13th July 2026

Shri Ram Krishan, Director (P&S),
Airports Economic Regulatory Authority of India (AERA),
Udaan Bhawan,
Safdarjung Airport,
New Delhi – 110003

Respected Sir,

Subject: Response to Consultation Paper issued by AERA for 4th Control Period
Reference: Consultation Paper No 01/2026-27 published by AERA on 12th June 2026

This bears reference to the above-mentioned Consultation Paper issued by AERA in the matter of determination of aeronautical tariff for Kempegowda International Airport, Bengaluru (BLR) for the fourth control period (01.04.2026 – 31.03.2031) wherein written comments were sought from the stakeholders.

In respect of the same, for your kind consideration please find below the submission of Adani Airports as:

1. **To remove minimum threshold for Non-Aeronautical Revenues (NAR)**:

   (Ref: Para 9.3.2 "To true up NAR for the current control period, at the time of determination of tariff for the next control, subject to minimum threshold as proposed by the Authority in Table 237.")

   The proposal to stipulate a minimum threshold for Non-Aeronautical Revenues needs to be reconsidered.

   NAR is a commercial revenue stream and not a guaranteed source of income. All Airport Operators try to maximize NAR since after deducting the mandatory 30% cross-subsidization (of aero tariffs) and revenue share to the Authority, the balance goes to the airport operator. However, the Airport's NAR is finally determined by the customers' preferences and not by the Airport Operator.

   By prescribing a minimum threshold, AERA would effectively convert a multi-factor commercial projection into a fixed regulatory assumption. This would expose the Airport Operator to the risk of under-recovery even when the lower revenues are earned due to customers' preferences and real market conditions; and not due to any inefficiency or lack of efforts on the part of the Airport Operator.

The hybrid-till framework does not require the airport operator to guarantee a minimum level of non-aeronautical contribution for tariff purposes.

As per the Hon'ble TDSAT's Judgement dated 11th September 2025 pertaining to Mopa Airport, Goa: "*Para 230. We hereby direct AERA the true-up exercise for the next Control Period shall be based upon actual non-aeronautical revenue irrespective of the fact that whether it exceeds or not, the minimum threshold of Rs.509.47 Crores, as fixed by AERA towards non-aeronautical revenue.*"

In light of the above, we request the Authority to accept Non-Aeronautical Revenues based on actuals and remove the minimum threshold for the same.

2. To retain the current regulatory treatment for recovery of capital expenditure:

(Ref: Para 12.3 "Incremental ARR Approach on user pay principle for identified High-Capex Projects")

The Authority has proposed to consider incremental ARR relating to approximately INR 7,000 crore of capital expenditure at a later stage based on the "pay as you use" principle. We respectfully submit that the proposed approach may not be appropriate for large airport expansion projects undertaken to meet future traffic demand.

The major projects identified by AERA, such as terminal expansion and related airside infrastructure, are growth-driven investments required to accommodate future passenger traffic. The airport is expected to handle around 72 million passengers, compared to its current capacity of about 51.5 million passengers. These investments are therefore essential and not optional.

Given the nature of these projects, the benefits and costs should be viewed over the life of the asset rather than only within a particular Control Period. Airport infrastructure such as terminals, runways, taxiways, and aprons has useful lives of several decades and will serve millions of passengers over that period. Airport users will ultimately use and benefit from these facilities and bear the related costs over time.

For example, assets such as terminal buildings and airside infrastructure typically have useful lives of around 30 years, and the cost recovered from users in any particular year represents only a small portion of the total recoverable cost. Such concerns may be more relevant for maintenance or replacement projects with shorter useful lives, rather than for major capacity expansion projects designed to meet long-term traffic growth. AERA may therefore consider applying the proposed approach primarily to maintenance capex where the benefits accrue to a more identifiable set of users.

ADANI AIRPORT HOLDINGS LIMITED
(Formerly known as Adani Airports Limited)
Adani Corporate House, Shantigram
Near Vaishno Devi Circle, S.G. Highway

Tel +91 79 2656 5555
Fax +91 79 2555 5500
Email: info@adani.com
Website: www.adani.com

Concerns regarding recovery of costs before full utilization of assets are already addressed through the tariff framework currently followed by AERA. Aeronautical tariffs increase progressively over the Control Period as new assets are commissioned and added to the Regulatory Asset Base coupled with the increase in traffic throughput. As a result, a larger share of cost recovery takes place in the later years when passenger traffic is also higher. This naturally aligns cost recovery with asset utilization and reduces the risk of future expansion costs being disproportionately recovered from passengers in the early years.

Further, it is to be noted that, as experienced by AERA, in large airports like Bengaluru International Airport, the yield per passenger will reduce or stabilise in future control period due to depreciating nature of average RAB and increasing traffic. This means that passengers who have used the facility in the initial years have paid higher yield whereas the recovery for the same asset from future passengers happens at the lower yield. This situation is a natural phenomenon, and it will prevail whether incremental ARR concept is implemented or not. Hence by introducing the new concept of incremental ARR, no tangible benefit is envisaged as compared to existing method of recovery of overall 5-year ARR.

The Airport Operator also has strong commercial and regulatory incentives to complete these projects on time. Any delay in commissioning expansion infrastructure would restrict the airport's ability to handle growth, resulting in loss of aeronautical and non-aeronautical revenues, operational constraints, and reduced service quality. In addition, if the projected capital expenditure is not incurred or is materially delayed, AERA undertakes a ARR true-down exercise in the subsequent Control Period based on actual capitalization. The existing regulatory framework therefore already contains adequate safeguards to protect airport users from paying for assets that are ultimately not created.

In view of the above, the Authority may consider retaining the current regulatory treatment for expansion-related capital expenditure, subject to the existing true-up/ true-down mechanism based on actual capitalization.

Thanking you,

Yous faithfully,

For and on behalf of Adani Airport Holdings Limited,

Ashu

(Ashu Madan)
Authorized Signatory

ADANI AIRPORT HOLDINGS LIMITED
(Formerly known as Adani Airports Limited)
Adani Corporate House, Shantigram
Near Vaishno Devi Circle, S.G. Highway

Tel +91 79 2656 5555
Fax +91 79 2555 5500
Email: info@adani.com
Website: www.adani.com