File No. AERA/20010/MYTP/IOSPL/FF/BANGLORE/CP-IV/2026-31

परामर्श पत्र संख्या 03/2026-27

Consultation Paper No. 03/2026-27

सत्यमेव जयते

Airports Economic Regulatory Authority of India

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

इंडियन ऑयल स्काईटैंकिंग प्राइवेट लिमिटेड (आईओएसपीएल) के लिए कैंपेगौड़ा अंतर्राष्ट्रीय हवाईअड्डा (केआईए), बैंगलोर में चतुर्थ नियंत्रण अवधि (1 अप्रैल 2026 - 31 मार्च 2031) के लिए ईंधन अवसंरचना प्रभार (एफआईसी) निर्धारित करने के मामले में।

IN THE MATTER OF DETERMINATION OF FUEL INFRASTRUCTURE CHARGES (FIC) FOR INDIAN OIL SKYTANKING PRIVATE LIMITED (IOSPL) AT KEMPEGOWDA INTERNATIONAL AIRPORT (KIA), BANGALORE FOR THE FOURTH CONTROL PERIOD (1st April 2026 – 31st March 2031)

जारी करने की तारीख : 17 जुलाई, 2026

Date of Issue: 17th July, 2026

तृतीय तल/ 3rd Floor

उड़ान भवन/ Udaan Bhawan

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PREFACE

The Authority has released this Consultation Paper after the detailed analysis of Multi-Year Tariff Proposal ('MYTP') for the Fourth Control Period submitted by the Indian Oil Skytanking Private Limited (IOSPL) in respect of its Fuel Farm Services at Bengaluru Airport. This Consultation Paper contains true-up of regulatory building blocks for the Third Control Period for working out the under recovery / over recovery pertaining to previous Control Period and the Projections for the Fourth Control Period, inter-alia, considering the various assumptions & estimates related to regulatory building blocks as given in the MYTP submission. Accordingly, the Authority's proposals on the various aspects of the Tariff determination process have been explained in detail in this Consultation Paper.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, 2008, the written comments on Consultation Paper No. **03/2026-27 dated 17/07/2026** are invited from the Stakeholders, preferably in electronic form, at the following address:

Director (P&S)
Airports Economic Regulatory Authority of India,
Third Floor, Udaan Bhawan,
Safdarjung Airport,
New Delhi – 110003

Email: director-ps@aera.gov.in; satish.kr@aera.gov.in;

Copy to: secretary@aera.gov.in; lakshmi.2025@aera.gov.in;
asmita.manchanda@nic.in

Last Date for submission of Stakeholders' comments	**06.08.2026**
Last Date for submission of counter comments	**13.08.2026**

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

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

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Abbreviations	Expansion
ACS	Annual Compliance Statement
AERA / Authority	Airports Economic Regulatory Authority of India
AO	Airport Operator
ARR	Aggregate Revenue Requirement
ATF	Aviation Turbine Fuel
ATM	Air Traffic Movement
ATP	Annual Tariff Proposal
BCAS	Bureau of Civil Aviation Security
BIAL	Bangalore International Airport Limited
CA	Concession Agreement
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CGF	Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft
FAR	Fixed Assets Register
FIC	Fuel Infrastructure Charges
FoCP	Fourth Control Period
FRoR	Fair Rate of Return
FY	Financial Year
GOI	Government of India
HAZID	Hazard Identification Study
HAZOP	Hazard and Operability Study
IATA	International Air Transport Association
INR or ₹	Indian Rupees
IOCL	Indian Oil Corporation Limited
IOSPL	Indian Oil Skytanking Private Limited
ISP	Independent Service Provider
JV	Joint Venture
KIA	Kempegowda International Airport
KL	Kilo Litre
MoM	Minutes of Meeting
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
O&M	Operation & Maintenance
OMC	Oil Marketing Companies
OPEX	Operating Expenditure
P.A.	Per Annum
PAX	Passenger(s)
RAB	Regulatory Asset Base
SPRH	Service Provider Right Holder
Sq.m.	Square Meter
TCP	Third Control Period

1. BACKGROUND

1.1 Introduction

1.1.1 Indian Oil Skytanking Private Limited (IOSPL) is a Joint Venture Company (JVC) floated by Indian Oil Corporation Limited (IOCL) and Skytanking Holdings GmbH, Germany with equal equity shareholding. M/s IOSPL was incorporated for the purpose of taking over and managing the aviation fuel facilities at the Airports on an "open access" model, wherein airlines may source fuel from any oil company as per the user agreement between Airlines & Oil Companies and use the common fuel storage facility at an agreed price.

1.1.2 M/s IOSPL was awarded Concession by Bangalore International Airport Limited (BIAL), the airport operator of Kempegowda International Airport (KIA), Bangalore, on 24.05.2008 for providing Fuel Farm Services at Kempegowda International Airport (KIA), Bangalore, on Build, Own, Operate and Transfer (BOOT) basis, for a period of 20 years and concession period was scheduled to terminate on 24th May, 2028.

1.1.3 Considering the increasing traffic volume at Bengaluru airport, IOSPL and BIAL carried out the review of the existing fuel storage & distribution infrastructure vis-à-vis the projected traffic. The review exercise concluded that the existing fuel storage and distribution infrastructure would be inadequate to meet the projected traffic demand in a safe, reliable, and non-discriminatory manner. Accordingly, in order to enable timely execution of the expansion of essential fuel farm infrastructure to cater to rising traffic demand at the airport, BIAL and IOSPL mutually agreed to realign their existing contractual framework. Both the parties executed a fresh Memorandum of Understanding (MoU) dated 07th March 2025, whereby it was agreed to terminate the Original Service Provider Right Holder (SRPH) Agreement, the Supplementary Agreement(s), and the Original Operating Agreement on 31st March 2025, and to replace the same with a New Operating Agreement effective 01st April 2025.

Table 1: Contractual Milestones between IOSPL and BIAL

Date	Agreement	Purpose
1st March 2006	Original SPRH Agreement	IOSPL as SPRH for development, operation and maintenance of Fuel Farm services at BIAL for a period of 20 years (valid till May 24, 2028)
03rd December 2024	Supplementary Agreement	Execution of 'East Apron – 13 Additional Stands' Fuel Hydrant system expansion
7th March 2025	Memorandum of Understanding	Realignment of contractual framework to include Satellite Fuel Farm under the expanded scope and establishment of revised operating scope, rights and obligations for the expanded Facility for the balance concession period
30th June 2025	Amendment Agreement	Establishment of revised scope, rights and obligations for the expanded Facility effective 1st April 2025.

1.1.4 The Brief on the proposed Satellite Fuel Farm facility is presented below:

- ATF above ground storage tanks (6500 KL x 3 nos)

- Hydrant Pumps (5 x 250 KL) & Unloading Pumps (4 x 60 KL)
- Filter water Separator Vessels
- Unloading Gantry (3 Bays)
- Fire Projection System with Fire water storage Tanks
- Buildings – Admin, Substation, security, stores, etc. Civil works like Dyke wall roads, foundations etc.
- Electrical and Instrumentation works.

1.2 Tariff Determination History

1.2.1 The Authority, through its various Tariff Orders had determined the tariff in respect of Fuel Farm Services undertaken by IOSPL at Bengaluru airport, Bengaluru.

(i) The Authority, vide Order No. 05/2013-14 dated 04th April 2013 determined the tariff for the First Control Period (FY 2011-12 to FY 2015-16) for IOSPL, based on the light touch regulatory approach.

(ii) The tariff for the Second Control Period (FY 2016-17 to FY 2020-21) was determined by the Authority on the Cost-Plus Approach, vide Order No. 29/2017-18 dated 18th December 2017.

(iii) Further, vide interim Order No. 67/2020-21 dated 25th March 2021, the Authority extended the validity of tariff prevailing on 31st March 2021 up to 30th September 2021. Thereafter, vide Order No. 18/2021-22 dated 15th September 2021, the Authority extended the tariff applicable as on 30th September 2021 up to 31st March 2022, or, till the determination of tariff for the Third Control Period, whichever is earlier.

(iv) Subsequently, vide Order No. 30/2021-22 dated 07th December 2021, the Authority determined tariff for the Third Control Period (FY 2021-22 to FY 2025-26), along with the true up of the Second Control Period (FY 2016-17 to FY 2020-21).

1.3 Submission of Multi Year Tariff Proposal (MYTP) for the Fourth Control Period (FoCP)

1.3.1 IOSPL, vide letter dated 16.12.2025 submitted the MYTP pertaining to the Fourth Control Period (FY 2026-27 to FY 2030-31) for the determination of regular tariff in respect of its Fuel Farm Services at the Kempegowda International Airport, Bangalore.

1.3.2 The preliminary analysis by the Authority observed various shortcomings/ information gaps in the MYTP submission. Also, the true-up of the Third Control Period was missing in the Financial Model submitted by the ISP. Pursuant to AERA observations, ISP has carried out revisions in MYTP model from time to time. The Authority, for formulation of this Consultation Paper, inter-alia, considered revised MYTP model submitted by IOSPL dated 28.02.2026 & Depreciation summary sheet submitted by the ISP on 06.03.2026.

1.3.3 The Authority, as part of its tariff determination process, obtained the requisite clarifications & additional details from IOSPL, from time to time, pertaining to various aspects of tariff determination, including true up of regulatory building blocks, such as, Capex, Operation & Maintenance expenditure etc., in respect of the Third Control Period. The Authority has also reviewed the various projections and cost estimates for the Fourth Control Period, so as to assess the essentiality & reasonableness of the proposed Capex, Opex etc., before finalizing this Consultation Paper.

The sequential timeline of the events starting with submission of MYTP up to finalization of Consultation Paper is presented in the following table below:

Table 2: Timelines for submission of MYTP and other information by IOSPL

Event	Date
MYTP submitted by IOSPL for the Fourth Control Period along with true up of Third Control Period	16.12.2025
First set of queries raised w.r.t to information gaps	19.12.2025
Revised MYTP shared by IOSPL	14.01.2026
Second Set of queries raised by the Authority	13.02.2026
Response to queries received by Authority	16.02.2026
Third Set of queries raised w.r.t CAPEX, OPEX, etc.	23.02.2026
Partial response received	24.02.2026
Justification regarding CAPEX for FY 2025-26 received	26.02.2026
Revised Model received incorporating CAPEX for FY 2025-26	27.02.2026
Query sent regarding depreciation for the True up period	27.02.2026
Revised Model incorporating response to AERA query	28.02.2026
Query raised regarding Depreciation calculation	02.03.2026
Submission of updated RAB & Depreciation Summary sheet	06.03.2026
Copy of Award Letters sought from the ISP	28.04.2026
Partial Award Letters submitted by the ISP	04.05.2026
Query raised regarding Cost estimates, Work orders etc	07.05.2026
Partial response received by Authority	12.05.2026
Query raised regarding quantity of DeadStock	09.06.2026
Quantity of Deadstock and length of Hydrant lines received	12.06.2026

1.3.4 IOSPL (ISP), as part of its MYTP submission, submitted the audited financial statements for a company as a whole, in respect of FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25.

1.3.5 IOSPL, in its MYTP for the Fourth Control Period has proposed Fuel Infrastructure Charge (FIC) of ₹ 1127.23 /KL.

1.3.6 The Authority notes that IOSPL has conducted the Users Consultation Meeting on 05.03.2026 in respect of its Fuel Farm Services being provided at Kempegowda International Airport, Bangalore and has submitted the Minutes of Meeting (MoM) to AERA. As per the minutes of the said meeting, representatives of Oil companies including Shell MRPL, IOCL, along with airlines i.e. Viet jet air and International Air Transport Association (IATA) attended the meeting.

1.3.7 From the MoM submitted by IOSPL, the Authority observes that the ISP has shared key aspects of its Tariff proposal, including the features of the existing fuel farm facility at the Airport and the need to expand aviation fuel infrastructure at Bangalore International Airport in order to align with the airport's long-term development plans. The ISP has also presented the current status of the Satellite Fuel Farm, along with the associated financial implications of the project and the proposed rate per KL.

1.3.8 Mr. Amit Gupta, representing Indian Oil, agreed on storage capacity augmentation considering projected demand in the 4^{th} Control Period. However, he enquired on whether similar expansion is planned for hydrant system and the number of hydrant pits envisaged.

1.3.9 Mr. Ujjwal Bakshi, IATA expressed concerns on the large CAPEX proposed and also suggested that the investment should be trigger based and implemented in a phased manner. He also stressed on necessity, timing of investment, and whether it should occur at the beginning or middle of the control period.

1.3.10 IOSPL, in its response to Mr. Amit's query stated that the Hydrant Refueling System (HRS) will be expanded to cover the new terminal and currently hydrant pits are 220 in number which, post expansion is anticipated to rise to 450. In response to Mr. Ujjwal's query, the ISP clarified that decisions on augmentation were jointly taken with BIAL based on the forecasted future demand and the CAPEX cannot be deferred given the projected ATM and passenger growth by 2031.

1.3.11 The ensuing chapters of this Consultation Paper presents the Authority's detailed analysis of MYTP submitted by IOSPL and AERA's proposal(s) on each regulatory building block.

1.3.12 This Consultation Paper is being issued after carrying out the requisite due-diligence & prudence checks in context of AERA's CGF Guidelines, 2011 and considering the additional inputs & various information/clarifications submitted by the IOSPL, from time to time.

1.3.13 The final chapter summarizes Authority's proposals regarding each of the building block. The Authority invites views/ comments of the stakeholders, on the various proposals of the Authority contained in this Consultation Paper, for determination of the Regular Tariff in respect of the IOSPL's Fuel Farm Services at Bengaluru airport for the Fourth Control Period.

2. METHODOLOGY FOR TARIFF DETERMINATION

2.1 Principles for Determination of Tariff for the "Aeronautical Services"

2.1.1 The Authority, vide Order No. 12/2010-11 dated 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft (CGF Services) at the major airports. Accordingly, the Authority issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and supply of Fuel to the Aircraft) Guidelines, 2011 ("the CGF Guidelines") vide Direction No. 04/2010-11 dated 10.01.2011.

2.1.2 The Tariff for CGF Services is determined by the Authority in accordance with CGF Guidelines, 2011, either under the 'Light Touch' or 'Cost Plus' regulatory approach. The regulatory approach for the determination of tariff for the Independent Service Provider (ISP) is adopted by the Authority, inter-alia, based on the assessment of the materiality, competition etc. pertaining to the regulated service(s) provided by the ISP at a major airport.

2.1.3 In accordance with the above mentioned CGF Guidelines (clause 4.3.), the following procedure is adopted for determination of the Materiality Index of Regulated Service:

Materiality Assessment (MI_F):

$$= \frac{Fuel\ Throughput\ in\ Kilolitres\ at\ Kempegowda\ International\ Airport}{Total\ Fuel\ Throughput\ in\ Kilolitres\ at\ all\ Major\ Airports} \times 100$$

The Materiality Index in respect of service relating to supply of fuel to the aircrafts at Kempegowda International Airport (based on the fuel throughput data for FY 2024-25) is as under:

*MI_F = (11,73,773 / 97,84,340) X 100 = **12.00 %***

2.1.4 The percentage share of Fuel Throughput at Kempegowda International Airport, Bangalore in respect of the FY 2024-25 is **12.00 %**, which is higher than Materiality Index (MI_F) of **5%** for the regulated service (Fuel Farm Services). Hence, the regulated service is deemed "Material" at Kempegowda International Airport, for the Fourth Control Period.

Competition Assessment:

2.1.5 The CGF Guidelines provides that where a regulated service is being provided at a major airport by two or more Service Provider(s), it shall be deemed "competitive" at that airport and if such service is provided by less than two Service Providers, it shall be deemed "not competitive".

The Guidelines also provide that the Authority may in its discretion consider such other additional evidence regarding reasonableness of competition, as it may deem fit and the determination of number of Service Provider(s) at a major airport shall include the Airport Operator, if the Airport Operator is also providing Regulated Service(s) at that major airport.

2.1.6 As the Fuel Farm services at Kempegowda International Airport, Bangalore is being provided solely by IOSPL, hence, the regulated service (Fuel Farm Services) is deemed as "not competitive" for the Fourth Control Period. IOSPL as the sole operator of the Fuel Farm Services at Kempegowda International Airport is operating in monopolistic market conditions.

Reasonability of User Agreement:

2.1.7 As regards 'Reasonableness of User Agreement(s)', the CGF Guidelines provide that the Authority shall consider the existing User Agreement(s) as reasonable provided that:

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

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

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

2.1.8 The Authority notes that IOSPL in its MYTP submission has not submitted any user agreement with its client oil companies/ Airlines.

2.1.9 It is noted that ISP itself has submitted its MYTP for the Fourth Control Period under the Cost-Plus Regulatory Approach. Further, the Authority had determined the regular tariff for the Third Control Period (FY 2021-22 to FY 2025-26) in respect of Fuel Farm services provided by the ISP at Bengaluru Airport under the Cost-Plus regulatory approach.

2.1.10 Therefore, the Authority, based on the above considering the materiality index, non-competitiveness of the regulated service, etc., in accordance with the provisions of CGF Guidelines, 2011, proposes to consider the tariff determination in respect of IOSPL for its Fuel Farm Services at Bengaluru airport, for the Fourth Control Period, under the Cost-Plus regulatory approach.

2.1.11 The formula for determining the Aggregate Revenue Requirement (ARR) for the Control Period under the Cost-Plus approach is as follows:

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

where:

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

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

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

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

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

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

T_t is the corporate tax for the year 't' paid by the airport operator on the aeronautical profits; and NAR_t is the revenue from services other than aeronautical services for the year 't'.

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

2.1.13 All Cash flows have been assumed on last day of the Financial Year for the purpose of computing Present Value (PV) in the computation of Aggregate Revenue Requirement (ARR).

2.2 Authority's Proposal regarding Methodology for the Determination of Tariff in respect of Fuel Farm Services at Kempegowda International Airport for the Fourth Control Period

Based on the material before it and its analysis, the Authority proposes the following regarding Methodology for the Determination of Aeronautical Tariff in respect of IOSPL's operations at Kempegowda International Airport for the Fourth Control Period:

2.2.1 To adopt "Cost Plus Approach" on Single Till basis, in respect of IOSPL's Fuel Farm Services pertaining to the Fourth Control Period (FY 2026-27 to FY 2030-31).

3. TRUE UP FOR THE THIRD CONTROL PERIOD

3.1 IOSPL's submission in respect of true up for the Third Control Period (FY 2021-22 to FY 2025-26)

3.1.1 M/s IOSPL, as a part of its MYTP submission for the Fourth Control Period, also submitted the True-up of the ARR for the Third Control Period (FY 2021-22 to FY 2025-26) amounting to ₹ 260.55 crores (NPV ₹ 387. 25 crores) with net over-recovery of ₹ 0.74 crore.

IOSPL's submission regarding True up for the Third Control Period (FY 2021-22 to FY 2025-26) has been examined regulatory building block-wise by the Authority as under:

3.2 True up of Fuel Throughput for the Third Control Period (FY 2021-22 to FY 2025-26)

3.2.1 The ISP has submitted the true up of Fuel Throughput volume for the Third Control Period (FY 2021-22 to FY 2025-26) which includes projection for FY 2025-26 as per table given below:

Table 3: True up of the Fuel Throughput for the Third Control Period (FY 2021-22 to FY 2025-26) submitted by IOSPL

(in KL)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Fuel Throughput	5,15,575	8,23,539	9,34,179	11,73,773	12,08,417	**46,55,483**
Growth (%)		*60%*	*13%*	*26%*	*3%*	

3.2.2 The Authority vide Order No. 30/2021-22 dated 07.12.2021 had considered the total Fuel Throughput Volume of 41,58,000 KL for the Third Control Period (FY 2021-22 to FY 2025-26).

3.2.3 From the true up submission, it is noted that the fuel throughput volume proposed by the ISP for the Third Control Period is 12% more than the fuel throughput projected by the Authority in its Tariff Order for the Third Control Period.

3.2.4 The Authority sought the details regarding the actual fuel throughput achieved in FY 2025-26. In response, the ISP vide email dated 03.05.2026 submitted the details of actual Fuel Throughput for FY 2025-26 totaling to 12,50,512 KL.

Considering the actual Fuel Throughput Volume reported by the ISP for FY 2025-26, the Authority proposes to consider the revised fuel throughput for the Third Control Period based on the actuals for the FY 2021-22 to FY 2025-26 as presented in the table below:

Table 4: True up of the Fuel Throughput for the Third Control Period proposed by the Authority

(in KL)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Fuel Throughput	5,15,575	8,23,539	9,34,179	11,73,773	12,50,512	**46,97,578**
Growth (%)		*60%*	*13%*	*26%*	*7%*	

3.3 True up of Capital Expenditure for the Third Control Period (FY 2021-22 to FY 2025-26)

3.3.1 The ISP in its MYTP submission has submitted the actual CAPEX incurred by it in the Third Control Period (FY 2021-22 to FY 2025-26). The details of the same is presented in the table below:

Table 5: True up of CAPEX submitted by the ISP for the Third Control Period

(₹ in crores)

SI. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Building	-	-	-	-	0.32	**0.32**
2.	Computer	0.02	0.03	0.10	0.15	0.07	**0.37**
3.	Computer Software	0.12	-	-	-	-	**0.12**
4.	Furniture and Fixtures	-	-	0.01	0.01	0.19	**0.21**
5.	Office Equipment	-	0.00	0.00	-	0.01	**0.01**
6.	Plant & Machinery	-	24.77	0.03	0.00	0.63	**25.44**
7.	Vehicles	-	-	0.72	-	0.23	**0.95**
Total		**0.13**	**24.80**	**0.87**	**0.16**	**1.46**	**27.42**

3.3.2 Details of item-wise actual Capex incurred and Asset-wise Capitalization done by IOSPL for the Third Control Period amounting to ₹ 27.42 crores is placed at *ANNEXURE-III.*

3.3.3 The CAPEX approved by the Authority vide Order No.30/2021-22 for the Third Control Period (FY 2021-22 to FY 2025-26) is given in the table below:

Table 6: CAPEX approved by the Authority for the Third Control Period

(₹ in crores)

SI. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Plant & Machinery	4.22	67.37	4.51	0.32	-	**76.42**
2.	Deadstock	-	5.64	-	-	-	**5.64**
Total		**4.22**	**73.01**	**4.51**	**0.32**	-	**82.06**

3.4 Authority's Examination regarding the True up of Capital Expenditure (CAPEX) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.4.1 The Authority had approved a total CAPEX amounting to ₹ 82.06 crores for the Third Control Period vide Order No.30/2021-22. In its submission for the true up of the Third Control Period, the ISP submitted a total CAPEX of only ₹ 27.42 crores, which is 66.59% less than the CAPEX approved by the Authority for the Third Control Period. Further, the actual CAPEX executed by the ISP includes some unplanned capital projects.

3.4.2 The Authority sought detailed justifications for execution of lower CAPEX vis-à-vis the approved CAPEX, including the unplanned CAPEX executed during the Third Control Period. The reason for variance in the actual Capex vis-à-vis the approved CAPEX for the Third Control Period as submitted by the ISP is presented in the table given below:

Sl. No.	*Particulars (Rs. Lacs)*	*FY 22*	*FY 23*	*FY 24*	*FY 25*	*FY 26*	*Total*	*Remarks*
1	*T2 IC Hydrant Expansion Project*		*6,133.92*				*6,133.92*	*Project completed in FY 23 (Capex of Rs 2420.28 lacs incurred)*
2	*Backup DG Upgrade with new Transformer*		*525.00*				*525.00*	*Work Order will be placed in March 2026 and expected to capitalize by June 26*
3	*Shifting Electrical Cables to outside dyke*	*265.00*					*265.00*	*The Project was deferred due to Covid. Also, it requires mandatory partial shutdown of the Plant, which will be feasible only after commissioning of Satellite Fuel Farm. Hence, rescheduled to March 2028.*
4	*Replacement of 7* Hydrant Pumps*		*96.00*	*96.00*	*32.00*		*224.00*	*Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the replacement of Hydrant pumps has been done partially for 3 numbers only. The other 4 Hydrant Pumps have been serviced and made it operational. The replacement of 4 new Hydrant Pumps is now scheduled in Mar 28*
5	*Valve Chambers Covers replacement*		*109.00*	*109.00*			*218.00*	*Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the replacement of Valve chamber covers was deferred due to its servicing and made it operational. The same is now re-scheduled for replacement in Sep 27*
6	*Flushing Trucks*		*140.05*				*140.05*	*Due to Covid, it was a strategic decision to restrict the capex*

								program and carry out only that capex which are essential from the safety point of view. Therefore, the procurement of Flushing Trucks was carried out partially for 1 number only. The procurement of pit flusher (INR 70 Lakhs) is now re-scheduled in Jan 2026 and expected to receive the delivery by Jan 27 due to long lead item.
7	*MOV Replacement in VC001*			*122.00*			*122.00*	*Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the MOV was deferred due to its servicing and made it operational. The same is now re-scheduled for replacement in Jan 27*
8	*ROSOV for 04 Tanks*		*52.12*	*52.12*			*104.24*	*Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the replacement of ROSOV was deferred due to its servicing and made it operational. The same is now re-scheduled for replacement in Dec-27*
9	*Dyke Walk Area Modification for Tanks T11, T12 and T13 in line with Tank T21*	*84.00*					*84.00*	*It has been decided that this capex would be taken up during the 5the Control Period.*
10	*Khume Flow Control Valves Replacement Receipt Line 4 No*		*62.00*				*62.00*	*Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the Khume Flow Control Valves Replacement Receipt Line 4 No was deferred due to its servicing and made it operational. The same is now re-scheduled for replacement in Mar-28*
11	*MOV Actuator Replacement in Fuel Farm for Tank 12*		*55.00*				*55.00*	*Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the MOV Actuator Replacement in Fuel Farm for Tank 12 was deferred due to its servicing and made it operational. The same is now*

								re-scheduled for replacement in Mar-28
12	*TT Receipt Batch Controller and PD Meter replacement*			*55.00*			*55.00*	*It has been decided that this capex would be taken up during the 5the Control Period.*
13	*Hydrocarbon Detectors in FF*	*480.00*					*480.00*	*Due to Covid, the requirement of Hydrocarbon Detectors in FF was deferred and is now rescheduled by Sep 26 (WO) and procurement expected by Jun 27*
14	*Modification of Entry and Exit passages for T11, T12, T13 in line with tank T21*	*4.00*					*4.00*	*The Job will be carried out by Feb 27*
15	*Hydrant Pit valve Assembly 10 Nos*		*32.00*				*32.00*	*The Job will be carried out by Dec 26*
16	*Security Equipment-As per recommendation by State Security*	*32.00*					*32.00*	*Expected to Complete by Feb 27*
17	*Foam Pourer work Area modification for Tanks T11, T12, T13 in line with tank T21*	*29.00*					*29.00*	*The Job will be carried out by Dec 26*
18	*Khume Flow Control Valves Replacement Return Line 1 No*			*17.00*			*17.00*	*The activity was deferred due to servicing and made it operational. However, replacement is scheduled in Mar 28*
19	*Battery Bank Revamping for Inverters in Control Room*		*12.00*				*12.00*	*Completed*

3.4.3 The Authority further sought the details regarding the actual capitalization done in respect of FY 2025-26 (last tariff year of the Third Control Period). In response, the ISP clarified that the CAPEX figures earlier submitted for FY 2025-26 covered expenditure only up to September 2025 and the revised CAPEX for FY 2025-26 amounts to ₹ 1.46 crores.

3.4.4 It is noted that out of the total CAPEX executed by the ISP during the Third Control Period amounting to ₹ 27.42 crores, unplanned CAPEX amounts to ₹ 3.22 crores. The details of actual CAPEX executed during the Third Control Period including unplanned CAPEX is placed at *ANNEXURE-III*. From the review of unplanned CAPEX executed by the ISP, it is noted that the unplanned CAPEX has majorly been executed on Plant & Equipment including new Pit Flusher, Computers, Printers, Vehicles, Admin Building (Installation of Elevator) etc., which are considered essential for undertaking smooth Fuel Farm operations to support aircraft operations at the Bengaluru International Airport. Accordingly, taking note of the essentiality of the unplanned CAPEX executed, the Authority proposes to consider unplanned CAPEX amounting to ₹ 3.22 crores as part of true-up of the capitalization for the Third Control Period.

3.4.5 The Authority in its Order No. 30/2021-22 for the Third Control Period provided that in order to ensure that IOSPL adheres to the Capital Expenditure plan, there would be readjustment (reduction) of 1% of the non-capitalized CAPEX from ARR/Target Revenue, as re-adjustment at the time of True-up exercise for the 3rd Control Period during determination of tariff for the Next Control Period, in case any particular CAPEX is not executed as per the Capitalization Schedule. The Tariff Order further provided that in case there is a delay in commissioning/capitalizing of the assets proposed for the 3rd Control Period due to any reason beyond the control of IOSPL, and, is properly justified, same would be considered by the Authority while truing up the actual cost at the time of Tariff determination exercise for the next control period.

3.4.6 In this regard, the justification/ reasons furnished by IOSPL towards the non-execution/ deferment/ delays in execution of Capex approved for the Third Control Period is as under:

The ISP stated that Capex proposed for the Third Control Period was based on the prevailing airport development plans, traffic projections and infrastructure expansion. As per the ISP, the non-execution of aforesaid Capex was not due to deferment of essential investments, but due to exogenous developments and efficiency-driven measures. Certain airport-side projects, including apron and stand expansions were revised and deferred, and IOSPL accordingly realigned its fuel infrastructure investments to avoid premature asset creation and under-utilization. In parallel, detailed engineering, value optimization, phased execution, and competitive procurement resulted in scope rationalization and cost efficiencies without compromising safety, reliability, or regulatory compliance. The resulting capex savings have directly benefited airport users through lower capitalization into the Regulated Asset Base, reduced depreciation and return on capital, and lower financing costs, thereby moderating tariff impacts. Importantly, there has been no adverse impact on fuel availability, system redundancy, service quality, or non-discriminatory access at the Airport. IOSPL further submitted that execution of all essential, capacity - driven investments planned for the Fourth Control Period is in line with airport expansion and traffic growth. Accordingly, the capex variance reflects prudent financial management and efficiency gains, fully aligned with AERA's regulatory objectives.

3.4.7 Considering the justifications submitted by the ISP for the deferment/ non-execution of the approved Capex for the Third Control Period, including impact of Covid-19 pandemic on the execution of approved Capex (refer para 3.4.6), the Authority proposes not to consider readjustment (reduction) of 1% of non-executed approved CAPEX in the ARR (true up) for the Third Control Period.

3.4.8 The Authority also enquired about the tendering mechanism followed in IOSPL, the ISP in its response stated that it has an approved procurement and tendering policy in which all procurements worth more than ₹5 lakhs are being done through public tender on two bid basis (Technical and Commercial bid). ISP further submitted that they follow very fair and transparent tendering process with an objective to secure the lowest price amongst the bidders.

3.4.9 The Authority, considering that Fuel Farm services are integral to the airport operations and also taking into account the essentiality of the CAPEX incurred by the IOSPL for the Third

Control Period for supporting the aeronautical operations at the Kempegowda International Airport, Bangalore, proposes to consider the Capital Expenditure for the Third Control Period, as submitted by the ISP as Table 5.

3.5 True up of the Depreciation for the Third Control Period (FY 2021-22 to FY 2025-26)

3.5.1 IOSPL submitted the true up of the Depreciation of Assets relating to Fuel Farm Facilities at Kempegowda International Airport, Bangalore pertaining to the Third Control Period (FY 2021-22 to FY 2025-26) as per the table given below:

Table 7: True up of the Depreciation for the Third Control Period (FY 2021-22 to FY 2025-26) proposed by IOSPL

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Building	0.11	0.11	0.11	0.11	0.12	**0.57**
2.	Computer	0.03	0.03	0.04	0.06	0.11	**0.27**
3.	Computer Software	0.22	0.23	0.23	0.02	0.00	**0.71**
4.	Furniture & Fixtures	0.02	0.02	0.01	0.01	0.02	**0.09**
5.	Office Equipment	0.02	0.02	0.02	0.00	0.00	**0.06**
6.	Plant & Machinery	14.91	15.29	9.49	8.84	8.86	**57.40**
7.	Vehicles	0.03	0.03	0.05	0.11	0.10	**0.33**
Total		**15.36**	**15.74**	**9.96**	**9.16**	**9.21**	**59.43**

3.5.2 The Depreciation approved by the Authority vide Order No. 30/2021-22 for the Third Control Period (FY 2021-22 to FY 2025-26) is presented in the table below:

Table 8: Depreciation approved in the Order for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Approved in the Order for Third Control Period	12.57	15.54	17.83	17.82	13.43	**77.19**
2.	Proposed by the ISP for True up of Third Control Period	15.36	15.74	9.96	9.16	9.21	**59.43**

3.6 Authority's Examination on True up of Depreciation for the Third Control Period (FY 2021-22 to FY 2025-26)

3.6.1 The ISP, in its initial submission, proposed depreciation amounting to ₹74.96 crores for the true-up of the Third Control Period. During the review, the Authority observed certain gaps in the depreciation calculations, which were subsequently communicated to the ISP. In response, the ISP submitted a revised depreciation summary vide email dated 06.03.2026 and the same has been presented in Table 7. However, it is noted that the depreciation computed by the ISP in its updated submission dated 06.03.2026 for the FY 2021-22 and FY 2022-23 is more than the depreciation approved by the Authority for these years (as can be seen from the Table 8 above), though the actual capitalization done by ISP for FY 2021-22 and FY 2022-23 vis-à-vis the approved CAPEX for these years is significantly lower (Refer Table 5 & Table 6) . Thus, there seems little correlation between the depreciation and capital additions.

3.6.2 Therefore, the Authority, considering the AERA's Order No. 35/2017-18 (read with amendment no.1 therein) regarding useful life of assets has recalculated the depreciation proposed to be considered for the true up of the Third Control Period and the same is presented below:

Table 9: Depreciation proposed by the Authority for the true up of the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

SI. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Building	0.16	0.16	0.16	0.16	0.16	**0.80**
2.	Computer	0.02	0.01	0.03	0.05	0.10	**0.22**
3.	Computer Software	0.22	0.23	0.14	0.02	0.00	**0.61**
4.	Furniture & Fixtures	0.02	0.02	0.02	0.01	0.03	**0.10**
5.	Office Equipment	0.02	0.02	0.01	0.00	0.00	**0.05**
6.	Plant & Machinery	11.58	11.58	11.90	13.19	8.80	**57.03**
7.	Vehicles	0.09	0.09	0.11	0.17	0.16	**0.62**
Total		**12.11**	**12.11**	**12.37**	**13.60**	**9.24**	**59.43**

3.7 True up of Regulatory Asset Base (RAB) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.7.1 The Regulatory Asset Base (RAB) based on the revised RAB and Depreciation sheet shared by the ISP (on 06.03.2026) for the true up of the Third Control Period (FY 2021-22 to FY 2025-26) is given below:

Table 10: True up of RAB for the Third Control Period (FY 2021-22 to FY 2025-26) submitted by IOSPL

(₹ in crores)

SI. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Opening RAB	122.92	107.69	116.75	107.64	98.65	
2.	Additions	0.13	24.80	0.87	0.16	1.46	**27.42**
3.	Deletions	0.00	0.00	0.02	0.00	0.00	**0.02**
4.	Depreciation	15.36	15.74	9.96	9.16	9.21	**59.43**
5.	**Closing RAB**	**107.69**	**116.75**	**107.64**	**98.65**	**90.89**	
6.	**Average RAB**	**115.31**	**112.22**	**112.20**	**103.14**	**94.77**	

3.8 Authority's Examination of the True up of Regulatory Asset Base (RAB) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.8.1 As discussed above (refer para 3.6.1), the Depreciation computed by the ISP for true up of the Third Control Period is not in sync with Capital Additions during the Third Control Period, the Authority, therefore proposes to consider the Depreciation recomputed by AERA (refer Table 9) for the True up of the RAB for the Third Control Period.

3.8.2 The True up of the RAB for the Third Control Period proposed to be considered by the Authority is presented in the following table:

Table 11: True up of the RAB for the Third Control Period (FY 2021-22 to FY 2025-26) proposed by the Authority

(₹ in crores)

SI. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Opening RAB	122.95	110.97	123.66	112.16	98.72	
2.	Additions	0.13	24.80	0.87	0.16	1.46	**27.42**
3.	Deletions	-	-	-	-	-	**-**
4.	Depreciation	12.11	12.11	12.37	13.60	9.24	**59.43**
5.	**Closing RAB**	**110.97**	**123.66**	**112.16**	**98.72**	**90.94**	
6.	**Average RAB**	**116.96**	**117.31**	**117.91**	**105.44**	**94.83**	

3.9 True up of Fair Rate of Return (FRoR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.9.1 The Authority notes that IOSPL, as part of the true up of the Third Control Period in its MYTP submission, has claimed a Fair Rate of Return (FRoR) on RAB @14.45%. IOSPL has considered Cost of Debt @8.50% from FY 2021-22 to FY 2023-24, 8.38% for the FY 2024-25 and 7.22% for the FY 2025-26. The ISP has considered Cost of Equity for the Third Control Period @15.05%. The true-up of FRoR for the Third Control Period submitted by the IOSPL is given in the table below:

Table 12: True up of FRoR for the Third Control Period (FY 2021-22 to FY 2025-26) submitted by IOSPL

(₹ in crores)

SI. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1.	Debt	8.87	4.43	1.11	0.00	47.16
2.	Equity	78.81	80.76	99.82	125.50	146.94
3.	Debt + Equity	87.67	85.20	100.92	125.50	194.11
4.	Cost of Debt	8.50%	8.50%	8.50%	8.38%	7.22%
5.	Cost of Equity	15.05%	15.05%	15.05%	15.05%	15.05%
6.	Gearing	10.11%	5.20%	1.10%	0.00%	24.30%
7.	**FRoR**	**14.39%**	**14.71%**	**14.98%**	**15.05%**	**13.15%**
8.	**Average FRoR**	**14.45%**				

3.10 Authority's Examination regarding the True up of Fair Rate of Return (FRoR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.10.1 The Authority notes from IOSPL's submission that CAPEX on Fuel Farm Facility at Kempegowda International Airport has been funded through a mix of Debt and Equity.

3.10.2 As regards Cost of Equity, the Authority proposes to consider the Cost of Equity @14%, for true up, as decided by the Authority in the Tariff Order No. 30/2021-22 for the Third Control Period.

3.10.3 The Authority proposes to consider the actual Cost of Debt for True up of the Third Control Period (FY 2021-22 to FY 2025-26) as submitted by the ISP. It is noted that the Cost of Debt submitted by the ISP for true-up ranges between 7.22% to 8.50% (weighted average Cost of Debt – 7.54%) is lower than the SBI's average MCLR prevailing during the period from FY 2021-22 to FY 2025-26.

3.10.4 Based on the above, Authority proposes to consider true up of FRoR in respect of IOSPL for the Third Control Period (FY 2021-22 to FY 2025-26) as per the table given below:

Table 13: True up of FRoR proposed to be considered by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1.	Debt	8.87	4.43	1.11	0.00	44.45
2.	Equity	84.12	96.58	116.39	142.11	164.04
3.	Debt + Equity	**92.99**	**101.01**	**117.50**	**142.11**	**208.49**
4.	Cost of Debt	8.50%	8.50%	8.50%	8.38%	7.22%
5.	Weighted Average Cost of Debt	**7.54%**				
6.	Cost of Equity	**14.00%**				
7.	Gearing	9.36%	4.18%	0.88%	0.00%	20.10%
8.	Weighted Average Gearing	**8.89%**				
9.	**FRoR**	**13.43%**				

3.11 True up of Operation & Maintenance Expenses for the Third Control Period (FY 2021-22 to FY 2025-26)

3.11.1 IOSPL submitted the true up of the Operation & Maintenance expenses for the Third Control Period (FY 2021-22 to FY 2025-26) as per table given below:

Table 14: Operation and Maintenance Expenses submitted by IOSPL for the True up of the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll costs	4.87	4.99	4.41	5.17	6.49	**25.92**
Administrative and General Costs	2.05	3.63	3.79	3.00	6.04	**18.51**
Repairs and Maintenance Costs	1.40	2.22	1.28	2.07	1.46	**8.42**
Utility Costs	1.27	1.46	1.56	1.74	1.95	**7.99**
Airport Operator Fees/Rent/License Fee	-	-	-	-	28.09	**28.09**
Operating Fee/ Margin	-	-	-	-	1.59	**1.59**
Total	**9.59**	**12.30**	**11.04**	**11.98**	**45.63**	**90.53**

3.11.2 The Operation & Maintenance Expenses approved by the Authority for the Third Control Period is presented in the Table below:

Table 15: Operation and Maintenance Expenses approved by the Authority in the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll costs	4.70	5.08	5.49	5.93	6.40	**27.60**
Administrative and General Costs	1.79	1.87	1.95	2.04	2.14	**9.79**
Repairs and Maintenance Costs	0.98	1.03	1.08	1.12	1.18	**5.39**
Utility Costs	1.40	1.46	1.53	1.60	1.67	**7.65**
Airport Operator Fees/Rent/License Fee	0.01	0.01	0.01	0.01	0.01	**0.05**
Total	**8.88**	**9.45**	**10.05**	**10.70**	**11.39**	**50.47**

3.12 Authority's Examination on true up of Operation & Maintenance expenses for the Third Control Period (FY 2021-22 to FY 2025-26)

3.12.1 The Authority vide Order No.30/2021-22 approved projection related to the Operation & Maintenance Expenses for the Third Control Period amounting to ₹ 50.47 crores. Whereas, the true up of O&M Expenses for the Third Control Period submitted by the ISP amounts to ₹ 90.53 crores. It is observed that out of total O&M expenses of ₹ 90.53 crores submitted by IOSPL for true up, a major portion i.e. ₹ 28.09 crores (31.03%) of O&M expenses pertain to Land Rental as per the new Service Provider Right Holder (SPRH) Agreement executed on 30.06.2025 (effective from 01.04.2025), ₹ 25.92 crores (28.63%) is related to Payroll Costs and ₹ 18.51 crores (20.45%) towards Administrative and General Expenses. The Authority's examination of the various components of Operation & Maintenance Expenses is given below:

a) Payroll Costs:

The Authority notes that total payroll expenses i.e. ₹ 25.92 crores proposed for the True up by the ISP is within the total payroll expenses approved by the Authority for the Third Control Period i.e. ₹ 27.60 crores. The Authority observes that the ISP has proposed a Y-o-Y increase of 8% in payroll costs and a 26% increase has been proposed in FY 2025-26 over FY 2024-25. Regarding significant increase of 26% in payroll expenses, the ISP clarified that the increase is mainly on account of the annual increment, gratuity/ leave encashment, addition of 5 employees and estimated one-time cost due to new wage code bill.

The Authority, proposes to consider the one-time increase in payroll expenses for FY 2025-26 on account of the reasons cited above and rationalize the Y-o-Y increase to 6%.

b) Administrative & General Expenses:

It is observed that there is a 77% increase in Administrative & General Expenses in FY 2022-23 over the FY 2021-22 figures. In this regard, the ISP vide email dated 16.02.2026 submitted that this increase is primarily due to easing of restrictions post Covid and one-time expense relating to Land & Buildings regularization fee (₹ 33.88 lakhs).

It is further observed that there is a 100% increase in expenses during FY 2025-26 as compared to FY 2024-25. The detailed examination showed that the increase in the expenses is mainly due to payment of stamp duty charges amounting to ₹ 2.29 crores on registration of the sub-lease deed for the existing Fuel Farm and new Satellite Fuel Farm.

The Authority proposes to consider the one-time expense considered by the ISP in FY 2022-23 and the stamp duty charges for FY 2025-26 as per the ISP. However, the Y-o-Y increase in Administrative & General Expenses is proposed to be rationalized @5%.

c) **Repairs & Maintenance Expenses:**

The Authority notes that ISP submitted the true up of R&M Expenses for the Third Control Period related to the Fuel Farm facility, including expenses related to Office, Vehicles, Plant & Machineries etc., amounting to ₹ 8.42 crores.

It is noted that the ISP has considered a one-time increase of 58.57% in Repairs & Maintenance in FY 2022-23. In this regard, the ISP vide email dated 16.02.2026 clarified that the increase is mainly on account of one-time expense related to tank painting amounting to ₹ 102.89 lakhs in FY 2022-23.

Further, it is observed that the Repair & Maintenance Expenses in FY 2024-25 have increased by 61.72%. In this regard, the ISP clarified that there was one-time Repair work related to internal road to enhance vehicle access, safety, and operational efficiency, amounting to ₹ 63.66 lakhs.

The Authority, considering the clarifications submitted by the ISP, proposes to consider the various one-time expenses; however, limits the Y-o-Y increase to 6%.

d) **Utility Costs:**

The Authority notes that Utility and Outsourcing Expenses comprise of costs related to consumption of Electricity, Water, Fuel etc.

It is observed that Y-o-Y increase in Utility & Outsourcing expenses ranges between 7% to 15% and total Utility & Outsourcing expenses submitted for true up is marginally higher (4%) than the total expenses approved in the Tariff Order for the Third Control Period. The Authority proposes to consider true up of the Utility & Outsourcing expenses for the Third Control Period as submitted by the ISP, however, limits the Y-o-Y increase to 5% for the FY 2025-26.

e) **Operating Fee/ Margin:**

It is noted that the ISP has claimed an amount of ₹ 1.59 crores as Operator Fee/ Margin in FY 2025-26, though IOSPL itself is functioning both as the Fuel Farm facility owner and facility operator, for which ISP is being compensated in the form of O&M Expenses in ARR calculation. Thus, there is no justification to claim Operator Fee/ Margin, over and above the O&M Expenses. Therefore, the Authority proposes not to consider Operator fee/ Margin for the true up of the Third Control Period.

f) **Airport Operator Fees/ Rent/ License Fee:**

It is noted that the ISP has executed a new SPRH agreement with the Airport Operator (BIAL), whereby land rental @ 525 per sq.m. per month (with 5% annual escalation) on land allotted for fuel farm is payable by the IOSPL to Airport Operator w.e.f. 01.04.2025. The annual land rent in respect of existing Fuel Farm facility for FY 2025-26 amounts to ₹ 28.09 crores as per the ISP.

As per the Authority, steep increase in the land rental introduced by the Airport Operator (AO) in its new agreement with IOSPL (effective from 01.04.2025), whereby the ISP is required to pay land rental in respect of existing fuel farm facility 525 times more than the nominal land rental that was being paid by the ISP as per its original agreement with the AO. Clearly, it is a case of display of monopolistic tendency and exploitation of dominant market position by the AO. The sudden steep increase in the land rental rate may result in a tariff shock to the facility users. As a regulator, AERA is inclined to protect the reasonable interests of facility users. In light of the above, the Authority proposes to rationalize the Land Lease Rental to the tune of 25% in FY 2025-26 (from ₹525/ sqm/ month as per the ISP to ₹ 395/ sqm/ month with 5% Y-o-Y increase therein. AERA advises the ISP to take up the issue of steep increase in land rental rate with the Airport Operator.

3.12.2 The true-up of O&M expenses for the Third Control Period (FY 2021-22 to FY 2025-26) proposed to be considered by the Authority is presented in the table given below:

Table 16: True up of the Operation and Maintenance Expenses proposed to be considered by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll costs	4.87	4.99	4.41	4.32	5.17	**23.76**
Administrative and General Costs	2.05	3.63	3.79	3.00	5.45	**17.92**
Repairs and Maintenance Costs	1.40	2.22	1.25	1.94	1.37	**8.18**
Utility Costs	1.27	1.46	1.56	1.74	1.82	**7.85**
Airport Operator Fees/Rent/License Fee	-	-	-	-	21.13	**21.13**
Total	**9.59**	**12.30**	**11.01**	**11.01**	**34.94**	**78.84**

3.12.3 Considering that the true-up of Opex for the Third Control Period (FY 2021-22 to FY 2025-26) includes projections by the ISP for FY 2025-26, accordingly, the Authority, will further review the OPEX submitted for true-up in respect of FY 2025-26 at the Order Stage, based on the actual financials.

3.13 True up of Taxation for the Third Control Period (FY 2021-22 to FY 2025-26)

3.13.1 Based on the IOSPL's submission for the Third Control Period (FY 2021-22 to FY 2025-26), the true up of Aeronautical Taxation as per the ISP is as under:

Table 17: True up of taxation for the Third Control Period (FY 2021-22 to FY 2025-26) based on the submission of IOSPL

(₹ in crores)

Particulars	Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Revenue	A	32.16	47.52	51.75	62.33	73.46	**267.23**
Operating Expenditure *(Refer Table 16)*	B	9.59	12.30	11.04	11.98	45.63	**90.53**
Depreciation	C	15.36	15.74	9.96	9.16	9.21	**59.43**
Interest (Finance Charges)	D	0.80	0.42	0.07	0.00	-	**1.30**
Profit/ (Loss) Before Tax	**E = A-(B+C+D)**	6.41	19.06	30.68	41.19	18.62	**115.96**
Tax Rate	**F**	34.94%	34.94%	29.12%	25.17%	25.17%	
Tax as per IT Act	**G = E*F**	**2.24**	**6.66**	**8.93**	**10.37**	**4.69**	**32.89**

3.14 Authority's Examination on true up of Taxation for the Third Control Period (FY 2021-22 to FY 2025-26)

3.14.1 The Authority notes that as per the ISP's submission, the Income Tax liability of IOSPL in respect of its fuel farm services for the Third Control Period (FY 2021-22 to FY 2025-26) amounts to ₹ 32.89 crores. Based on the review of the regulatory building blocks, as part of due-diligence of ISP's true up submission, the Authority has recomputed the Taxation for the Third Control Period (FY 2021-22 to FY 2025-26) as given in the table below:

Table 18: True up of Aeronautical Taxation proposed to be considered by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Revenue	A	32.59	48.04	53.19	63.62	63.78	**261.21**
Operating Expenditure *(Refer Table 16)*	B	9.59	12.30	11.01	11.01	34.94	**78.84**
Depreciation	C	12.11	12.11	12.37	13.60	9.24	**59.43**
Interest (Finance Charges)	D	0.80	0.42	0.07	0.00	-	**1.30**
Profit/ (Loss) Before Tax	**E = A-(B+C+D)**	**10.09**	**23.21**	**29.75**	**39.01**	**19.59**	**121.64**
Set off of Prior Period Losses	**F**	-	-	-	-	-	**-**
Taxable Income	**G = E+F**	**10.09**	**23.21**	**29.75**	**39.01**	**19.59**	**121.64**
Tax as per IT Act	**H = G*25.17%**	**2.54**	**5.84**	**7.49**	**9.82**	**4.93**	**30.62**

3.14.2 As per the above table, True up of the Tax liability of IOSPL in respect of its Fuel Farm services at Kempegowda International Airport, Bangalore for the Third Control Period (FY 2021-22 to FY 2025-26) amounts to ₹ 30.62 crores. Accordingly, the Authority proposes to consider the true-up of Aeronautical Tax for the Third Control Period as per Table 18.

3.15 True up of Aggregate Revenue Requirement (ARR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.15.1 IOSPL submitted the True up of the ARR for the Third Control Period (FY 2021-22 to FY 2025-26) as per the table given below:

Table 19: True up of Aggregate Revenue Requirement submitted by IOSPL for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	A	122.92	107.69	116.75	107.64	98.65	
Closing RAB	B	107.69	116.75	107.64	98.65	90.89	
Average RAB *(refer Table 11)*	C	**115.31**	**112.22**	**112.20**	**103.14**	**94.77**	
Fair Rate of Return (FRoR) *(refer Table 13)*	D	14.45%	14.45%	14.45%	14.45%	14.45%	
Return on RAB	E = C * D	**16.66**	**16.22**	**16.21**	**14.90**	**13.69**	**77.69**
Depreciation *(refer Table 9)*	F	15.36	15.74	9.96	9.16	9.21	**59.43**
O&M Expenses *(refer Table 14)*	G	9.59	12.30	11.04	11.98	45.63	**90.53**
Taxation *(refer Table 17)*	H	2.24	6.66	8.93	10.37	4.69	**32.89**
Less: Other Income	I	-	-	-	-	-	**-**
Aggregate Revenue Requirement (ARR)	J = Sum (E:H) - I	**43.85**	**50.92**	**46.14**	**46.41**	**73.22**	**260.55**
Actual Aero Revenue	K	32.16	47.52	51.75	62.33	73.46	**267.23**
Under/ (Over) Recovery	L= J-K	**11.69**	**3.40**	**(5.61)**	**(15.92)**	**(0.24)**	**(6.67)**
FRoR	M	14.45%	14.45%	14.45%	14.45%	14.45%	
PV Factor	N	1.96	1.72	1.50	1.31	1.14	
Compounding of ARR	O = J * N	**86.11**	**87.36**	**69.17**	**60.80**	**83.81**	**387.25**
Compounding of Aero Revenue	P = K * N	63.15	81.53	77.58	81.64	84.07	**387.99**
Under/ (Over) Recovery in PV Terms	Q = O-P	22.96	5.83	(8.41)	(20.85)	(0.27)	**(0.74)**

Note: RAB & Depreciation as per ISP's submission dated 06.03.2026

3.15.2 IOSPL proposed to carry forward the over recovery of ARR pertaining to the Third Control Period (FY 2021-22 to FY 2025-26) amounting to ₹ 0.74 crore to the Fourth Control Period.

3.16 Authority's examination of True up of Aggregate Revenue Requirement (ARR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.16.1 The Authority observes that IOSPL while truing up of ARR for the Third Control Period and working out the resultant over-recovery has not considered the Revenue from 'Other Income/ Non-Aeronautical Income':

Other Income for the Third Control Period submitted by the IOSPL

Particulars (₹ in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Interest Income	42.13	51.74	143.73	129.04	-	**366.64**

The IOSPL, in its MYTP submission, though furnished the details of year-wise 'Other Income' during the Third Control Period, however the same was not considered by the ISP in its true-up for the Third Control Period, citing the judgements of Hon'ble TDSAT. The ISP's submission regarding exclusion of 'Other Income' from the tariff determination process is reproduced below:

"Hon'ble TDSAT, in multiple judgements including those relating to DIAL, HIAL, MIAL and Mopa Goa, has consistently held that Interest Income cannot be treated as revenue for cross-subsidization, since such income is not related to the provision of any aeronautical or non-aeronautical service by the airport operator. The relevant extracts are presented below:

AERA Appeal No.1 of 2016 and AERA Appeal No.1 of 2021 vide detailed judgment and order dated 21st July 2023 in the case of DIAL Vs. AERA & Ors.

"88. The contention raised for the counsel for Respondent No.1 to the effect that the income of "dividend" and "interest" are in fact from the income derived by the respondent by performing aeronautical and non-aeronautical services and, therefore, "other income" has rightly been treated as part of revenue, from "Revenue Share Assets". It is also contended by the counsels for respondents that the "dividend income" as a part of other income is a part of Third Control Period because dividend income is earned by DIAL through joint ventures set up with other group entities of DIAL who are carrying aeronautical related services and other non-aeronautical services provided in OMDA which if carried out by DIAL itself, would have earned surplus non-aeronautical income. These contentions are not accepted by this Tribunal mainly for the reason that "other income" is not relatable to and generated from the provision of any service by this Appellant and, therefore, it cannot be considered for cross-subsidization of aeronautical charges (i.e. as a part of revenue from Revenue Share Assets).

90. Such type of addition by AERA of "other income" as part of revenue from revenue share assets is beyond bargain (i.e. beyond the terms of contract)."

AERA Appeal No.4 of 2021 vide detailed judgment and order dated 14th February 2024 in the case of GHIAL Vs. AERA

"346. The impugned decision of AERA treating income of dividend and interest income from Cargo Subsidiary as aeronautical revenue and from duty free subsidiary as non-aeronautical revenue is not tenable in law mainly for the reason that the interest income and interest from treasury (e.g. income from fixed deposit/mutual fund etc.) in general, accruing to HIAL is not relatable to and generated from the provision of any service being provided by HIAL. This aspect of the matter has not been appreciated by AERA while passing the impugned order and hence, the same deserves to be quashed and set aside for the aforesaid point.

347. In the present case, AERA's decision to treat dividend and interest income received by HIAL from investments made in HMACPL (providing cargo service) as aeronautical revenue is based on a misconceived premise that because AERA has decided to treat cargo services as aeronautical in nature any income incidental therefrom is also to be treated as aeronautical. Similarly, for investment made by HIAL in other entity which provides duty free services, AERA has proceeded to treat such income as non-aeronautical in nature and consider it for cross subsidization. HIAL itself does not provide these services and the interest income received by HIAL does not correspond to any services rendered by HIAL and as such, it is beyond the regulatory ambit of AERA.

359. In view of the aforesaid facts and reasons, the decision of AERA to bring "Other Income" within its regulatory purview is incorrect, improper and unjustified. We hereby hold that Income from interest and dividend earned by this appellant is because of Cash Management Process (CMP). In fact, there is no legal base, to treat "Other Income" as a part of revenue for calculation of cross-subsidization."

3.16.2 The views of the Authority regarding treatment of 'Other Income' in the Tariff Determination exercise are as under:

i. The Authority has challenged the decisions of Hon'ble TDSAT by filing the Civil Appeals in the Hon'ble Supreme Court under Section 31 of AERA Act, 2008 and Hon'ble Supreme Court is presently hearing the matter. Thus, the issues raised in the Civil Appeals filed by the Authority are not finally settled and the Hon'ble Supreme Court is seized of the matter.

ii. Considering the above and in public interest, the Authority proposes to continue the tariff determination exercise of the ISP consistent with the past practices, particularly regarding the treatment of Other Income in the Tariff Determination process.

Accordingly, the Authority proposes to consider 'Other Income' while truing up of ARR for the Third Control Period.

3.16.3 Based on the review of regulatory building blocks for truing-up, considering the actual financials submitted by the ISP for the FY 2021-22 to FY 2024-25 and updated projections for the FY 2025-26 (wherever applicable), as discussed in the previous sections, the Authority has re-computed the ARR in respect of the Third Control Period (FY 2021-22 to FY 2025-26), as shown in the table given below:

Table 20: True up of Aggregate Revenue Requirement proposed by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	A	122.95	110.97	123.66	112.16	98.72	
Closing RAB	B	110.97	123.66	112.16	98.72	90.94	
Average RAB *(refer Table 11)*	C	**116.96**	**117.31**	**117.91**	**105.44**	**94.83**	
Fair Rate of Return (FRoR) *(refer Table 13)*	D	13.43%	13.43%	13.43%	13.43%	13.43%	
Return on RAB	E = C * D	**15.70**	**15.75**	**15.83**	**14.16**	**12.73**	**74.17**
Depreciation *(refer Table 9)*	F	12.11	12.11	12.37	13.60	9.24	**59.43**
O&M Expenses *(refer Table 16)*	G	9.59	12.30	11.01	11.01	34.94	**78.84**
Taxation *(refer Table 18)*	H	2.54	5.84	7.49	9.82	4.93	**30.62**
Less: Other Income (NAR)	I	0.42	0.52	1.44	1.29	-	**3.67**
Aggregate Revenue Requirement (ARR)	J = Sum (E:H) - I	**39.52**	**45.48**	**45.25**	**47.29**	**61.85**	**239.39**
Actual Aero Revenue	K	32.16	47.52	51.75	62.33	63.78*	**257.54**
Under/ (Over) Recovery	L= J-K	7.35	(2.04)	(6.50)	(15.03)	(1.93)	**(18.15)**
FRoR	M	13.43%	13.43%	13.43%	13.43%	13.43%	
PV Factor	N	1.88	1.66	1.46	1.29	1.13	
Compounding of ARR	O = J * N	**74.19**	**75.27**	**66.03**	**60.84**	**70.15**	**346.49**
Compounding of Aero Revenue	P = K * N	**60.39**	**78.65**	**75.52**	**80.19**	**72.34**	**367.08**
Under/ (Over) Recovery in PV Terms	Q = O-P	**13.80**	**(3.38)**	**(9.49)**	**(19.34)**	**(2.19)**	**(20.59)**

** Authority has worked out the revised revenue for FY 2025-26 based on the actual traffic.*

3.16.4 The Authority has determined the PV of Over-Recovery, for the Third Control Period (FY 2021-22 to FY 2025-26) amounting to ₹ 20.59 crores (as on 31.03.2027), as against PV of Over Recovery claimed by the IOSPL amounting to ₹ 0.74 crore. The major reasons of variance in the Over Recovery for the Third Control Period, as proposed by the Authority vis-à-vis the claim of IOSPL, are as under:

i. FRoR proposed by the Authority @ 13.43% as against 14.45% claimed by IOSPL, resulting in reduction of Return on RAB amounting to ₹ 3.52 crores.
ii. Rationalization of O&M Expenses amounting to ₹ 11.69 crores.

iii. Consideration of Other Income by Authority for working out ARR for truing up of Third Control Period.
iv. Revision of Aeronautical Revenue for FY 2025-26 based on actual traffic for the FY 2025-26.

3.16.5 Based on the calculations as per the above table, the Authority proposes to consider true-up of ARR for the Third Control Period (FY 2021-22 to FY 2025-26) amounting to ₹ 239.39 crores (NPV ₹ 346.49 crores as on 31.03.2027); whereas, the actual revenue accrued from Fuel Farm Services to ISP during the same period amounted to ₹ 257.54 crores (NPV ₹ 367.39 crores), thus resulting in an over recovery of ₹ 18.15 crores (₹ 20.59 crores in PV terms).

3.17 Authority's Proposals regarding true up of ARR for the Third Control Period (FY 2021-22 to FY 2025-26)

Based on the material before it and its analysis, the Authority with respect to true up of ARR for the Third Control Period (FY 2021-22 to FY 2025-26) proposes:

3.17.1 To consider Capital Additions as per Table 5.

3.17.2 To consider Aeronautical Depreciation as per Table 9.

3.17.3 To consider RAB as per Table 11.

3.17.4 To consider FRoR as per Table 13.

3.17.5 To consider the O&M Expenses as detailed in Table 16.

3.17.6 To consider Taxation as per Table 18.

3.17.7 To consider ARR and Under-Recovery as per Table 20 and to adjust this over-recovery in the ARR of the Fourth Control Period.

Fourth Control Period

4. FUEL THROUGHPUT (VOLUME) FOR THE FOURTH CONTROL PERIOD

4.1 IOSPL's submission regarding the projection of Fuel throughput for the Fourth Control Period (FY 2026-27 to FY 2030-31) for Kempegowda International Airport, Bangalore.

4.1.1. IOSPL submitted the fuel throughput projections for the Fourth Control Period (FoCP) along with growth rates assumed in fuel throughput on Y-o-Y basis, as shown in the table below:

Table 21: Fuel Throughput Projections submitted by IOSPL for the Fourth Control Period

Year	ATM – Traffic (in Nos)			Fuel Throughput Volume (in KL)		
	Domestic	International	Total ATMs	Domestic	International	Combined
FY 2026-27	2,92,814	48,308	**3,41,122**	7,53,996	6,86,457	**14,40,453**
FY 2027-28	3,13,039	54,498	**3,67,537**	8,06,075	7,74,417	**15,80,492**
FY 2028-29	3,33,151	58,696	**3,91,847**	8,57,864	8,34,070	**16,91,934**
FY 2029-30	3,54,768	60,642	**4,15,410**	9,13,528	8,61,723	**17,75,250**
FY 2030-31	3,69,840	72,200	**4,42,040**	9,52,338	10,25,962	**19,78,300**
Total	**16,63,612**	**2,94,344**	**19,57,956**	**42,83,801**	**41,82,629**	**84,66,429**

Year	ATM – Traffic Percentage Increase			Percentage Increase in Fuel Throughput		
	Domestic	International	Total ATMs	Domestic	International	Combined
FY 2026-27	-	-	-	-	-	-
FY 2027-28	6.91%	12.81%	7.74%	6.91%	12.81%	9.72%
FY 2028-29	6.42%	7.70%	6.61%	6.42%	7.70%	7.05%
FY 2029-30	6.49%	3.32%	6.01%	6.49%	3.32%	4.92%
FY 2030-31	4.25%	19.06%	6.41%	4.25%	19.06%	11.44%

4.2 Authority's Examination regarding Fuel Throughput Projection for the Fourth Control Period

4.2.1 The Authority notes the submission of IOSPL regarding Fuel Throughput projections, wherein the ISP has stated that Kempegowda International Airport had handled the passenger throughput in the range of 41-42 million during FY 2024-25, recording 10-11% Year-on-Year growth, driven by expanding domestic and international traffic. ISP further submitted that Passenger volumes are expected to reach to 60 million by 2028, significantly increasing aircraft movements, cargo operations and fuel upliftment requirements. To meet this growing demand, the construction of satellite Fuel Farm has been proposed to service the projected aviation fuel requirement in the range of 6,200 KL/per day by March 2030, ensuring adequate capacity, reduced turnaround time and seamless support for KIA's infrastructure expansion.

4.2.2 The ISP has projected Fuel Throughput for FoCP considering Y-o-Y growth in the range of 4% to 11% during Fourth Control Period (FY 2026-27 to FY 2030-31).

4.2.3 The IOSPL's assumptions are based on a combination of factors like increase in the Passengers and Cargo traffic, expected decrease in the turnaround time. The Fuel Throughput Volumes are directly proportional to the demand of Pax/Cargo traffic, which require more aircraft movements, leading to higher demand of ATF.

4.2.4 Considering that Bengaluru Airport is expanding its Pax Handling Capacity as part of its T-2 Phase-II expansion plan, the Authority for projecting Fuel Throughput Volume for the FoCP has considered Fuel Throughput Volume of FY 2025-26 as a base and has applied Y-o-Y growth rates as proposed by the ISP. The Fuel Throughput Volume proposed by the Authority for Fourth Control Period is as under:

Table 22: Fuel Throughput proposed by the Authority for the Fourth Control Period

(in KL)

Particulars	FY 2025-26 (Base year)	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total (FoCP)
Fuel Throughput	12,50,512	14,90,631	16,35,548	17,50,872	18,37,090	20,47,214	**87,61,355**
Growth (%)		*19%*	*10%*	*7%*	*5%*	*11%*	

4.3 Authority's proposals regarding Fuel Throughput for the Fourth Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to the Fuel Throughput forecast for the Fourth Control Period:

4.3.1 To consider the Fuel Throughput Forecast for the Fourth Control Period in respect of IOSPL, at Bangalore International Airport, Bangalore as per Table 22.

4.3.2 To true up the Fuel Throughput in respect of the Fourth Control Period, based on actual Fuel Throughput, at the time of tariff determination for the Fifth Control Period.

5. CAPITAL EXPENDITURE, DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FOURTH CONTROL PERIOD

As per clause 9.2 of the CGF Guidelines, Regulatory Asset Base (RAB) shall be all fixed assets proposed by the Service Provider(s), after providing for such exclusions therefrom or inclusions therein as may be determined by the Authority. The assets that substantially provide services not related to or not normally provided as part of Regulated Service(s) may be excluded from the scope of RAB by the Authority, in its discretion.

5.1 IOSPL's submission regarding CAPEX for the Fourth Control Period (FoCP)

IOSPL, in line with expansion of Terminal-2 and to service the projected increase in aircraft traffic at Bengaluru International Airport proposed major CAPEX on construction of new Satellite Fuel Farm facility along with associated expansion of fuel hydrant network.

The CAPEX projected for the Fourth Control Period (FY 2026-27 to FY 2030-31) by IOSPL is tabulated below:

Table 23: Capital Expenditure (Capitalization) submitted by IOSPL for the Fourth Control Period

(₹ in crores)

Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Building	1.77	1.77	-	-	-	**3.54**
Plant & Machinery	358.92	211.80	1.18	5.90	-	**577.80**
Vehicles	0.40	-	-	-	-	**0.40**
Plant & Machinery (C/F from 3rd CP)	7.15	14.56	-	-	-	**21.71**
Vehicles (C/F from 3rd CP)	0.70	-	-	-	-	**0.70**
Total	**368.94**	**228.13**	**1.18**	**5.90**	**0.00**	**604.16**

5.1.1 The project/scheme wise breakup of the projected Capital Expenditure for the Fourth Control Period is given below:

Table 24: Detailed CAPEX break-up for the Fourth Control Period (FY 2026-27 to FY 2030-31) submitted by the IOSPL

(₹ in crores)

Sl.	Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
	New Capital Expenditure Projects (A)						
1	13 Stands Hydrant Extension	35.61					**35.61**

2	Concreting TT Parking aera RCC	1.18					**1.18**
3	EV Vehicle 1 No. with Charging Station	0.40					**0.40**
4	Fuel Farm Solar Plant		1.77				**1.77**
5	HRS Extension across WCT		4.18				**4.18**
6	Modification of SCADA for 2nd PLT Line			1.18			**1.18**
7	Motorized Fire Monitors		0.32				**0.32**
8	Renovation of Ground & First Floor	0.59					**0.59**
9	Replacement of Sprinklers and Piping for tanks T11, 12 & 13	0.47					**0.47**
10	Satellite Fuel Farm	318.16					**318.16**
11	Store + Canteen (G+1)- IOT Building		1.77				**1.77**
12	T2 Phase 2 40 Stands HRS Extension		153.47				**153.47**
13	Taxi Way P&Q Hydrant Extension	4.68					**4.68**
14	TCS Modifications				5.90		**5.90**
15	West Cargo Hydrant Extension		52.06				**52.06**
	Total (A)	**361.09**	**213.57**	**1.18**	**5.90**	**0**	**581.74**
Capex carried forward from Third Control Period (B)							
1	Backup DG Upgrade with new Transformer	5.25					**5.25**
2	Flushing Trucks	0.70					**0.70**
3	Foam Pourer work Area modification for Tanks T11, T12, T13 in line with tank T21	0.35					**0.35**
4	Hydrant Pit Valve Assembly - 10 Nos	0.70					**0.70**
5	Hydrocarbon Detectors in FF		4.80				**4.80**
6	Khume Flow Control Valves Replacement Receipt Line 4 No		0.62				**0.62**
7	Khume Flow Control Valves Replacement Return Line 1 No		0.50				**0.50**
8	Modification of Entry and Exit passages for Tanks T11, T12, T13 in line with tank T21	0.50					**0.50**
9	MOV Actuator Replacement in Fuel Farm for Tank 12		0.55				**0.55**

10	MOV Replacement in VC001		1.22				**1.22**
11	Replacement of 7x Hydrant Pumps		1.00				**1.00**
12	ROSOV for 04 Tanks		1.04				**1.04**
13	Security Equipment- As per recommendation by State Security	0.35					**0.35**
14	Shifting Electrical Cables to outside dyke		2.65				**2.65**
15	Valve Chambers Covers replacement		2.18				**2.18**
	Total (B)	**7.85**	**14.56**	**0**	**0**	**0**	**22.41**
	Total CAPEX (A+B)	**368.94**	**228.14**	**1.18**	**5.90**	**0.00**	**604.16**

5.2 Authority's Examination regarding CAPEX projection for the Fourth Control Period (FY 2026-27 to FY 2030-31)

5.2.1 The Authority notes that IOSPL submitted a total CAPEX of ₹ 604.16 crores for the Fourth Control Period, which includes an amount of ₹ 22.41 crores towards CAPEX carried forward from the Third Control Period (Part of approved Capex but not executed in the Third Control Period).

5.2.2 It is noted that the CAPEX proposed for the Fourth Control Period by the ISP is majorly under three broad heads, namely, Plant & Machinery, Buildings and Vehicles, amounting to ₹ 599.51 crores, ₹ 3.54 crores and ₹ 1.10 crore respectively. The Capex projected by the ISP for the FoCP as indicated above also includes IDC amounting to ₹ 22.78 crores.

5.2.3 The Authority sought the basis of cost estimates considered by IOSPL for projecting Capex for the FoCP. The ISP vide email dated 12.05.2026 submitted that the cost estimates for Capex projection for the FoCP are based on detailed engineering assessments incorporating validated Bill of Quantities (BOQ), project drawings, technical specifications, and site-specific conditions. Further, the ISP has stated that the rates considered are aligned with prevailing market prices for specialized airport fuel infrastructure equipment, materials, and construction services, with adjustments for applicable foreign exchange variations. The ISP further submitted that the cost-estimates factors-in the compliance requirements under applicable PESO (Petroleum and Explosives Safety Organization), DGCA (Directorate General of Civil Aviation), and JIG (Joint Inspection Group) standards and suitable escalation provisions and historical price trends have been considered while arriving at the cost estimates.

ISP also stated that the proposed costs have been benchmarked with the recently executed Fuel Farm and Hydrant Refuelling System project at Noida International Airport, which, reflects recent competitive market-discovered rates for similar aviation fueling infrastructure projects.

It was submitted that the proposed projects are being executed under the Engineering, Procurement and Construction Management (EPCM) model instead of the Lump Sum Turnkey (LSTK) model, with the objective of optimizing project costs through elimination of contractor risk premiums and profit margins. M/s IOSPL further conveyed that the works are proposed to be segregated into specialized packages, namely Civil, Mechanical, and Electrical/Instrumentation, to facilitate competitive procurement from specialized agencies and enable better cost control through direct project supervision.

5.2.4 As regards tendering & procurement mechanism, M/s IOSPL stated that they have robust procurement & transparency controls to safeguard the interest of stakeholders. M/s IOSPL employs a multi-tiered validation process and vendors are selected through a transparent, competitive process, including utilization of Reverse Auction Mechanism, working out internally justified price assessment based on historical data and prevailing market indices, and negotiations with L1 bidders to achieve the lowest justifiable price. M/s IOSPL submitted that it is committed to the prudent deployment of capital. As per the ISP, the EPCM model, combined with rigorous benchmarking against similar facility at the Noida International Airport project, ensures that the proposed CAPEX is optimized, transparent, and reflects the true cost of delivering world-class aviation fuelling infrastructure.

The major Capex Projects projected by M/s IOSPL for the FoCP have been examined by the Authority as under:

5.2.5 **Satellite Fuel Farm**:

(i) The Authority notes that the major capital expenditure for the FoCP is related to construction of a new Satellite Fuel Farm facility at Bengaluru Airport at an estimated cost of ₹ 318.16 crores. M/s IOSPL submitted that the existing fuel farm operated by it at Bengaluru airport has a tankage capacity of 19,800 KL and serves 182 aircraft stand through its Hydrant Network. As per the ISP, aviation fuel demand is projected to rise significantly in line with increased passenger and aircraft movements, the overall tankage requirement is estimated to double to 40,000 KL approx. In order to meet the projected demand, a new Satellite Fuel Farm (in addition to existing fuel farm) has been proposed by IOSPL with the ATF storage capacity of 19,620 KL along with expansion of associated Fuel Hydrant Infrastructure at the airport. The new Satellite Fuel Farm has been proposed over a land area of 23,100 Sqm, with operations scheduled to commence by March 2027 (as per the ISP). The facility is designed to have a total storage capacity of 19,620 KL, through three storage tanks of 6,540 KL capacity each.

(ii) Subsequently, the ISP vide email dated 28.02.2026 submitted a revised Financial Model and estimated Cost Summary in respect of new Satellite Fuel Farm facility (03 storage tanks and 02 Nos. Fire Water Tanks etc.) amounting to ₹ 287.66 crores (excluding IDC). The Authority, based on the revised Cost Summary (submitted by the ISP vide email dated 28.02.2026) recomputed the IDC for FY 2025-26 & FY 2026-27 amounting to ₹ 11.52 crores on the base cost of ₹ 287.66 crores. Presently, the ISP has issued work orders amounting to around ₹ 60 crores w.r.t. Satellite Fuel Farm project. Cost break-up of Satellite Fuel Farm Project as submitted by ISP is placed at *ANNEXURE-II*.

(iii) The Authority agrees with the ISPs' submission that aviation fuel demand is projected to rise significantly in line with the projected increase in passenger and aircraft traffic at Bengaluru airport, which requires fuel storage capacity enhancement to ensure seamless aircraft operations. However, from a regulatory perspective, the Authority holds the view that the scheduling of Capex & Capitalization of Fuel Storage Tanks should be done with a modular fashion during the Fourth Control Period, in sync with the projected aircraft traffic at the Airport.

(iv) The Authority notes that as per the ISP's submission, the existing fuel storage capacity of 19,800 KL is expected to cater to current ATF demand of the airport 14,40,453 KL approx. (FY 2026-27). By the end of FoCP, the projected ATF demand at Bengaluru airport is expected to reach to 20,47,214 KL (FY 2030-31).

Considering that existing fuel farm facility at the airport only has a storage capacity of 19,800 KL, therefore, in order to meet the future projected ATF demand of 20,47,214 KL by FY 2030-31, an additional fuel storage capacity of around 8,340 KL [(19800/1440453) *2047214 = 28140 KL - 19800KL] is required, which is around 42% of the existing fuel storage capacity of 19800 KL. It is clear from the above, the current fuel storage capacity at the airport is required to be augmented by 40% during the FoCP. This additional requirement for fuel storage capacity can be met out by two storage tanks (6540 KL capacity each), out of the three new fuel storage tanks (6540 KL capacity each) planned by the ISP as part of the Satellite Fuel Farm facility (commissioning in FY 2026-27).

(v) The Authority notes that after the planned commissioning of the Satellite Fuel Farm, the storage capacity is expected to increase to approximately 40,000 KL, which as per the Authority is not in sync with the fuel storage capacity utilization expected in the Fourth Control Period.

Further, as regards proposed expansion of fuel storage capacity at Kempegowda International Airport, Bangalore, the Authority noted that stakeholders like IATA, during the Users Consultation Meeting held on 05.03.2026 expressed concerns on the large CAPEX proposed and also suggested that the investment should be trigger based and implemented in a phased manner. The representative of IATA stressed on necessity, timing of investment, and whether it should occur at the beginning or middle of the control period.

The Authority is of the view that creating excess capacity and not utilizing the same puts an undue burden on the facility users in form of higher user charges. The Authority expects the service provider to create required additional capacity in modular fashion and in sync with projected increase in traffic volume (fuel throughput) during the control period.

(vi) In view of the above and taking into consideration the concerns raised by the stakeholder regarding the excess capacity creation (Satellite Fuel Farm) vis-à-vis the expected capacity utilization in the Fourth Control Period, the Authority, at this stage, proposes not to consider the financial implication (i.e., Depreciation & Return on the expected Capitalized value) of commissioning of one-third of additional fuel storage capacity (i.e., implication of 3rd fuel storage tank with 6540 KL) of the Satellite Fuel Farm, which is unlikely to be utilized during the Fourth Control Period. However, in case the airport witnesses exceptional spike in aircraft traffic during the current Control Period, requiring full capacity utilization of all three storage tanks of the Satellite Fuel Farm at the airport, the Authority would then consider the financial implication of 3rd storage tank, as part of the true up exercise for the Fourth Control Period, at the time of tariff determination for the Fifth Control Period.

Table 25: Capital Expenditure proposed to be considered by the Authority for Satellite Fuel Farm facility in the Fourth Control Period

(₹ in crores)

Particulars	4th Control Period	
	FY 2026-27	FY 2027-28
Total Capex proposed by the IOSPL for 03 Storage Tanks and Allied Equipment etc.	318.16	-
Capex proposed by the Authority for 02 Storage Tanks with Allied Equipment, infrastructure etc.	199.45*	-

** Revised cost of Satellite Fuel Farm (03 storage tanks and 02 Nos. Fire Water Tanks etc.) based on Estimated Cost Summary received from the ISP on 11.03.2026 i.e., ₹ 287.66 Crores (excluding IDC).*

5.2.6 Expansion of 13 Stands:

The ISP has submitted that the expansion of 13 stands (9+4) related to the T-2 is an ongoing project at an estimated cost of ₹ 35.61 Crores and the same has been undertaken, inter-alia, based on the request letter dated 10.09.2024 received from the Airport Operator. The scope of work includes Fuel Pipeline, Pits, Valve Chambers, ESD (Emergency Shutdown) and commissioning works. As per the ISP, the project is 60% complete (as on December, 2025). However, in response to the queries raised regarding the work order, the ISP vide email dated 20.05.2026 has submitted that out of total estimated cost of ₹ 35.61 crores, work orders amounting to ₹ 22.62 crores have been issued so far. Cost breakup of 13 Stands HRS Ext. Project is placed at *ANNEXURE-II.*

The ISP vide email dated 04.05.2026 further submitted that CAPEX amounting to ₹ 35.61 crores includes GST of ₹ 4.05 crores and IDC of ₹ 1.47 crores.

Considering that the fuel hydrant network is as an essential facility for the seamless aircraft refueling at aircraft parking stands in a safe & efficient manner, and the hydrant network is being expanded by the ISP in line with airport's capacity expansion (aircraft and passenger handling) connected with T-2 terminal undertaken by the Airport Operator, the Authority proposes to consider CAPEX of ₹ 35.61 crores (including IDC) relating to Hydrant Extension for 13 Stands with capitalization in FY 2026-27.

5.2.7 **<u>West Crossfield Taxiway Hydrant Refueling System (HRS) Pipeline Extension</u>:**

IOSPL submitted that the expansion of Hydrant Refueling System (HRS) across West Crossfield Taxiway (WCT) is an ongoing project with an estimated cost of ₹ 4.18 crores and scope of work includes fuel pipeline installation across WCT at south side and north side, filling with Nitrogen and CP system. As per the ISP, the estimated cost in respect of this project is in line with approval conveyed by the airport operator vide its email dated 03.04.2025 and the project is expected to complete by FY 2027-28.

It is noted that the ISP has proposed capital expenditure towards the extension of the Fuel Hydrant System across West Crossfield Taxiway (WCT) with the objective of enhancing operational efficiency, ensuring safe and uninterrupted aircraft fueling operations, and catering to the projected increase in aircraft movements at the airport.

The Authority further notes that the proposed works are intended to facilitate operational redundancy, improve fuel handling efficiency, reduce turnaround time, and support future traffic growth. It has also been submitted that the extension of the Hydrant System would also reduce dependence on transportation of ATF through Bowsers, thereby improving operational efficiency and safety at Apron area. Considering the above, the Authority proposes to consider this Capex on this project at an estimated cost of ₹ 4.18 crores (including IDC) with capitalization in FY 2027-28.

5.2.8 **<u>West Cargo Hydrant Extension:</u>**

IOSPL submitted that the Airport Operator (BIAL) is expanding the West Cargo Terminal on the west side of the existing T1 Terminal and has requested IOSPL to execute the West Cargo Apron Hydrant Extension. Accordingly, the ISP proposed hydrant extension for West Cargo Apron Stands at an estimated cost of ₹ 52.06 Crores. As per the ISP, the expansion of West Cargo Hydrant Extension is expected to be complete by FY 2027-28.

The Authority notes that the ISP has proposed capital expenditure towards the development and extension of the Fuel Hydrant System for the West Cargo Apron Area, in line with airport's capacity expansion plan of the Airport Operator to cater to the projected increase in aircraft movements at the airport.

The proposed scope of work broadly includes civil works, mechanical works, engineering and design activities, electrical and SCADA (Supervisory Control and Data Acquisition) integration works, along with pre-commissioning and commissioning activities associated with the extension of the hydrant network. The project also encompasses statutory approvals, hydraulic studies, surge analysis, HAZOP (Hazard and Operability study) /HAZID (Hazard Identification study) studies, testing, flushing operations, and integration with the existing Fuel Hydrant System infrastructure. The ISP submitted the cost break up of West Cargo Hydrant Extension Project amounting to ₹ 49.81 crores, excluding IDC and same is placed at *ANNEXURE-II*.

It is noted that the proposed work is intended to facilitate operational redundancy, improve fuel handling efficiency, reduce turnaround time, and support future traffic growth. The ISP submitted that the extension of the hydrant system would help in reducing dependence on fuel transportation by tank trucks, thereby improving operational safety and environmental efficiency within the airside area. Considering the above, the Authority proposes to consider CAPEX on this project at an estimated cost of ₹ 51.87 crores (including IDC) with capitalization in FY 2027-28.

5.2.9 Hydrant Refueling System (HRS) Pipeline Extension across Taxiway P&Q:

IOSPL submitted that Taxiway P&Q Hydrant Extension is a part of Project related to 13 Stands Hydrant Extension. The ISP, in its projected CAPEX for FoCP has considered Hydrant Refueling System (HRS) Extension across Taxiway P&Q as an enabling works to support Hydrant Extension of 13 Stands HRS project.

The proposed scope of work of this project broadly includes:

- Civil works relating to excavation, trenching, PCC works, sand bedding, backfilling, valve chambers and associated infrastructure;
- Mechanical works involving supply, fabrication, installation and testing of hydrant pipelines, valves, fittings and associated accessories;
- Engineering and technical studies including hydraulic analysis, surge studies, HAZOP and HAZID assessments and detailed engineering activities;
- Electrical and SCADA-related integration works including modifications to PLC logic, emergency shutdown systems and cathodic protection arrangements; and
- Pre-commissioning and commissioning activities such as flushing operations, soak testing, statutory approvals and operational integration with the existing hydrant network.

The estimated cost of the proposed project regarding Taxiway P&Q HRS Extension amounts to ₹ 4.69 crores, excluding GST. The above project is expected to be complete by FY 2026-27 as per the ISP's submission.

The Authority notes that the ISP has proposed capex on the HRS Extension across Taxiway P & Q to connect the Proposed 13 Stands with HRS network. The proposed project forms part of the ISP's larger plan to augment fuel storage and expansion of Hydrant Refueling System (HRS) to support the augmentation of aircraft handling capacity planned by the airport operator to cater the projected aircraft traffic growth at the Bengaluru airport.

Considering that above project will support the aircraft refueling through Hydrant Refueling System at ongoing project of Apron Expansion for 13 Stands (part of T-2 Phase 2 Project of the Airport Operator) in a safe, efficient manner by connecting 13 stands with new Satellite Fuel Farm, the Authority proposes to consider this project on operational requirement and air-side safety perspective at an estimated cost of ₹ 4.69 crores with capitalization in FY 2026-27.

5.2.10 **Capital Expenditure Carried forward from Third Control Period (Capex approved for Third Control Period but not executed) to Fourth Control Period:**

IOSPL has submitted the following break-up of the Capex amounting to ₹ 22.41 crores, which has been carried forward from the Third Control Period and which will be executed in the Fourth Control Period:

Table 26: Capital Expenditure carried forward from Third Control Period to Fourth Control Period

(₹ in crores)

Sl.	Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total	Proposed Capitalization as per 3rd CP
1)	Backup DG Upgrade with new Transformer	5.25	-	-	-	-	5.25	2022-23
2)	Flushing Trucks	0.70	-	-	-	-	0.70	2022-23
3)	Foam Pourer work Area modification for Tanks T11, T12, T13 in line with tank T21	0.35	-	-	-	-	0.35	2021-22
4)	Hydrant Pit valve Assembly – 10 Nos	0.70	-	-	-	-	0.70	2022-23
5)	Hydrocarbon Detectors in FF	-	4.80	-	-	-	4.80	2021-22
6)	Khume Flow Control Valves Replacement Receipt Line 4 No	-	0.62	-	-	-	0.62	2022-23
7)	Khume Flow Control Valves Replacement Return Line 1 No	-	0.50	-	-	-	0.50	2023-24
8)	Modification of Entry and Exit passages for Tanks T11, T12, T13 in line with tank T21	0.50	-	-	-	-	0.50	2021-22
9)	MOV Actuator Replacement in Fuel Farm for Tank 12	-	0.55	-	-	-	0.55	2022-23
10)	MOV Replacement in VC001	-	1.22	-	-	-	1.22	2023-24
11)	Replacement of 7x Hydrant Pumps	-	1.00	-	-	-	1.00	2022-23,2023-24 & 2024-25
12)	ROSOV for 04 Tanks		1.04	-	-	-	1.04	2022-23 & 2023-24
13)	Security Equipment – As per recommendation by State Security	0.35	-	-	-	-	0.35	2021-22

14)	Shifting Electrical Cables	-	2.65	-	-	-	2.65	2021-22
15)	Valve Chambers Covers replacement	-	2.18	-	-	-	2.18	2022-23 & 2023-24
	Total CAPEX	**7.85**	**14.56**	**-**	**-**	**-**	**22.41**	

5.2.11 The ISP submitted detailed justifications/ reasons for deferment of some of the capital projects approved by the Authority for the Third Control Period (refer para no 3.4.6).

The Authority, considering the justifications furnished by the ISP towards deferment/shifting of approved Capex pertaining to the Third Control Period to Fourth Control Period, and taking into account the essentiality of proposed Capex from operational requirements for smooth Fuel Farm operations, proposes to consider the CAPEX carry forwarded from the Third Control Period amounting to ₹ 22.41 crores, with capitalization in FY 2026-27 (₹ 7.85 crores) & FY 2027-28 (₹ 14.56 crores), as per the above table.

Consideration of Capital Expenditure Projects on "Incremental ARR approach"

5.2.12 The Authority is statutorily mandated to determine aeronautical tariffs for ISPs in a manner that ensures a fair balance between the legitimate cost recovery requirements of ISPs and the interests of users, namely passengers and airlines. In discharging this mandate, the Authority is required to ensure that tariffs remain reasonable, transparent, and reflective of the services and facilities actually made available to users, while at the same time providing ISPs with a reasonable opportunity to recover efficiently incurred costs and earn an appropriate return on investments.

5.2.13 Under the prevailing regulatory framework, aeronautical tariffs are determined at the commencement of a Control Period based on the projected Aggregate Revenue Requirement (ARR) of the ISP. The ARR, inter alia, incorporates projected additions to the Regulated Asset Base (RAB), depreciation thereon, return on RAB, and associated operating expenditure expected to arise from existing and proposed capital expenditure. Such an approach provides certainty to the ISP regarding the recovery of investments planned during the Control Period and facilitates long-term financial planning.

5.2.14 However, experience from past tariff determination exercises indicate that the conventional approach may result in certain unintended consequences. Since tariff determination is based on forecast capitalization of assets, users may be required to bear higher aeronautical charges from the beginning of the Control Period even though the underlying assets are yet to be commissioned and the associated benefits are not immediately available to users. Consequently, some portion of tariff increases may precede the actual availability of infrastructure and service enhancements for which such charges are being levied.

5.2.15 The Authority has further observed that, in several cases, major capital expenditure projects projected for commissioning within a Control Period are subsequently delayed, rescheduled, phased differently, or, in certain instances, not executed at all. Such deviations between projected and actual capitalisation can lead to a mismatch between tariff recovery and asset availability for users. As a result, users may bear charges based on investments that have not yet materialised, while the ISP may receive revenue recovery in advance of the corresponding asset being put into use.

5.2.16 The Authority is also of the view that a regulatory framework that allows recovery of return on RAB, depreciation, and associated costs based solely on projected capitalization may not sufficiently incentivize timely execution and commissioning of capital projects. Where tariff recovery is substantially assured irrespective of actual project completion timelines, there may be limited regulatory impetus for ensuring adherence to committed implementation schedules. Such an outcome may not be consistent with the broader objectives of efficiency, accountability, and performance-based regulation.

5.2.17 In light of the foregoing considerations, the Authority is of the view that an alternative regulatory mechanism may be warranted for certain large-scale capital expenditure projects proposed to be commissioned & capitalized during later part of the Control Period (last two tariff years) and which have a significant impact on user charges. Such projects are typically characterized by substantial investment outlays, and a material effect on the ARR and Yield.

5.2.18 Accordingly, the Authority proposes to adopt, on a project-specific basis, an Incremental ARR Approach for identified High Capex Projects. Under this approach, the base ARR and corresponding aeronautical tariffs for a Control Period shall be determined excluding the impact of specified future capital projects. Simultaneously, the Authority shall determine, ex ante, the incremental ARR and Yield impact of each identified project based on prudently assessed project costs and financing assumptions.

5.2.19 The Authority considers that such an approach would provide multiple regulatory benefits. First, it would ensure closer alignment between tariff recovery and the actual availability of airport infrastructure and services. Second, it would protect users from premature tariff burdens arising from assets that are yet to be commissioned. Third, it would strengthen incentives for timely execution and commissioning of capital projects by linking revenue recovery more directly to project delivery. Fourth, it would reduce the risk of over-recovery associated with delays, deferments, or non-execution of forecast capital expenditure. Finally, it would continue to preserve the ISP’s legitimate right to recover prudently incurred investment costs and earn a reasonable return on capital once the relevant assets are brought into service.

Regulatory treatment of Capex and other associated Building Blocks under the “Incremental ARR approach”

5.2.20 Under the aforesaid concept of “Incremental ARR approach”, the major capital projects (which have significant impact on ARR and user charges) which are agreed in-principle by the Authority for execution by the ISP, based on the essentiality of project(s) on the grounds, such as, operational requirements/ aviation safety/ passenger security / airport capacity expansion etc., and which are scheduled to be completed & commissioned during the last two tariff years of the Control Period, their financial implication in the tariff determination shall be considered only after such Capex Project(s) are actually completed, commissioned and put to use. The above approach would help in furtherance of greater transparency & cost-based tariff determination. It would also help in ensuring that charges levied by the service providers remain fair, equitable, and proportionate to the services provided to users.

The Authority, in line with the above approach, would calculate the baseline normal ARR for the Control Period after excluding the impact of such major Capex Project(s) on ARR which are scheduled to be capitalized during the later part of the Control Period, along with its consequential impact on other associated building blocks like Depreciation, Opex, Taxation, while determining the Tariff for the Regulated Service(s) in respect of the service provider for a given Control Period.

In addition to normal baseline ARR for a given Control Period, AERA would also indicate in the Tariff Order the tentative incremental financial impact of specified Capex proposal(s) on the RAB, along with its consequential impact on other associated regulatory building blocks in the ARR computation, under "Incremental ARR approach". (Refer para 9.3)

Further, the likely incremental increase in Tariff Rates of regulated service(s) after the subject Capex Project(s) are actually commissioned & put to use by the ISP, will also be indicated in the Tariff Order.

Once the specified capex proposal(s) considered under the "Incremental ARR approach" are executed and commissioned, the Authority would make an appropriate revision (amendment) in the Tariff Rates approved in the Tariff Order for a given control period.

For the purpose of revision (amendment) in the approved tariff, after the specified Capex Projects (considered on "Incremental ARR approach") are actually commissioned & put to use by the ISP, the service provider would approach AERA and submit the requisite documents certifying the commissioning & put to use of specified capex project(s), including Auditor's certificate certifying the completion costs, date of capitalization etc.

Based on the ISP's submission and taking into considering other relevant factors, the Authority would appropriately revise/ amend the tariff rates earlier approved for a given control period by the Authority (as per the baseline ARR).

Capex Project considered on "Incremental ARR approach" for the Fourth Control Period

5.2.21 **Hydrant Refueling System (HRS) Extension for 40 Stands (51 hydrant pits):**

IOSPL, in its submission stated that BIAL is expanding the airside aircraft handling capacity at Terminal 2 (as part of T2 Phase 2 Project) and planned construction of new 40 Aircraft Parking Stands and requested IOSPL to execute the HRS Extension Works pertaining to proposed new 40 Stands (having 51 hydrant pits). Accordingly, the ISP proposed Hydrant System Extension for 40 Stands in sync with proposed construction of new Apron with 40 stands planned by the Airport Operator, at an estimated cost of **₹ 153.47 Crores** (including IDC).

The proposed Scope of Work for the aforesaid project as submitted by the ISP broadly comprises of:

- Civil works relating to geotechnical investigations, excavation, trenching, valve chambers, PCC works, backfilling and associated infrastructure works;
- Mechanical works involving supply, fabrication, installation and testing of hydrant pipelines, valves, drains, fittings and associated mechanical components;
- Engineering and design activities including hydraulic modelling, surge analysis, pump capacity assessment, HAZOP and HAZID studies, detailed engineering and preparation of technical specifications;
- Electrical and SCADA integration works including modifications to PLC logic, emergency shutdown systems, monitoring and control systems, cathodic protection systems and associated cabling/integration works; and
- Pre-commissioning and commissioning activities including flushing operations, soak testing, pressure testing, statutory approvals and operational integration with the existing fuel hydrant infrastructure.

The Authority, considers the proposed HRS Extension as an essential complementary facility for the proposed new Apron, supporting seamless aircraft refuelling operations, in line with projected traffic growth and future airside infrastructure requirements. Further, as per the ISP, the proposed extension of the hydrant infrastructure would help in reducing operational dependence on fuel bowsers/tankers, thereby improving operational safety at Apron area.

The Authority observes that the ISP has estimated the total capital expenditure for the proposed HRS Extension Project at ₹ 145.32 crores approx. (excluding GST, IDC and other applicable taxes).

It is noted that the proposed capital expenditure towards Extension of Hydrant Refuelling System (HRS) complements the T2 Phase 2 Project of the Airport Operator regarding the augmentation of airside infrastructure including development of additional aircraft parking stands. However, it is noted that the Airport Operator (BIAL) has projected the commissioning of 40 Stands (part of T-2 Phase-2 project) in FY 2029-30, whereas, the ISP has proposed commissioning of the Hydrant System Extension Project for 40 Stands (51 pits) in FY 2027-28. In this regard, the Authority is of the view that mere completion of the project does not qualify an asset to be included in RAB. For inclusion of an asset in the RAB, it has to be to put to use also.

Considering the above, the Authority agrees in-principle with the requirement of Extension of Hydrant Refueling System Project (with 51 Hydrant Pits) to cover proposed 40 new Aircraft Parking Stands planned by the BIAL. However, the Authority, proposes to consider the Capex on the above project and its consequential impact on other building blocks on the "Incremental ARR approach" with tentative capitalization in FY 2030-31. However, the financial implication of above project in ARR & resultant Tariff Rates for the Fourth Control Period will be appropriately considered only after the above project is actually executed, commissioned and put to use by the ISP.

5.2.22 The Authority, as regards the Capex projected for the Fourth Control Period, sought clarification regarding inclusion of GST in the proposed Capex. In response thereto, the ISP vide email dated 16.02.2026 confirmed that the CAPEX incurred and proposed has been considered net of taxes, excluding the cases where ITC is blocked as per Section 17(5) of CGST Act. Accordingly, Input Tax Credit (ITC), wherever applicable, has been duly factored in, and only the net CAPEX has been considered for tariff determination.

5.2.23 The Authority considers Fuel Farm Services integral to the airport operations and taking note of the essentiality of the Capex incurred/ proposed by the IOSPL for supporting the aeronautical operations at the Bengaluru International Airport for the Fourth Control Period (including Capex carried forward from the Third Control Period) proposes to consider total Capex in respect of following capital works with estimated cost of ₹ 331.79 crores (excluding CAPEX on 40 stands considered on "Incremental ARR approach" & non-consideration of financial implication of one-third capacity of storage tanks in respect of Satellite Fuel Farm amounting to ₹ 99.73 crores) as given in the Table below:

Table 27: Project-wise CAPEX for the Fourth Control Period (FY 2026-27 to FY 2030-31) proposed to be considered by the Authority

(₹ in crores)

Sl No.	Particulars	Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total as per AERA	As per IOSPL Submission	Variance
1	13 Stands Hydrant Extension	Plant & Machinery	35.61	-	-	-	-	**35.61**	**35.61**	-
2	Concreting TT Parking area RCC	Building	1.18	-	-	-	-	**1.18**	**1.18**	-
3	EV Vehicle 1 No. with Charging Station	Vehicles	0.4	-	-	-	-	**0.4**	**0.4**	-
4	Fuel Farm Solar Plant	Plant & Machinery	-	1.77	-	-	-	**1.77**	**1.77**	-
5	HRS Extension across WCT	Plant & Machinery	-	4.18	-	-	-	**4.18**	**4.18**	-
6	Modification of SCADA for 2nd PLT Line	Building	-	-	1.18	-	-	**1.18**	**1.18**	-
7	Motorised Fire /Monitors	Plant & Machinery	-	0.32	-	-	-	**0.32**	**0.32**	-

Sl No.	Particulars	Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total as per AERA	As per IOSPL Submission	Variance
8	Renovation of Ground & First Floor	Building	0.59	-	-	-	-	**0.59**	**0.59**	-
9	Replacement of Sprinklers and Piping for tanks T11, 12 & 13	Plant & Machinery	0.47	-	-	-	-	**0.47**	**0.47**	-
10	Satellite Fuel Farm	Plant & Machinery	199.45	-	-	-	-	**199.45**	**318.16**	**118.71**
11	Store + Canteen (G+1)- IOT Building	Building	-	1.77	-	-	-	**1.77**	**1.77**	-
13	Taxi Way P&Q Hydrant Extension	Plant & Machinery	4.68	-	-	-	-	**4.68**	**4.68**	-
14	TCS Modifications	Plant & Machinery	-	-	-	5.9	-	**5.9**	**5.9**	-
15	West Cargo Hydrant Extension	Plant & Machinery	-	51.87	-	-	-	**51.87**	**52.06**	**0.19**
16	Backup DG Upgrade with new Transformer	Plant & Machinery	5.25	-	-	-	-	**5.25**	**5.25**	-
17	Flushing Trucks	Vehicles	0.7	-	-	-	-	**0.7**	**0.7**	-
18	Foam Pourer work Area modification for Tanks T11, T12, T13 in line with tank T21	Plant & Machinery	0.35	-	-	-	-	**0.35**	**0.35**	-
19	Hydrant Pit Valve Assembly - 10 Nos	Plant & Machinery	0.7	-	-	-	-	**0.7**	**0.7**	-
20	Hydrocarbon Detectors in FF	Plant & Machinery	-	4.8	-	-	-	**4.8**	**4.8**	-
21	Khume Flow Control Valves Replacement Receipt Line 4 No	Plant & Machinery	-	0.62	-	-	-	**0.62**	**0.62**	-
22	Khume Flow Control Valves	Plant & Machinery	-	0.5	-	-	-	**0.5**	**0.5**	-

Sl No.	Particulars	Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total as per AERA	As per IOSPL Submission	Variance
	Replacement Return Line 1 No									
23	Modification of Entry and Exit passages for Tanks T11, T12, T13 in line with tank T21	Plant & Machinery	0.5	**-**	**-**	**-**	**-**	**0.5**	**0.5**	**-**
24	MOV Actuator Replacement in Fuel Farm for Tank 12	Plant & Machinery	**-**	0.55	**-**	**-**	**-**	**0.55**	**0.55**	**-**
25	MOV Replacement in VC001	Plant & Machinery	**-**	1.22	**-**	**-**	**-**	**1.22**	**1.22**	**-**
26	Replacement of 7x Hydrant Pumps	Plant & Machinery	**-**	1.00	**-**	**-**	**-**	**1.00**	**1.00**	**-**
27	ROSOV for 04 Tanks	Plant & Machinery	**-**	1.04	**-**	**-**	**-**	**1.04**	**1.04**	**-**
28	Security Equipment- As per recommendation by State Security	Plant & Machinery	0.35	**-**	**-**	**-**	**-**	**0.35**	**0.35**	**-**
29	Shifting Electrical Cables to outside dyke	Plant & Machinery	**-**	2.65	**-**	**-**	**-**	**2.65**	**2.65**	**-**
30	Valve Chambers Covers replacement	Plant & Machinery	**-**	2.18	**-**	**-**	**-**	**2.18**	**2.18**	**-**
	Grand Total		**250.23**	**74.48**	**1.18**	**5.90**	**0.00**	**331.79**	**450.68**	**118.90**

Note: Capex proposed to be considered for the Fourth Control Period excludes Capex on project related to Hydrant Refueling System (HRS) Extension for 40 Stands (51 hydrant pits) which is considered on "Incremental ARR approach"

5.2.24 The asset category-wise summary and year-wise capitalization proposed by the Authority for the Fourth Control Period (based on the above table) is given in the table below:

Table 28: Capitalization Schedule proposed to be considered by the Authority for the Fourth Control Period (FY 2026-27 to FY 2030-31)

(₹ in crores)

Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Plant & Machinery	247.37	72.71	1.18	5.90	-	**327.15**
Building	1.77	1.77	-	-	-	**3.54**
Vehicles	1.10	-	-	-	-	**1.10**
Total	**250.23**	**74.48**	**1.18**	**5.90**	**0.00**	**331.79**

5.2.25 The Authority proposes to readjust (reduce) 1% of the uncapitalized project cost from ARR/ Target Revenue during true-up exercise of the Fourth Control Period. However, if any particular project is not capitalized as per the Capex Schedule approved in the Tariff Order and if the delay in completion of the project/ non-execution of project, vis-à-vis the capitalization schedule considered in the Tariff Order, is beyond the control of ISP or its contracting agency and is properly justified, the same would be considered appropriately by the Authority at the time of determination of tariff for the next Control Period.

The Authority expects the ISP to do the required planning and due diligence, while proposing the Capex & Capitalization Schedule in their MYTPs, considering all the relevant factors, upon which tariffs are determined.

5.3 Depreciation for the Fourth Control Period

5.3.1 IOSPL submitted the Useful Life of Assets for the Fourth Control Period as per the table below:

Table 29: Useful Life of Assets submitted by IOSPL for the Fourth Control Period

Particulars	Useful life	Depreciation %
Buildings	60 years	3.33%
Office Equipment	5 years	20%
Computers & Peripherals	3 years	33.33%
Computers & Software	3 years	33.33%
Dead Stock	15 years	6.67%
Vehicles	8 years	12.50%
Furniture & Fixtures	7 years	14.29%
Plant & Machinery	15 years	6.67%

5.3.2 The depreciation projected by the IOSPL for the Fourth Control Period is presented in the table given below:

Table 30: Depreciation for the Fourth Control Period as per IOSPL

(₹ in crores)

Particular	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Building	0.13	0.15	0.18	0.18	0.18	**0.81**
Computer	0.09	0.06	0.01	-	-	**0.16**
Computer Software	-	-	-	-	-	**0.00**
Furniture & Fixtures	0.03	0.03	0.03	0.03	0.03	**0.15**
Office Equipment	0.00	0.00	0.00	0.00	0.00	**0.01**
Plant & Machinery	12.93	35.14	43.83	43.25	43.41	**178.56**
Vehicles	0.23	0.26	0.26	0.26	0.26	**1.26**
Total	**13.42**	**35.64**	**44.31**	**43.71**	**43.87**	**180.95**

Note: Depreciation summary as per revised Depreciation Calculation sheet received from ISP on 06.03.2026

5.4 Authority's Examination on Depreciation for the Fourth Control Period

5.4.1 The Authority notes that the ISP in its MYTP submission has considered Useful Life of Assets as per the AERA Order No. 35/2017-18 dated 12th January 2018, read with Amendment No. 01 to Order No. 35/2017-18, regarding the 'Useful Life of Airport Assets' for computing the depreciation, except for Computers-Server & Networks, for which useful life (3 years) and depreciation rate as applicable to Computers-End User Devices (33.33%) has been considered by the ISP; whereas, there is a separate category for Computers-Server & Networks in the AERA Order No. 35/2017-18 dated 12th January 2018, (read with Amendment No. 01), having useful life (06 years) and depreciation rate (16.67%). It is noted that ISP has considered depreciation rate of 33.33% instead of 16.67% in respect of HP Servers (BLRFF-COM-SERV-3) capitalized on 01.03.2025 (FY 2024-25). However, the Authority proposes to consider depreciation on Computer- Server @ 16.67% as specified in the above mentioned in the AERA orders on Useful Life of Airport Assets.

5.4.2 The Authority, in accordance with the useful life of assets and depreciation rates of assets as provided in the AERA Order No. 35/2017-18, read with Amendment no.1, has computed the Depreciation for Fourth Control Period.

5.4.3 Depreciation proposed to be considered by the Authority for the Fourth Control Period, after exclusion of Depreciation related to Capex proposed under incremental ARR approach (in respect of project relating to Hydrant Extension for 40 Stands (refer para 5.2.21)) & non-consideration of financial implication of one-third capacity of storage tanks (i.e., exclusion of implication of 1 No of Fuel Storage Tank i.e, 6,540 KL) in respect of Satellite Fuel Farm, amounting to ₹ 99.73 crores) is presented in the table given below:

Table 31: Depreciation proposed to be considered by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Building	0.18	0.21	0.22	0.22	0.22	**1.06**
Computer	0.08	0.05	0.02	0.01	0.01	**0.18**
Computer Software	0.00	0.00	0.00	0.00	0.00	**0.00**
Furniture & Fixtures	0.03	0.03	0.03	0.03	0.00	**0.13**
Office Equipment	0.00	0.00	0.00	0.00	0.00	**0.01**
Plant & Machinery	16.76	27.37	28.65	28.50	28.68	**129.97**
Vehicles	0.19	0.26	0.26	0.26	0.26	**1.21**
Total	**17.24**	**27.92**	**29.19**	**29.02**	**29.18**	**132.55**

Note: Above depreciation excludes depreciation on project related to Hydrant Refueling System (HRS) Extension for 40 Stands (51 hydrant pits) amounting to ₹ 5.13 Crores proposed to be considered on "Incremental ARR approach".

5.5 Regulatory Asset Base (RAB)

5.5.1 The RAB submitted by M/s IOSPL for the Fourth Control Period is presented in the table below:

Table 32: Regulatory Asset Base (RAB) submitted by IOSPL for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Opening RAB	90.89	446.42	638.92	595.79	557.98	
Additions	368.94	228.14	1.18	5.90	0.00	**604.16**
Deletions	0.00	0.00	0.00	0.00	0.00	**0.00**
Depreciation	13.42	35.64	44.31	43.71	43.87	**180.95**
Closing RAB	446.42	638.92	595.79	557.98	514.10	
Average RAB	**268.65**	**542.67**	**617.35**	**576.88**	**536.04**	

Note: Depreciation summary as per revised Depreciation Calculation sheet received from ISP on 06.03.2026

5.6 Authority's Examination on Regulatory Asset Base (RAB) for the Fourth Control Period

5.6.1 Considering the Capex Additions and Depreciation proposed by AERA for the Fourth Control Period as per Table 28 & Table 31 respectively, the Authority proposes to consider RAB & Average RAB for IOSPL in respect of its Fourth Control Period as shown in the table given below:

Table 33: Regulatory Asset Base (RAB) proposed by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Opening RAB	*Table 11*	73.68*	306.68	353.23	325.22	302.10	
Additions	*Table 28*	250.23	74.48	1.18	5.90	0.00	**331.79**
Deletions		0.00	0.00	0.00	0.00	0.00	**0.00**
Depreciation	*Table 31*	17.24	27.92	29.19	29.02	29.18	**132.55**
Closing RAB		306.68	353.23	325.22	302.10	272.92	
Average RAB		**190.18**	**329.95**	**339.22**	**313.66**	**287.51**	

** Excludes Deadstock amounting to ₹ 17.26 crores*

5.6.2 The Regulatory treatment regarding Dead Stock is discussed in the para no. 9.2.1(a).

5.7 Authority's Proposals regarding RAB for the Fourth Control Period

Based on the material before it and its analysis, the Authority with respect to Capex, Depreciation and RAB for the Fourth Control Period proposes:

5.7.1 To consider Capital Additions to RAB as per Table 28.

5.7.2 To consider Depreciation as per Table 31.

5.7.3 To consider Average RAB as per Table 33.

5.7.4 To readjust (reduce) 1% of the uncapitalized project cost from ARR/ Target Revenue during true-up exercise of the Fourth Control Period. However, if any particular project is not capitalized as per the Capex Schedule approved in the Tariff Order due to reasons beyond the control of ISP or its contracting agency and is properly justified, the same would be considered appropriately.

5.7.5 To True up the Capital Expenditure, RAB based on actuals, at the time of determination of tariff for Fifth Control Period, subject to cost efficiency and reasonableness of Capex incurred.

6. FAIR RATE OF RETURN (FRoR) FOR THE FOURTH CONTROL PERIOD

6.1 IOSPL's Submission on Fair Rate of Return (FRoR) for the Fourth Control Period

6.1.1 As per the ISP's submission in respect of the FRoR for the Fourth Control Period, yearly FRoR ranges between 10.78% to 12.18% and an average FRoR for the Fourth Control Period (FoCP) computed by the ISP is 11.32%. ISP, in its computation for FRoR has considered Cost of Equity (CoE) as 15.05% and the Cost of Debt (CoD) in the range of 7.43% to 7.68%. The computation of FRoR based on the ISP's submission for the Fourth Control Period is presented in the table below:

Table 34: FRoR submitted by IOSPL for the Fourth Control Period

(₹ in Crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Equity	A	191.74	247.34	279.02	311.02	353.74	**1,382.87**
Avg. Debt	B	199.38	339.94	343.96	280.97	219.56	**1,383.80**
Total	**C=(A+B)**	391.12	587.28	622.97	591.99	573.31	**2,766.67**
Gearing (%)	D =B/C	50.98%	57.88%	55.21%	47.46%	38.30%	
Cost of Debt (%)	E	7.43%	7.68%	7.65%	7.62%	7.56%	
Cost of Equity (%)	F	15.05%	15.05%	15.05%	15.05%	15.05%	
FRoR (%)	**G= E*D+F* (1-D)**	11.17%	10.78%	10.97%	11.52%	12.18%	
Average FRoR (%)	**H**	**11.32%**					

6.2 Authority's Examination of Fair Rate of Return (FRoR) for the Fourth Control Period

6.2.1 The Authority notes that IOSPL proposed a combination of Debt and Equity for financing the Capital Expenditure of the Fourth Control Period and has considered gearing ratio ranging between 38.30% to 57.88% for the FoCP.

6.2.2 IOSPL proposed Cost of Debt for the FoCP ranging between 7.43% to 7.68%, and considering the prevailing rate of SBI's MCLR for Loan tenure of 1 Year the Cost of Debt proposed by the ISP appears reasonable. The ISP has submitted the relevant supporting documents towards the debt proposed to be availed during the FoCP.

6.2.3 It is observed that IOSPL has considered Cost of Equity @ 15.05%, which is close to the Cost of Equity generally considered by the Authority for Airport Operators and ISPs.

6.2.4 The ISP, in its FRoR calculation has considered yearly gearing and yearly FRoR which is not in line with method for FRoR calculation provided in the CGF Guidelines, 2011, wherein, FRoR for the given Control Period is computed considering Weighted Average Gearing and Weighted Average Cost of Debt for the Control Period. Therefore, the Authority has recomputed the FRoR in respect of IOSPL for the FoCP considering Weighted Average CoD and Weighted Average Gearing.

The FRoR proposed by the Authority for the Fourth Control Period is presented in the table below:

Table 35: FRoR proposed by the Authority in respect of IOSPL for the Fourth Control Period

(₹ in Crores)

Particulars	Reference	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Equity	A	191.74	247.34	279.02	311.02	353.74	**1382.87**
Debt	B	199.38	339.94	343.96	280.97	219.56	**1383.80**
Total	**C=(A+B)**	**391.12**	**587.28**	**622.97**	**591.99**	**573.31**	**2766.67**
Gearing (%)	D =B/C	50.98%	57.88%	55.21%	47.46%	38.30%	
Weighted Avg. Gearing	E	**50.02%**					
Cost of Debt (%)	F	7.43%	7.68%	7.65%	7.62%	7.56%	
Weighted Avg. CoD	G	7.61%					
Cost of Equity (%)	H	15.05%					
FRoR	**I= E*G+(1-E)*H**	**11.33%**					

6.3 Authority's Proposals regarding FRoR for the Fourth Control Period

Based on the material before it and its analysis, the Authority with respect to FRoR for the Fourth Control Period proposes:

6.3.1 To consider FRoR as per Table 35.

6.3.2 To true-up Cost of Debt, (for the purpose of truing up of FRoR) for the Fourth Control Period, at the time of tariff determination of Fifth Control Period, considering actual CoD or SBI's average MCLR of 1 year tenure, whichever is lower.

7. OPERATION AND MAINTENANCE (O&M) EXPENDITURE FOR THE FOURTH CONTROL PERIOD

7.1 IOSPL's submission regarding Operation and Maintenance (O&M) Expenditure for the Fourth Control Period

7.1.1 As provided in Clause 9.4 of the Guidelines mentioned in Direction No. 04/ 2010-11, Operation and Maintenance (O&M) Expenditure shall include all expenditures incurred by the Service Provider(s) including expenditure incurred on security operating costs, other mandated operating costs and statutory operating costs.

7.1.2 Operation and Maintenance (O&M) Expenditure submitted by IOSPL for the Fourth Control Period is broadly grouped into the following heads:

- Payroll Cost
- Administrative & General Cost
- Repairs and Maintenance Cost
- Utility and Outsourcing Cost
- Airport License Fee
- Operating Fees

7.1.3 The Operation & Maintenance Expenditure projected by IOSPL for its fuel farm services at Bengaluru International Airport, in respect of the Fourth Control Period, is presented below:

Table 36: Operation and Maintenance Expenses projected by IOSPL for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Payroll Costs	7.17	14.25	15.75	17.40	19.23	**73.81**
Administrative and General Costs	4.05	7.88	8.51	9.19	9.92	**39.54**
Repairs & Maintenance Costs	1.58	3.07	3.31	3.58	3.86	**15.38**
Utilities and Outsourcing Costs	2.11	4.10	4.43	4.79	5.17	**20.60**
Airport License Fees including Operating Fees	29.49	47.01	49.36	51.83	54.42	**232.12**
Operating Fee Margin	1.49	2.93	3.20	3.50	3.85	**14.97**
Total O&M Expenditure	**45.89**	**79.24**	**84.55**	**90.28**	**96.43**	**396.39**

7.1.4 The ISP projected O&M Expenditure for the Fourth Control Period based on the following key assumptions:

Sl. No.	Particulars	Basis for Projection
1	Payroll costs	Projections include 10.5% growth and an 80% cost increase due to the introduction of the Satellite Fuel Farm.
2	Administrative and General costs	Projections include 8% growth and an 80% cost increase due to the introduction of the Satellite Fuel Farm.
3	Repairs and Maintenance costs	
4	Utility Costs	
5	Airport License Fees	5% escalation cost YoY as detailed in **Table 10**
6	Operator's Fee @ 10%	IOSPL is entitled to recover an Operating Fee in accordance with the Operating Agreement executed between BIAL and IOSPL. As stipulated in Clause 12.3 of the Agreement: *"…12.3 the Operator shall be entitled to recover the Operating Fee for providing Services, along with the Facility Charge as given in Schedule I. The Operating Fee shall be calculated as **10% (ten percent) of the Operating Costs.*** *"..The Facility charges are calculated as follows: Facility Charge = (Facility Payment + Operating Cost + Operating Fees)"*

7.1.5 The Y-o-Y increase considered by IOSPL for projecting the Operation and Maintenance expenditure for the Fourth Control Period is given in the Table below:

Table 37: Growth Rates in O&M as per IOSPL, Bangalore for Fourth Control Period

Particulars of Expenses	CAGR
Payroll costs	10%
Administrative and General Costs	8%
Repairs and Maintenance Costs	8%
Utility and Outsourcing Costs	8%
Airport license fees	5%

7.2 Authority's Examination regarding Operating & Maintenance (O&M) Expenditure projected by the ISP for the Fourth Control Period

7.2.1 The Authority has examined the Operating & Maintenance Expenditure projected by the IOSPL and notes that the ISP has proposed annual increase in various components of O&M Expenditure for the Fourth Control Period in the range of 5% to 10%. In addition, the ISP has also considered a one-time increase in expenses due to commissioning of new satellite fuel farm facility (w.e.f. 01.04.2027). The Authority has considered O&M Expenses for FY 2025-26 as a base for projecting O&M Expenditure for the Fourth Control Period.

The Authority's examination of the various components of OPEX is as under:

(A) <u>Payroll Cost</u>:

7.2.2 The Authority notes that payroll costs comprise of Salary & Wages, Allowances, Perks, PF etc. IOSPL submitted payroll cost for the first tariff year (FY 2026-27) of the Fourth Control Period amounting to ₹ 7.17 crores and has considered a 10.50% Y-o-Y increase in employee expenses for the Fourth Control Period, except Second tariff year (FY 2027-28), wherein the ISP has proposed 98.90% increase in payroll cost over FY 2026-27, considering the projected increase in manpower numbers from 36 to 66 due to operationalization of new satellite fuel farm facility.

7.2.3 As per the Authority, payroll expenses are directly linked to the growth in the level of operations and to cater to this anticipated growth, the number of employees is proposed to increase from 36 to 66. Considering the essentiality of augmenting the number of employees to cater to the level of operations, the Authority has rationalized the payroll cost for the Fourth Control Period by factoring the one-time increase in the payroll cost due to induction of additional 30 employees in FY 2027-28 and normal annual increase of 6% in respect of existing 36 employees in FY 2027-28. Thereafter, the Authority has proposed 6% annual increase in payroll expenditure for the remaining tariff years of the Fourth Control Period.

7.2.4 The payroll cost proposed by the Authority for the Fourth Control Period are as under:

Table 38: Payroll cost proposed by the Authority for the Fourth Control Period

(₹ in Crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
As submitted by IOSPL (A)	7.17	14.25	15.75	17.40	19.23	**73.81**
As proposed by the Authority (B)	5.48	10.65	11.29	11.96	12.68	**52.06**
Variance (A-B)	**1.69**	**3.60**	**4.46**	**5.44**	**6.55**	**21.75**

(B) <u>Administration & General Expenses:</u>

7.2.5 It is noted that the Administrative & General Expenses proposed by the IOSPL for the Fourth Control Period mainly comprise of expenses related to Rate & Taxes, Insurance, Vehicle Hiring Charges, and Travelling Expenses etc. The breakup of Administrative & General Expenses projected by the ISP for the Fourth Control Period is given in table below:

Table 39: Administrative and General Expenses projected by IOSPL for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Rent & Taxes	0.44	0.86	0.93	1.00	1.08	**3.67**
Insurance	0.45	0.88	0.95	1.02	1.11	**3.75**
Legal and professional expenses	0.35	0.69	0.74	0.80	0.87	**2.93**
Office Expenses	0.47	0.90	0.98	1.05	1.14	**3.87**
Consumables	0.22	0.43	0.46	0.50	0.54	**1.83**
Safety and security Expenses	0.81	1.57	1.70	1.84	1.98	**6.73**
Travelling Expenses	0.30	0.59	0.64	0.69	0.75	**2.52**
Audit Fees & Out of Pocket Expense	0.21	0.41	0.44	0.47	0.51	**1.74**

Communication Expenses	0.44	0.85	0.92	1.00	1.08	**3.65**
Printing & Stationery	0.15	0.29	0.32	0.34	0.37	**1.25**
Postage & Courier	0.02	0.04	0.05	0.05	0.06	**0.18**
Other Miscellaneous	0.15	0.29	0.31	0.33	0.36	**1.23**
Bank Charges	0.03	0.06	0.07	0.08	0.08	**0.27**
Total	**4.05**	**7.88**	**8.51**	**9.19**	**9.92**	**39.55**

7.2.6 The Authority notes that IOSPL has proposed Admin. & General Expenses amounting to ₹ 39.55 crores for the Fourth Control Period and has considered 8% Y-o-Y increase for all the tariff years of the control period, except second tariff year (FY 2027-28) wherein the ISP has considered 94.40% increase over FY 2026-27. It is noted that Admin & General expenditure is projected to decrease by 28% in FY 2026-27 due to exclusion of onetime registration fee (stamp duty charges) of ₹ 2.29 crores considered by the ISP in FY 2025-26.

7.2.7 As per the Authority, the Administrative and General Expenses are not directly proportional to increase in storage capacity/ level of operations; unlike pay-roll expenses of operational staff, which are directly linked to and increases with the increase in the level of operations. Considering the above, the Authority proposes to rationalize the Administrative and General Expenses for the Fourth Control Period by considering 5% Y-o-Y increase and additional one-time increase of 50% in FY 2027-28 (total 55% increase).

The Administrative and General expenses proposed by the Authority for the Fourth Control Period are as under:

Table 40: Administrative and General Expenditure proposed by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Admin. and General Expenses as per IOSPL (A)	4.05	7.88	8.51	9.19	9.92	**39.55**
Admin. and General Expenses proposed by the Authority (B)	3.31	5.13	5.39	5.66	5.94	**25.44**
Variance (A-B)	**0.74**	**2.57**	**3.12**	**3.53**	**3.98**	**14.11**

(C) <u>Repairs & Maintenance Expenses:</u>

7.2.8 The Authority notes that ISP projected total R&M Expenses for the Fourth Control Period related to the Fuel Farm facility, including expenses related to Office, Vehicles, Plant & Machineries etc., amounting to ₹ 15.39 crores.

7.2.9 ISP proposed 8% Y-o-Y increase in Repair & Maintenance Expenses for the FoCP, except second tariff year (FY 2027-28), wherein the ISP has considered 94.40% increase over FY 2026-27.

7.2.10 As per the Authority, the R&M expenses considered by the ISP on account of commissioning of new satellite fuel farm and allied facilities appears to be on the higher side, especially considering that the new facilities during their initial years require little repairs, and are generally under free warranty/ guarantee. Thus, there are minimal expenses on repairs and maintenance of facility during their initial few years.

Considering the above, the Authority proposes to rationalize the R&M Expenses for the FoCP by factoring 5% Y-o-Y increase and additional one-time increase of 20% in FY 2030-31 (total 25% increase) and expected higher repair & maintenance after the free guarantee/ warranty period ends. The R&M expenses proposed by the Authority for the Fourth Control Period are as under:

Table 41: Repair & Maintenance Expenses proposed by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Repair & Maintenance Expenses submitted by IOSPL (A)	1.58	3.07	3.31	3.58	3.86	**15.38**
Repair & Maintenance Expenses proposed by the Authority (B)	1.44	1.51	1.59	1.67	2.09	**8.30**
Variance (A-B)	**0.14**	**1.56**	**1.72**	**1.91**	**1.77**	**7.08**

(D) <u>Utility and Outsourcing Expenses:</u>

7.2.11 The Authority notes that Utility and Outsourcing Expenses comprise of costs related to consumption of Electricity, Water, Fuel etc.

IOSPL submitted utility and outsourcing expenses for the first tariff year (FY 2026-27) of the Fourth Control Period amounting to ₹ 2.11 crores and has considered 8% Y-o-Y increase in these expenses for remaining tariff years of the FoCP, except second tariff year (FY 2027-28), wherein the ISP has considered 94.40% increase over FY 2026-27 due to operationalization of new satellite fuel farm facility.

However, as regards additional one-time increase in Utility & Outsourcing Expenses, the Authority proposes to consider one-time increase of 50% considering that new Satellite Fuel Farm has only an area of 23,100 Sq.m. (i.e. 48.17% lower area) as against the area of existing Fuel Farm having an area of 44,565 Sq.m. Further, the new Satellite Fuel Farm will have graded utilization of capacity as against near full capacity utilization of existing Fuel Farm facility. The Authority proposes to consider Y-o-Y increase in Utility & Outsourcing expenses @5%.

7.2.12 The utility and outsourcing expenses proposed by the Authority for the Fourth Control Period are as under:

Table 42: Utility and Outsourcing Expenses proposed to be considered by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
As submitted by IOSPL (A)	2.11	4.10	4.43	4.79	5.17	**20.60**
As proposed by the Authority (B)	1.91	3.00	3.15	3.31	3.47	**14.85**
Variance (A-B)	**0.20**	**0.90**	**1.28**	**1.48**	**1.70**	**5.75**

(E) <u>Airport License Fees</u>:

7.2.13 The Authority notes that as per the clause 3.1 & 3.2 of the Sub Lease Deed, executed between IOSPL & the Airport Operator (AO), Sub-Lessee (ISP) shall pay Sub Lessor (AO) the monthly Rent @ ₹ 525/- per sqm per month for a land area of 44,585 sqm in respect of existing fuel farm facility (effective from the first year of the Sub-Lease Term i.e. w.e.f. 01.04.2025). Further, the sub-lessee (ISP) is also required to pay additional lease rent to AO in respect of new satellite fuel farm facility having an area of 23,100 sq mtr. @ of ₹ 579/- per sq mtr. per month with annual escalation @5%. The license fee payable by the ISP to AO during the Fourth Control Period is as given in the table below:

Period	Monthly Rent Per Square Meter (In Rupees with 5% Annual Escalation)	Area (Square Meters)	Monthly Rent payable (Rs. in Crores)	Annual rent payable (Rs. in Crores)
(A) Existing Fuel Farm Facility				
2026-27	551	44,585	2.46	**29.49**
2027-28	579	44,585	2.58	**30.97**
2028-29	608	44,585	2.70	**32.52**
2029-30	638	44,585	2.85	**34.14**
2030-31	670	44,585	2.99	**35.85**
Total (A)				**162.97**
(B) New Satellite Fuel Farm Facility				
2027-28	579	23,100	1.34	**16.04**
2028-29	608	23,100	1.40	**16.85**
2029-30	638	23,100	1.47	**17.69**

2030-31	670	23,100	1.54	**18.57**
Total (B)				**69.15**
Grand Total (A+B)				**232.12**

7.2.14 It is noted that the Land Rental alone accounts for around 60% of the total Opex projected by the ISP for the Fourth Control Period. It is further noted that the original lease agreement between the ISP and the Airport Operator had validity till 24th May 2028, whereby the ISP was paying nominal Land Rental of ₹1/- to the Airport Operator, was terminated (effective from 31.03.2025) as per the MOU on 07.03.2025 executed between the Airport Operator and the ISP. Based on the new MOU, a new Service Provider Right Holder (SPRH) Agreement has been executed between IOSPL and the AO on 30.06.2025. This new agreement provides for payment of monthly land rent at the revised rates by the ISP to AO, in respect of land allotted by airport operator in respect of existing Fuel Farm Facility and new Satellite Fuel Farm facility, as depicted in the table above.

As per new SPRH, the Land Rental applicable to existing fuel farm facility & satellite fuel farm have been increased exponentially, from ₹ 1/ Sqm./ Month to ₹ 525/ Sqm./ Month, with a provision of annual escalation in rate @ 5 %. As per the Authority, such sudden and huge increase in land rental may result in a tariff shock, having a detrimental impact on the facility users. As per the Authority, this clearly reflects exploitation of the dominant market position by the Airport Operator. It is worthwhile to mention that as an economic regulator, AERA has to balance the interests of all stakeholders, including facility users.

In light of the above, the Authority proposes to rationalize the Land Lease Rental in respect of IOSPL for the Fourth Control Period to the tune of 25% of the applicable rates [i.e., from the land rental rate (as on 01.04.2025) of ₹ 525/Sqm/Month to ₹ 395/Sqm/Month], with a 5% annual increase therein.

7.2.15 The Airport License Fees (Land Rental) in respect of Fuel Farm facilities proposed by the Authority for the Fourth Control Period is as under:

Table 43: Airport License Fee proposed to be considered by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
As submitted by IOSPL (A)	29.49	47.01	49.36	51.83	54.42	**232.12**
As proposed by the Authority (B)	22.19	35.37	37.14	39.00	40.95	**174.64**
Variance (A-B)	**7.30**	**11.64**	**12.22**	**12.83**	**13.47**	**57.48**

(F) Operating Fee/ Margin:

7.2.16 The Authority notes that IOSPL in its MYTP considered 10% Operating Fees/ Margin, citing clause no. 12.3 of the Operating Agreement executed between BIAL and IOSPL on

30.06.2025. However, the Authority observes that IOSPL itself is operating the Fuel Farm facilities at BIAL and no third-party agency has been engaged for Fuel Farm operations. Moreover, the Authority has already considered the Operation and Maintenance Expenditure projected by the ISP pertaining to Fuel Farm Services at Bengaluru airport for the FoCP. Therefore, there is no ground for claiming the additional 10% Operating Fees/ Margin, over and above, the O&M Expenses considered by the Authority. Accordingly, the Authority proposes not consider the 10% Operating Fees/ Margin proposed by the ISP in its MYTP submission.

7.2.17 Based on the analysis and rationalization of various components of Operation & Maintenance Expenditure as discussed above, the total Operation and Maintenance (O&M) Expenditure proposed to be considered by the Authority for the Fourth Control Period is detailed in the table given below:

Table 44: Operation and Maintenance (O&M) Expenditure proposed to be considered by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Payroll Cost	5.48	10.65	11.29	11.96	12.68	**52.06**
Administrative & General Expenses	3.31	5.13	5.39	5.66	5.94	**25.44**
Repairs & Maintenance Expenses	1.44	1.51	1.59	1.67	2.09	**8.30**
Utility and Outsourcing Expenses	1.91	3.00	3.15	3.31	3.47	**14.85**
Airport License Fees	22.19	35.37	37.14	39.00	40.95	**174.64**
Total Operation & Maintenance Expenses	**34.34**	**55.67**	**58.56**	**61.60**	**65.13**	**275.29**

7.2.18 The major reasons for variance of ₹ 121.10 Crores in the O&M Expenditure proposed by the Authority **(₹ 275.29 Crores)** and as considered by the IOSPL **(₹ 396.39 Crores)** for the Fourth Control Period are as under:

i. AERA proposed yearly increase in Payroll Cost @ 6% in place of 10.5% Y-o-Y increase as per the IOSPL, resulting in reduction of the associated expenses by ₹ 21.75 crores.

ii. AERA proposed yearly increase in Administrative & General Expenses @ 5% in place of 8% Y-o-Y increase considered by the IOSPL, resulting in rationalization of Admin. & General Expenses by ₹ 14.11 crores.

iii. AERA proposed yearly increase of 5% associated with Repair & Maintenance Expenses in place of 8% increase considered by the IOSPL, resulting in reduction of R& M Expenses by ₹ 7.08 crores.

iv. AERA proposed yearly increase of 5% in Utility Expenses in place of 8% increase considered by the IOSPL, resulting in rationalization of Utility Expenses by ₹ 5.75 crores.

v. AERA proposed Airport License Fees (Land Rental) @ 395/ sqm/ month in place of 525/ sqm/ month by the ISP for the FY 2025-26, resulting in reduction in the same by ₹ 57.48 crores.

vi. Non-consideration of Operating Fees/ Margin, resulting in rationalization of ₹ 14.97 crores.

7.3 Authority's proposals regarding Operation & Maintenance (O&M) Expenditure for the Fourth Control Period

Based on the material before it and its analysis, the Authority proposes the following regarding Operation & Maintenance Expenditure for the Fourth Control Period:

7.3.1. To consider the Operation & Maintenance (O&M) Expenditure as per Table 44.

7.3.2. To true up the Operation & Maintenance (O&M) Expenditure of the Fourth Control Period at the time of tariff determination for the Fifth Control Period.

8. TAXATION FOR THE FOURTH CONTROL PERIOD

8.1 IOSPL's submission regarding Taxation for the Fourth Control Period

8.1.1 IOSPL has submitted the computation of Corporate Tax based on the Profit Before Tax (PBT) arrived at after considering Revenues, O&M Expenses and Depreciation etc. The computation of Corporate Tax submitted by IOSPL is as follows:

Table 45: Taxation submitted by IOSPL for the Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Revenue from Operations	A	162.37	178.16	190.72	200.11	223.01	**954.37**
Other Income	B	-	-	-	-	-	-
Total Revenue	**C=A+B**	**162.37**	**178.16**	**190.72**	**200.11**	**223.01**	**954.37**
O&M Expenses	D	45.89	79.24	84.56	90.28	96.42	**396.39**
Depreciation*	E	13.42	35.64	44.60	43.71	43.88	**181.25**
Interest	**F**	1.10	18.37	23.67	18.76	15.43	**77.34**
Total Expenses	**G=C-(D+E+F)**	**60.41**	**133.25**	**152.83**	**152.75**	**155.73**	**654.98**
Profit Before Tax (PBT)	H	101.96	44.91	37.89	47.36	67.28	**299.39**
Tax Rate	I	25.17%	25.17%	25.17%	25.17%	25.17%	25.17%
Tax Payable	**J=H*I**	**25.66**	**11.30**	**9.54**	**11.92**	**16.93**	**75.36**

**Depreciation as per ISP submission dated 06.03.26*

8.2 Authority's Examination regarding Taxation projected by IOSPL for the Fourth Control Period

8.2.1. The Authority notes that IOSPL has projected Corporate Tax for the Fourth Control Period after considering tax @ 25.17% on the projected Aeronautical Revenues.

8.2.2. The Authority has re-computed the aeronautical tax based on the aeronautical revenues worked out as per its ARR computation proposed for the Fourth Control Period, as given in the chapter 9.

The following table summarizes the Aeronautical tax in respect of IOSPL proposed by the Authority for the Fourth Control Period:

Table 46: Taxation proposed by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Revenue						
Aeronautical Revenue **(A)** *(refer Table 54)*	91.78	113.06	121.03	126.99	141.51	594.37
Expenses (B)						
Operating Expenses *(refer Table 44)*	34.34	55.67	58.56	61.60	65.13	275.29
Depreciation	17.24	27.92	29.19	29.02	29.18	132.55
Interest	3.07	18.79	23.87	19.29	14.78	**79.80**
Total (B)	**54.65**	**102.38**	**111.62**	**109.90**	**109.09**	**487.64**
Profit/Loss (C)=(A-B)	**37.13**	**10.68**	**9.41**	**17.08**	**32.43**	**106.73**
Set off Prior Period losses (D)	**-**					
Profit/ (Loss) after Setoff of Prior Period losses (E)	**37.13**	**10.68**	**9.41**	**17.08**	**32.43**	**106.73**
Tax Rate (F)	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax (G)=(E*F)	**9.35**	**2.69**	**2.37**	**4.30**	**8.16**	**26.86**

8.3 Authority's proposals regarding Aeronautical Tax for the Fourth Control Period

Based on the material before it and its analysis, the Authority proposes:

8.3.1. To consider the Aeronautical Tax for the Fourth Control Period in respect of Fuel Farm Services provided by IOSPL at Bengaluru International Airport as per Table 46.

8.3.2. To true up the Aeronautical Tax of the Fourth Control Period at the time of tariff determination for the Fifth Control Period.

9. AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE FOURTH CONTROL PERIOD

9.1 IOSPL's submission regarding Aggregate Revenue Requirement (ARR) for the Fourth Control Period.

9.1.1 The IOSPL projected ARR for the Fourth Control Period as per its projections for the regulatory building blocks as given in the table below:

Table 47: Aggregate Revenue Requirement (ARR) submitted by IOSPL for the Fourth Control Period

(*₹ in crores*)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base (RAB)	A	268.65	542.67	617.35	576.88	536.04	
Average Fair Rate of Return (FRoR)	B	11.32%					
Return on RAB	C = A * B	30.42	61.45	69.91	65.33	60.70	**287.81**
O&M Expenses	D	45.89	79.24	84.56	90.28	96.42	**396.39**
Depreciation*	E	13.42	35.64	44.31	43.71	43.87	**180.95**
Taxation	F	25.76	11.64	9.67	11.86	16.88	**75.80**
Return on Security Deposit @15.05%	G	2.11	2.22	3.54	3.71	3.90	**15.49**
Over-recovery of Third Control Period	H	**(0.74)**	**-**	**-**	**-**	**-**	**(0.74)**
Less: Other Income	I	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	**J = [Sum (C: H)-I]**	**116.86**	**190.18**	**211.98**	**214.89**	**221.77**	**955.68**

**Depreciation as per ISP submission dated 06.03.26*

9.1.2 IOSPL has claimed ARR for the Fourth Control Period amounting to ₹ 955.68 crores.

9.2 Authority's Examination regarding Aggregate Revenue Requirement (ARR) for the Fourth Control Period:

9.2.1. The Authority has computed ARR for the Fourth Control Period after detailed review/rationalization of each regulatory building block and considering AERA's proposals for various building blocks as discussed in the previous chapters. For the computation of ARR FoCP, the Authority has separately considered the following components in addition to Regulatory Building Blocks:

a) **Return on the Dead Stock:** The Authority notes that IOSPL has considered CAPEX amounting to ₹ 65.68 crores in respect of the ATF stored in the Fuel Storage Tanks & FHS as Dead Stock in the Fourth Control Period. The Authority is cognizant of the fact that certain minimum level of aviation fuel (dead stock) is always required to be stored in fuel storage tanks/ fuel hydrant lines for uninterrupted operations of the fuel farm.

It is noted that Dead Stock at the beginning of the FoCP amounts to ₹ 17.68 crores (in respect of 4001 KL of ATF). The ISP has proposed additional Dead Stock valued at ₹ 31.76 crores and ₹ 16.66 crores, on account of commissioning of new Satellite Fuel Farm and Extension of Hydrant Refueling System (HRS) in FY 2026-27 and FY 2027-28 respectively during the FoCP. The details of total additional Dead Stock in KL being augmented during FoCP valued at ₹ 48.42 crores as submitted by the ISP is given below:

<table>
<tr><th>Project</th><th>Dead Stock (in KL)</th><th>Capex (in ₹ crores)</th></tr>
<tr><td>13 Stands</td><td>651</td><td rowspan="5">48.42</td></tr>
<tr><td>Satellite Fuel Farm</td><td>2,022</td></tr>
<tr><td>40 Stands</td><td>1,694</td></tr>
<tr><td>West Cargo</td><td>462</td></tr>
<tr><td>Total</td><td>4,829</td></tr>
</table>

The ATF in a normal course of business is a saleable commodity and same can't be equated with other Capital Assets such as Fuel Storage Tanks & Fuel Hydrant System, Plant & Machineries etc. wherein a Fair Rate of Return (FRoR) & Depreciation is allowed to the service provider. However, some capital of ISP gets locked in form of Dead Stock, which can only be realized after the end of concession term, subject to the provisions of concession agreement with the Airport Operator.

In order to compensate the ISP on account of erosion in the value of funds locked-in as 'Dead Stock' due to general inflation etc., the Authority, of late, has taken a considered decision to compensate the fuel farm operator for funds locked in as Dead Stock by separately allowing interest on it, instead of treating the it as part of RAB. The Authority has followed the above approach recently, while deciding tariff for BPCL's Fuel Farm Services at Mopa-Goa airport.

Accordingly, the Authority, proposes to consider an interest/ return @ 5% per annum on the Dead Stock for IOSPL's fuel farm services at Bengaluru airport, as a separate line item in the ARR computation for the Fourth Control Period, as shown in Table 48 below.

b) **Return on Security deposit (SD):** It is noted that as per the Sub Lease Deed executed between ISP & AO, IOSPL shall provide Airport Operator (AO), an unconditional irrevocable bank guarantee for an amount equivalent to six (6) months of Rent for a minimum of fifteen (15) months from the Sub-Lease Commencement Date. Thereafter, IOSPL shall replace the Bank Guarantee with an interest-free, refundable cash security deposit equivalent to six (6) months of Rent calculated for the second year of the Sub-Lease Term. The Security Deposit shall be increased annually in proportion to the annual escalation in Lease Rent.

IOSPL has claimed 15.05% return on the Security Deposit, in line with the Return on Cost of Equity. In this regard, the Authority is of the view that 15.05% return equivalent to Cost of Equity on Security Deposit claimed by IOSPL is not justified, as no aeronautical purpose is served by the deposit of S.D with Airport Operator. However, the submission of Security Deposit by ISP to AO results in substantial sum of the service provider getting locked for significantly longer duration due to their contractual arrangement.

Therefore, in order to compensate the ISP against erosion of the value of Security Deposit during the concession term due to general inflation etc., the Authority proposes to consider Interest / Return on Security Deposit @ 5% per annum (as against 15.05% proposed by IOSPL) and same is consistent with the AERA's approach in this regard for ISPs.

9.2.2. Based on the above, the Authority proposes to consider ARR for the Fourth Control Period, after exclusion of 'Capex on Hydrant Extension for 40 Stands amounting to ₹ 153.96 crores which is proposed to be considered separately on "Incremental ARR approach", as presented in the table given below:

Table 48: Baseline Aggregate Revenue Requirement (ARR) proposed by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average RAB *(refer Table 33)*	A	190.18	329.95	339.22	313.66	287.51	
Fair Rate of Return (FRoR) *(refer Table 35)*	B	**11.33%**					
Return on RAB	**C = A * B**	**21.54**	**37.37**	**38.42**	**35.53**	**32.57**	**165.43**
O&M Expenses *(refer Table 44)*	D	34.34	55.67	58.56	61.60	65.13	**275.29**
Depreciation *(refer Table 31)*	E	17.24	27.92	29.19	29.02	29.18	**132.55**
Taxation *(refer Table 46)*	F	9.35	2.69	2.37	4.30	8.16	**26.86**
Prior Period Over Recovery *(refer Table 20)*	G	(20.59)					**(20.59)**
Return on Deadstock (ATF) @ 5% *(refer 9.2.1a)*	H	2.45	3.28	3.28	3.28	3.28	**15.59**
Return on Security Deposit @ 5% *(refer 9.2.1b)*	I	0.55	0.88	0.93	0.97	1.02	**4.37**
Aggregate Revenue Requirement (ARR)	**J= Sum (C: I)**	**64.88**	**127.82**	**132.75**	**134.70**	**139.34**	**599.50**
Discount factor @11.33%	K	1.00	0.90	0.81	0.72	0.65	
PV of ARR	**L=J*K**	**64.88**	**114.81**	**107.11**	**97.63**	**90.72**	**475.16**
Yield per KL *(in ₹)*		**542.33**					

Note: ARR computed after excluding the financial impact of CAPEX amounting to ₹ 153.96 crores in respect of Hydrant Extension for 40 Stands project (considered on "Incremental ARR approach").

9.2.3. The Authority has computed the ARR for IOSPL in respect of its Fourth Control Period at **₹ 599.50 crores** (NPV ₹ 475.16 crores as on 31.03.2027), as against **₹ 955.68 crores** projected by the ISP. The major reasons of variance between ARR proposed by the Authority vis-à-vis ARR as per IOSPL are as under:

i. Rationalization of CAPEX and consideration of CAPEX amounting to ₹ 153.96 crores on Hydrant Extension of 40 Stands Project on "Incremental ARR approach", resulting in lower Return on RAB by ₹ 122.38 crores.

ii. Rationalization of Depreciation in sync with proposed CAPEX, resulting in reduction of ₹ 48.40 crores.

iii. Rationalization of O&M expenses amounting to ₹ 121.10 crores.

iv. Proposed 5% Return on Security Deposit in place of 15.05% Return considered by the IOSPL, resulting in reduction of ₹ 11.12 crores.

v. Reduction in taxation by ₹ 48.94 crores, due to rationalization of aeronautical revenue & expenses, based on the ARR proposed by the Authority.

vi. Consideration of Return on Deadstock @5% as against treating it as part of RAB and allowing Return equivalent to FRoR @ 11.32%.

9.3 Incremental ARR Approach for Identified High-Capex Projects ("Incremental ARR approach")

9.3.1 For the project identified under the Incremental ARR Approach, the Authority has determined the projected Aggregate Revenue Requirement (ARR) attributable to such project. The project-specific ARR is given in the Table 49 below.

9.3.2 The Authority has calculated the ARR attributable to the identified project based on the project cost considered, financing assumptions, capitalization schedule, and other regulatory parameters applicable for the relevant Control Period.

The ARR associated with such identified project has been excluded from the overall projected ARR for the purpose of determining the Baseline ARR given in the Table 48 for the FoCP.

9.3.3 The Baseline ARR shall therefore represent the revenue requirement associated with existing assets and capital projects that are not subject to the Incremental ARR framework ("Incremental ARR approach"). This approach ensures that users are not required to bear tariff increases in anticipation of infrastructure that is yet to be commissioned and made available for operational use.

9.3.4 At the time of actual commissioning & put to use of Capex project considered under Incremental ARR Approach, the Authority, in order to implement the Tariff increase as per additional YPP associated with the identified Capex Project, shall undertake only a limited review of the capital expenditure & related depreciation and FRoR thereon pertaining to the 40-Stand Hydrant Extension Project.

9.3.5 Other variations between approved and actual project costs, capitalization values, financing costs, operational expenditure, or other relevant parameters shall be examined separately during the True-Up process in accordance with the applicable regulatory framework. The True-Up exercise shall remain the appropriate mechanism for determining the prudence and admissibility of actual costs and for addressing any consequential under-recovery or over-recovery arising from such variations.

9.3.6 Based on the above the Incremental ARR and cumulative ARR including the impact of Incremental ARR is given in Table 49 and Table 50 respectively.

Table 49: Incremental ARR in respect of 40 Stands Hydrant Extension for Project (Capex of ₹ 153.96 crores) being allowed on Incremental ARR Approach

(₹ in crores)

Particulars	**Ref.**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**	**FY 2030-31**	**Total**
Opening RAB	A	0.00	0.00	0.00	0.00	0.00	
Additions	B	0.00	0.00	0.00	0.00	153.96	**153.96**
Depreciation	C	0.00	0.00	0.00	0.00	5.13	**5.13**
Closing RAB	D = A+B-C	0.00	0.00	0.00	0.00	148.83	
Average RAB	E = (A+D) /2	0.00	0.00	0.00	0.00	74.42	**74.42**
Fair Rate of Return (FRoR)	F	**11.33%**					
Return on RAB	**G = E*F**	0.00	0.00	0.00	0.00	8.43	**8.43**
O&M Expenses	H	0.00	0.00	0.00	0.00	0.00	
Depreciation	I	0.00	0.00	0.00	0.00	5.13	**5.13**
Taxation	J	0.00	0.00	0.00	0.00	2.84	**2.84**
Aggregate Revenue Requirement (ARR)	**K = Sum (G: J)**	**0.00**	**0.00**	**0.00**	**0.00**	**16.40**	**16.40**
Discount factor @11.33%	L	0.00	0.00	0.00	0.00	0.65	
PV of ARR	**M =K*L**	**0.00**	**0.00**	**0.00**	**0.00**	**10.67**	**10.67**

Table 50: Conventional Aggregate Revenue Requirement (ARR) for the Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average RAB	A	190.18	329.95	339.22	313.66	361.92	
Fair Rate of Return (FRoR)	B	**11.33%**					
Return on RAB	**C = A * B**	21.54	37.37	38.42	35.53	40.99	**173.86**
O&M Expenses	D	34.34	55.67	58.56	61.60	65.13	**275.29**
Depreciation	E	17.24	27.92	29.19	29.02	34.31	**137.69**
Taxation	F	9.35	2.69	2.37	4.30	11.00	**29.70**
Prior Period Over Recovery	G	(20.59)					**(20.59)**
Return on Deadstock (ATF) @ 5%	H	2.45	3.28	3.28	3.28	3.28	**15.59**
Return on Security Deposit @ 5%	I	0.55	0.88	0.93	0.97	1.02	**4.37**
Aggregate Revenue Requirement (ARR)	**J= Sum (C: I)**	**64.88**	**127.82**	**132.75**	**134.70**	**155.74**	**615.89**
Discount factor @11.33%	K	1.00	0.90	0.81	0.72	0.65	
PV of ARR	**L=J*K**	**64.88**	**114.81**	**107.11**	**97.63**	**101.39**	**485.83**
Yield per KL *(in ₹)*		**554.51**					

9.4 Authority's proposals regarding Aggregate Revenue Requirement (ARR) for the Fourth Control Period

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

9.4.1 To consider Baseline ARR in respect of IOSPL for the Fourth Control Period as per Table 48.

9.4.2 To additionally consider Incremental ARR, subject to review of requisite documents towards completion & commissioning etc. of 40 Stands Hydrant Extension Project, as per Table 49.

9.4.3 To true up the ARR of the Fourth Control Period at the time of tariff determination for Fifth Control Period.

10 AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

10.1 IOSPL's submission on Aeronautical Revenue for the Fourth Control Period

10.1.1 The projected Aeronautical Revenue for the Fourth Control Period as per IOSPL's submission, is given in Table below:

Table 51: Aeronautical Revenue projected by IOSPL for Fourth Control Period after proposed tariff increase

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Revenue from Regulated Services	162.37	178.16	190.72	200.11	223.01	**954.37**
Revenue other than Regulated Services	-	-	-	-	-	-
Total Revenue	**162.37**	**178.16**	**190.72**	**200.11**	**223.01**	**954.37**

10.1.2 The Aeronautical Revenue projected by the IOSPL for the Fourth Control Period is amounting to ₹ 954.37 crores.

10.2 Authority's Examination of Revenue Projected by IOSPL for the Fourth Control Period

10.2.1 The Authority notes that IOSPL has projected Aeronautical Revenue for the Fourth Control Period (amounting to ₹ 954.37 crores), after considering the following tariff increase:

Table 52: Tariff increase proposed by IOSPL for the Fourth Control Period

(Amount in ₹/ KL)

Particular of Service	Existing rate per KL	Proposed rate per KL w.e.f. (01.04.2026)
Fuel Infrastructure Charge	510.00	1127.23
% Increase proposed by IOSPL		*121%*

10.2.2 It is noted that ISP has not projected any Revenue from Other Income for the Fourth Control Period. The Authority's views in this regard are given at para no. 3.16.2. The Authority will review this aspect at the order stage, after reviewing the actual revenue accrued to the ISP during the Third Control Period from Income other than Regulated Services.

10.2.3 It is noted that IOSPL has sought one-time increase of 121.03% in respect of Fuel Infrastructure Fee over the prevailing rate of ₹ 510.00/KL. The ISP in its proposal has considered implementation of revised Tariff effective from 01.04.2026. However, as per the Authority's ARR calculations, the one-time Tariff increase over the prevailing Tariff Rates for the ISP works out at 35.54% approx. considering the date of implementation of revised Tariff from 01.09.2026 as given in the table below:

Table 53: Tariff proposed by Authority for the Fourth Control Period

(Amount in ₹/ KL)

Particulars	Existing Rate	FY 2026-27 (w.e.f. 01.09.2026)	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
FIC Rate proposed*	510	691	691	691	691	691
% increase proposed		*35.54%*	-	-	-	-

**Proposed Tariff Increase has excluded the financial impact of Capex amounting to ₹ 153.96 crores on Hydrant Extension of 40 Stands Project which is being considered on Incremental ARR approach ("Incremental ARR approach").*

10.2.4 The Tariff Rate Card proposed by the Authority for IOSPL in respect of its Fourth Control Period is placed at *ANNEXURE-I*.

10.2.5 The Tariff increase proposed above will be reviewed/ amended after the ISP actually commissions & put to use the Project considered on "Incremental ARR approach" (as referred above).

10.2.6 Based on the proposed Rate for FIC as above, the Authority proposes to consider the total Revenue from the Aeronautical Services for the Fourth Control Period as shown in the table given below:

Table 54: Aeronautical Revenue proposed by the Authority in respect of Fuel Farm Services for Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Aggregate Revenue Requirement (ARR) *(Refer Table 48)*	A	64.88	127.82	132.75	134.70	139.34	**599.50**
Discount factor *@11.33%*	B	1.00	0.90	0.81	0.72	0.65	
PV of ARR *(Refer Table 48)*	**C=A*B**	**64.88**	**114.81**	**107.11**	**97.63**	**90.72**	**475.16**
Current FIC Rate (in ₹)	D	510.00	510.00	510.00	510.00	510.00	
Fuel Throughput Volume *(Refer Table 22)*	E	14,90,631	16,35,548	17,50,872	18,37,090	20,47,214	**87,61,355**
Revenue from FIC at Current Rate	**F=D*E**	**76.02**	**83.41**	**89.29**	**93.69**	**104.41**	**446.83**
Revised FIC rate after proposed Tariff increase (in ₹)	G	**691**	**691**	**691**	**691**	**691**	

Revenue from FIC at Proposed Rate	**H=E*G**	**91.78**	**113.06**	**121.03**	**126.99**	**141.51**	**594.37**
NPV of Revenue from FIC at proposed Rate	**I=H*B**	**91.78**	**101.55**	**97.65**	**92.04**	**92.13**	**475.16**

10.3 Authority's Proposals regarding proposed Tariff (FIC) and Projected Aeronautical Revenue for the Fourth Control Period

Based on the material before it and its analysis, the Authority regarding Tariff Rates and Aeronautical Revenue for the Fourth Control Period proposes:

10.3.1 To consider the Tariff for Fuel Farm Services (FIC) in respect of IOSPL for the Fourth Control Period as Table 53.

10.3.2 To consider Aeronautical Revenue from FIC for IOSPL in respect of the Fourth Control Period as per Table 54.

10.3.3 To true-up of Aeronautical Revenue of the Fourth Control Period at the time of tariff determination for the Fifth Control Period.

11 SUMMARY OF AUTHORITY'S PROPOSALS

The below mentioned summary provides the Authority's proposals relating to various regulatory building blocks as discussed in the relevant chapters regarding the tariff determination for the Fourth Control Period as reproduced below:

Chapter 2: Methodology for tariff determination

2.2.1 To adopt "Cost Plus" Regulatory Approach for the Determination of Tariff in respect of the Fuel Farm Services pertaining to the Fourth Control Period (FY 2026-27 to FY 2030-31).

Chapter 3: Determination of Aggregate Revenue Requirement (ARR) for the Third Control Period

3.17.1 To consider Capital Additions as per Table 5.

3.17.2 To consider Aeronautical Depreciation as per Table 9.

3.17.3 To consider RAB as per Table 11.

3.17.4 To consider FRoR as per Table 13.

3.17.5 To consider the O&M Expenses as detailed in Table 16.

3.17.6 To consider Taxation as per Table 18.

3.17.7 To consider ARR and Under-Recovery as per Table 20 and to adjust this over-recovery in the ARR of the Fourth Control Period.

Chapter 4: Fuel Throughput (Volume) for the Fourth Control Period

4.3.1 To consider the Fuel Throughput Forecast for the Fourth Control Period in respect of IOSPL, at Bengaluru International Airport as per Table 22.

4.3.2 To true up the Fuel Throughput in respect of the Fourth Control Period, based on the actual Fuel Throughput, at the time of tariff determination for the Fifth Control Period.

Chapter 5: Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the Fourth Control Period

5.7.1 To consider Capital Additions to RAB as per Table 28.

5.7.2 To consider Depreciation as per Table 31.

5.7.3 To consider Average RAB as per Table 33.

5.7.4 To readjust (reduce) 1% of the uncapitalized project cost from ARR/ Target Revenue during true-up exercise of the Fourth Control Period. However, if any particular project is not capitalized as per the Capex Schedule approved in the Tariff Order due to reasons beyond the control of ISP or its contracting agency and is properly justified, the same would be considered appropriately.

5.7.5 To True up the Capital Expenditure, RAB based on actuals, at the time of determination of tariff for Fifth Control Period, subject to cost efficiency and reasonableness of Capex incurred.

Chapter 6: Fair Rate of Return (FRoR) for the Fourth Control Period

6.3.1 To consider FRoR as per Table 35.

6.3.2 To true-up Cost of Debt, (for the purpose of truing up of FRoR) for the Fourth Control Period, at the time of tariff determination of Fifth Control Period, considering actual CoD or SBI's average MCLR of 1 year tenure, whichever is lower.

Chapter 7: Operation and Maintenance (O&M) Expenditure for the Fourth Control Period

7.3.1 To consider the Operation & Maintenance (O&M) Expenditure as per Table 44.

7.3.2 To true up the Operation & Maintenance (O&M) Expenditure of the Fourth Control Period at the time of tariff determination for the Fifth Control Period.

Chapter 8: Taxation for the Fourth Control Period

8.3.1 To consider the Aeronautical Tax for the Fourth Control Period in respect of Fuel Farm Services provided by IOSPL at Bengaluru International Airport as per Table 46.

8.3.2 To true up the Aeronautical Tax of the Fourth Control Period at the time of tariff determination for the Fifth Control Period.

Chapter 9: Aggregate Revenue Requirement (ARR) for the Fourth Control Period

9.4.1 To consider Baseline ARR in respect of IOSPL for the Fourth Control Period as per Table 48.

9.4.2 To additionally consider Incremental ARR, subject to review of requisite documents towards completion & commissioning etc. of 40 Stands Hydrant Extension Project, as per Table 49.

9.4.3 To true up the ARR of the Fourth Control Period at the time of tariff determination for Fifth Control Period.

Chapter 10: Aeronautical Revenue for the Fourth Control Period

10.3.1 To consider the Tariff for Fuel Farm Services (FIC) in respect of IOSPL for the Fourth Control Period as Table 53.

10.3.2 To consider Aeronautical Revenue from FIC for IOSPL in respect of the Fourth Control Period as per Table 54.

10.3.3 To true-up of Aeronautical Revenue of the Fourth Control Period at the time of tariff determination for the Fifth Control Period.

12 STAKEHOLDERS' CONSULTATION TIMELINE

12.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 11 Summary of proposals read with the relevant discussion in the other chapters of the paper is hereby put forth for the Stakeholders' Consultation.

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

12.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in Chapter 11 above, latest by 06.08.2026 at the following address.

Secretary

Airports Economic Regulatory Authority of India (AERA),
3rd Floor, Udaan Bhawan
Safdarjung Airport,
New Delhi -110003
Tel: 011-24695048.

(Chairperson)

ANNEXURE-I

TARIFF PROPOSED BY AERA FOR THE FOURTH CONTROL PERIOD IN RESPECT OF FUEL FARM SERVICES FOR IOSPL AT BENGALURU INTERNATIONAL AIRPORT

Proposed Tariff (FIC) for the Fourth Control Period will be effective from 01.09.2026

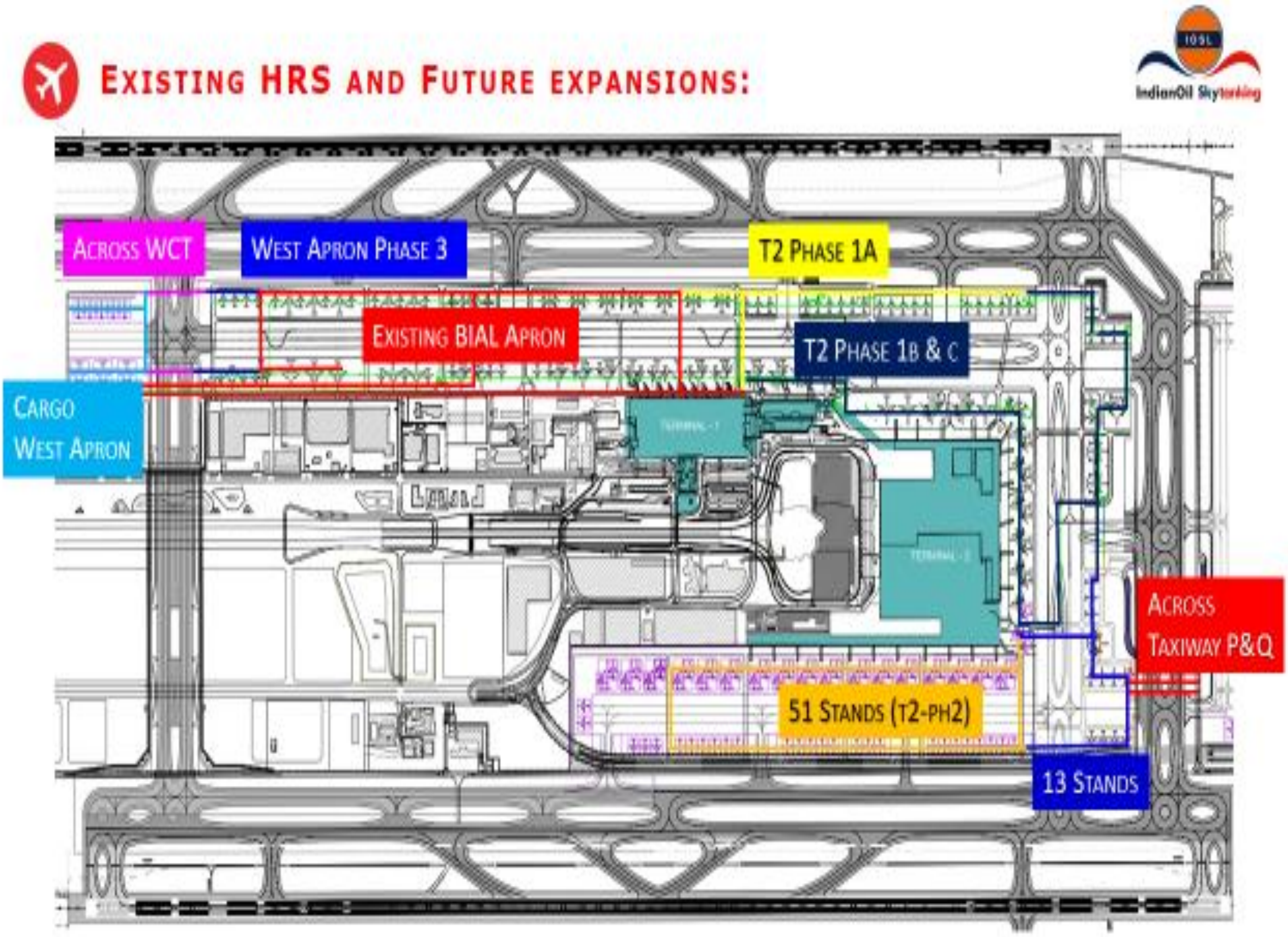
(Amount in ₹/ *KL)*

Fuel Infrastructure Charges (FIC)	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Proposed Rate	**691**	**691**	**691**	**691**	**691**

Note: *Tariff rates proposed herein above are ceiling rates excluding of taxes.*

ANNEXURE-II

Layout Map of Existing HRS and Future Expansion Planned



Cost Estimates of Major CAPEX Projects planned in FoCP

(A) Cost Estimate- SATELLITE FUEL FARM

Sl. No	Particulars	Estimate (₹ *in crores)*
1.	Engineering Design Works	8.50
2.	Civil	76.12
3.	Electrical and Instrumentation Works	50.69
4.	Mechanical Works	50.43
5.	Pre-Commissioning & Commissioning Works	6.77
6.	Supply Items by IOSL	72.64

7.	Site office setup, Misc. Expenses, Diesel Cost, Manpower cost	8.77
8.	Pipeline Connection between Satellite Fuel Farm and Apron,	13.73
	Sub Total	**287.66**
9.	Bank Interest (period and rate to be considered)	30.50
	Total	**318.16**

(B) Cost Estimate- 13 stands Hydrant Extension

Sl. No.	**Description**	**Unit**	**Amount** *(₹ in crores)*
1	Civil Works: Geo tech survey, excavation works for pipe trenches, PCC works, sand bedding works, sand backfill works, LMC concrete and layer compaction works. Construction of valve chambers with accessories and minor civil works.	1 Lot	9.94
2	Mechanical Works: Supply, fabrication, installation and testing of line pipes, fittings, painting, protection, fuel hydrant valves, drains, valve access covers, manual valves etc.	1 Lot	7.57
3	Design of Fuel Hydrant System: Hydraulic modelling, pump calculations, fleet mix analysis, surge study, hydraulic study, HAZOP and HAZID reports.	1 Lump Sum Job	1.08
4	Electrical Works: SCADA logic, PLC modifications, ESD system, TCS optimization, electronic cards, cathodic protection and testing works.	1 Lot	2.38
5	Pre-Commissioning & Commissioning: Statutory approvals, soak testing, flushing operations, consultancy, inspections and allied works.	2 Lots	9.20
	Total		**30.17**

(C) Cost Estimate- West Cargo Hydrant Extension

Sl. No.	Description	Qty	Unit	Amount (₹ *in crores)*
1	Civil Works: Geo tech survey. Excavation works for pipe trenches, PCC works, sand bedding and backfill works, LMC concrete and layer compaction works. Construction of Valve chambers with all accessories and other minor civil works and finishing works.	1	Lot	13.67
2	Mechanical Works: Supply, Fabrication, Installation and testing of: a) Line pipe DN450 (18 inch NPS), 6 inch, 1.5 inch and 1 inch including all fittings, painting and protection. b) Fuel Hydrant Valves, Low point and High point drains, valve access covers, manual valves etc.	1	Lot	8.98
3	Engineering Works: Design of Fuel Hydrant System: Preparation of schematic design of the Fuel Hydrant system, hydraulic modelling, Pump curve analysis, Pump capacity calculations, fleet mix scenario analysis, simultaneous fuelling capacity calculations, detailed design drawings preparation, specification for individual components of the hydrant system, Field visits by Design consultants etc. Preparation and submission of Surge Study Analysis for the Fuel Hydrant System, surge analysis of the Hydrant system considering worst case scenarios. Preparation and submission of Hydraulic Study. Preparation and submission of HAZOP study report. Preparation and submission of HAZID report.	1	Lump Sum Job	3.73
4	Electrical Works: Design of SCADA logic for the PLC systems with reference to East Apron phase IA project I/O points. ESD System: Installation of Emergency Shutdown Buttons at high mast in every bay, including cabling works and termination at the nearest valve chamber. Testing and commissioning of the ESD system. TCS Screen; Adding the line extension and PT. PLC Logic modifications. SCADA Software modifications. TCS Tightness Control System Optimization including: - TCS Reparameterization two sections - On-site performance verification testing six sections with leak simulation tests according to EI 540 - Performance verification report Supply, installation and testing of electronic cards and necessary wiring for the proper functioning of the Fuel Hydrant system modifications/additions in valve chamber. Supply, Fabrication, Installation and testing of Cathodic protection continuity straps and lightning surge protectors.	1	Lot	6.84

5	Pre-Commissioning & Commissioning: Statutory approvals: Preparation of file collection of documents, drawings demand draft etc. for submission to authorities like PESO, AAI, DGCA, Factories and Boilers, BIAFPA Panchayat etc. Follow up with authorities for clarification of doubts, submission of new/additional documents. Cost of ATF for Soak Testing, Pressure Testing and Flushing, Lab testing charges. Soaking and flushing operations: Cost included, manpower for operations, dispensers. Arrangement for Flushing: including fabrication of Temporary Christmas tree structure, arrangements of 30 tank trucks, unloading hoses, control valves, slop tanks, soak mats, cost of hiring Fire tender & allied works. External Consultancy: Engaging external third party consultants like Bureau Veritas etc. site inspections, vetting important documents etc.	2	Lot	16.60
	Total			**49.81**

(D) Cost Estimate- Hydrant Refueling System (HRS) Extension for 40 Stands

Sl. No.	Description	Qty	Unit	Amount (₹ in crores)
1	Civil Works: Geo tech survey, Excavation works for pipe trenches, PCC works, sand bedding works, sand backfill works, LMC concrete and layer compaction works. Construction of Valve chambers with all accessories and other minor civil works and finishing works.	1	Lot	42.65
2	Mechanical Works: Supply, Fabrication, Installation and testing of: a) Line pipe DN450 (18-inch NPS), 6 inch and 1 inch including all fittings, painting and protection. b) Fuel Hydrant Valves, Low point and High point drains, valve access covers, manual valves etc.	1	Lot	39.14
3	Engineering Works: Design of Fuel Hydrant System: Preparation of schematic design of the Fuel Hydrant system, hydraulic modelling, Pump curve analysis, Pump capacity calculations, fleet mix scenario analysis, simultaneous fuelling capacity calculations, detailed design drawings preparation, specification for individual components of the hydrant system, Field visits by Design consultants etc. Preparation and submission of Surge Study Analysis for the Fuel Hydrant System, surge analysis of the Hydrant system considering worst case scenarios. Preparation and submission of Hydraulic Study. Preparation and submission of HAZOP study report. Preparation and submission of HAZID report.	1	Lump Sum Job	4.22
4	Electrical Works: Design of SCADA logic for the PLC systems with reference to East Apron phase IA project I/O points. ESD System: Installation of Emergency Shutdown Buttons at high mast in every bay, including cabling works and termination at the nearest valve chamber. Testing and commissioning of the ESD system. TCS Screen; Adding the line extension and PT. PLC Logic modifications. SCADA Software modifications. TCS Tightness Control System Optimization including: - TCS Reparameterization two sections - On-site performance verification testing six sections with leak simulation tests according to EI 540 - Performance verification report Supply, Installation and testing of electronic cards and necessary wiring for the proper functioning of the Fuel Hydrant system modifications/additions in valve chamber. Supply, Fabrication, Installation and testing of Cathodic protection continuity straps and lightning surge protectors, including test station, integration with existing system.	1	Lot	13.43

5	Pre-Commissioning & Commissioning: Statutory approvals: Preparation of file collection of documents, drawings demand draft etc. for submission to authorities like PESO, AAI, DGCA, Factories and Boilers, BIAPPA, Panchayat etc. Follow up with authorities for clarification of doubts, submission of new / additional documents. Cost of ATF for Soak Testing, Pressure Testing and Flushing, Lab testing charges. Soaking and flushing operations: Cost included, manpower for operations, dispensers. Arrangement for Flushing: including fabrication of Temporary Christmas tree structure, arrangements of 30 tank trucks, unloading hoses, control valves, slop tanks, soak mats, cost of hiring Fire tender & allied works. External Consultancy: Engaging external third party consultants like Bureau Veritas etc. site inspections, vetting important documents etc.	1	Lot	45.87
	Total			**145.32**

(E) Cost Estimate- Hydrant Refueling System

Sl. No.	Description	Qty	Unit	Amount *(₹ in crores)*
1	Civil Works: Geo tech survey, Excavation works for pipe trenches, PCC works, sand bedding works, sand backfill works, LMC concrete and layer compaction works. Construction of Valve chambers with all accessories and other minor civil works and finishing works.	1	Lot	1.68
2	Mechanical Works: Supply, Fabrication, Installation and testing of: a) Line pipe DN450 (18 inch NPS), 6 inch, 1.5 inch and 1 inch including all fittings, painting and protection. b) Fuel Hydrant Valves, Low point and High point drains, valve access covers, manual valves etc.	1	Lot	3.01
	Total			**4.69**

ANNEXURE-III

Actual Capex Incurred and Asset-Wise Capitalization Done by IOSPL for the Third Control Period

Asset Classification	Particular of Asset	Capitalization Date	FY	Asset Cost *(₹ in Lacs)*	Capex - Planned / Unplanned
Computer Software	ERP for Financial & Product Accounting Software SAP B One	27.09.2021	2021-22	11.62	unplanned
Computers	Dell Laptop	31.12.2021	2021-22	1.02	unplanned
Computers	Lenovo Laptop	18.03.2022	2021-22	0.51	unplanned
Computers	24" LED Monitor	31.12.2021	2021-22	0.11	unplanned
			2021-22 Total	**13.26**	
Plant & Machinery	East Apron 1C Project	31.12.2022	2022-23	2420.28	**Planned**
Plant & Machinery	Submersible Mono Block Pump Set	20.06.2022	2022-23	0.96	unplanned
Plant & Machinery	Flushing truck	31.08.2022	2022-23	55.76	unplanned
Computers	Lenovo AIO3 Desktop	02.03.2023	2022-23	1.35	unplanned
Computers	Lenovo Laptop CS & FO	01.12.2022	2022-23	0.48	unplanned
Computers	Lenovo Laptop HR	06.12.2022	2022-23	0.48	unplanned
Computers	Lenovo Laptop Purchase Dept	01.03.2023	2022-23	0.48	unplanned
Office Equipment	Studiomaker PA Portable Speaker	12.09.2022	2022-23	0.18	unplanned
			2022-23 Total	**2479.97**	
Plant & Machinery	Proximity Sensors & Gate Valve 2 No.	06.06.2023	2023-24	3.44	unplanned
Computers	Lenovo Laptop GM South	02.06.2023	2023-24	0.65	unplanned
Computers	Lenovo Laptop QCM	20.06.2023	2023-24	0.48	unplanned
Computers	Lenovo Laptop Safety Officer	12.06.2023	2023-24	0.48	unplanned
Computers	Lenovo Laptop YOGA CFO	01.09.2023	2023-24	0.9	unplanned
Computers	HP Laptop Victus Project Edwin	01.12.2023	2023-24	0.76	unplanned
Computers	HP Laptop Envy X360+In1 Praveen A/c	01.03.2024	2023-24	0.73	unplanned
Computers	Lenovo Thinkpad E14 DGM F&A	05.03.2024	2023-24	0.68	unplanned
Computers	Dell Laptop Trf IXE	01.03.2024	2023-24	0.12	unplanned
Computers	Logitech Minibar	01.06.2023	2023-24	3.63	unplanned

Computers	1 No. Printer Konica Minolta 367	17.06.2023	2023-24	1.45	unplanned
Computers	Epson Ink Tank Printer Trf IXE	01.03.2024	2023-24	0.05	unplanned
Computers	24" Samsung	26.12.2023	2023-24	0.09	unplanned
Furniture & Fixtures	LG 1.5 Ton AC CFO Cabin	11.06.2023	2023-24	0.4	unplanned
Furniture & Fixtures	LG 2 Ton AC FF Server Room	01.06.2023	2023-24	0.43	unplanned
Furniture & Fixtures	Lloyd 2 Ton cassette AC for project room	31.03.2024	2023-24	0.41	unplanned
Furniture & Fixtures	Steel Almirah Trf IXE	01.03.2024	2023-24	0.05	unplanned
Furniture & Fixtures	Steel Cabinet Glass door Trf IXE	01.03.2024	2023-24	0.03	unplanned
Motor Cars	Mahindra Bolero	01.03.2024	2023-24	9.65	unplanned
Motor Cars	MG Hector Smart Pro Car for Director & CEO	01.06.2023	2023-24	22.78	unplanned
Motor Cars	Honda Elevate ZX CVT (I-VTEC) for CFO	31.03.2024	2023-24	19.96	unplanned
Motor Cars	Honda City MMC RDE ZX CVT (I-VTEC) for GM	31.03.2024	2023-24	19.58	unplanned
Office Equipment	Logitech Webcam	01.03.2024	2023-24	0.22	unplanned
Office Equipment	Voltas W/D	01.03.2024	2023-24	0.08	unplanned
			2023-24 Total	**87.05**	
Plant & Machinery	CC Camera at Main Gate Security Cabin	22.08.2024	2024-25	0.07	unplanned
Computers	CC Camera at Health Centre for BA Test	22.06.2024	2024-25	0.26	unplanned
Computers	Lenovo Idea Centre - 3 Ex. Asst.	14.09.2024	2024-25	0.46	unplanned
Computers	Lenovo Idea Centre - 3 Accounts Asst.	14.09.2024	2024-25	0.46	unplanned
Computers	Laptop Lenovo Thinkpad E14 DGM-Vinu Thomas	10.06.2024	2024-25	0.76	unplanned
Computers	Laptop Lenovo Thinkbook 14G4 Manjunath K	26.11.2024	2024-25	0.6	unplanned
Computers	Laptop Lenovo Thinkbook E14 HSSE Santhosh Kumar Jha	06.12.2024	2024-25	0.67	unplanned
Computers	Laptop Lenovo V15 Mayuresh	19.03.2025	2024-25	0.47	unplanned
Computers	Laptop Lenovo Thnikpad E14 Ananda	27.03.2025	2024-25	0.67	unplanned
Computers	1 No. Printer Konica Minolta 450I	30.06.2024	2024-25	2.71	unplanned
Computers	HP Laser Jet Printer	21.01.2025	2024-25	0.29	unplanned
Computers	Cannon DMR 160 Scanner	26.02.2025	2024-25	0.69	unplanned
Computers	HP Servers	01.03.2025	2024-25	7.12	unplanned
Computers	Samsung Galxy TAB A7 for Mygate	21.11.2024	2024-25	0.09	unplanned

Computers	Samsung Galxy TAB A7 for Mygate	21.11.2024	2024-25	0.09	unplanned
Furniture & Fixtures	6.5' Steel Glass door Almirah	20.05.2024	2024-25	0.48	unplanned
Furniture & Fixtures	Jin Office Height Adjustable Desk Electric	21.11.2024	2024-25	0.29	unplanned
			2024-25 Total	**16.18**	
Plant & Machinery	Digital conductivity meter	17.06.2025	2025-26	2.39	unplanned
Plant & Machinery	Corrosion bath	31.07.2025	2025-26	1.56	unplanned
Plant & Machinery	1 No.Gas detector Transfer from BBI - BBI-P&M-GD-1	01.12.2025	2025-26	0.11	unplanned
Plant & Machinery	PIT FLUSHER PF-01 CHASSIS PURCHASE	01.10.2025	2025-26	35.85	unplanned
Plant & Machinery	PIT FLUSHER PF-01 REFURBISHMENT CHASIS No.MAT835201R2N19310	01.10.2025	2025-26	23.49	unplanned
Building	Admin Building elevator	29.08.2025	2025-26	14.53	unplanned
Building	Admin Building elevator electrical fittings	30.09.2025	2025-26	2.84	unplanned
Building	Admin Building elevator design and second RA bill amount	16.10.2025	2025-26	9.17	unplanned
Building	Admin Building elevator design GST REVERSED	31.12.2025	2025-26	1.65	unplanned
Building	CONSULTANCY FOR fUEL FARM REVISED FACTORY LAYOUT	09.12.2025	2025-26	1	unplanned
Building	Admin Building elevator SKE/IOSL/IN092 GST REVERSED	31.12.2025	2025-26	2.62	unplanned
Computers	Konika minolta Printer 2nd floor admin building	19.07.2025	2025-26	2.71	unplanned
Computers	I laptop to CEO Asus	17.06.2025	2025-26	0.91	unplanned
Computers	Samsung 55" display	30.06.2025	2025-26	0.7	unplanned
Computers	Lenovo Laptop Nawaj	16.05.2025	2025-26	0.47	unplanned
Computers	Lenovo idea centre desktop control room	22.04.2025	2025-26	0.46	unplanned
Computers	LG 27" LED DISPLAY	21.08.2025	2025-26	0.11	unplanned
Computers	LG 27" LED DISPLAY	31.07.2025	2025-26	0.11	unplanned
Computers	LG Monitor display replaced in CFO Sir Cabin	30.06.2025	2025-26	0.1	unplanned
Computers	Lenovo all in one desktop for Swathi accounts officer	01.12.2025	2025-26	0.58	unplanned
Computers	Lenovo all in one desktop for padma accounts trainee	01.12.2025	2025-26	0.58	unplanned
Computers	LAPTOP FOR ANOOP-PROJECT	26.12.2025	2025-26	0.76	unplanned
Computers	TRV-COM-LTOP-2 ARUN THULASI TRANSFER TO BLR FUEL FARM	01.12.2025	2025-26	0	unplanned

Computers	BBI-COM-LTOP-1 TRANSFER TO BLR FF NOOR AHMED	31.12.2025	2025-26	0	unplanned
Furniture & Fixtures	2nd Floor renovation	31.07.2025	2025-26	13.53	unplanned
Furniture & Fixtures	AC installation 1st and 2nd floor	23.07.2025	2025-26	1.66	unplanned
Furniture & Fixtures	Lloyd 2 Ton cassette AC for 1st floor 2	31.07.2025	2025-26	0.89	unplanned
Furniture & Fixtures	Lloyd 2 Ton cassette AC for project room	31.07.2025	2025-26	0.89	unplanned
Furniture & Fixtures	Lloyd 2 Ton cassette AC for control room	31.07.2025	2025-26	0.89	unplanned
Furniture & Fixtures	Lloyd 2 Ton cassette AC for 1st floor	31.07.2025	2025-26	0.89	unplanned
Furniture & Fixtures	wooden cupboard control room,security cabin,project room	14.10.2025	2025-26	0	unplanned
Furniture & Fixtures	BBI-OET-AC-1 TRANSFER TO BLRFF FROM BBI	01.12.2025	2025-26	0.27	unplanned
Furniture & Fixtures	wooden cupboard control room,security cabin,project room	14.10.2025	2025-26	0.22	unplanned
Furniture & Fixtures	BBI-F&F-CHAIR-1 TRANSFER TO BLR FF	01.12.2025	2025-26	0.03	unplanned
Furniture & Fixtures	BBI-F&F-TABLE-1 TRNASFER TO BLRFF	01.12.2025	2025-26	0.03	unplanned
Motor Cars	Mahindra Bolero	05.12.2025	2025-26	11.63	unplanned
Motor Cars	Mahindra Bolero	05.12.2025	2025-26	11.63	unplanned
Motor Cars	BBI-CAR-CAR-1 TRANSFER TO BLR FUEL FARM	31.12.2025	2025-26	0	unplanned
Office Equipment	2ND FLOOR INTERCOM	19.07.2025	2025-26	0.23	unplanned
Office Equipment	BIOMETRIC DEVICES FOR BANGALORE LOCATION	01.12.2025	2025-26	0.1	unplanned
Office Equipment	BIOMETRIC DEVICES FOR BANGALORE LOCATION	01.12.2025	2025-26	0.1	unplanned
Office Equipment	Alcohol breath analyzer A50	01.10.2025	2025-26	0.23	unplanned
			2025-26 Total	**145.92**	
(A)	**Planned CAPEX (FY 2022-23)**			**2420.28**	
(B)	**Unplanned CAPEX**			**322.10**	
	Total CAPEX executed for the Third Control Period (A+B)			**2742.38**	