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Consultation Paper No.32/2012-13

Airports Economic Regulatory Authority of India

Review of levy of Development Fee at Indira Gandhi International Airport, New Delhi

New Delhi: 12th December 2012

AERA Building
Administrative Complex
Safdarjung Airport
New Delhi - 110003

1.1. The Ministry of Civil Aviation (MoCA) had determined the rate of Development Fee (DF) leviable at IGI Airport, New Delhi, by Delhi International Airport Limited (DIAL), vide letter No.AV.24011/002/2008-AD dated 09.02.2009, @ Rs. 200/- per departing domestic passenger and @ Rs.1300/- per departing international passengers. However, this levy was challenged before various appellate fora and before the Hon'ble Supreme Court.

1.2. The levy of DF, per-se, was upheld in the Supreme Court Order dated 26.04.2011 who held that after the passing of the AERA Act 2008, no DF can be levied or collected from enabling passengers at major airports unless the AERA determines the rate of such DF. Subsequently, the levy of DF at Delhi airport was stayed by the Delhi High Court vide its Order and judgment dated 01.06.2011 in the matter of WP No. 3889/2011. However, the Delhi High Court Order also did not hold that levy of DF at Delhi airport was ultra-vires the AAI or AERA Act.

1.3. Thereafter, upon an application for levy of DF at IGI Airport, New Delhi by DIAL, the Authority issued a Consultation Paper No.02/2011-12 dated 21.04.2011 in the matter of review of levy of DF. The Authority also held a stakeholder consultation meeting on 09.05.2011 in this regard.

1.4. Meanwhile, the Government also notified the "Airports Authority of India (Major Airports) Development Fees Rules, 2011" [DF Rules] under Section 22A of Airports Authority of India Act, 1995 regarding DF on 02.08.2011.

1.5. After considering submissions made by DIAL as well as the views and comments of various stakeholders in response to the Consultation Paper No.02/2011-12 dated 21.04.2011, the Authority determined the rate of levy of DF @ Rs. 200/- per departing domestic passenger and Rs. 1300/- per departing international passenger vide its Order No. 28/2011-12 dated 14.11.2011 (i.e. DF Order).

1.6. The total allowable project cost for the Delhi airport (**Refer Table 1**) and the corresponding means of funding the project (**Refer Table 2**) were also noted as under:

Table 1 : Total Project Cost for Delhi Airport

Particulars	**Rs. in crores**	
Final Project Costs as submitted in DIAL Application(A)		**12,857.00**
Items proposed to be excluded		
Apron	23.82	
R/W 10-28	37·50	
Escalation for reinforcement	35.67	

Particulars	Rs. in crores	
Upfront Fee	150.00	
Gross Floor Area 8652 sq. mt (proposed to be excluded by EIL)	107·15	
Total Exclusions (B)		**354.14**
Total allowable project cost (A-B)		**12,502.86**

Table 2 : Means of Finance

Means of Finance	Rs. in crores	
Equity capital and Share Application Money less Upfront Amount (Rs.150 crores)	2,300	
Rupee Term Loan	3,650	
Foreign currency loan + ECB advantage	1,616	
Internal Accruals	50	
Refundable Security Deposits	1,471.51	
Total Means of Finance		**9,087.51**
Funding Gap to be bridged through DF		**3415.35**
Less: DF Collected upto 01.06.2011	1484.08	
Balance DF to be collected (Refer DF Order)		**1930.27**

1.7. It was further noted in the DF Order that certain costs (amounting to Rs. 701 crore pertaining to ATC Rs.350 crore, Delhi Jal Board Rs 54 crore and Provisions Rs.297 crore), out of the total cost of Rs. 12,502.86 crore, had not been incurred by DIAL up to the relevant date i.e. 31.03.2010. Accordingly, the Authority decided to grant the total DF in two Stages - for the costs incurred up to 31.03.2010 in Stage 1 and for the costs included in project cost but not incurred up to 31.03.2010 in Stage 2.

1.8. Thus, in the DF Order, out of the total funding gap remaining to be bridged – i.e. Rs. 1230.27 crore (as per Stage 1) and additional amount of Rs. 701 crore (as per Stage 2), the Authority stipulated that Stage 1 would commence w.e.f. 01.12.2011 and was estimated to continue up to May 2013 and Stage 2 would commence thereafter w.e.f. June 2013. Stage 2 was to include those expenditures which had been included in the project cost for the purpose of determination of DF, but not incurred by DIAL by 31.03.2010. The following was ordered:-

> *"In exercise of powers conferred by Section 13(1)(b) of the AERA Act, 2008 read with Section 22A of the AAI Act, 1994, the rate of Development Fee to be levied by DIAL at IGI Airport, New Delhi is determined as Rs.200/- per embarking domestic passenger and Rs. 1300/- per embarking international passenger (exclusive of statutory levies, if any) to bridge the funding gap of Rs. 1230.27 crores (NPV as on 1.12.2011). The levy shall commence with effect from 01.12.2011 and at present, is estimated to continue for a period of 18 months up to May, 2013 (Stage -1). In respect of costs not incurred by DIAL as on 31.03.2010, the same shall be included in the project cost for*

the purposes of levy of DF subject to the condition that the costs as may be actually incurred by the time DF aggregating to the funding gap of Rs. 1230.27 crores (on NPV basis) was collected, the tenure of levy would be further extended to cover these costs as indicated in para 23.2 above. The Authority will review the monthly collections on the basis of audited figures provided by the AAI and DIAL and take appropriate decisions as may be required, based on such review."

1.9. It would thus be seen that the DF of Stage-1 viz., Rs.1230.27 crore was determined on NPV basis (the total billing was permitted to be Rs.1336.48 crore so as to enable the airport operator to have the amount of Rs.1230.27 crore available for expenditure towards Stage-1, the balance amount of Rs.106.21 crore representing interest payable by the Airport Operator to the lender/bank.) However, the Authority had determined the DF at Stage-2 at Rs.701 crore on current basis (not on NPV) for the time being. The Authority had felt that Stage-2 would begin after completion of Stage -1 i.e., after May'2013.

1.10. Subsequently, DIAL vide letter no. DIAL/2011-12/Fin-Acc/1926 dated 27.12.2011 submitted auditor's certificate dated 22.03.2011 and 18.11.2011 regarding incurrence of expenditure of Rs. 31.50 crore on account of payment to DJB and Rs. 297 crore on account of Provisions and requested the Authority to:

" 1 Approve the inclusion of above amount in the project cost and the total DF amount to enable utilization through DF securitization

2 Allow pro rata increase in period of collection based in above…."

1.11. DIAL, vide letter no. DIAL/2011-12/Fin-Acc/2270 dated 16.02.2012, submitted the copy of resolution of its Board of Directors regarding the same and requested the Authority for:

" 1 Approving inclusion of above amounts in the project cost and the total DF amount to enable utilization through DF securitization

2 Allow pro rata increase in period of collection based in above spend…."

1.12. The Authority took note of these submissions – i.e. incurrence of expenditure towards part payment to DJB (Rs. 31.50 crore out of Rs. 54 crore) and provisions (i.e. Rs. 297 crore), and advised DIAL accordingly.

1.13. Subsequently, vide its letter dated 12.06.2012, DIAL submitted that:

"… the very purpose of our request to AERA is to enable us to draw a part of Stage II project cost to the extent we have incurred i.e. Rs. 328.50 crores…"

"…our banker i.e. Canara Bank who have suggested getting a specific order from AERA approving the part of Stage II project cost of Rs 328.50 crores and extend the collection period of ADF beyond May, 2013 since earlier order covering Stage I was allowed from Dec 2011 to May 2013. Moreover your approval for an amount of Rs 328.50 crores of part of stage II project cost needs to be on NPV basis which will facilitate and help bankers to disburse the amount ……."

They also enclosed a letter dated 31.05.2012 from Canara Bank stating therein that:
"…. We request you to seek specific order from AERA approving the expenditure as stated in your letter and extending collection period of ADF for recovery of these expenses including interest.

We will consider your request for release of loan only after receipt of specific orders to this effect. …"

1.14. In this regard, it was observed that as per the DF order, the project cost considered for levy of DF had already included the expenditure in respect of payment of DJB as well as provisions. However, the expenses under these heads were not included in the amount of DF to be collected in Stage 1 of DF (which commenced w.e.f. 01.12.2011 and extends up to May 2013) as they were not incurred by 31.03.2010 (the relevant cut- off date considered by the Authority in determining stage 1 and 2 for levy of DF).

1.15. DIAL produced evidence regarding actual expenditure having been incurred by it on account of payment of DJB and provisions, as well as the Board resolution authorizing them to approach the Authority for extension of DF tenure.

1.16. It was also observed that DIAL had incurred an amount of Rs. 328.50 crore under the two heads viz., payment to DJB and Provisions. As per the projected monthly DF collections (Annex II of DF Order dated 14.11.2011), the tenure of levy of DF would require to be extended by 4 months beyond Stage 1 (i.e., upto September, 2013) so as to recover this expenditure of Rs. 328.50 crore (included in the project cost considered for determination of DF) included in the Stage 2 (on current basis i.e., not on NPV basis). The relevant extracts are as under:-

Table 3 : Projection of Tenure of DF as per DF Order No. 28/2011-12 dated 14.11.2011 beyond Stage–1

		Jun 2013	**Jul 2013**	**Aug 2013**	**Sep 2013**
Domestic Traffic	Mn	2.31	2.34	2.36	2.39
International Traffic	Mn	0.90	0.90	0.91	0.92
Traffic Estimate	Mn	3.21	3.24	3.27	3.31
Projected DF Collections	Rs.crore	81.43	82.08	82.74	83.40
Cumulative DF collection post Stage 1	Rs.crore	81.43	163.51	246.25	329.65

1.17. It was further observed that DIAL had also requested for factoring in the above expenditure on NPV basis. As per the DF order dated 14.11.2011, a comprehensive review of DF was to be undertaken – which would, inter-alia, include present value calculation through discounting, passenger throughput etc. Hence, the Authority, for the time being, considered for approval the amount of expenditure incurred and certified so by auditors, i.e. Rs.328.50 crore (on current value) without considering the interest. The Authority in its Order No. 12/2012-13 dated 03.08.2012 ("DF Review Order"), noted and ordered as under:

> *"15. It was further observed that DIAL has also requested for factoring in the above expenditure on NPV basis. As per the DF order, a comprehensive review of DF is to be undertaken – which would, inter-alia, include present value calculation through discounting, passenger throughput etc. Hence, for the time being, the amount of expenditure incurred and certified so by auditors, i.e. Rs. 328.50 crores (on curren*t value) without considering interest, is considered for approval. ....
>
> *17. In exercise of powers conferred by Section 13(1)(b) of the Airports Economic Regulatory Authority of India Act, 2008 read with Section 22A of the Airports Authority of India Act, 1994, the Authority orders that:*
>
> *(i) The tenure of DF – which was ordered to commence w.e.f. 01.12.2011 and estimated to extend up to May, 2013, to bridge the funding gap of Rs. 1230.27 crores (in Stage 1), vide Order No. 28/2011-12 dated 14.11.2011, is decided to be extended by 4 months – beyond Stage 1 – i..e, upto September, 2013 – to bridge the funding gap of Rs.328.50 crores (included in project cost for determination of total DF amount and included in Stage 2 of levy of DF) – on current value – on account of expenditure of Rs. 297 crores and Rs.31.50 crores incurred by DIAL towards provisions and payment to Delhi Jal Board, respectively.*
>
> *(ii) The Authority would review the monthly collections on the basis of audited figures provided by AAI and DIAL and will take appropriate decisions as may be required, based on such review.*

1.18. The Authority had also presented in the DF Review Order, the total project cost and corresponding funding gap to be bridged through DF as mentioned below:

Table 4 : Total Project Cost and corresponding funding gap

Stage (Rs. in crore)	**1 - (Excluding costs not incurred as on 31.03.2010)**	**2 - (Including costs not incurred as on 31.03.2010)**
Project Cost	11801.66	12502.86
Less Means of Finance	9087·51	9087.51
Total Funding Gap	2714.35	**3415.35**
Less Amount Collected up to 01.06.2011	1484.08	1484·08
Balance Funding Gap	1230.27	1931.27

Stage (Rs. in crore)	1 - (Excluding costs not incurred as on 31.03.2010)	2 - (Including costs not incurred as on 31.03.2010)
NPV as on	01.12.2011	The difference of Rs. 701 crores between Stage 2 and Stage 1 computed on no NPV basis

Overlap of Stage-1 and Stage-2 and DF securitization :

1.19. The Authority also notes that the time period of Stage -2 has now overlapped that of Stage-1. Hence the distinction between Stage-1 and Stage-2 that Stage-2 should commence after the completion of Stage-1 is now not relevant. This will also be apparent from the treatment given by the lenders in the matter of sanction of loan for DF securitization as discussed in para 1.48 below.

1.20. The Authority has determined the total quantum of DF at Rs. 3415.35 crore in the case of DIAL as a gap in capital financing of the Delhi airport project since the entire project cost could not be conceivably met through sources of funds like debt, equity, monetization of land, subsidy or subvention by the Government, etc.

1.21. The Authority notes the fact that the Airport Operator is allowed to collect DF amount from passengers over a period of time whereas the purpose of DF levy is to meet the funding gap for construction of the project cost. The Authority therefore recognizes the fact that an Airport Operator may be required to securitise the DF amount and take upfront loans from lending institutions for funding the project. However, such loans would require debt servicing to the lending institutions comprising repayment of principle as well as payment of interest.

1.22. If a part of DF (or the entire DF) is securitized by the airport operator, the lender (normally a bank) advances that amount as loan/ debt to the airport operator and charges interest during the tenure of the loan. This means that the total amount which the airport operator gives back to the lender includes the DF amount as well as the accrued interest thereon.

1.23. The Authority also notes that according to DF Rules, the money deposited in DF Receipt Account can be used

> *"to pay the remaining amount into the Development Fees Disbursement Account towards payment to the Airport Operator in accordance with the total amount of development fees determined by the Airports Economic Regulatory Authority and the fund from this account shall be disbursed to the Airport Operator as per the*

Drawdown Schedule for meeting the project cost directly or for servicing the debt to the lenders, raised against development fees."

1.24. In common parlance, servicing of debt to the lenders include payment of both the principle amount as well as the interest amount, against the amount borrowed. As per the DF Rules, DF can be used for servicing debt on securitization depending upon the draw down schedule and the tenure of the loan. However, when such DF is securitized there would also be an interest element. This interest part would vary based on the terms of the arrangement with the banker. When this interest element is added to DF, this sum would be higher than only the DF as determined by AERA towards meeting the gap in the means of finance of the project.

1.25. The Authority has noted in its earlier Orders related to levy of DF at IGI Airport that the Authority will review the monthly billing of DF on the basis of audited figures provided by the AAI and DIAL and take appropriate decisions as may be required, based on such review.

1.26. Provision of interest amount for debt servicing on the DF amount securitised can be achieved through either of the two approaches as mentioned below so that the net amount of Rs. 3415.35 crore is actually available to meet the project requirements:

1.26.1. To limit the allowed billing of DF only to the DF determined to meet the gap (shortfall) in the means of finance of the project and expense away the *interest part each year* while determining the tariffs;

$$DF_{Allowed\ to\ be\ billed} = DF_{Determined} + (Interest = 0\ as\ it\ is\ expensed\ away)$$

1.26.2. Take into account the total amount that would be necessary and adequate to service the debt on account of securitisation of DF. This amount would include the interest part. In this alternative, there would be no expensing away of interest:

$$DF_{Allowed\ to\ be\ billed} = DF_{Determined} + (Accrued\ Interest)$$

1.27. When DF amount is determined, the DF that can be available is based on the rate of DF as well as passenger traffic. When it is securitised, the lender would look at the DF available each year, the interest of the debt, and the duration of loan and accordingly agree to securitise that portion of DF as would be able to repay the loan along with interest thereon. The Authority had adopted the first approach (i.e. expensing of interest) till its order dated 14.11.2011 which was issued after the DF rules were framed by the Government on 02.08.2011 indicating the procedure for grant of DF to the Airport Operators and also making it clear that the DF billed/collected can be used towards debt service, if the DF is securitized.

1.28. After the issue of the DF rules, the Authority in its order dated 14.11.2011 had calculated the gap of Stage 1 (i.e. Rs.1230.27 crore) on NPV basis (thus adopting the second approach of not expensing the interest), which it continued to follow in its tariff order dated 24.04.2012 (The Authority therefore had not expensed interest while calculating the Aeronautical tariffs). Now that Stage -1 and Stage -2 have overlapped each other the Authority proposes to give the same treatment to the DF of Stage -2 (i.e., Rs.701 crore) as it gave to Stage – 1 (i.e., both on NPV basis). The Authority interacted with a lead lender in this matter. The Authority felt that the lender would be more comfortable with the second approach since it will be assured that the securitisation loan will be repaid out of the allowed DF billing (which includes interest). The Authority has also apprised the MoCA of its intention to adopt the second approach (i.e., allowing the DF billing to include also the interest part).

1.29. In the meantime, MoCA vide a press release dated 16.10.2012 (**Annexure-I**), directed the Airports Authority of India (AAI) to infuse more equity in Mumbai International Airport Ltd. (MIAL) and Delhi International Airport Ltd. (DIAL) with the objective of abolishing ADF at Mumbai and Delhi Airports and accordingly submit its proposals to this Authority. As per the MoCA's press release this was to make the air travel affordable and to ensure that the passengers are not subjected to any extra burden. Further, as per the said press release the expected financing gap in case of DIAL, is expected to be approximately Rs. 1175 crore if the ADF is abolished at DIAL with effect from 01.01.2013.

1.30. In order to fill the balance in financing gap of approximately Rs. 1175 crore, the MoCA asked AAI to contribute equity share of approximately Rs. 102 crore. It is noteworthy that when ADF was levied at Mumbai and Delhi Airports, AAI had informed that it was not in a position to contribute more equity in view of its critical financial condition.

1.31. The Authority accordingly wrote a letter to AAI on 15th November 2012 (**Annexure-II**) to indicate the amount of additional equity that AAI proposes to infuse into DIAL. Parallely, the Authority also asked DIAL vide a letter dated 15th November 2012 (**Annexure-III**), to indicate the quantum of infusion of additional equity by other shareholders of DIAL as well as expected additional resources to fund the project through debt.

1.32. AAI informed the Authority that it is in a position to infuse the additional required equity. As far as DIAL is concerned, they informed the Authority vide letter dated 30.11.2012 (**Annxeure IV**) that after detailed deliberations by the Board of Directors, the DIAL board is of the opinion that infusion of additional equity is not feasible. DIAL also submitted a letter from ICICI Bank dated 27.11.2012 (**Annxeure V**), where the lenders have expressed that *"…..it may not be possible to consider any additional debt in the company as it will affect the debt servicing capability of the company adversely".* Vide its letter dated 05.12.2012 (**Annexure- VI**), AAI has informed that *"AAI Board, in principle, approved to infuse equity of Rs. 93 Crore in DIAL, as an when cash call is made by the Company".* For the present, however, the Authority notes that the DIAL has not so far made cash call. The Authority would be reviewing the position in this regard periodically.

DF Review

1.33. Against the background of above mentioned developments, the Authority is now undertaking a review of the DF levied by DIAL at IGI Airport.

1.34. The Authority notes that MoCA vide its Press Note dated 16.10.2012 asked AAI to infuse additional equity into DIAL and MIAL so as to abolish DF levy at these airports. As indicated in this Press Note, the objective of stopping DF with effect from 01.01.2013 was to make air travel affordable and to ensure that the passengers are not subjected to any extra burden. If the balance funding gap mentioned above could have been met through other means of finance like equity, debt etc., there would have been no need for continuation of DF. However, the shareholders of DIAL have confirmed that they are not in a position to infuse additional equity into the project. Furthermore, ICICI Bank has also indicated its inability to extend additional debt in the company. Hence, stoppage of DF levy with effect from 01.01.2013 would leave a funding gap in the means of finance for the project.

1.35. In view of the deliberations outlined above, it does not appear feasible to bridge the balance DF by the end of December, 2012. However, in order that the burden on the passengers is reduced, the Authority is proposing through this Consultation Paper to reduce the rate of DF levy to Rs. 100 per embarking domestic passenger and Rs.600 per embarking international passenger with effect from 01.01.2013 (from the existing rates of Rs.200 per embarking domestic passenger and Rs.1300 per embarking international passenger). The Authority has brought the above position to the notice of MoCA indicating that the Authority intends to issue a Consultation Paper accordingly. The Ministry is in agreement with this approach.

1.36. Further, the Authority has estimated the balance of funding gap remaining as on 01.01.2013 out of Rs.3,415.35 crore as well as the period required to meet this balance through levy of DF based on revised DF levy rate, as below.

1.37. Review of the DF securitization done by DIAL indicates that after DF order dated 14.11.2011 by the Authority for an amount of Rs. 1931.27 crore (which included Stage-I of Rs. 1230.27 crore on NPV basis as well as Rs.701 crore of Stage –II on current, i.e. to say, Non-NPV basis), DIAL obtained a loan amount sanctioned from ICICI bank for full DF of Rs.1931.27 crore (Sanctioned on 03.02.2012). Thereafter, ICICI bank off loaded some part of the sanctioned loan to Canara Bank (Rs. 500 crore on 30th March, 2012) and Central Bank of India (Rs. 250 crore on 22nd March, 2012). Hence the total sanctioned loan of Rs.1931.27 crore got divided amongst the three banks, namely, ICICI, Canara and Central Bank. The repayment schedule drawn up by these banks expects the loan to be repaid from the proceeds of the DF collection.

1.38. As far as the loan disbursement was concerned, the banks considered an amount of Rs. 1210.00 crore for disbursement as against Rs. 1230.27 crore of Stage-I. The Authority had determined DF of Rs. 1230.27 crore on NPV basis. Banks took into account the amount of DF of Rs. 20 crore already having been received by DIAL from AAI as part of the normal disbursement of DF through the Escrow Account. Hence the banks considered Rs. 1210.00 crore for disbursement. The Authority noted that an amount of Rs. 0.27 crore has not been disbursed against the DF determined for Stage-1 and DIAL have also indicated the same in their DF loan disbursement statement.

1.39. The Authority had determined DF of Rs. 328.50 crore (as part of Stage-2; on current basis vide its Revised DF order dated 2nd August, 2012), extending the period of collection by 4 months i.e. till September 2013. Based on this order clearly indicating the extension in the period of collection, noting however that the amount of Rs. 328.50 crore is not on NPV basis, the banks disbursed an amount of Rs. 286.50 crore only against the amount of

Rs.328.50 crore determined by the Authority (on Non-NPV basis). The total disbursement therefore amounted to Rs. 1496.50 crore (i.e Rs. Rs. 1210.00 crore + Rs.268.50 crore).

1.40. DIAL has indicated that an amount of Rs.458.25 crore has been repaid by them towards principal as of 30.11.2012. The total amount received by DIAL on account of DF from the Escrow Account of AAI till 30.11.2012 against this loan came to Rs.558.6 crore (after excluding Rs.20 crore, already received by DIAL from AAI as part of the normal disbursement of DF, as mentioned above).

1.41. DIAL has also informed that this amount is repaid to the banks of which an amount of Rs. 458.25 crore is towards principal and the remaining amount of Rs.100.35 crore represents interest component.

1.42. The Details of DF loan sanctioned and disbursed by Banks, repaid by DIAL is as under:

Table 5 : Details of DF loan sanctioned and disbursed by Banks, repaid by DIAL

	DF Loan Details				**Total (in Crore)**
A	DF approved as per order 28/2011-12 dated 14-11-2011				**1,931.27**
		Banks			
		ICICI Bank*	Central Bank of India	Canara Bank	
B	Tranche 1 disbursed Amount (In Crore)	738	159	313	**1,210.00**
	Disbursement Date/s	13.02.12	26.03.12	30.03.12	
C	Tranche 2 disbursed Amount (In Crore)	177.26	34.75	74.49	**286.50**
	Disbursement Date/s	28.08.12	28.08.12	28.08.12	
D	**Total Disbursed Amount (B+C)**	**915.26**	**193.75**	**387.49**	**1496.50**
E	Amount Repaid till 30th November 2012	280.26	59.33	118.65	**458.25**
F	**Balance Outstanding as on 30th November 2012 (D-E)**	**635.00**	**134.42**	**268.84**	**1038.25**
G	Balance Undisbursed (A-D)				**434.77**
H	DF amount received from AAI				**20.00**
I	**Balance DF expected to be disbursed by Banks (G-H)**				**414.77**

* Initially ICICI had taken up entire loan of 1210 Crore in 03.02.2012 which was repaid once Central Bank of India and Canara Bank loans were taken up

1.43. This leaves a balance outstanding as on 30.11. 2012 of Rs.1038.25 crore (Rs. 1496.50 crore – Rs. 458.25 crore) towards the balance DF out of the total DF determined (Rs.1931.27 crore). It is expected that DF billed in the month of December, 2012 would be approximately Rs. 50 crores which DIAL will pay to the banks. An amount of Rs. 40 crore would represent the principal, the balance Rs. 10 crore being interest. This would mean that at the end of 2012, the DF balance remaining would be around Rs.998.25 crore. The Authority notes that the figure for December, 2012 is an extrapolated figure which would need to be finally determined after the exact amount is known. For the time being, however, the calculations are based on the balance DF of Rs.998.25 crore (also representing the balance portion of the loan of Rs. 1911 crore).

1.44. The Authority notes that the amount of Rs.286.5 crore represents the part of the Stage-II DF tariff determination (Rs. 701 crore) which means that the balance amount for Stage-II, namely, Rs. 414.50 crore (Rs.701 crore – Rs.286.50) would remain at the end of December, 2012. If this amount i.e. Rs. 414.50 crore is added to the figure of Rs. 0.27 crore (of Stage-1, which has not been disbursed) and Rs.998.25 crore (balance portion of the loan of Rs. 1911 crore as on 01.01.2013), the total DF remaining to be available to DIAL for the project is Rs.1413.02 crore (Rs. 998.25 crore + Rs. 414.50 crore + Rs.0.27 crore) as on 01.01.2013. The Authority is given to understand that bankers would be able to disburse the balance of Rs. 414.50 crore (of Stage-2) as and when the Authority passes appropriate order of DF determination on NPV basis, which will include the time period of DF billing.

1.45. The total amount of DF remaining to be available to DIAL for the project as on 01.01.2013 is as under:

Table 6 : DF remaining to be available to DIAL for the project as on 01.01.2013

DF remaining to be available to DIAL for the project as on 01.01.2013	**In Rs. Crores**
Loan Disbursement - Tranche 1	1210.00
Loan Disbursement - Tranche 2	286.50
Total Loan Disbursement - Tranche 1 and Tranche 2	1496.50
Principal Repayment till 30th Nov 2012 as submitted by DIAL	458.25
Estimated Principal Repayment for Dec 2012 as submitted by DIAL	40.00
Remaining Principal to be repaid as on 01.01.2013	998.25
Balance Amount remaining for Stage-1	0.27
Balance Amount remaining for Stage-2	414.50
DF remaining to be available to DIAL for the project as on 01.01.2013	**1413.02**

1.46. For the present calculation, therefore, the Authority has reckoned the amount of Rs.1413.02 crore on NPV basis for the purposes of calculation of the time period as well as the total allowable DF to be billed (which would also represent interest component, as is explained in para 1.28). These calculations are based on the traffic forecast as considered by the Authority at time of DF Order dated 14.11.2011 (Calculations vide Table 10 below) which it is to be noted are lower than the traffic forecast in the Authority's Tariff determination Order No.03/2012-13 dated 24.04.2012. AERA has also reckoned interest @11.5%, as DIAL has informed, it being contracted interest rate with the lenders.

1.47. To summarise, therefore, the Authority would calculate the amount of Rs.1413.02 crore on NPV basis with an interest rate of 11.5% and taking the traffic projections as assumed by it in its DF order dated 14.11.2011. The total period for which the DF billing would be allowed to cover the amount of Rs.1413.02 crore on NPV basis as of 01.01.2013 extends upto April 2016. According to the above calculations, the total amount of DF billing allowed is therefore estimated at Rs.1703.68 crore of which Rs. 1413.02 crore will represent the balance DF gap as on 01.01.2013, the remaining amount of Rs. 290.66 crore representing the interest component (vide Table 10 below). It is also clarified that the interest calculations in this table are based on monthly interest rate at 0.91%. The total amount of interest to be paid to the lenders on the secrutization of the DF would however be limited to the actual interest paid by DIAL based on the factors like periodicity of paying interest (Quarterly or half-yearly interest).

1.48. The Authority notes that the bankers have taken the amount sanctioned by the Authority in Stage-I and that representing part of Stage-II together for the purposes of loan disbursement and its consequent repayment.

1.49. The Details of DF loan repayment and interest calculation is as under:

Table 7 : Loan Parameter

Interest rate	% p.a.	11.50%
Interest rate (monthly)	% p.m.	0.91%

Table 8 : DF Balance as on 01.01.2013

	Rs. In Crore	Rs. In Crore
Loan Disbursement - Tranche 1		1,210.00
Loan Disbursement - Tranche 2		286.50
Total Loan Disbursement - Tranche 1 and Tranche 2		1,496.50
Principal Repayment till 30th Nov 2012	458.25	
Estimated Principal Repayment for Dec 2012	40.00	
Total Principal Repayment till Dec 2012		498.25
Remaining Principal to be repaid as on 01.01.2013		998.25
Balance Amount remaining for Stage-1		0.27
Balance Amount remaining for Stage-2		414.50
Total Amount remaining as on 01.01.2013		1,413.02

Table 9 : DF Rate as applicable from 01.01.2013

Per embarking Passenger	Domestic	International
Rate of Development Fee (in Rs.)	100	600

Table 10 : DF Repayment Schedule

Year	Month	Traffic (in millions)		Opening Balance (In Rs. Crore)	DF Billing (In Rs. Crore)	Principal Repayment (In Rs. Crore)	Interest (In Rs. Crore)	Closing Balance (In Rs. Crore)
		Domestic	International					
2013	Jan	2.18	0.87	1,413.02	36.96	24.08	12.88	1,388.94
	Feb	2.21	0.87	1,388.94	37.25	24.60	12.66	1,364.34
	Mar	2.23	0.88	1,364.34	37.56	25.12	12.43	1,339.22
	Apr	2.26	0.89	1,339.22	37.86	25.65	12.20	1,313.56
	May	2.28	0.89	1,313.56	38.16	26.19	11.97	1,287.37
	Jun	2.31	0.90	1,287.37	38.47	26.74	11.73	1,260.63
	Jul	2.34	0.90	1,260.63	38.78	27.30	11.49	1,233.33
	Aug	2.36	0.91	1,233.33	39.10	27.86	11.24	1,205.48
	Sep	2.39	0.92	1,205.48	39.41	28.43	10.98	1,177.05
	Oct	2.42	0.92	1,177.05	39.73	29.01	10.73	1,148.04
	Nov	2.45	0.93	1,148.04	40.05	29.59	10.46	1,118.45
	Dec	2.47	0.93	1,118.45	40.38	30.19	10.19	1,088.26
2014	Jan	2.50	0.94	1,088.26	40.71	30.79	9.92	1,057.47
	Feb	2.53	0.95	1,057.47	41.04	31.40	9.64	1,026.07
	Mar	2.56	0.95	1,026.07	41.37	32.02	9.35	994.05
	Apr	2.59	0.96	994.05	41.71	32.65	9.06	961.41
	May	2.62	0.97	961.41	42.04	33.28	8.76	928.12
	Jun	2.65	0.97	928.12	42.39	33.93	8.46	894.19
	Jul	2.68	0.98	894.19	42.73	34.58	8.15	859.61
	Aug	2.71	0.98	859.61	43.08	35.25	7.83	824.36
	Sep	2.74	0.99	824.36	43.43	35.92	7.51	788.44
	Oct	2.77	1.00	788.44	43.79	36.60	7.18	751.84
	Nov	2.80	1.00	751.84	44.14	37.29	6.85	714.55
	Dec	2.83	1.01	714.55	44.50	37.99	6.51	676.56
2015	Jan	2.87	1.02	676.56	44.87	38.70	6.17	637.86
	Feb	2.90	1.02	637.86	45.23	39.42	5.81	598.44
	Mar	2.93	1.03	598.44	45.60	40.15	5.45	558.29
	Apr	2.97	1.04	558.29	45.98	40.89	5.09	517.40
	May	3.00	1.05	517.40	46.35	41.64	4.71	475.76
	Jun	3.03	1.05	475.76	46.73	42.40	4.34	433.37
	Jul	3.07	1.06	433.37	47.12	43.17	3.95	390.20
	Aug	3.10	1.07	390.20	47.50	43.95	3.56	346.25
	Sep	3.14	1.07	346.25	47.89	44.74	3.16	301.52
	Oct	3.18	1.08	301.52	48.29	45.54	2.75	255.98
	Nov	3.21	1.09	255.98	48.68	46.35	2.33	209.63
	Dec	3.25	1.09	209.63	49.08	47.17	1.91	162.46
2016	Jan	3.29	1.10	162.46	49.49	48.01	1.48	114.45
	Feb	3.32	1.11	114.45	49.89	48.85	1.04	65.60
	Mar	3.36	1.12	65.60	50.30	49.71	0.60	15.89
	Apr	3.40	1.12	15.89	16.04	15.89	0.14	-
	Total				**1,703.68**	**1,413.02**	**290.66**	

Review of Time period for collection of DF

1.50. Based on the original levy of DF rates, the period for billing of DF was upto May 2013 for Stage 1 and from June 2013 to February 2014 for Stage-2. With the reduced rate of DF tentatively proposed by the Authority (refer para 1.35 above) and taking in to account the total DF gap (1413.02 crore), that would remain as of 01.01.2013, the DF billing is expected to continue till April, 2016. These calculations are based on the traffic forecast as considered by the Authority at time of DF Order (Annexure –II of the DF Order) which it is to be noted are lower than the traffic forecast in the Authority's tariff determination Order No.03/2012-13 dated 24.04.2012.

1.51. The Authority notes that the period of levy would vary, inter alia, based on the actual passenger traffic. The Authority is thus proposing to allow levy of DF till April, 2016 for the time being. The Authority will review the monthly billing on the basis of audited figures provided by the AAI and DIAL and make appropriate decisions as may be required, based on such review.

Impact of DF on the Regulatory Asset Base (RAB)

1.52. The Authority had, in its DIAL tariff Order No.03/2012-13 dated 24.04.2012 (para 11), indicated that the issue of calculating depreciation would be addressed in terms of the actual date of completion of the respective aeronautical assets rather than assuming them to have been completed in the middle of the financial year. The Authority also notes that for proper determination of depreciation, both the date of completion/commissioning of the asset as well as the DF billed/ securitised on such dates are important and relevant factors. This is because DF is a measure of last resort, and gets subtracted from the RAB to arrive at the net RAB on which Weighted Average Cost of Capital (WACC) is given which then forms one of the components of the Target Revenue.

1.53. The Authority has had an occasion to further analyse this issue in connection with the Consultation Paper issued by it on 11.10.2012 with regard to determination of DF as well as tariff in respect of Mumbai International Airport Ltd. The Authority has received considered responses from the stakeholders and it feels that this issue needs further analysis. The Authority would consider the issue of DF adjustment to RAB and its consequent impact on the aeronautical tariff at the time of tariff determination for the second Control Period (commencing 01.04.2014) after stakeholders consultation.

Tentative Decision No1.   Regarding determination of DF levy rate

1.a. **The Authority has tentatively decided to determine the rate of DF as Rs 100 per embarking domestic passenger and Rs 600 per embarking international passenger w.e.f. 01.01.2013, so as to permit billing of total remaining amount of DF of Rs.1413.02 crore (on NPV basis as on 01.01.2013). This levy, at present, is estimated to continue for a period of 40 months upto April 2016 based on the traffic forecast considered at the time of DF order dated 14.11.2011. The total amount of DF billing proposed to be allowed is therefore estimated at Rs.1703.68 crore of which Rs. 1413.02 crore will represent the balance DF as of 01.01.2013, the remaining amount of Rs. 290.66 crore representing the interest component.**

1.b. **The Authority has tentatively decided to review, inter alia, the monthly receipt of DF on the basis of audited figures provided by AAI and DIAL and take appropriate decisions as may be required based on such review.**

2. Stakeholder Consultation Timeline

2.1. In accordance with the provisions of Section 13(4) of the AERA Act 2008, the proposal contained in the tentative decision above read with the Authority's analysis, is hereby put forth for stakeholder consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed **(Annexure – I to VI**). For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction of this 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 decision fully documented and explained in terms of the provisions of the Act.

2.2. The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal above, **latest by 19th December, 2012** at the following address:

Capt. Kapil Chaudhary
Secretary
Airports Economic Regulatory Authority of India
AERA Building,

Administrative Complex,
Safdarjung Airport,
New Delhi- 110003
Email: kapil.chaudhary@aera.gov.in
Tel: 011-24695040
Fax: 011-24695039

Yashwant S. Bhave
Chairperson

ANNEXURE - I

Press Information Bureau
Government of India
Ministry of Civil Aviation

16-October-2012 17:40 IST

Air Travel to Cost Less; Civil Aviation Minister Shri Ajit Singh Directs Airports Authority of India (AAI) to Infuse Additional Equity at Delhi and Mumbai Airports in Order to Abolish Airport Development Fee (ADF)

Close on the heels of the decision not to levy Airport Development Fee (ADF) at Chennai and Kolkata Airports, Civil Aviation Minister ShriAjit Singh has directed Airports Authority of India (AAI) to infuse more equity in Mumbai International Airport Ltd. (MIAL) and Delhi International Airport Ltd. (DIAL) with the objective of abolishing ADF at Mumbai andDelhi Airports and accordingly submit its proposals to Airports Economic Regulatory Authority (AERA).

Presently Rs. 200/ per domestic passenger and Rs. 1300/ per international passenger are being charged as ADF at Delhi Airport and Rs. 100/ per domestic passenger and Rs. 600/ per international passenger are being charged as ADF at Mumbai Airport.The expected financing gap in case of Mumbai International Airport Ltd. (MIAL) will beapproximately Rs. 4200 Crore while in case of Delhi International Airport Ltd. (DIAL), it will beapproximately Rs. 1175Crore if the ADF is abolished with effect from 1st January 2013.

AERA has uploaded a Consultation Paper on its website and is in the process of determining ADF and Aeronautical Tariff for ChhatrapatiShivaji International Airport, Mumbai for the regulatory period 1.4.2009 to 31.12.2014. It has asked the AAI the extent to which it would be able to inject additional equity into the project. In response, to this letter of AERA, the Civil Aviation Minister has asked AAI to infuse additional equity of approximately Rs. 288Crorein case of Mumbai International Airport Ltd. (MIAL) against its 26% share in equity of MIAL. The balance in financing gap will have to be met by the Airport Operator/ Promoter (MIAL) through infusion of their share of equity.

Similarly in case of Delhi to fill the balance in financing gap of approximately Rs. 1175 Crore, ShriAjit Singh has asked the AAI to contribute equity share of approximately Rs. 102 Crore. It is noteworthy that when ADF was levied at Mumbai and Delhi Airports, AAI had taken the plea that it is not in a position to contribute more equity in view of its critical financial condition.

Emphasizing on the objective of the Government to make the air travel affordable and to ensure that the passengers are not subjected to any extra burden, Shri Singh has asked the AAI to take on priority the equity infusion with the purpose of abolition of ADF. If the present funding gaps in case of MIAL and DIAL are met in terms of equity infusion and proportionate raising of loansby the airport promoter including AAI, the ADF will stand abolished. As per the directions of ShriAjit Singh the proposal regarding equity infusion by AAI will be soon submitted to AERA.

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ANNEXURE - II

DIAL 2012-13-Vol. VI
F. No. AERA/20010/MYTP/~~MIAL~~/~~2011-12-III~~/1899
Airports Economic Regulatory Authority of India
*****

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi-110 003.

Dated the 15th November, 2012

To

Shri V. P. Agrawal,
Chairman,
Airports Authority of India,
Rajiv Gandhi Bhawan,
New Delhi.

Sub: Grant of Development Fee in respect of Delhi Airport – reg.

Sir,

This is in reference to DO letter No. AAI/MC/DIAL-07/EC/2012-13/2518 dated 26th October, 2012 on the subject mentioned above.

2. In this regard, it is informed that the Authority had noted that there were no other means of finance available to fund the project at that time and hence the amount of Development Fee (DF) was determined to fund the project as a means of last resort in respect of IGI Airport, New Delhi vide Order No 28/2011-12 dated 14.11.2011 (DF Order). Vide this DF order the Authority had also decided to review the levy of DF at IGI Airport. Thereafter, the aeronautical tariffs in respect of Delhi airport were also determined vide Order No 03/2012-13 dated 24.04.2012 (Tariff Order) after considering various means of financing the project – including the amount of DF.

3. As Development Fee is a means of finance of last resort, any additional equity, along with additional debt etc., would impact not only the amount of Development Fee but also the determination of aeronautical tariffs.

4. In view of the above facts, you may kindly like to indicate the amount of additional equity that AAI proposes to infuse into this project so that an effective review of levy of DF at IGI Airport can be undertaken.

5. An early response in the matter is solicited.

Yours faithfully,

(Capt. Kapil Chaudhary)
Secretary
Tel: 24695040

o/c

ANNEXURE – III

F. No. AERA/20010/MYTP/~~MIAL~~ DIAL/~~2011-12-III~~ 2012-13-Vol VI/1898
Airports Economic Regulatory Authority of India
*****

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi-110 003.

Dated the 15th November, 2012

To

Shri Srinivas Bommidala,
Managing Director,
Delhi International Airport Pvt. Ltd.,
Udan Bhawan, IGI Airport,
New Delhi.

Sub: Grant of Development Fee in respect of Delhi Airport – reg.

Sir,

This has reference to the Order No. 28/2011-12 dated 14th November, 2011 issued by the Authority for determination of Development Fee (including total quantum and rate thereof) in respect of Indira Gandhi International Airport (IGI Airport), Delhi.

2. Development Fee is a means of finance as a last resort. Vide its letter dated 26th October 2012, Airports Authority of India (AAI) has informed this Authority that AAI is in a position to infuse the additional required equity.

3. It is, therefore, requested to inform this Authority, the quantum of infusion of additional equity by other shareholders as well as expected additional resources to fund the project through debt, etc. at the earliest. This would enable the Authority to take into account the likely additional means of finance and correspondingly review the matter of levy of development fee at IGI Airport, Delhi after taking into account other relevant material.

Yours faithfully,

(Capt. Kapil Chaudhary)
Secretary
Tel: 24695040

o/c

ANNEXURE - IV

195

DELHI INDIRA GANDHI INTERNATIONAL AIRPORT

GMR

Registered Office: New Udaan Bhawan,
Opp. Terminal 3, IGI Airport,
New Delhi 110037, India
T +91 11 47197000
F +91 11 47197181
W www.newdelhiairport.in

Delhi International Airport (P)Limited
Ref. : DIAL/CEO-Office/2012-13/1692
Dated: November 30, 2012

To

Capt. Kapil Chaudhary
Secretary,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003.

Sub.: Grant of Development Fee in respect of Delhi Airport - reg.

Dear Madam,

This is with reference to the Authority's letter number "AERA/20010/MYTP/MIAL/2011-12-III dated November 15th 2012" vide which DIAL has been requested to inform the Authority on the quantum of infusion of additional equity by other shareholders as well as expected additional resources to fund the project through debt, etc.

Pursuant to the above direction, we wish to appraise the Authority as under:

DIAL had initiated discussions with the lenders for the possibility of raising further debt. Based on the feedback from the discussions, lenders have expressed their reluctance in lending further loan to DIAL as it will affect debt servicing capability of the company adversely and there would be stress in achieving the financial covenants . **Letter received from ICICI bank in this regard is enclosed.**

DIAL also convened a meeting of its Board of Directors on November 30th 2012 to discuss the infusion of additional equity. After detailed deliberations board was of the opinion that infusion of additional equity is not feasible.

Thanking you,

Yours faithfully,
For Delhi International Airport Private Limited

I.Prabhakara Rao
Chief Executive Officer

Encl.: As Above

Originated by : MD/GRK

Airports | Energy | Foundation | Highways | Sports | Urban Infrastructure

Corporate Office:
IBC Knowledge Park, Phase 2,
D Block, 10th Floor, 4/1,
Bannerghatta Road, Bangalore 560 029

ANNEXURE - V

ICICI Bank

November 27, 2012

Mr. G. Radhakrishna Babu
Chief Financial Officer
Delhi International Airport Private Limited
New Udaan Bhawan, Opp Terminal 3,
New Delhi 110037

Subject: Projected Shortfall in the means of finance

Ref: Your letter dated November 20, 2012 and ICICI Bank letter dated January 13, 2011

Dear Sir,

This refers to your request for exploring additional funding to meet the gap in the means of finance to cover the shortfall of ₹ 14.30 billion which may arise in the eventuality of withdrawal of ADF allowed to fund the overall means of finance for the first phase of modernizing and upgrading Indira Gandhi International Airport at New Delhi (the "**Project**").

We request you to please refer to our letter dated October 01, 2008, April 29, 2010, January 13, 2011 (copy attached), wherein we had indicated that at that point of time, we were not in a position to ascertain any additional debt that can be loaded without affecting the serviceability of existing debt. Any additional debt into the project would require a separate revenue stream, outside the purview of target revenue computation.

We are of the view that the tariff hike of 352% given by AERA for the 1st Regulatory Period (FY2009-FY2014) vide its order dated April 20, 2012 implemented from May 15, 2012, will just take care of debt servicing requirements over this period. Further, owing to drop in air traffic, uncertainty associated with tariff determination for the next regulatory period and the fact that monetization of land affiliated to company may get delayed in current economic environment, we are of the view that it may not be possible to consider any additional debt in the company as it will affect the debt servicing capability of the company adversely.

Thanking you,

Yours faithfully

AK Sharma

Arun Kumar Sharma
Joint General Manager

ICICI Bank Limited
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400 051, India.

Tel. (91-22) 2653 1414
Fax. (91-22) 2653 1122
Website www.icicibank.com

Regd. Office : "Landmark",
Race Course Circle,
Vadodara 390007. India.

ANNEXURE - VI

भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

No.AAI/JVC/DIAL/Equity/2012-13 December 5, 2012

The Secretary
Airport Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport
New Delhi - 110 003

SUB: GRANT OF DEVELOPMENT FEE (DF) IN RESPECT OF IGI AIRPORT - reg.

Madam,

This has reference to your letter No. AERA/20010/MYTP/MIAL/2011-12-III dated 15/11/2012 on the subject stated above.

As per our records, against total DF sanctioned of Rs.3415 crores, the amount collected under this account works out to Rs.2340 crores (approx.) as on 31/12/2012.

AAI Board has, in principle, approved to infuse equity of Rs.93 crores in DIAL as and when cash call is made by the Company.

This issues with the approval of Competent Authority.

Yours faithfully,

(S. SURESH)
Member (Finance)

राजीव गांधी भवन सफदरजंग हवाई अड्डा, नई दिल्ली-११०००३ दूरभाष : २४६३२९५० फैक्स : ९१-११-२४६३२९९०
Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi - 110003 Phone : 24632950 Fax : 91-11-24632990