

Date : 7th June, 2022

To,
Mr. Ram Krishan,
Director (P&S),
AERA.

Sub: Response to the comments/submissions received from Stakeholders on the Consultation Paper No. 02/2022-23 dated 10.05.2022 regarding the Determination of Aeronautical Tariff of M/s Air India SATS Airport Services Private Limited at Rajiv Gandhi International Airport, Hyderabad.

Dear Sir,

We write in response to the query received in regard to the Consultation Paper No. 02/2022-23 issued on 10th May, 2022 by Airport Economic Regulatory Authority (AERA) of India. We thank AERA for sharing the concerns by the M/s SpiceJet Limited and would like to address the same pointwise.

At the risk of highlighting the obvious and what all of us are experiencing, the prevailing situation with the Corona Virus has adversely impacted the world of aviation in ways that are unprecedented. The evolving situation continues to be grave for us and the decisive measures put in place to curb the spread of the virus had impacted us tremendously as many other airlines.

The adverse effect already being experienced for AISATS across all locations has already resulted in some significant cost-cutting measures and the reduction/cessation in airline operations as a result of the sudden sharp decline in air travel has impacted our cash flows.

As desired by AERA, please find our responses to the concerns raised:

Spicejet Ltd.

- 1) M/s Spicejet Ltd. has raised its concern towards procurement of CAPEX by AISATS and its subsequent impact on the tariff approval by AERA. In this connection, we would humbly submit that the procurement of CAPEX is towards replacement of leased assets. The company is badly affected by the pandemic and the management is sensitive about the cost control measures. As is evidenced from the above projection, that the company would be earning PAT below 1% margin for first 3 tariff years. The profits earned during the MYTP period of 5 years is not sufficient enough to absorb the losses of FY 2020-21. The CAPEX procurement is towards serving normal business operations and thus does not lead towards increase in the costs. The CAPEX expenditure will not lead to reducing the profit, but the portion of depreciation will lead to reduction in profit which will be offset by saving in costs of leasing assets.

Air India SATS Airport Services Private Limited

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Goregaon (East), Mumbai - 400063 | Tel: +91-22-4203 7000 | www.aisats.in

Registered Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110001
(CIN): U74900DL2010PTC201763

2)

a.

We would like to inform that Rs. 1,015.19 lakhs of depreciation cost in FY 2021-22 i.e. Tariff Year 1 is towards the Opening Written Down Value of Fixed Assets and CAPEX procurement of Rs. 200 lakhs budgeted during the year.

The fixed assets on which depreciation is charged is owned by M/s Air India SATS Airport Service Private Limited which has separate identity and independent from M/s Air India Ltd and M/s SATS Ltd.

The depreciation rates are as follows:

Name of Assets	Depreciation Rate
Computers	33%
Furniture and fitting	10%
Buildings	7%
Vehicle	10%
Plant and machinery	7%

b. M/s Spicejet has raised its concern over the cost cutting initiatives by the company.

The statement of operating costs from Tariff Year 1 to Tariff Year 5 and the average cost over 5 year Tariff Period

Particulars	FY 2021-22 Tariff Year 1	FY 2022-23 Tariff Year 2	FY 2023-24 Tariff Year 3	FY 2024-25 Tariff Year 4	FY 2025-26 Tariff Year 5	Average of 5 years
Payroll cost	25,27,03,800	28,40,00,000	32,80,20,000	37,54,18,890	42,57,25,021	33,31,73,542
Administrative and General expenses	6,45,20,787	6,64,56,411	6,84,50,103	7,10,97,887	7,32,30,823	6,87,51,202
Concession fees	11,23,12,800	12,61,83,431	13,91,17,232	15,33,76,749	16,90,97,866	14,00,17,616
Repair and Maintenance cost	1,11,45,311	1,14,79,671	1,18,24,061	1,21,78,783	1,25,44,146	1,18,34,394

The statement of percentage decrease of cost as compared to the cost incurred prior to Covid Period

Particulars	FY 2019-20 Actuals	Average of 5 years	Reduction in costs	% Reduction in costs
	Pre-Covid Year	As per above statement		
Payroll cost	48,10,00,783	33,31,73,542	14,78,27,240	31%
Administrative and General	7,63,97,499	6,87,51,202	76,46,297	10%
Concession fees	22,52,35,124	14,00,17,616	8,52,17,509	38%
Repair and Maintenance cost	3,00,18,898	1,18,34,394	1,81,84,503	61%

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Conclusion: It can be seen from the above statement that the company has taken immense cost control measures and the average cost for 5 year post Covid is substantially reduced as compared to its Pre-covid levels. However, for the business to function, the company is bound to incur its fixed cost.

- 3) Kindly note that this is a policy related matter which needs discussion at the Ministry level. This is a contractual matter between Airport Operator and concessionaire which is prevalent at all airports and is beyond the ambit of regulatory authority. Reference to the current concession agreement, the concession fee percentages with the relevant documents have been shared with AERA.
- 4) The approved AERA ceiling rate has no correlation with the Handling rates charged to the airlines. Every airline has a separate handling rate depending on the services requested and the negotiation with the ISP. However, we have noted your concerns for any future approvals.

We appreciate your kind understanding and co-operation.

Thanks & Regards,



Kalpesh Kumar Singh
Head – Commercial Business Development
Corporate Headquarters