10	9.00	(14.10)
	SBD (Qty-2)	2022-23	2023-24	0.80	0.80	-
	NLJD (Qty-1)	2022-23	2023-24	0.04	0.04	-
	LED (Qty-1)	2022-23	2023-24	0.50	0.50	-
	HHMD	2022-26	2023-26	0.17	0.17	-
	WALKIE TALKIE	2022-26	2023-26	0.23	0.23	-
	Digital EPABX (1)	2022-23	2023-24	0.10	0.10	-
	TCV (Qty-1)	2023-24	2023-24	10.00	10.00	-
	EVD (Qty-1)	2025-26	2025-26	0.16	0.16	-
	FOSD (Qty-1)	2025-26	2025-26	0.11	0.11	-
	IDC			0.65	0.38	(0.27)
A5	<b>Furniture &amp; Fixtures</b>					
	P/o Ultra Violet Germicidal Irradiation (UVGI) Srinagar TB	2021-22	2021-22	0.21	0.21	-
	Airport Terminal Chairs - 102 numbers	2021-22	2021-22	0.68	0.68	-
A6	<b>Vehicles</b>					
	BDDS Vehicle for VSI Airport- (1 No.) transfer to Srinagar from Portblair	2021-22	2021-22	0.12	0.12	-
A7	<b>Electrical Installations</b>					
	DFMD (QTY-7)	2021-22	2021-22	0.12	0.12	-
	R/o Existing Taxiway & Apron Edge Light with LED	2021-22	2021-22	0.14	0.14	-
	6 Nos Hamam Tank for CISF at BSF Barrack	2021-22	2021-22	0.01	0.01	-
	Replacement of conventional light of Apron High Masts & faulty lights of terminal building with LED lights at Srinagar Airport	2022-23	2023-24	0.70	0.70	-
	Provision of Electrostatic air filters etc in AHUs as COVID-19 protective measures at Srinagar Int'l Airport, Srinagar	2022-23	2023-24	1.30	1.30	-
	Replacement of existing Chillers with Reversible	2023-24	2023-24	2.00	2.00	-

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S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
	Chillers (Chillers with Heat Pump) & associated works at Srinagar Airport					
	Entertainment TV	2025-26	2025-26	0.33	0.33	-
A8	<b>Office Appliances</b>					
	Digital photocopy	2021-25	2021-25	0.12	0.12	-
	Computer & UPS-5	2022-26	2023-26	0.29	0.29	-
	Printers (MFP)	2022-26	2023-26	0.04	0.04	-
	Scanners	2022-26	2023-26	0.02	0.02	-
A9	<b>XBIS</b>					
	XBIS (7 nos RB and 4 nos HB)	2022-23	2023-24	3.52	3.52	-
<b>Total</b>				<b>227.09</b>	<b>79.59</b>	<b>(147.50)</b>
<b>Financing Allowance</b>				<b>8.51</b>	<b>-</b>	<b>(8.51)</b>
<b>Grand Total</b>				<b>235.60</b>	<b>79.59</b>	<b>(156.01)</b>
<b>Year-wise Capitalization of Assets is as follows (₹ Crores):</b>						
FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	
2.13	0.43	28.75	0.21	48.08	<b>79.59</b>	

Note: Capital Expenditure amounting to ₹ 114.39 (proposed by AAI for Srinagar International Airport) has been considered on actual incurrence basis. The same is as follows:

- Construction of CISF Barracks- ₹ 47.73 Crores
- Densification of AAI Residential Colony- ₹ 66.66 Crores

\* There were calculation errors in AAI's estimate of the cost of Box Culvert (included under the cost of expansion of Apron), amounting to ₹ 28.04 Crores, which has later been rectified as ₹ 13.10 Crores.

The Authority proposes to consider capitalization of Aeronautical expenditure for Srinagar Airport for the Third Control Period as ₹ 79.59 Crores.

#### 6.4. Depreciation for the Third Control Period

##### AAI's submission of Depreciation for the Third Control Period for Srinagar Airport

6.4.1. Srinagar International Airport follows its approved rates of depreciation for different asset classes. While submitting the Multi-Year Tariff proposal for the Third Control Period for Srinagar International Airport, AAI has taken cognizance of the rates of depreciation approved by the Authority in previous tariff orders (Order No. 35 dated January 12, 2018, and Amendment No. 01 to Order No. 35 on 'Determination of Useful Life on Airport Assets'). Accordingly, the rates of depreciation approved by the Authority have been applied by Srinagar International Airport from FY 2018-19 onwards.

6.4.2. Depreciation has been computed separately on opening block of assets and on the proposed additions.

6.4.3. The depreciation amount proposed by Srinagar International Airport for the Third Control Period has been presented in the table below.

Table 34: Depreciation proposed by AAI for Srinagar International Airport for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Land	-	-	-	-	-	-
Runways/Taxiway/Apron	0.80	0.81	0.82	1.97	3.11	7.51
Roads Bridges & Culverts	-	-	-	-	-	-
Terminal Buildings	2.00	2.00	2.00	2.00	2.00	9.99
Temporary Building	-	-	-	-	-	-
Residential Building	0.14	0.14	0.14	0.14	0.14	0.71
Temporary Boundary Wall	0.00	0.00	0.00	0.00	0.00	0.00
Other Buildings	0.05	0.06	0.06	2.05	4.04	6.24
Computers & I.T. Hardware	0.03	0.02	0.00	-	-	0.06
Intangible Assets- Computer Software	0.00	0.00	0.00	0.00	0.00	0.02
Plant & Machinery	1.79	1.71	1.71	1.65	1.59	8.43
Tools & Equipment	0.23	1.07	2.22	2.56	2.58	8.66
Furniture-Office	0.06	0.13	0.13	0.13	0.13	0.58
Vehicles	0.13	0.14	0.14	0.14	0.09	0.62
Cars/Jeeps	-	-	-	-	-	-
Elect. Installations	0.92	1.03	1.23	1.33	1.22	5.74
Office Eqpt. & Appliances	0.43	0.44	0.46	0.29	0.10	1.72
F&F- Operational Area	0.10	0.10	0.09	0.09	0.05	0.43
ATM Furniture-Trolley	0.04	0.00	0.00	0.00	0.00	0.04
X-Ray Baggage Sys.	0.45	0.56	0.29	0.29	0.29	1.88
CFT & Fire Fighting Equip.	-	-	-	-	-	-
<b>TOTAL</b>	<b>7.17</b>	<b>8.20</b>	<b>9.29</b>	<b>12.63</b>	<b>15.33</b>	<b>52.62</b>

#### Authority's examination of Depreciation for the Third Control Period

- 6.4.4. The Authority notes that the Srinagar International Airport has calculated the depreciation for the Third Control Period based on the useful life of the asset with the Order No.35/ 2017-18 dated January 12, 2018. The Authority has reviewed the depreciation submitted by AAI for the Third Control Period with the rates as per the Order No.35/ 2017-18 dated January 12, 2018.
- 6.4.5. Based on changes in the allocation of opening gross block of assets and proposed capital expenditure, the Authority proposes the following depreciation for the Third Control Period.

Table 35: Depreciation proposed by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Apron	0.80	0.81	0.82	0.82	1.61	4.86
Terminal Buildings	2.00	2.00	2.00	2.00	2.00	9.99
Building Residential	0.14	0.14	0.14	0.14	0.14	0.71
Other Buildings - unclassified	0.05	0.05	0.05	0.05	0.05	0.26

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Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Computers & Peripherals – End User	0.03	0.03	0.00	-	-	<b>0.06</b>
Intangible Assets- Computer Software	0.02	0.00	0.00	0.00	0.00	<b>0.02</b>
Plant & Machinery	1.71	1.63	1.63	1.57	1.51	<b>8.06</b>
Tools & Equipment	0.23	0.24	0.95	1.65	1.67	<b>4.73</b>
Furniture-Office	0.06	0.13	0.13	0.13	0.13	<b>0.58</b>
Vehicles	0.13	0.13	0.13	0.13	0.09	<b>0.62</b>
Elect. Installations	0.91	0.93	1.13	1.33	1.22	<b>5.52</b>
Office Equipment & Appliances	0.44	0.43	0.45	0.45	0.08	<b>1.84</b>
F&F- Operational Area (other than Trolley)	0.10	0.10	0.09	0.09	0.01	<b>0.39</b>
ATM Furniture-Trolley	0.00	-	-	-	-	<b>0.00</b>
X-Ray Baggage System	0.45	0.45	0.17	0.29	0.29	<b>1.64</b>
<b>Total</b>	<b>7.05</b>	<b>7.08</b>	<b>7.69</b>	<b>8.65</b>	<b>8.79</b>	<b>39.26</b>

The Authority proposes to consider depreciation for Srinagar Airport for the Third Control Period as ₹ 39.26 Crores.

### 6.5. Regulatory Asset Base (RAB) for the Third Control Period

#### AAI's submission of RAB for Srinagar International Airport for the Third Control Period

6.5.1. AAI's submission of RAB for the Third Control Period for Srinagar International Airport is as follows:

*Table 36: RAB submitted by AAI for Srinagar International Airport for the Third Control Period*

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	86.88	81.84	105.1	108.32	284.39	
Additions	2.13	31.46	12.51	188.70	0.80	<b>235.60</b>
Disposal/Transfers	-	-	-	-	-	-
Depreciation	7.17	8.20	9.29	12.63	15.33	<b>52.62</b>
<b>Closing RAB</b>	<b>81.84</b>	<b>105.10</b>	<b>108.32</b>	<b>284.39</b>	<b>269.86</b>	
<b>Average RAB</b>	<b>84.36</b>	<b>93.47</b>	<b>106.71</b>	<b>196.36</b>	<b>277.13</b>	

#### Authority's examination of RAB for Srinagar International Airport for the Third Control Period

6.5.2. The Authority proposes to adopt the capitalization of Aeronautical Expenditure in accordance with Table 33 and the depreciation amounts in accordance with Table 35.

6.5.3. Based on the above factors, the RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Third Control Period is as follows:

*Table 37: RAB proposed to be considered by the Authority for the Third Control Period*

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB (1) (refer Table 10)	85.52	80.59	73.94	95.00	86.56	
Additions (2) (Refer Table 33)	2.13	0.43	28.75	0.21	48.08	<b>79.59</b>
Disposal/Transfers (3)	0	0	0	0	0	<b>0</b>
Depreciation (4) (refer Table 35)	7.05	7.08	7.69	8.65	8.79	<b>39.26</b>
<b>Closing RAB (5) = [(1) +(2) – (3) – (4)]</b>	80.59	73.94	95.00	86.56	125.85	
<b>Average RAB = [(1) + (5)]/2</b>	<b>83.05</b>	<b>77.26</b>	<b>84.47</b>	<b>90.78</b>	<b>106.20</b>	

The Authority proposes to consider Average RAB for the Srinagar Airport for the Third Control Period as detailed in Table 37.

#### **6.6. Authority’s proposal regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Third Control Period**

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period.

- 6.6.1. To consider allocation of gross block of assets as on April 1, 2021, between Aeronautical and Non-aeronautical assets as detailed in Table 27.
- 6.6.2. To adopt the capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 33.
- 6.6.3. To true up the Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Fourth Control Period.
- 6.6.4. To reduce (adjust) 1% of the uncanceled project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. Further, if the delay in completion of the project is due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the Fourth Control Period.
- 6.6.5. To consider depreciation as per Table 35 for the Third Control Period.
- 6.6.6. To true up Depreciation of the Third Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Fourth Control Period.
- 6.6.7. To consider average RAB for the Third Control Period for Srinagar Airport as per Table 37.
- 6.6.8. To true up the RAB based on actuals at the time of tariff determination for the Fourth Control Period.

## 7. FAIR RATE OF RETURN (FRoR) FOR THE THIRD CONTROL PERIOD

### 7.1. AAI's submission of Fair Return of Return for the Third Control Period for Srinagar Airport

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

#### Cost of Debt

7.1.2. The cost of debt submitted by AAI for the FRoR calculation of the Third Control Period pertaining to Srinagar International Airport is 6.21% per annum.

7.1.3. The outstanding debt and cost of debt as submitted by AAI for the Third Control Period for Srinagar International Airport is summarized in the table below:

*Table 38: Debt computation for the Third Control Period submitted by AAI*

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Opening debt	0.00	0.00	15.38	57.44	121.81
Closing debt	0.00	15.38	57.44	121.81	119.69
Average Debt	0.00	7.69	36.41	89.63	120.75
Cost of Debt (%)	6.21%	6.21%	6.21%	6.21%	6.21%

#### Cost of Equity

7.1.4. The cost of equity as submitted by AAI for the Third Control Period is 16% per annum.

7.1.5. The equity projections of Srinagar International Airport for the Third Control Period as submitted by AAI is summarized in the table below:

*Table 39: Equity computation for the Third Control Period submitted by AAI*

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Equity	208.10	224.42	254.55	297.67	298.47
Cost of Equity (%)	16%	16%	16%	16%	16%

#### Fair Rate of Return

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

*Table 40: FRoR for the Third Control Period submitted by AAI*

(₹ Crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Debt	A	0.00	15.38	57.44	121.81	119.69
Equity	B	208.10	224.42	254.55	297.67	298.47

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Debt + Equity	C	208.10	239.80	312.00	419.48	418.16
% of Debt	A/(A+B)	-	6%	18%	29%	29%
% of Equity	B/(A+B)	100%	94%	82%	71%	71%
Cost of Debt (%)	D	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity (%)	E	16%	16%	16%	16%	16%
Individual year of gearing	F	0	6%	18%	29%	29%
Weighted Average of gearing	G	16.50%				
FRoR	H= [(G*D)+(1-G)*E]	14.38%				

## 7.2. Authority's examination of FRoR for the Third Control Period

### Cost of Equity

7.2.1. The Authority has analyzed the cost of equity pertaining to Srinagar International Airport as submitted by AAI for the Third Control Period. The Authority acknowledges the debt availed by AAI for Srinagar International Airport in the Third Control Period and its impact on FRoR. However, the Authority is of the opinion that the gearing ratio is still suboptimal and does not justify a cost of equity of 16% per annum as submitted by AAI. The Authority has drawn reference to the independent studies conducted in the past for PPP airports (such as DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely IIM Bangalore), wherein an optimal gearing ratio of 48%:52% was considered. The independent study reports had been drawn from the international experience of airports, wherein the median and average Cost of Equity was determined as 15.16% and 15.18%, respectively. However, the Authority notes that the debt-equity ratio for Srinagar International Airport ranges between 6% to 29% in the Third Control Period, which is not relatable to the above optimal gearing ratio of 48%:52%, thereby the Authority does not see any merit in AAI's claim of 16% as Cost of Equity. Therefore, the Authority proposes to consider the Cost of Equity of 14% across the Third Control Period (as was also allowed in the Second Control Period).

7.2.2. Considering the changes in the capitalization plan for the Third Control Period and the cost of equity, the Authority has recalculated the equity computation of Srinagar International Airport and the same has been summarized in the table below:

*Table 41: Equity computation proposed to be considered by the Authority for the Third Control Period*

Particulars	(₹ Crores)				
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Equity	83.05	77.27	78.16	78.16	79.41
Cost of Equity (%)	14%	14%	14%	14%	14%

### Cost of debt

7.2.3. The Authority notes that AAI has considered capital expenditure funding where 60% of the capital requirement is funded through debt and 40% from internal accruals.

7.2.4. The Authority has recalculated the debt computation considering the total fund requirement as per the capitalization for the Third Control Period and the same is presented in the table below:

Table 42: Debt computation proposed to be considered by the Authority for the Third Control Period

(₹ Crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Opening debt	A	0.00	0.00	0.00	12.61	12.61
Drawdown (additional loan taken)	B	0.00	0.00	12.61	0.00	28.37
Repayment	C	0.00	0.00	0.00	0.00	0.00
Closing debt	D=A+B-C	0.00	0.00	12.61	12.61	40.98
Average debt	E= (A+D)/2	0.00	0.00	6.31	12.61	26.80
Cost of debt (%)		6.21%	6.21%	6.21%	6.21%	6.21%

**Fair Rate of Return**

7.2.5. The FRoR recalculated by the Authority after considering the analysis discussed above is shown as follows:

Table 43: Fair Rate of Return proposed to be considered by the Authority for the Third Control Period

(₹ Crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Debt	A	0.00	0.00	12.61	12.61	40.98
Equity	B	83.05	77.27	78.16	78.16	79.41
Debt + Equity	C= A+B	83.05	77.27	90.78	90.78	120.39
Cost of Debt	D	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity	E	14%	14%	14%	14%	14%
Individual Year Gearing	F	0%	0%	14%	14%	34%
Weighted Average Gearing	G	14.32%				
Cost of Debt	H	6.21%				
Cost of Equity	I	14%				
<b>FRoR</b>	$J = G*H + (1-G)*I$	<b>12.88%</b>				

**7.3. Authority's proposal regarding Fair Rate of Return (FRoR) for the Third Control Period**

Based on the material before it and based on its analysis, the Authority proposes the following with regard to FRoR for the Third Control Period.

- 7.3.1. To consider Cost of Debt at 6.21% as proposed by AAI.
- 7.3.2. To consider Cost of Equity at 14% as per Table 41.
- 7.3.3. To consider FRoR of 12.88% for Srinagar Airport for the Third Control Period as per Table 43.
- 7.3.4. To true up the FRoR while determining tariff for the next Control Period on the basis of actual weighted average gearing ratio.



## 8. INFLATION FOR THE THIRD CONTROL PERIOD

### 8.1. AAI's submission of Inflation for the Third Control Period for Srinagar Airport

8.1.1. AAI has not made any submission related to inflation as part of its MYTP submission for Srinagar International Airport for the Third Control Period.

### 8.2. Authority's examination on inflation for the Third Control Period

8.2.1. The Authority proposes to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 81" released on April 6, 2023 published by the Reserve Bank of India (RBI). Accordingly, the Authority decides to consider the actual Wholesale Price Index (All Commodities) inflation in FY 2022 and the mean of WPI inflation forecasts (All Commodities) for FY 2023 till FY 2026 as given in the 81<sup>st</sup> round of survey of professional forecasters on macroeconomic indicators of RBI.

8.2.2. The Authority has assumed that the inflation rate would be stable and remain constant from FY 2024 till FY 2026. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Third Control Period for Srinagar International Airport.

*Table 44: Inflation rates proposed by the Authority for the Third Control Period for Srinagar Airport*

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
WPI inflation	12.97%	9.6%	2.9%	2.9%	2.9%

### 8.3. Authority's proposal regarding inflation for the Third Control Period

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

8.3.1. To consider Inflation for the Third Control Period for Srinagar Airport as detailed in Table 44.

**9. OPERATION AND MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD****9.1. AAI's submission of Operation and Maintenance expenses for the Third Control Period for Srinagar Airport**

9.1.1. Operation and Maintenance (O&M) expenses submitted by AAI is segregated into the following:

- Payroll Expenses,
- Admin and General Expenditure,
- Repair and Maintenance Expenditure,
- Utilities and Outsourcing Expenditure, and
- Other outflows, i.e., Collection Charges on UDF

9.1.2. The expenses related to AAICLAS, ANS, and CISF Security, have not been considered by AAI.

9.1.3. AAI has segregated the expenses into Aeronautical expenses, Non-aeronautical expenses, and Common Expenses. The Common Expenses have been further segregated into Aeronautical and Non-aeronautical based on the relevant Ratios.

9.1.4. AAI submitted that the allocation of CHQ/RHQ expenses among individual airports has been done based on the revenue of each Airport.

9.1.5. The summary of Aeronautical O&M expenses proposed by Srinagar Airport for the Third Control Period has been presented in the table below:

*Table 45: Operation and Maintenance (O&M) expenditure submitted by AAI for Srinagar International Airport*

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Payroll Costs - Excluding CHQ/RHQ	10.41	11.14	11.92	12.75	13.62	<b>59.84</b>
Payroll Costs - CHQ/RHQ (retirement benefits)	1.47	1.57	1.68	1.80	1.92	<b>8.44</b>
Repair & Maintenance	9.95	10.95	12.05	13.47	14.79	<b>61.21</b>
Utilities & Outsourcing Expenses	4.12	4.25	4.38	4.52	4.66	<b>21.93</b>
Admin. & Other Expenses - Excluding CHQ/RHQ	3.66	4.49	4.89	5.33	5.36	<b>23.73</b>
Admin. & Other Expenses - CHQ/RHQ	32.70	34.33	36.05	37.85	39.74	<b>180.67</b>
Other Outflows	0.66	0.71	0.79	0.86	0.92	<b>3.94</b>
<b>Total O&amp;M Expenditure</b>	<b>62.97</b>	<b>67.44</b>	<b>71.76</b>	<b>76.58</b>	<b>81.01</b>	<b>359.76</b>

9.1.6. The summary of growth rates assumed by AAI for the O&M expenses have been presented in the table below:

*Table 46: Growth rates in O&M expenditure submitted by Srinagar International Airport*

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
Payroll Costs - Excluding CHQ/RHQ	7%	7%	7%	7%	7%
Payroll Costs - CHQ/RHQ	-	7%	7%	7%	7%
Utilities & Outsourcing Expenses	3%	3%	3%	3%	3%

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Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
Admin. & Other Expenses - Excluding CHQ/RHQ	10%	10%	10%	10%	10%
Admin. & Other Expenses - CHQ/RHQ	5%	5%	5%	5%	5%

9.1.7. Further, the summary of allocation of expenses between Aeronautical and Non-aeronautical as proposed by AAI is given in the table below:

*Table 47: Allocation of O&M expenses submitted by AAI for Srinagar International Airport for FY 2020-21*

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	98.28%	1.72%
Payroll Costs –CHQ/RHQ	98.28%	1.72%
Repair & Maintenance – Civil	93.47%	6.53%
Repair & Maintenance – Electricity	93.47%	6.53%
Repair & Maintenance - IT	93.47%	6.53%
Utilities	100%	0%
Upkeep Expenses	93.47%	6.53%
Admin. & Other Expenses - Excluding CHQ/RHQ	98.46%	1.54%
Admin. & Other Expenses - CHQ/RHQ	95%	5%
Other Outflows	100%	0%

## 9.2. Authority’s examination of Operation and Maintenance expenses for the Third Control Period

9.2.1. The Authority has considered the data for FY 2021-22 (which is the first Tariff Year of the Third Control Period) based on actuals. The Authority observes that the O&M expenses approved by AERA in the tariff order for the Second Control Period for Srinagar Airport was for ₹ 134.5 Crores (refer Table 14), against which actual expenses of ₹ 219.90 Crores (refer Table 13) was submitted by AAI for Srinagar Airport for true up of the Second Control Period. The Authority examined the above actual O&M expenses and has proposed ₹ 176.01 Crores (refer Table 18) to be trued up for the Second Control Period. However, AAI has submitted its O&M expenses for Srinagar International Airport for the Third Control Period for ₹ 359.76 Crores, which is 104% higher than the O&M expenses approved by the Authority for true up of the Second Control Period (which is for ₹ 176.01 Crores).

### Allocation of O&M expenses to Aeronautical and Non-aeronautical activities

9.2.2. The Authority examined the allocation of Operational and Maintenance expenses by AAI between Aeronautical and Non-aeronautical activities for Srinagar International Airport. The same is explained in the following paragraphs.

9.2.3. AAI has segregated the payroll expenses excluding CHQ/RHQ between Aeronautical and Non-Aeronautical in the employee ratio of 98.28%: 1.72% for FY 2020-21, which was derived based on the headcount of aeronautical and Non-Aeronautical staff within the airport. Based on the review of

the above assumptions, the Authority considers the basis of apportionment by AAI to be appropriate.

9.2.4. AAI has segregated the expenses towards utilities between Aeronautical and Non-aeronautical after considering the recoveries made from the Concessionaires. Based on the review of the above assumptions, the Authority considers the basis of apportionment by AAI to be appropriate.

9.2.5. Upkeep expenses (included under Administrative and General Expenses) and Repairs & Maintenance (Civil and Electrical) have been apportioned in the ratio of Terminal Building by AAI which is 93.47%: 6.53% However, the Authority proposes to re-allocate the above expenses in the Terminal Building ratio of 90%:10%, as detailed in para 6.3.10.

9.2.6. Based on the above factors, the Authority has determined the following basis for allocation of expenses, which is as follows:

*Table 48: Allocation of O&M expenses proposed to be considered by Authority for Srinagar International Airport for FY 2020-21*

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	98.28%	1.72%
Payroll Costs –CHQ/RHQ	98.28%	1.72%
Repair & Maintenance – Civil	90%	10%
Repair & Maintenance – Electricity	90%	10%
Repair & Maintenance - IT	90%	10%
Utilities	100%	0%
Upkeep Expenses	90%	10%
Admin. & Other Expenses - Excluding CHQ/RHQ	98.46%	1.54%
Other Outflows	100%	0%

#### **Payroll expenses**

9.2.7. AAI considered a growth rate of 7% in payroll expenses for the period 2021-22 to 2025-26. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, and the austerity measures, the Authority proposes to consider a growth rate of 6% year on year in payroll expenses for the Third Control period beginning from FY 2022-23 (considering FY 2021-22 as the base). The above restriction in the growth rate in payroll expenses, is being proposed with the perspective of rationalising the costs of the Airport. The Authority proposes to consider the growth rate of only 6% of payroll expenses other than CHQ and RHQ, for all the 5 years in the Third Control Period.

#### **CHQ/ RHQ Administration and General expenses**

9.2.8. The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Srinagar International Airport for the Third Control Period. Based on the methodology and justification explained under para 4.7.4 (a) and (b) of this Consultation Paper, the Authority has rationalized the CHQ and RHQ-Administration and General Expenses, projected by AAI for Srinagar International Airport for the Third Control Period. The same is presented in Table 49.

#### **Repairs and Maintenance expenses**

9.2.9. The Authority notes that AAI has proposed an increase of 10% year- on- year on repair and maintenance

expenditure for the Third Control Period. The Authority is of the view that Srinagar International Airport is extending its Apron. As the Airport has a blend of new and old assets, the overall R&M costs is expected to be lesser than that claimed by AAI. Therefore, the Authority proposes to limit the repairs and maintenance costs to the extent of 6% of the opening RAB (Net Block) for the Third Control Period. Further, the Authority notes that AAI has incurred snow clearing expenses amounting to ₹ 2.29 Crores (₹ 1.21 Crores in FY 2021-22 and ₹ 1.08 Crores in FY 2022-23) for the Third Control Period. The Authority proposes to consider the actual snow clearing expenses for FY 2021-22 and FY 2022-23 and actual expense of FY 2022-23 (₹ 1.08 Crores) for the period from FY 2023-24 to FY 2025-26. Considering the fact that Srinagar International Airport is a hard station Airport and has peculiar climatic conditions (as explained in para 4.7.4), the Authority proposes to consider the snow clearing expense of ₹ 5.54 Crores in addition to the Repair and Maintenance expenses rationalized by the Authority (by limiting it to 6% of Opening RAB of each tariff year) for the Third Control Period.

#### **Administration and General expenses (other than CHQ/ RHQ and upkeep expenses)**

9.2.10. The Authority notes that AAI has projected a 10% increase in Administration and General expenses (other than CHQ/ RHQ and upkeep expenses) year-on-year, which the Authority proposes to consider for the Third Control Period.

#### **Expenses towards Utilities**

9.2.11. The Authority examined the expenses towards utilities and noted the following:

**Power expenses:** AAI has projected the power costs, after netting off the recoveries made from the Concessionaires (which is assumed to be 10% of the total power costs). The Authority notes that the power recovery percentage is significantly lower than that of comparable airports. The Authority is of the view that with the gradual increase in the Non-aeronautical operations, AAI should increase the power recovery from the Concessionaires. Accordingly, the Authority proposes to consider power recoveries at a notional rate of 25%, while determining tariff for the next Control Period. The Authority invites stakeholder comments on the same and proposes to analyse this further in the Tariff Order for the Third Control Period.

The Authority notes that AAI has increased the net power costs of FY 2020-21 by 3% year-on-year for the Third Control Period, which the Authority proposes to consider for determining O&M expenses for the Third Control Period.

#### **Upkeep expenses**

9.2.12. The Authority is of the view that for upkeep expenses, an increase towards inflationary effect should only be considered, instead of the 10% increase year-on-year as proposed by AAI, as these are contractual expenses, wherein the rates have been finalized for the entire contract period. The Authority notes that there may be revision to the Minimum Wages payable to the manpower, in accordance with the statutory requirements. However, the Authority is of the view that upkeep expenses is a composite cost which includes cost of materials and manpower. Based on the above factors, the Authority proposes to consider only the inflationary effect (refer Table 44) on Upkeep expenses year-on-year across the third control period, as also followed in other similar airports.

#### **Collection charges on UDF**

9.2.13. For other outflows, i.e., Collection Charges on UDF, AAI considered the growth rate to be the same as that of passenger traffic. The Authority proposes to use the same fundamental approach, as it finds the same to be a reasonable driver.

9.2.14. Based on the above observations, the Authority has determined the O&M expenses, which it

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proposes to consider in the Third Control Period. The same has been presented as follows:

*Table 49: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Third Control Period*

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22*	2022-23*	2023-24	2024-25	2025-26	
Payroll Costs - Excluding CHQ/RHQ	10.06	10.72	11.36	12.05	12.75	<b>56.94</b>
Payroll Costs - CHQ/RHQ	0.29	0.31	0.32	0.34	0.36	<b>1.62</b>
Repair & Maintenance	6.34	5.92	5.52	6.78	6.28	<b>30.84</b>
Utilities & Outsourcing Expenses	5.04	5.20	5.36	5.53	5.70	<b>26.83</b>
Upkeep Expenses	1.99	2.18	2.25	2.31	2.38	<b>11.11</b>
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	1.84	2.48	2.68	2.90	2.69	<b>12.59</b>
Admin. & Other Expenses - CHQ/RHQ	21.88	22.98	24.12	25.33	26.60	<b>120.91</b>
Other Outflows	0.10	0.13	0.15	0.17	0.19	<b>0.73</b>
<b>Total O&amp;M Expenditure</b>	<b>47.54</b>	<b>49.92</b>	<b>51.77</b>	<b>55.41</b>	<b>56.94</b>	<b>261.57</b>

\*The Authority has considered the Actual expenses for FY 2021-22 and FY 2022-23.

9.2.15. Based on above considerations, the Authority proposes the following growth rates in Operation and Maintenance expenses, as compared to the previous year's actuals/ projections.

*Table 50: Growth rates in O&M expenses considered by the Authority for the Third Control Period*

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
Payroll Costs - Excluding CHQ/RHQ	-	6%	6%	6%	6%
Payroll Costs - CHQ/RHQ	-	5%	5%	5%	5%
Utilities & Outsourcing Expenses	-	3%	3%	3%	3%
Upkeep Expenses	-	9.6%	2.9%	2.9%	2.9%
Administration & General Expenses - Excluding CHQ/RHQ and Upkeep expenses	-	10%	10%	10%	10%
Administration & General Expenses - CHQ/RHQ	-	5%	5%	5%	5%

### 9.3. Authority's proposal regarding Operation and Maintenance expenses for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to O&M expenses for the Third Control Period.

9.3.1. To consider O&M expenses for the Third Control Period for Srinagar Airport as per Table 49.

**10. NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD****10.1. AAI's submission of Non-Aeronautical Revenue for the Third Control Period for Srinagar International Airport**

10.1.1. AAI has forecasted revenue from services other than Aeronautical services for Srinagar International Airport as below:

*Table 51: Non-aeronautical revenue projections submitted by AAI for Srinagar International Airport  
(₹ Crores)*

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
<b>1. Passenger related revenue</b>						
Restaurant / snack bars	1.65	2.40	2.64	2.90	3.19	<b>12.79</b>
T.R. stall	1.13	1.35	1.48	1.63	1.79	<b>7.38</b>
Hoarding & display	1.19	2.63	2.89	3.18	3.50	<b>13.39</b>
Car parking	0.27	0.32	0.35	0.39	0.43	<b>1.75</b>
Admission tickets	0.06	0.06	0.07	0.08	0.08	<b>0.35</b>
Other Misc. Income	0.53	0.55	0.58	0.61	0.64	<b>2.90</b>
<b>2. Other Revenue</b>						
Building (residential)	0.00	0.00	0.00	0.00	0.01	<b>0.01</b>
Building (non-residential)	3.06	3.29	3.53	3.80	4.08	<b>17.75</b>
<b>Total</b>	<b>7.89</b>	<b>10.60</b>	<b>11.55</b>	<b>12.58</b>	<b>13.72</b>	<b>56.33</b>

10.1.2. The growth rates assumed by AAI have been presented in the table below.

*Table 52: Growth rates assumed by AAI for Srinagar International Airport for Non-aeronautical revenue*

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
<b>1. Passenger related revenue</b>					
Restaurant / snack bars	-54.25%	45.44%	10.00%	10.00%	10.00%
T.R. stall	59.82%	18.68%	10.00%	9.99%	10.00%
Hoarding & display	-12.09%	120.01%	10.00%	10.00%	10.00%
Car parking	36.80%	18.47%	9.99%	10.02%	9.99%
Admission tickets	10.00%	10.00%	10.00%	10.00%	10.00%
Other Misc. Income	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2. Other Revenue</b>					
Building (residential)	10.00%	10.00%	10.00%	10.00%	10.00%
Building (non-residential)	133.32%	7.50%	7.50%	7.50%	7.50%

**10.2. Authority's examination of Non-aeronautical revenue for the Third Control Period**

10.2.1. The Authority notes that AAI's projection of Non-aeronautical revenues for the Third Control Period for Srinagar Airport (₹ 56.33 Crores) is lesser than the actual revenue reported by Srinagar Airport for true up of the Second Control Period (which is at ₹ 68.71 Crores).

While examining the same, the Authority notes that Srinagar International Airport is a Hard Station

NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

Airport, which has only minimal international traffic. Further, there is no prospect of any major growth happening at the Airport to attract more passengers, whereby, no significant increase in the Non-aeronautical revenues have been projected by AAI for Srinagar International Airport for the Third Control Period.

10.2.2. The Authority has considered the actual Non-aeronautical revenues for FY 2021-22 and FY 2022-23 up to February, 2023 (as NAR of FY 2022-23 is considered as a basis for projecting Non-aeronautical revenues for the remaining tariff years of the Third Control Period).

10.2.3. Further, the Authority notes that the projections towards Operation and Maintenance expenses for the Third Control Period have increased substantially, as compared to the Non-aeronautical revenues. The Authority would like the stakeholders to comment on the above aspect.

**Revenue from Passenger related services**

10.2.4. Considering the positive outlook of the GDP growth predicted by the GoI, increase in the consumer spending pattern and passenger traffic, the Authority proposes to consider a growth rate of 15% in the revenues from Passenger related revenue (Trading Concessions) for FY 2023-24 to FY 2025-26.

10.2.5. The Authority has considered actual Non-Aeronautical revenue for the FY 2021-22 and for FY 2022-23 (YTD February 2023) for determining Non-aeronautical revenue for the Third Control Period.

**Other revenue – Rent and Services**

10.2.6. The Authority notes that AAI has assumed 10% Y-O-Y increase in revenue from Building (residential) and 7.5% Y-O-Y increase in revenue from Building (Non-residential). The Authority proposes to consider the same for determining NAR for the Third Control Period for Srinagar International Airport. Further, the Authority has considered the actual revenue for the FY 2021-22 and for FY 2022-23 (YTD February 2023), as mentioned in para 10.2.5.

10.2.7. Based on the Authority’s examination, the NAR determined for Srinagar International Airport for the Third Control Period have been presented in the table below:

*Table 53: Non-aeronautical revenues proposed by the Authority for Srinagar International Airport for the Third Control Period*

(₹ Crores)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
<b>1. Passenger related revenue</b>						
Restaurant / snack bars	1.29	4.44	5.11	5.87	6.76	<b>23.47</b>
T.R. stall	1.26	2.94	3.38	3.89	4.48	<b>15.95</b>
Hoarding & display	1.49	2.78	3.19	3.67	4.22	<b>15.35</b>
Car parking	0.28	0.55	0.63	0.73	0.83	<b>3.02</b>
Admission tickets	0.03	0.01	0.02	0.02	0.02	<b>0.10</b>
Other Misc. Income	1.05	1.02	1.17	1.35	1.55	<b>6.13</b>
<b>2. Other revenue</b>						
Building (residential)	0.00	0.00	0.00	0.00	0.00	<b>0.01</b>
Building (non-residential)	2.21	2.23	2.40	2.58	2.77	<b>12.19</b>
<b>Total</b>	<b>7.61</b>	<b>13.97</b>	<b>15.90</b>	<b>18.11</b>	<b>20.63</b>	<b>76.22</b>

\* The Authority has considered the actual revenue for the FY 2021-22 and for FY 2022-23 (YTD February 2023)



10.2.8. The revised growth rates as per Authority's examination have been presented in the table below:

*Table 54: Growth rates in Non-aeronautical revenue proposed by the Authority*

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26
<b>1. Passenger related revenue</b>					
Restaurant / snack bars	-	-	15.00%	15.00%	15.00%
T.R. stall	-	-	15.00%	15.00%	15.00%
Hoarding & display	-	-	15.00%	15.00%	15.00%
Car parking	-	-	15.00%	15.00%	15.00%
Admission tickets	-	-	15.00%	15.00%	15.00%
Other income	-	-	15.00%	15.00%	15.00%
<b>2. Other Revenue</b>					
Building (residential)	-	-	10.00%	10.00%	10.00%
Building (non-residential)	-	-	7.50%	7.50%	7.50%

*\* Growth rates have not been derived for FY 2021-22 and FY 2022-23, as the NAR for these years have been considered based on actuals.*

### **10.3. Authority's proposal regarding Non-aeronautical revenues for the Third Control Period**

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Non-aeronautical revenue for the Third Control Period.

10.3.1. To consider Non-aeronautical revenues for the Third Control Period for Srinagar Airport in accordance with Table 53.

## 11. TAXATION FOR THE THIRD CONTROL PERIOD

### 11.1 AAI's submission of Taxation for the Third Control Period for Srinagar Airport

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

*Table 55: Tax Expense submitted by AAI for Srinagar International Airport for the Third Control Period*

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Aeronautical Revenue with Revised Rates	66.90	105.88	195.77	273.33	371.51	<b>1,013.38</b>
O&M expenses	70.15	75.65	81.04	89.22	96.36	<b>412.41</b>
Interest on working capital	-	-	-	-	-	-
Depreciation	8.35	9.65	11.54	21.99	30.32	<b>81.85</b>
<b>Profit Before Tax</b>	<b>(11.60)</b>	<b>20.58</b>	<b>103.18</b>	<b>162.12</b>	<b>244.84</b>	<b>519.12</b>
Set-off of prior period tax losses	-	(20.58)	(103.18)	(22.17)	-	<b>(145.93)</b>
PBT after set-off of prior period losses	(11.60)	-	-	139.95	244.84	<b>373.19</b>
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	-	-	35.23	61.63	<b>96.85</b>

### 11.2 Authority's examination of Taxation for the Third Control Period

11.2.1. The Authority notes that Srinagar International Airport has calculated income tax based on the projected Aeronautical revenues. The Authority has re-computed the taxes based on the revised regulatory blocks for the Third Control Period proposed in the previous chapters. The following table summarizes the Aeronautical taxes proposed by the Authority for the Third Control Period.

*Table 56: Taxation proposed to be considered by the Authority for the Third Control Period*

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Aeronautical Revenue (refer Table 63)	66.90	92.68	149.28	274.50	316.73	<b>900.09</b>
O&M expenses (refer Table 49)	47.54	49.92	51.77	55.41	56.94	<b>261.57</b>
Depreciation	8.28	7.32	8.53	9.53	11.82	<b>45.48</b>
<b>Profit Before Tax</b>	<b>11.08</b>	<b>35.44</b>	<b>88.98</b>	<b>209.56</b>	<b>247.98</b>	<b>593.04</b>
Set-off of prior period tax losses*	(11.08)	(35.44)	(48.13)	0.00	0.00	<b>(94.64)</b>
PBT after set-off of prior period tax losses	0.00	0.00	40.86	209.76	247.98	<b>498.60</b>
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	0.00	0.00	10.28	52.75	62.42	<b>125.45</b>

\*Prior period losses pertain to those incurred during FY 2015-16 to FY 2020-21.

### 11.3 Authority's proposal regarding Taxation for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Tax Expense for the Third Control Period.

- 11.3.1. To consider the Taxation for the Third Control Period for Srinagar Airport as per Table 56.
- 11.3.2. To true up the aeronautical tax amount appropriately, taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

**12. QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD**

**12.1 AAI’s submission of Quality of Service for the Third Control Period for Srinagar Airport**

12.1.1. Srinagar International Airport has not made any submission related to Quality of Service as part of its MYTP submission. The Authority was informed that the same is available in AAI’s website (station-wise).

**12.2 Authority’s examination regarding Quality of Service for the Third Control Period**

12.2.1 The Authority notes that:

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

12.2.2 The Authority noted from AAI’s website that the ACI ASQ survey results for Srinagar International Airport for the years 2018 to 2022 have been in the range of 4.30 to 4.83 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.72.

*Table 57: ASQ rating for Srinagar International Airport for the years 2018-2020*

<b>Calendar Year (CY)</b>	<b>ASQ rating</b>
2018	4.68
2019	4.36
2020	4.83
2021*	-
2022	4.30
2023 (Q1)	4.52

\* ASQ survey was not conducted during the year 2021.

12.2.3 The Authority notes that the ASQ rating awarded to Srinagar International Airport is quite close to the average rating of the AAI airports.

12.2.4 Also, the Authority reviewed the MoU between AAI and MoCA for the FY 2019-20 and noted that the ASQ rating target for FY 2019-20 was 4.68. The actual ASQ rating achieved by Srinagar International Airport for CY 2019 was 4.36.

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

**12.3 Authority’s proposal regarding Quality of Service for the Third Control Period**

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

12.3.1. Not to consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service.

### 13. AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

#### 13.1. AAI's submission of Aggregate Revenue Requirement for the Third Control Period for Srinagar Airport

13.1.1 AAI has submitted ARR and Yield per Passenger (YPP) for the Third Control Period as per the regulatory building blocks discussed.

13.1.2 The summary of ARR and YPP has been presented in the table below.

Table 58: ARR submitted by AAI for Srinagar International Airport for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Average RAB	84.36	93.08	105.78	195.27	276.04	<b>754.53</b>
Fair Rate of Return	14%	14%	14%	14%	14%	14%
Return on average RAB	11.81	13.03	14.81	27.34	38.65	<b>105.64</b>
Return on average RAB for Financing Allowance	0.03	0.03	0.03	0.03	0.02	<b>0.14</b>
O&M expenses	62.97	67.44	71.76	76.59	81.03	<b>359.79</b>
Depreciation	7.17	8.20	9.29	12.63	15.33	<b>52.62</b>
Tax expense	-	-	-	35.23	61.63	<b>96.85</b>
Less: 30% NAR	2.37	3.18	3.46	3.77	4.11	<b>16.90</b>
<b>ARR per year (₹ Crores)</b>	<b>79.62</b>	<b>85.53</b>	<b>92.42</b>	<b>148.03</b>	<b>192.54</b>	<b>598.14</b>
Discount factor (@ 14%)	1	0.88	0.77	0.68	0.59	
PV of ARR	79.62	75.27	71.16	100.66	113.60	<b>440.31</b>
Sum Present value of ARR (₹ Crores)	<b>440.31</b>					
Add: True up shortfall of Second Control Period claimed by AAI	523.42					
Total Traffic (million passengers)	9.46					
<b>Yield per passenger (YPP) (₹)</b>	<b>1,014.46</b>					

#### 13.2. Authority's examination of Aggregate Revenue Requirement (ARR) for the Third Control Period

13.2.1. The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. With respect to each element of the regulatory building blocks considered by AAI in computation of ARR and Yield in the table above, the Authority proposes as follows:

- To consider the average RAB in accordance with Table 37
- To consider the FRoR in accordance with Table 43.
- To consider the Depreciation as per Table 35.
- To consider the O&M expenses as per Table 49.
- To consider the Tax expense as per Table 56.
- To consider the Non-aeronautical revenue as per Table 53.

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

- To consider True up of Second Control Period as per Table 21.
- To consider the total traffic in accordance with Table 25.

13.2.2. After considering the above, the Authority proposes the following ARR and YPP, as presented in the table below.

*Table 59: ARR proposed to be considered by the Authority for the Third Control Period*

(₹ Crores)

Particulars	Table Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB (A)	37	83.05	77.26	84.47	90.78	106.20	
Fair Rate of Return (B)	43	12.88%	12.88%	12.88%	12.88%	12.88%	
Return on average RAB (C) = A*B		10.70	9.957	10.88	11.70	13.68	<b>56.92</b>
Depreciation (D)	35	7.05	7.08	7.69	8.65	8.79	<b>39.26</b>
O&M expenses (E)	49	47.54	49.92	51.77	55.41	56.94	<b>261.57</b>
Tax expense (F)	56	0.00	0.00	10.28	52.75	62.42	<b>125.45</b>
<b>ARR per year = SUM (C:F)</b>		<b>65.29</b>	<b>66.95</b>	<b>80.62</b>	<b>128.51</b>	<b>141.83</b>	<b>483.20</b>
Shortfall carried forward from Second Control Period	21	383.76					
Gross ARR (G)		<b>449.05</b>	<b>66.95</b>	<b>80.62</b>	<b>128.51</b>	<b>141.83</b>	<b>866.96</b>
NAR	53	7.61	13.97	15.90	18.11	20.63	<b>76.22</b>
Less: 30% NAR (H)		2.28	4.19	4.77	5.43	6.19	<b>22.87</b>
Net ARR = (G-H)		446.77	62.76	75.85	123.07	135.64	<b>844.10</b>
Discount factor (@ 12.91%)		1	0.89	0.78	0.70	0.62	
PV of ARR (₹ Crores)		446.77	55.60	59.53	85.56	83.53	<b>730.98</b>
Sum Present value of ARR (₹ Crores)				730.98			<b>730.98</b>
Total Traffic (million passengers)	25			24.23			<b>24.23</b>
Yield per passenger on Total Traffic (YPP) (₹)				301.64			<b>301.64</b>
Departing passenger				12.12			<b>12.12</b>
Yield per Departing Passenger (₹)				603.28			<b>603.28</b>

### 13.3. Authority's proposal regarding Aggregate Revenue Requirement (ARR) for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to ARR for the Third Control Period.

13.3.1 To consider the ARR and Yield for the Third Control Period for Srinagar Airport in accordance with Table 59.

**14. AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD****14.1. AAI's submission of Aeronautical Revenue for the Third Control Period for Srinagar Airport**

14.1.1. AAI has proposed to consider a YoY increase in Aeronautical Revenues based on the growth rates in Traffic as proposed by AAI for all the traffic related revenues i.e., Parking & Housing, UDF, Ground handling and CUTE revenues.

14.1.2. For revenues based on agreements i.e., Land lease from oil companies, AAI has proposed to consider the same revenue of FY 2020-21 for FY 2021-22, and a 7.5% growth increase YoY from FY 2022-23.

14.1.3. AAI has proposed to increase the Aeronautical tariffs with effect from October 1, 2021 as per the schedule below:

- **Parking charges** - For domestic and international ATM, AAI has proposed a one-time increase of 50% from the existing charges w.e.f. October 1, 2022 and thereafter by 10% year on year.
- **User Development Fee (UDF)** – AAI has proposed the following growth rates in UDF from the existing rates of ₹ 394 (Domestic) and ₹ 787 (International) for the Third Control Period.

*Table 60: % Increase in UDF rates proposed by AAI*

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
Domestic UDF	0%	100%	46%	46%	46%
International UDF	0%	10%	5%	5%	5%

*Table 61: Aeronautical revenue submitted by AAI for Srinagar International Airport for the Third Control Period*

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Parking charges	0.08	0.10	0.15	0.18	0.20	<b>0.71</b>
UDF charges	62.39	101.26	216.83	348.23	542.89	<b>1,271.60</b>
Land Lease from Oil Companies	0.26	0.28	0.30	0.32	0.35	<b>1.51</b>
Ground Handling charges	0.46	0.12	0.13	0.14	0.14	<b>0.98</b>
CUTE charges	3.00	3.25	4.81	5.29	5.66	<b>22.01</b>
Revenue Share from AAICLAS	0.66	0.82	0.91	1.00	1.10	<b>4.49</b>
Extension of Watch Hours	0.04	0.04	0.05	0.06	0.08	<b>0.28</b>
<b>Total Revenue</b>	<b>66.89</b>	<b>105.87</b>	<b>223.18</b>	<b>355.22</b>	<b>550.42</b>	<b>1,301.58</b>

**14.2. Authority's examination of Aeronautical Revenue for the Third Control Period**

14.2.1 The Authority notes that Srinagar International Airport had been a Non-Major Airport during FY 2020-21 (as stated in para 1.2.4). It became a Major Airport vide MoCA's Order No. S.O. 4606(E) dated November 05, 2021. Further, AAI has submitted the MYTP for the Third Control Period commencing from FY 2021-22 to FY 2025-26 for Srinagar International Airport on June 01, 2022 i.e. after a gap of six months from the date MoCA notified Srinagar Airport as a Major Airport, thereby resulting only in lesser tariff years being available for recovery of the ARR. Therefore, the Authority notes that a complete recovery of ARR in the Third Control Period, would require a significant increase in tariffs, which may not be fair to all stakeholders and may be counter-productive for the growth of the Aviation

Industry.

14.2.2 Based on the above analysis, the Authority proposes to revise the Parking charges and UDF in a progressive manner from FY 2023-24 w.e.f October 1, 2023.

14.2.3 The Authority proposes to allow the following tariff towards UDF for the Third Control Period for Srinagar International Airport.

*Table 62: UDF charges proposed by the Authority for Srinagar Airport for the Third Control Period*

Passenger	FY 2021-22 (existing rates)	FY 2022-23 (existing rates)	FY 2023-24 (01.04.2023 to 30.09.2023)	FY 2023-24 (01.10.2023 to 31.03.2024)	FY 2024-25	FY 2025-26
Domestic (in ₹)	394	394	394	750	960	990
International (in ₹)	787	787	787	1,200	1,300	1,400

14.2.4 Also, the Authority proposes to consider a one-time increase of 50% in the Domestic and International Parking charges w.e.f. October 1, 2023 and increase by 10% thereafter, year on year till FY 2025-26.

14.2.5 The Authority has determined the Aeronautical revenue based with the proposed Aeronautical charges as follows:

*Table 63: Aeronautical revenues and Shortfall proposed to be considered by the Authority for the Third Control Period*

(₹ Crores)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
<b>Total PV of ARR including true up (₹ in Crores) (a) (as per Table 59)</b>	730.98					<b>730.98</b>
<b>Aeronautical Revenue</b>						
Parking Charges (₹ in Crores)	0.08	0.10	0.14	0.21	0.26	<b>0.79</b>
Land Lease - Oil Companies (₹ in Crores)	0.26	0.28	0.30	0.32	0.35	<b>1.51</b>
Ground handling charges (₹ in Crores)	0.46	0.14	0.16	0.18	0.20	<b>1.14</b>
CUTE charges (₹ in Crores)	3.00	4.19	6.19	6.93	7.76	<b>28.06</b>
Royalty from AAICLAS (₹ in Crores)	0.66	0.82	0.91	1.00	1.10	<b>4.49</b>
Extension of Watch Hours	0.04	0.05	0.06	0.07	0.09	<b>0.32</b>
UDF Domestic (₹ in Crores)	62.05	86.64	140.88	264.81	305.86	<b>860.24</b>
UDF International (₹ in Crores)	0.34	0.46	0.65	0.98	1.12	<b>3.54</b>
<b>Total Revenue (b)</b>	<b>66.90</b>	<b>92.68</b>	<b>149.28</b>	<b>274.50</b>	<b>316.73</b>	<b>900.09</b>
PV factor	1.00	0.89	0.78	0.70	0.62	
<b>PV of Aero Revenue (c)</b>	<b>66.90</b>	<b>82.11</b>	<b>117.15</b>	<b>190.83</b>	<b>195.06</b>	<b>652.03</b>
<b>∑ PV Projected Aero Revenue (d)</b>	652.03					<b>652.03</b>
<b>Surplus/ (Shortfall) proposed to be carried forward for Next Control Period (d) – (a) (as on March 31, 2022)</b>	(78.95)					<b>(78.95)</b>

\*Actual revenue considered for FY 2021-22 and FY 2022-23.

14.2.6 As can be observed from the above table, as per the Authority's proposals, AAI is entitled to recover an ARR of ₹ 730.98 Crores. The present value of total projected Aeronautical revenues based on the Authority's proposed Parking and UDF charges is ₹ 652.03 Crores, thus resulting in



a net shortfall of ₹ 78.95 Crores.

- 14.2.7 The Authority notes that Srinagar International Airport is a Civil Enclave airport, which has limitations on the timing of operations. Further, AAI has projected minimal International traffic for the current Control Period. The existing low traffic base is not sufficient to recover the ARR, which has resulted on account of higher O&M expenses projected for the current control period, the under-recovery pertaining to the First Control Period and the Second Control Period.

Therefore, the Authority with a view to not burden the Airport Users with excessive tariff at this juncture, proposes to levy Parking and UDF charges in a progressive manner and carry-forward the shortfall of ₹ 78.95 Crores (as per Table 63) to the subsequent Control Period.

The Authority proposes to adjust the above shortfall based on the Aeronautical revenue achieved by Srinagar International Airport in line with the actual traffic data of the Third Control Period, while determining tariff for the Fourth Control Period

### **14.3. Authority's proposal regarding Aeronautical Revenue for the Third Control Period**

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Aeronautical Revenue for the Third Control Period.

- 14.3.1. To consider Aeronautical revenue for the Third Control Period for Srinagar Airport as per Table 63.
- 14.3.2. To true up Aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.

## 15. SUMMARY OF AUTHORITY'S PROPOSALS

### Chapter 4: True Up of the Second Control Period

- 4.11.1 To consider capital additions as detailed in Table 8 for true up of the Second Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 9 for true up of the Second Control Period.
- 4.11.3 To consider RAB as per Table 10 for true up for the Second Control Period.
- 4.11.4 To consider the Non-aeronautical revenues as presented in Table 11 for the purpose of true up of the Second Control Period.
- 4.11.5 To consider the O&M expenses as detailed in Table 18 for the purpose of true up of the Second Control Period.
- 4.11.6 To consider actual Aeronautical revenue as per Table 20 for true up of the Second Control Period for Srinagar Airport.
- 4.11.7 To consider ARR and Under-recovery as detailed in Table 21 for true up of the Second Control Period for Srinagar Airport and readjust the shortfall for the Third Control Period.

### Chapter 5: Traffic for the Third Control Period

- 5.3.1 To consider the ATM and passenger traffic for the Third Control Period for Srinagar Airport as per Table 25.
- 5.3.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Third Control Period while determining tariff for the Fourth Control Period.

### Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Third Control Period

- 6.6.1 To consider allocation of gross block of assets as on April 1, 2021, between Aeronautical and Non-aeronautical assets as detailed in Table 27.
- 6.6.2 To adopt the capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 33.
- 6.6.3 To true up the Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Fourth Control Period.
- 6.6.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. Further, if the delay in completion of the project is due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while trueing up the actual cost at the time of determination of tariff for the Fourth Control Period.
- 6.6.5 To consider depreciation as per Table 35 for the Third Control Period.
- 6.6.6 To true up Depreciation of the Third Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Fourth Control Period.
- 6.6.7 To consider average RAB for the Third Control Period for Srinagar Airport as per Table 37.
- 6.6.8 To true up the RAB based on actuals at the time of tariff determination for the Fourth Control Period.

**Chapter 7: Fair Rate of Return for the Third Control Period**

- 7.3.1 To consider Cost of Debt at 6.21% as proposed by AAI.
- 7.3.2 To consider Cost of Equity at 14% as per Table 41.
- 7.3.3 To consider FRoR of 12.88% for Srinagar Airport for the Third Control Period as per Table 43.
- 7.3.4 To true up the FRoR while determining tariff for the next Control Period on the basis of actual weighted average gearing ratio.

**Chapter 8: Inflation for the Third Control Period**

- 8.3.1 To consider Inflation for the Third Control Period for Srinagar Airport as detailed in Table 44.

**Chapter 9: Operation and Maintenance expenses for the Third Control Period**

- 9.3.1 To consider O&M expenses for the Third Control Period for Srinagar Airport as per Table 49.

**Chapter 10: Non-aeronautical revenue for the Third Control Period**

- 10.3.1 To consider Non-aeronautical revenues for the Third Control Period for Srinagar Airport in accordance with Table 53.

**Chapter 11: Taxation for the Third Control Period**

- 11.3.1 To consider the Taxation for the Third Control Period for Srinagar Airport as per Table 56.
- 11.3.2 To true up the aeronautical tax amount appropriately, taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

**Chapter 12: Quality of Service for the Third Control Period**

- 12.3.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service.

**Chapter 13: Aggregate Revenue Requirement (ARR) for the Third Control Period**

- 13.3.1 To consider the ARR and Yield for the Third Control Period for Srinagar Airport in accordance with Table 59.

**Chapter 14: Aeronautical revenue for the Third Control Period**

- 14.3.1 To consider Aeronautical revenue for the Third Control Period for Srinagar Airport as per Table 63.
- 14.3.2 To true up Aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.

## **16. STAKEHOLDERS' CONSULTATION TIMELINE**

- 16.1. In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 15 – Summary of the Authority's proposals read with the relevant discussion in the other chapters of the Paper is hereby put forth for Stakeholders' Consultation.
- 16.2. For removal of doubts, it is clarified and explained 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 terms of the provisions of the Act.
- 16.3. The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in this Consultation Paper, latest by August 2, 2023.

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

**(Chairperson)**

## 17. LIST OF ANNEXURES

### 17.1. Annexure I: Annual Tariff proposal submitted by AAI for Srinagar International Airport for the Third Control Period

17.1.1 As part of the Multi-year Tariff proposal, AAI submitted a Tariff Card for all five years of the Third Control Period. This Tariff Card has been reproduced in this Chapter. The Authority examined AAI's Multi-year Tariff Proposal, along with all regulatory building blocks. The Authority's examination has been discussed in this Consultation Paper in the previous Chapters.

17.1.2 AAI had proposed the following increase in Aeronautical tariffs with effect from October 1, 2022:

- Parking charges - For domestic and international ATM, AAI has proposed a one-time increase of 50% from the existing charges w.e.f. October 1, 2022.
- User Development Fee (UDF) – AAI has proposed following increase in UDF:
  - Domestic UDF: A one-time increase of 100% for FY 2022-23 (w.e.f. October 1, 2022).
  - International UDF: A one-time increase of 10% for FY 2022-23 (w.e.f. October 1, 2022).

17.1.3 The tariff card proposed by AAI for the Third Control Period has been reproduced here. For purposes of comparison, the existing Aeronautical charges have been provided along with the charges proposed by AAI.

#### i. Parking Charges

*Table 64: Existing Parking charges*

Weight of Aircraft	Parking Charges Rates per Hour (₹) (up to two hours after first two free hours)	Parking Charges Rates per Hour (₹) (beyond first four hours)
Up to 25 MT	3.30 per Hour per MT	6.70 per Hour per MT
Above 25 MT up to 50 MT	82.50+4.60 per Hour per MT in excess of 25 MT	167.50+8.90 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	197.5+8.90 per MT per Hour in excess of 50 MT	390 + 18 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	642.50+11.20 per MT per Hour in excess of 100 MT	1,290+22.50 per MT per Hour in excess of 100 MT
Above 200 MT	1,762.50 +12.40 per MT per Hour in excess of 200 MT	3,540+ 24.80 per MT per Hour in excess of 200 MT

*Table 65: Parking charges proposed by AAI for the Third Control Period (up to two hours after first two free hours)*

Weight of the Aircraft	Rates per Hour (₹) (01.10.2022 to 31.03.2023)	Rates per Hour (₹) (01.04.2023 to 31.03.2024)	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)
Up to 25 MT	4.95 Per MT Per Hour	5.45 Per MT Per Hour	6.00 Per MT Per Hour	6.60 Per MT Per Hour
Above 25 MT up to 50 MT	123.75+ 6.90 per MT per hour in excess of 25 MT	136.25 + 7.59 per MT per hour in excess of 25 MT	150 + 8.35 per MT per hour in excess of 25 MT	165 + 9.19 per MT per hour in excess of 25 MT

Weight of the Aircraft	Rates per Hour (₹)	Rates per Hour (₹)	Rates per Hour (₹)	Rates per Hour (₹)
	(01.10.2022 to 31.03.2023)	(01.04.2023 to 31.03.2024)	(01.04.2024 to 31.03.2025)	(01.04.2025 to 31.03.2026)
Above 50 MT up to 100 MT	296.25 + 13.35 per MT per hour in	326 + 14.69 per MT per hour in	358.75+ 16.16 per MT per hour in	394.75 + 17.78 per MT per hour in
Above 100 MT to 200 MT	963.75+ 16.80 per MT per hour in excess of 100 MT	1,060.50 + 18.48 per MT per hour in excess of 100 MT	1,166.75 + 20.33 per MT per hour in excess of 100 MT	1,283.75 + 22.36 per MT per hour in excess of 100 MT
Above 200 MT	2,643.75+ 18.60 per MT per hour in excess of 200 MT	2,908.50 + 20.46 per MT per hour in excess of 200 MT	3,199.75+ 22.51 per MT per hour in excess of 200 MT	3,519.75 + 24.76 per MT per hour in excess of 200 MT

Table 66: Parking charges proposed by AAI for the Third Control Period (beyond first four hours)

Weight of the Aircraft	Rates per Hour (₹)	Rates per Hour (₹)	Rates per Hour (₹)	Rates per Hour (₹)
	(01.10.2022 to 31.03.2023)	(01.04.2023 to 31.03.2024)	(01.04.2024 to 31.03.2025)	(01.04.2025 to 31.03.2026)
Up to 25 MT	10.05 per MT per Hour	11.06 Per MT Per Hour	12.17 Per MT Per Hour	13.39 Per MT Per Hour
Above 25 MT up to 50 MT	251.25 + 13.35 per MT per Hour in excess of 25 MT	276.50 + 14.69 per MT per hour in excess of 25 MT	304.25 + 16.16 per MT per hour in excess of 25 MT	334.75 + 17.78 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	585 + 27 per MT per Hour in excess of 50 MT	643.75+ 29.70 per MT per hour in excess of 50 MT	708.25 + 32.67 per MT per hour in excess of 50 MT	779.25 + 35.94 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1,935 + 33.75 per MT per Hour in excess of 100 MT	2,128.75+ 37.13 per MT per hour in excess of 100 MT	2,341.75 + 40.84 per MT per hour in excess of 100 MT	2,576.25 + 44.92 per MT per hour in excess of 100 MT
Above 200 MT	5,310 + 37.20 per MT per Hour in excess of 200 MT	5,841.75+ 40.92 per MT per hour in excess of 200 MT	6,425.75+ 45.01 per MT per hour in excess of 200 MT	7,068.25 + 49.51 per MT per hour in excess of 200 MT

- 17.1.4 No Parking Charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
- 17.1.5 For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- 17.1.6 Charges shall be calculated on the basis of nearest MT.
- 17.1.7 Charges for each period parking shall be rounded off to nearest rupee.
- 17.1.8 At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
- 17.1.9 It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Srinagar Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges will be made applicable from the date of

implementation of <5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State.

17.1.10 Flights operating under Regional Connectivity Scheme shall be completely governed by AIC issued on this subject by DGCA.

17.1.11 For unauthorized overstay of Aircraft on Ground, an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable as approved by the Authority.

## ii. User Development Fees (UDF)

Table 67: UDF Proposed by AAI (per embarking passenger)

Rate in (₹)

Passenger	Existing UDF	Oct 01, 2022 to Mar 31, 2023	FY 2023-24 (01.04.2023 to 31.03.2024)	FY 2024-25 (01.04.2024 to 31.03.2025)	FY 2025-26 (01.04.2025 to 31.03.2026)
Domestic	394	788	1,150	1,680	2,447
International	787	866	909	954	1,002

### Notes:

- Collection charges: If the payment is made within 15 days of receipt of invoice, then collection charges at ₹ 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the prescribed credit period or in case of any part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI. Wherever collection charges are payable the amount shall be settled within 15 days.
- No collection charges are payable to casual operator/non-scheduled operators.
- For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1<sup>st</sup> fortnight and rate as on 15<sup>th</sup> of the month for tickets issued in the 2<sup>nd</sup> fortnight shall be adopted.
- Revised UDF charges will be applicable on tickets issued on or after October 1, 2022.
- No UDF charges will be levied for Transit Passengers.

### iii. Aviation Security Fee:

- Aviation Security Fee (ASF) shall be levied as per GOI Order issued from time to time.

### iv. Exemption from levy and collection from UDF/ASF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI and vide Letter no. AV.13024/659/2015-AS dated November 30, 2011 and June 13, 2019 respectively has directed AAI to exempt the following categories of persons from levy and collection of UDF/ASF.

- Children (under-age of 2 years),
- Holders of Diplomatic Passport,
- Airlines crew on duty including sky marshals & airline crew on board for the particular flight

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

#### v. Extension of Watch Hours

*Table 68: Extension of Watch Hour rates proposed by AAI*

Existing Watch Hour Rate (In ₹)	Extension Rate	Rate proposed by AAI (In ₹) (from 01.10.2022 to 31.03.2023)	FY 2023-24 (01.04.2023 to 31.03.2024)	FY 2024-25 (01.04.2024 to 31.03.2025)	FY 2025-26 (01.04.2025 to 31.03.2026)
9,180		10,098	11,108	12,219	13,440

*Table 69: Concessional rates per hour proposed by AAI*

(In ₹)

Type of User	% of Normal rates	ILS (Provided by AAI)
Helicopter	10	1,010
Aircraft up to MTOW 10,000 kg	20	2,020
Aircraft having MTOW more than 10,000 kg but less than 20,000 kg	40	4,040

- a. Concession to small domestic aircrafts, helicopters and aircrafts used for training purposes by approved Flying schools/ Flying training institutes on the extension of watch hour charges irrespective of whether the flying rules followed are VFR & IFR.
- b. The charges are payable by all operators/agencies operating outside the watch hours, except aircraft(s) belonging to any armed force of the Union, including BSF & NCC.
- c. The charges are payable at the Airports where extension is availed at the time of landing / taking off as the case may be.
- d. When the two aircraft use the facility at the same time, Charges for Extension of Watch Hours for each Airline/aircraft should be charged separately and no sharing of charges between the Users is permissible.
- e. Fraction of hours may be rounded off to the next half an hour and charged accordingly.
- f. If the aircraft has taken off just before the closing of watch hours, watch hours should be extended at least for a period of 30 minutes after take-off as is the normal practice, this will not attract extra service charge. If the aircraft returns to land due to any technical reason, extended period beyond the normal watch hour, if any, should not be charged. However, any extension required after such landing should be charged as per rates applicable.
- g. Any extension of Watch Hours provided to accommodate an aircraft experiencing technical



problem and requesting emergency landing should not be charged. Any extension required after such landing should be charged as per rates applicable.

- h. No charges will be levied for extension of Watch hours due to inescapable delays because of runway block/VVIP Movements/weather conditions at the station.
  - i. If an Operator, after obtaining approval of AAI for extension of Watch hours, subsequently intends to withdraw the request under any circumstances, shall inform AAI at least 6 hours in advance of the scheduled departure or arrival time. If the Operator fails to do so, he shall be charged Charges for Extension of Watch Hours for a period of 4 hours as penalty.
  - j. The charges for Extension of Watch Hours shall be levied as per above rates per hour basis for a minimum period of one hour.
  - k. The Charges indicated above are only for the services rendered by AAI.
  - l. The Charges for Extension of Watch Hours are applicable to the airports which are having designated watch hours.
- vi. General Condition:**
- a) All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
  - b) Flight operating under regional connectivity scheme will be completely exempted from charges as per Order No.20/2016-17 dated March 31, 2017 of the Authority from the date the scheme is operationalized by GoI.

## 17.2. Annexure II: Annual Tariff proposed by the Authority for Consultation process

17.2.1. As detailed in Table 63 (Chapter 14), Srinagar International Airport is entitled to recover an ARR of ₹ 730.98 Crores. The present value of total projected Aeronautical revenues based on the Authority's proposed Parking and UDF charges is ₹ 652.03 Crores, thus resulting in a net shortfall of ₹ 78.95 Crores that shall be carried forward to the next Control Period.

17.2.2. The Authority has examined the Annual Tariff Proposal submitted by AAI for Srinagar International Airport. After its examination as detailed in para 14.2, the Authority proposes the following Aeronautical tariffs for Srinagar International Airport for the Third Control Period for consultation process:

17.2.3. Parking charges\* proposed by the Authority for Srinagar International Airport for the Third Control Period is as follows:

*Table 70: Parking charges (per hour) up to two hours after free hours for the Third Control Period proposed by the Authority*

(Rates in ₹)

Weight of the Aircraft	FY 2021-22	FY 2022-23	FY 2023-24		FY 2024-25	FY 2025-26
	(Existing rates)	(Existing rates)	Tariff w.e.f. 01.04.2023 to 30.09.2023 (Existing rates)	Tariff w.e.f. 01.10.2023 to 31.03.2024	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025
Up to 25 MT	3.30 per Hour per MT	3.30 per Hour per MT	3.30 per Hour per MT	4.95 Per Hour Per MT	5.45 Per Hour Per MT	6.00 Per Hour Per MT
Above 25 MT up to 50 MT	82.50+4.60 per Hour per MT in excess of 25 MT	82.50+4.60 per Hour per MT in excess of 25 MT	82.50+4.60 per Hour per MT in excess of 25 MT	123.75+ 6.90 per hour per MT in excess of 25 MT	136.25 + 7.60 per hour per MT in excess of 25 MT	150.00 + 8.35 per hour per MT in excess of 25 MT
Above 50 MT up to 100 MT	197.50+8.90 per MT per Hour in excess of 50 MT	197.50+8.90 per MT per Hour in excess of 50 MT	197.50+8.90 per MT per Hour in excess of 50 MT	296.25 + 13.35 per hour per MT in excess of 50 MT	326.00 + 14.70 per hour per MT in excess of 50 MT	358.75+ 16.15 per hour per MT in excess of 50 MT
Above 100 MT to 200 MT	642.50+ 11.20 per MT per Hour in excess of 100 MT	642.50+11.20 per MT per Hour in excess of 100 MT	642.50+11.20 per MT per Hour in excess of 100 MT	963.75+ 16.80 per hour per MT in excess of 100 MT	1,060.50 + 18.50 per hour per MT in excess of 100 MT	1,166.75 + 20.35 per hour per MT in excess of 100 MT
Above 200 MT	1,762.50 +12.40 per MT per Hour in excess of 200 MT	1,762.50 +12.40 per MT per Hour in excess of 200 MT	1,762.50 +12.40 per MT per Hour in excess of 200 MT	2,643.75+ 18.60 per hour per MT in excess of 200 MT	2,908.50 + 20.45 per hour per MT in excess of 200 MT	3,199.75+ 22.50 per hour per MT in excess of 200 MT

\* The Authority has proposed a one-time increase of 50% in Parking charges in the FY 2023-24 (w.e.f October 1, 2023) and 10% increase thereafter Y-o-Y till FY 2025-26.

Table 71: Parking charges beyond first four hours for the Third Control Period proposed by the Authority

(Rates in ₹)

Weight of the Aircraft	FY 2021-22	FY 2022-23	FY 2023-24		FY 2024-25	FY 2025-26
	(Existing rates)	(Existing rates)	Tariff w.e.f. 01.04.2023 to 30.09.2023 (Existing rates)	Tariff w.e.f. 01.10.2023 to 31.03.2024	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025
Up to 25 MT	6.70 per Hour per MT	6.70 per Hour per MT	6.70 per Hour per MT	10.05 per Hour per MT	11.05 Per Hour Per MT	12.15 Per Hour Per MT
Above 25 MT up to 50 MT	167.50+8.90 per Hour per MT in excess of 25 MT	167.50+8.90 per Hour per MT in excess of 25 MT	167.50+8.90 per Hour per MT in excess of 25 MT	251.25 + 13.35 per Hour per MT in excess of 25 MT	276.50 + 14.70 per hour per MT in excess of 25 MT	304.25 + 16.15 per hour per MT in excess of 25 MT
Above 50 MT up to 100 MT	390.00 + 18.00 per Hour per MT in excess of 50 MT	390.00 + 18.00 per Hour per MT in excess of 50 MT	390.00 + 18.00 per Hour per MT in excess of 50 MT	585.00 + 27.00 per Hour per MT in excess of 50 MT	643.75+ 29.70 per hour per MT in excess of 50 MT	708.25 + 32.70 per hour per MT in excess of 50 MT
Above 100 MT to 200 MT	1,290.00 +22.50 per Hour per MT in excess of 100 MT	1,290.00 +22.50 per Hour per MT in excess of 100 MT	1,290.00 +22.50 per Hour per MT in excess of 100 MT	1,935.00 + 33.75 per Hour per MT in excess of 100 MT	2,128.75+ 37.15 per hour per MT in excess of 100 MT	2,341.75 + 40.85 per hour per MT in excess of 100 MT
Above 200 MT	3,540.00 + 24.80 per Hour per MT in excess of 200 MT	3,540.00 + 24.80 per Hour per MT in excess of 200 MT	3,540.00 + 24.80 per Hour per MT in excess of 200 MT	5,310.00 + 37.20 per Hour per MT in excess of 200 MT	5,841.75+ 40.90 per hour per MT in excess of 200 MT	6,425.75+ 45.00 per hour per MT in excess of 200 MT

**Notes:**

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

8. For unauthorised overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable.

17.2.4. **User Development Fees (UDF):** UDF charges proposed by the Authority for Srinagar International Airport for the Third Control Period is as follows:

**Applicable rates for travel date from October 1, 2023 to March 31, 2024**

(Rate in ₹)

Type of Passenger	Domestic Flight	International flight
Embarking passenger	750.00	1,200.00

**Applicable rates for travel date from April 1, 2024 to March 31, 2025**

(Rate in ₹)

Type of Passenger	Domestic Flight	International flight
Embarking passenger	960.00	1,300.00

**Applicable rates for travel date from April 1, 2025 to March 31, 2026**

(Rate in ₹)

Type of Passenger	Domestic Flight	International flight
Embarking passenger	990.00	1,400.00

**Notes:**

1. Collection charges: If payment is made within 15 days from receipt of invoice, then collection charges per departing passenger shall be paid by AAI, as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment.
2. No collection charges are payable to casual operator/non-scheduled operators.
3. For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1<sup>st</sup> fortnight and rate as on 15<sup>th</sup> of the month for tickets issued in the 2<sup>nd</sup> fortnight shall be adopted.
4. No UDF will be levied for transit passengers.
5. Revised UDF charges will be applicable on the tickets issued on or after October 1, 2023.

17.2.5. **Exemption from levy and collection from UDF at the Airports.**

In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide order no. AV 29012/39/2018-AD dated 30.10.2019) the following categories of persons are exempted from levy and collection of UDF.

- (a) Children (under age of 2 years),
- (b) Holders of Diplomatic Passport,
- (c) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- (d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- (e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- (f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting

up to 24 hrs. “A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger”).

17.2.6. **Aviation Security Fee:** Rates and Exemption as prescribed by MoCA from time to time.

17.2.7. **Extension of Watch Hours**

Table 72: Extension of Watch Hour rates

(In ₹)

Existing Extension Watch Hour Rate	FY 2022-23	FY 2023-24		FY 2024-25	FY 2025-26
	(Existing rates)	(01.04.2023 to 30.09.2023)	(01.10.2023 to 31.03.2024)	(01.04.2024 to 31.03.2025)	(01.04.2025 to 31.03.2026)
9,180	9,180	9,180	10,098	11,108	12,219

Table 73: Concessional rates per hour

(In ₹)

Type of User	% of Normal rates	FY 2023-24 ILS (Provided by AAI)	FY 2024-25	FY 2025-26
Helicopter	10	1,010	1,111	1,222
Aircraft up to MTOW 10,000 kg	20	2,020	2,424	2,909
Aircraft having MTOW more than 10,000 kg but less than 20,000 kg	40	4,040	5,656	7,918

- a. Concession to small domestic aircrafts, helicopters and aircrafts used for training purposes by approved Flying schools/ Flying training institutes on the extension of watch hour charges irrespective of whether the flying rules followed are VFR & IFR.
- b. The charges are payable by all operators/agencies operating outside the watch hours, except aircraft(s) belonging to any armed force of the Union, including BSF & NCC.
- c. The charges are payable at the Airports where extension is availed at the time of landing / taking off as the case may be.
- d. When the two aircraft use the facility at the same time, Charges for Extension of Watch Hours for each Airline/aircraft should be charged separately and no sharing of charges between the Users is permissible.
- e. Fraction of hours may be rounded off to the next half an hour and charged accordingly.
- f. If the aircraft has taken off just before the closing of watch hours, watch hours should be extended at least for a period of 30 minutes after take-off as is the normal practice, this will not attract extra service charge. If the aircraft returns to land due to any technical reason, extended period beyond the normal watch hour, if any, should not be charged. However, any extension required after such landing should be charged as per rates applicable.
- g. Any extension of Watch Hours provided to accommodate an aircraft experiencing technical problem and requesting emergency landing should not be charged. Any extension required after such landing should be charged as per rates applicable.

- h. No charges will be levied for extension of Watch hours due to inescapable delays because of runway block/VVIP Movements/weather conditions at the station.
- i. If an Operator, after obtaining approval of AAI for extension of Watch hours, subsequently intends to withdraw the request under any circumstances, shall inform AAI at least 6 hours in advance of the scheduled departure or arrival time. If the Operator fails to do so, he shall be charged Charges for Extension of Watch Hours for a period of 4 hours as penalty.
- j. The charges for Extension of Watch Hours shall be levied as per above rates per hour basis for a minimum period of one hour.
- k. The Charges indicated above are only for the services rendered by AAI.
- l. The Charges for Extension of Watch Hours are applicable to the airports which are having designated watch hours.

**17.2.8. General Condition:**

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

### 17.3. Annexure III: Clarification with respect to project on expansion of Terminal Building by AAI

17.3.1. AAI vide email dated January 27, 2023 has provided clarification on the project on expansion of Terminal Building, which is as follows:

S. No.	Queries	Clarifications
1.	Capital expenditure for 2nd Control Period w.r.t. Terminal Building was approved to the tune of INR 131.70 Crores but actual capex incurred was INR 2.0 Crores only. No projections have been made in the 3rd control period for Terminal Building. Why terminal building expansion is not carried forward to the current control period.	<p>The reasons for not carrying forward the work of expansion of TB to the current control period are enumerated below:</p> <ul style="list-style-type: none"> <li>• The proposed expansion is fouling with Existing IOCL infrastructure which needs to be relocated at location identified by AAI still it is under process.</li> <li>• The existing cargo building was fouling in the proposed expansion of TB therefore a new cargo building was planned and constructed to relocate existing Cargo.</li> <li>• The accommodation of CRPF barracks were fouling in the proposed expansion of TB therefore it needs to be shifted at new location by the State administration under whose control CRPF to elsewhere outside the airport premises.</li> </ul>
2.	Capital expenditure for 2nd Control Period w.r.t. Electrical Installations was approved to the tune of INR 125.50 Crores but actual capex incurred was INR 7.56 Crores only. Projections to the extent of only INR 4.61 Crores have been made in the 3rd control period for Electrical Installations. Why electrical installation work from 2nd control period is not carried forward to current control period.	<ul style="list-style-type: none"> <li>• Existing Jet Cargo building was lock-in position and good/ equipment's kept in this building needs to be shifted and the same was removed after formation of committee by AAI.</li> <li>• As per meeting held on 06.09.2022 in AAI Board room taken by Chairman AAI. Wherein it was decided to prepare an additional concept of PTB preferably in a rectangular shape including option for service block in the basement to save space. The new concept plan which is still under discussion / finalization, area of Terminal Passenger building will further increase.</li> <li>• As the proposed cost is more than ₹1,000 Crores, therefore proposal need to be approved from PIB and CCEA which may take considerable time.</li> <li>• The proposed expansion expected to be carried over to next control period i.e. 4<sup>th</sup> Control period, the probably completion expected by Jan-2027.</li> </ul>