


F.No.AERA/25013/CP-03/2009-10
Airports Economic Regulatory Authority of India

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Attention of all concerned is invited to Consultation Paper No.03/2009-10, on the Regulatory Philosophy and Approach in Economic Regulation of Airports and Air Navigation Services issued on 26.02.2010. The following Corrigenda is hereby issued to correct certain errors that have inadvertently crept in the Consultation paper. Inconvenience caused, if any, is regretted.


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Corrigenda

- 1. Exhibit 3 of the Consultation Paper (on page 42 of 279) may please be read as follows:**

Exhibit 3: Illustrative Cost of Equity Calculation

CAPM components				
Risk Free Rate	7.5%	7.5%	7.5%	7.5%
Equity Market Risk Premium	11%	11%	11%	11%
Equity Beta	0.4	0.6	0.8	1
Cost of Equity	11.9%	14.1%	16.3%	18.5%

.....Contd/-

2. Paragraph 9.64 of the Consultation Paper (on page 110 of 279) may please be read as follows:

9.64 For each relevant month j the Monthly Rebate % (for both Objective and Subjective) shall be calculated as follows:

$$\text{Monthly Rebate Objective, } MRO_j \% = \text{Min} [1.5, \sum P_i \cdot X_{i,j}]$$

$$\text{Monthly Rebate Subjective, } MRS_j \% = \text{Min} [2.5, \sum P_i \cdot X_{i,j}]$$

Where

P_i is the maximum rebate percentage per month for each parameters i

$X_{i,j}$ = 0 if monthly standard i in month j is achieved

= 1 otherwise

3. Paragraph 32 of Appendix 5 of the Consultation Paper (on page 264 of 279) may please be read as follows:

32 The common formula applied to derive the asset beta is:

$$\text{Asset Beta } (\beta_a) = (1 - g) \times \beta_e + g \times \beta_d$$

Where:

g is the gearing

β_e is the equity beta

β_d is the debt beta