फा. सं. ऐरा/20010/एमवाईटीपी/एआईएएल-अहमदाबाद/सीपी-III/2021-26/

F. No. AERA/20010/ MYTP/AIAL-AHMEDABAD/CP-III/2021-26

परामर्श पत्र संख्या 10/2022-23/Consultation Paper No 10/2022-23

सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India

सरदार वल्लभभाई पटेल अंतरराष्ट्रीय हवाईअड्डा (एसवीपीआईए), अहमदाबाद (एएमडी) के लिए तृतीय नियंत्रण अवधि (01.04.2021 - 31.03.2026) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में/

IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT (SVPIA), AHMEDABAD (AMD) FOR THE THIRD CONTROL PERIOD (01.04.2021 - 31.03.2026)

जारी करने की तारीख : 20 अक्तूबर, 2022/

Date of Issue: 20th October, 2022

ऐरा भवन/AERA Building
प्रशासनिक कॉम्पलेक्स/Administrative Complex
सफदरजंग हवाईअड्डा/Safdarjung Airport
नई दिल्ली/New Delhi – 110003

STAKEHOLDERS' COMMENTS

The Authority is aware of the fact that since the early months of 2020 the Aviation Sector has been faced with severe disruptions and uncertainty on account of the COVID-19 global pandemic. Recent trends suggest that the lifting of travel restrictions in most parts of the world is fuelling a strong recovery in the global aviation market. The Authority is closely observing the changes in the sector and has remained cognizant of them while finalising its views on various matters pertinent to this Consultation Paper.

The Authority, after considering all information currently available, the views of the Airport Operators, industry bodies such as IATA, ACI, and other Expert Agencies on this matter, and analysing various scenarios, has reviewed the necessary adjustments in traffic and other regulatory building blocks on account of the expected changes and uncertainties in the prevailing business scenario. Further, considering the Government of India's decision to resume commercial international passenger air travel from 28th March 2022 vide DGCA Circular No. 4/1/2020-IR dated 08th March 2022 and termination of air bubble arrangements and after observing the recent trends in traffic recovery, the Authority is of the view that the domestic and international passenger traffic may revert to pre-COVID levels by FY 2023 and FY 2024 respectively. However, these adjustments would be finalised only after consideration of the comments from the stakeholders.

Sardar Vallabhbhai Patel International Airport (SVPIA), Ahmedabad was operated by the Airports Authority of India (AAI), which had entered into a Concession Agreement with the current Airport Operator on 14th February 2020 for the Operation, Development, Maintenance and Management of the Airport for a period of 50 years from the Commercial Operation Date (COD) and the COD was achieved on 07th November 2020. In the Second Control Period, the period from FY 2017 to 06th November 2020 (up to COD) has been considered as pre-COD period and the period from COD till 31st March 2021 has been considered as post-COD period. In this tariff determination exercise, as two Airport Operators are involved, i.e., Airports Authority of India (pre-COD) and Ahmedabad International Airport Limited (AIAL) (post-COD), for the sake of clarity in this Consultation Paper, AERA has referred to Airports Authority of India as AAI for the pre-COD period and to AIAL as Airport Operator for the post-COD period. As per the provisions of the Concession Agreement, AAI and the Airport Operator have submitted their Multi Year Tariff Proposal (MYTP) as follows:

- True up submission of AAI for the pre-COD period in the Second Control Period from FY 2017 up to COD
- True up submission of Airport Operator for the post-COD period in Second Control Period from COD up to 31st March 2021
- MYTP for the Third Control Period from 01st April 2021 to 31st March 2026 submitted by the Airport Operator

For this Consultation Paper, the Authority has considered the audited figures submitted by AAI for SVPIA for the pre-COD period (FY 2017 to 06th November 2020) and the audited financials submitted by the Airport Operator from 07th November 2020 (COD) till 31st March 2021.

The Authority has released this Consultation Paper putting forward its proposals in the background of the following:

i) Government of India's decision to resume commercial flights and pick up in the passenger/ATM traffic and

ii) Involvement of two Airport Operators in the tariff determination process.

The Authority shall consider written evidence-based feedback, comments and suggestions from all the Stakeholders on the proposals made in the Consultation Paper and pass a suitable Order determining the Tariff for airport services. The Authority would like to emphasise that the consultation process timelines are sacrosanct

and hereby requests the stakeholders to provide their comments/inputs within the timelines specified in this Consultation Paper, beyond which the same will not be considered by the Authority.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Consultation Paper No. 10/2022-23 dated 20th October 2022 are invited from the Stakeholders, as per the template defined in Annexure 7, preferably in electronic form, at the following address:

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
Safdarjung Airport, New Delhi – 110003, India
Email: secretary@aera.gov.in, director-ps@aera.gov.in, rajan.gupta1@aera.gov.in

Stakeholders' Consultation Meeting (Virtual)	**:**	**09th November 2022**
Last Date for submission of Stakeholders' comments	**:**	**21st November 2022**
Last Date for submission of counter comments	**:**	**02nd December 2022**

Stakeholders' comments and counter comments will be posted on AERA's website www.aera.gov.in

For any clarification/information, Director (P&S, Tariff) may be contacted at Telephone Number: +91-11-24695043

TABLE OF CONTENTS

APPENDICES:

List of Tables

List of Figures

Glossary

Abbreviation	Full Form
AAI	Airports Authority of India
AAHL	Adani Airport Holdings Limited
A&G expenses	Administrative & General expenses
AAICLAS	AAI Cargo Logistics and Allied Services
ACFT	Air Crash Fire Tender
ACI	Airports Council International
AERA/Authority	Airports Economic Regulatory Authority of India
AO	Airport Operator
AHO	Airport Health Office
ASRS	Automated Storage and Retrieval System
APAO	Association of Private Airport Operators
ASQ	Airport Service Quality
AIAL	Ahmedabad International Airport Limited
AIS	Air Insulated Switchgear
AIASL	AI Airport Services Limited
AEL	Adani Enterprises Limited
AGL	Airfield Ground Lighting System
ANS	Air Navigation Services
ASA	American Society of Appraisers
ATM	Air Traffic Movement
AUCC	Airport User Consultative Committee
ARFF	Aircraft Rescue and Fire Fighting (ARFF)
ARR	Aggregate Revenue Requirement
BIAL	Bangalore International Airport Limited
BCAS	Bureau of Civil Aviation Security
BPCL	Bharat Petroleum Corporation Ltd.
BOCW	Building and Other Construction workers' Welfare
BOQ	Bill of Quantities
CA	Concession Agreement
CCR	Constant Current Regulator
CAPEX	Capital expenditure
CY	Calendar year
CAPA	Centre of Asia Pacific Aviation.
CB	Cantonment Board
CAPM	Capital Asset Pricing Model
CPI	Consumer Price Index
COVID-19	Coronavirus-19
CoE	Cost of Equity
CSS	Corporate Support Services
CSMIA	Chhatrapati Shivaji Maharaj International Airport
CUTE	Common Use Terminal Equipment
COD	Commercial Operation Date
CIAL	Cochin International Airport Limited
CSC	Cargo Service Center
CHQ	Corporate Head Quarter

Abbreviation	Full Form
CNS	Communications, Navigation and Surveillance Systems
CPWD DSR	Central Public Works Department - Delhi Schedule of Rates
CISF	Central Industrial Security Force
CWIP	Capital Work in Progress
DARK	Disabled Aircraft Removal Kit
DIAL	Delhi International Airport Limited
DFMD	Door Frame Metal Detector
EBIT	Earnings before interest and tax
ETV	Emergency Transport Vehicle
FTC	Fuel Throughput Charges
FA	Financing Allowance
FAR	Fixed Asset Register
FCP	First Control Period
FRoR	Fair Rate of Return
GA	General Aviation
GIS	Gas Insulated Switchgear
GoI	Government of India
GDP	Gross Domestic Product
GHIAL	GMR Hyderabad International Airport Limited
GSE	Ground Support Equipment
GST	Goods and Service Tax
GSEC	Gujarat State Export Corporation
HHMD	Hand-held Metal Detector
HVAC	Heating, Ventilation, and Air Conditioning
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IOCL	Indian Oil Corporation Ltd.
ITP	Into-Plane Services
IMD/MET	India Meteorological Department
JARS	Joint Asset Reconciliation Statement
JVC	Joint Venture Cell
LoA	Letter of Award
MoU	Memorandum of Understanding
MVS	Marshall & Swift Valuation Service
MIAL	Mumbai International Airport Limited
MMTH	Multi Modal Transport Hub
MPPA	Million Passengers Per Annum
MRO	Maintenance, Repair, and Overhaul
MYTP	Multi Year Tariff Proposal
NAR	Non-aeronautical Revenue
NATS	National Air Traffic Services
NCAP-2016	National Civil Aviation Policy – 2016
NITB	New Integrated Terminal Building
O&M expenses	Operational and Maintenance expenses
OMDA	Operation, Maintenance and Development Agreement
OMC	Oil Marketing Companies
ICT	Integrated Cargo Terminal

Abbreviation	Full Form
ILBS	In-Line Baggage Screening System
RET	Rapid Exit Taxiway
RIL	Reliance Industries Limited
KL	Kilo Litre
PAR	Plinth Area Rates
PAX	Passengers
PBG	Performance Bank guarantee
PHP	Peak Hour Passenger
PCN	Pavement Classification Number
PIDS	Perimeter Intrusion Detection System
PSA	Private Security Agency
PPP	Public-Private Partnership
RT	Radio Transmission
RAB	Regulatory Asset Base
R&M	Repair and Maintenance
RCS	Regional Connectivity Scheme
RFP	Request for Proposal
RHQ	Regional Head Quarter
RSS/DSS	Receiving Station/Distribution Station
RWY	Runway
SBD	Self-bag Drop
SCP	Second Control Period
SHA	Security Hold Area
SOFR	Secured Overnight Financing Rate
STP	Sewage Treatment Plant
SVPIA	Sardar Vallabhbhai Patel International Airport
TCP	Third Control Period
TO	Tariff Order
UDAN	Ude Desh ka Aam Naagrik
UDF	User Development Fees
VIP /CIP	Very Important Person /Commercial Important Person
WDV	Written Down Value
WPI	Wholesale Price Index
YPP	Yield per Passenger

1. BRIEF ON SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT (SVPIA)

1.1. Background

1.1.1. Sardar Vallabhbhai Patel International Airport (SVPIA) is an International Airport located in Hansol, 9 Kms north of Central Ahmedabad, and about 18 kms southeast of Gandhinagar. Named after the freedom fighter and the first Deputy Prime Minister of India Sardar Vallabhbhai Patel, it serves the twin cities of Ahmedabad and Gandhinagar.

1.1.2. Ahmedabad Airport was established in 1937 while international operations started in 1991. It is well connected with regular flights to major cities like Vadodara, Mumbai, Chennai, Bangalore, Delhi, Hyderabad, Goa, Pune, Kolkata and Jaipur. The airport is equally well-connected to international destinations in countries such as USA, France, England, Japan and China.

1.1.3. Presently, SVPIA has two operational passenger terminals, Domestic Terminal (T1) has an annual passenger handling capacity of approximately 5 MPPA, and International Terminal (T2) with annual passenger handling capacity of around 2.5 MPPA. Thus, the total current terminal capacity at SVPIA is around 7.5 MPPA. In FY 2020, SVPIA handled 11.43 million passengers making it the seventh largest[1] airport in the country in terms of passenger traffic handled. The domestic passenger traffic for FY 2020 was 79.70% of the total passenger traffic and the remaining 20.30% consisted of international passengers in FY 2020.

1.1.4. Under the provisions of Airports Economic Regulatory Authority of India Act, 2008 (read with AERA Amendment Act 2019 and AERA Amendment Act 2021), Ahmedabad Airport is one of the Major Airports under the ambit of AERA. Pursuant to AERA Act 2008, the Authority had issued guidelines for the purpose of determination of aeronautical tariffs for Major Airports. As per the guidelines, AERA had issued Tariff Order No. 14/2015-16 dated 05th June 2015 and Tariff Order No. 14/2018-19 dated 23rd July 2018, in the matter of determination of aeronautical tariffs for SVPIA for the First Control Period (FCP) and Second Control Period (SCP) respectively.

1.2. Technical Highlights

1.2.1. Technical and Terminal building details of SVPIA is provided in the table below[2]:

Table 1: Technical Details of SVPIA

Particulars	Details
Total airport area (Acres)	987.12 (including carve-out land)
Runway orientation and length	05/23; 3,505 meters x 45 meters
Number of Taxi Tracks	11
Number of Apron Bays	• Apron 1 – 24 (Code A & B: 4, Code C:15, D & E: 5) • Apron 2 – 13 (Code C: 9 and Code D & E: 4) • Apron 3 – 12 (all Code B)
Aerodrome Category	4E
Navigational Aids	ILS-RWY 23 with Cat-I Approach Lighting, RWY 05 Simple Approach lighting System, RADAR - ASR / SSR (Mode S), ADS-B, Automation System with Software Support Facility, Simulator (INDRA), DVOR, DME, VHF/RCAG/VCCS/DVTR
Operational hours	24

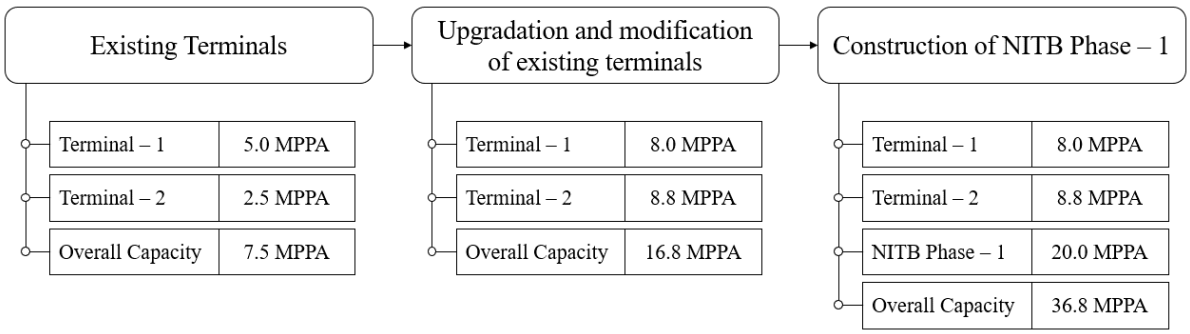
1 Traffic News AAI https://www.aai.aero/sites/default/files/traffic-news/Mar2K19Annex3.pdf

2 Source: Multi Year Tariff Proposal for Ahmedabad International Airport Limited (AIAL) for Third Control Period (FY21-22 to FY25-26)

Particulars	Details	
Terminal building Details		
Particulars	**Domestic (T1)**	**International (T2)**
Terminal Building Area (SQM)	34,144	45,233
Immigration Counters	-	36
Customs Counters	-	4
Security Counters	8	3
Departure Conveyor	1	2
Arrival Conveyor	3	5
Peak hour passenger capacity	1,600	1,400
No. of Check-in Counters Common Use Terminal Equipment (CUTE)	23	32
Total Area of Car Parking (SQM)	10,787	17,621

1.2.2. The existing terminals are currently undergoing refurbishment and expansion. The project is expected to be completed in the current Financial Year. The passenger handling capacity of the existing terminals (T1 and T2) is expected to increase from 7.5 MPPA to 16.8 MPPA post completion of the upgradation/modification works. The Airport Operator (AO) has also proposed the commissioning of the Phase 1 of the New Integrated Terminal Building (NITB) towards the end of FY 2026 (with a capacity of 20 MPPA). As a result, the total passenger handling capacity would be enhanced to 36.8 MPPA. The pictorial representation of the phase wise terminal capacity of SVPIA at the end of the Third Control Period (FY 2022-FY 2026) is given as under:

Figure 1: Passenger Terminal Expansion Plan at SVPIA



1.3. Ownership Structure

1.3.1. Prior to concession out for its development on PPP basis, SVPIA was owned & operated by AAI. Subsequent to the selection of Adani Enterprises Limited (AEL) as the "Selected Bidder", AEL promoted and incorporated the Special Purpose Vehicle (SPV) – Ahmedabad International Airport Limited (AIAL), as the concessionaire under the Companies Act, 2013 in accordance with the terms of the RFP. On 14th February 2020, AIAL signed the Concession Agreement with AAI for exclusive right to operate, manage and develop Ahmedabad Airport for a period of 50 (fifty) years from the Commercial Operations Date (COD). In consideration for the grant of such concession, the Airport Operator shall pay AAI a monthly concession fee during the concession period, namely, specified amount of "Per Passenger Fee" for both domestic and international passengers (refer to Para 17.3.2 of Annexure 3 in Chapter 17 for the relevant clause of the Concession Agreement).

1.3.2. However as per the Clause 20.1.1 of the Concession Agreement, only the designated Government of India (GoI) agencies shall be authorised to undertake the 'reserved services' at the airport, namely, CNS/ATM services (Communications, Navigation and Surveillance Systems/Air Traffic Movement) , Security services, Meteorological services, Mandatory health services, Customs control, Immigration

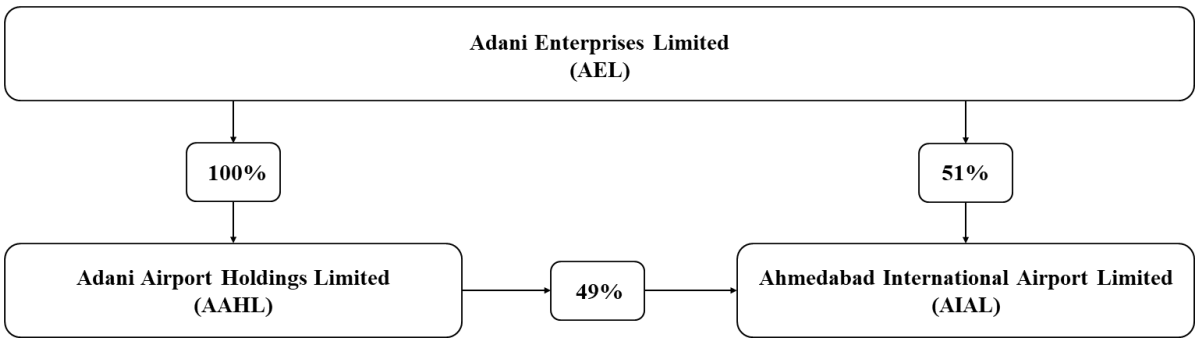
services, Quarantine services and any other services as may be notified by GoI (refer to Para 17.3.2 of Annexure 3 in Chapter 17). This does not restrict AAI from requiring the Concessionaire to undertake any or all of the Reserved Services on such terms and conditions as may be mutually agreed between the Parties.

1.3.3. AEL later incorporated a 100% subsidiary named Adani Airport Holdings Limited (AAHL). As on 31st March 2022, AEL holds 51% shareholders equity in AIAL and the remaining 49% is held by AAHL.

Table 2: Shareholding pattern of the Airport Operator

Name of Shareholder	% Shareholding
Adani Enterprises Limited	51%
Adani Airport Holdings Limited	49%

Figure 2: Ownership Structure



1.4. Cargo Operations

1.4.1. With respect to cargo operations at SVPIA, AAI Cargo Logistics and Allied Services (AAICLAS) has facilities which are operated by Gujarat State Export Corporation (GSEC) and Cargo Service Center (CSC). All AAICLAS facilities are part of the 'carved out' area as per Annexure IV of Schedule A to the Concession Agreement (refer to Para 17.3.3 and 17.3.4 of Annexure 3 in Chapter 17). Hence, under the Concession Agreement it is retained by AAI and not transferred to the Airport Operator.

1.4.2. However, Clause 19.4.1. of Concession Agreement clearly mentions about the obligations of the Airport Operator for upgrading, developing, operating and maintaining the Cargo Facilities in accordance with the provisions of the Concession Agreement, Applicable Laws, Permits and Good Industry Practices (refer to Para 17.3.3 of Annexure 3 in Chapter 17).

1.4.3. Pursuant to the terms of the Concession Agreement and in order to cater to the growing demands at SVPIA, AIAL started providing domestic cargo handling services from the existing common user cargo terminal and international cargo handling operations[3] from its interim international cargo terminal (old T3).

1.4.4. AERA vide Order No. 52/2020-21 dated 06th November 2020 approved the levy of ad-hoc domestic cargo handling charges for AIAL. In addition, AERA vide Order No. 01/2021-22 dated 23rd June 2021 approved the Ad-hoc charges for International Cargo Handling Services.

1.4.5. The cargo operations have also been factored in the ARR of the AO, however, the major components such as capital expenditure, depreciation, operating expenses and revenues with respect to the cargo operations and facilities have been presented separately in the respective sections.

3 Multi Year Tariff Proposal for Ahmedabad International Airport Limited (AIAL) for Third Control Period (FY21-22 to FY25-26)

1.5. Ground Handling Operations

1.5.1. The Clause 19.2 of the Concession Agreement clearly mentions the Airport Operator's obligations towards provision of infrastructure required for ground handling services at the SVPIA and the extract of the relevant Clause has been provided in Para 17.3.5 of Annexure 3 in Chapter 17.

1.5.2. Further, subject to the provisions of the Concession Agreement the Airport Operator has the right to grant License to any entity for providing Ground Handling Services at SVPIA on such terms and conditions as mentioned in the License Agreement between by the Airport Operator and the potential service providers.

1.5.3. Pursuant to above terms of the Concession Agreement the Airport Operator has engaged GSEC Bird Airport Services Private Limited and AI Airport Services Limited (AIASL) for provision of such Ground Handling services at SVPIA.

1.6. Fuel Facility Operations

1.6.1. The Clause 19.3. of the Concession Agreement clearly mentions the Airport Operator's obligations towards providing aircraft fuelling services, which has been provided in Para 17.3.6 of Annexure 3 in Chapter 17.

1.6.2. Previously, when the airport was operated by AAI, various Oil Marketing Companies (OMCs) were providing fuel services at the airport using their own respective infrastructure. As mandated by the Concession Agreement (CA), AIAL is planning to build an open access facility and is in the process of acquiring the existing assets of IOCL, RIL and BPCL. The Airport Operator is also initiating the development of a green field facility along with a hydrant refuelling system. Further AIAL also plans to provide Into-Plane Services (ITP) at SVPIA Ahmedabad.

1.6.3. The fuel farm operations have also been factored in the ARR of the AO, however, the major components such as capital expenditure, depreciation, operating expenses and revenues with respect to the fuel farm operations and facilities have been presented separately in the respective sections.

2. TARIFF DETERMINATION OF SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT

2.1. Introduction

2.1.1. AERA, was established by the Government of India vide notification No. GSR 317(E) dated 12th May 2009. The functions of AERA, in respect of Major Airports, are specified in section 13 of the Act, which are as below:

a) To determine the tariff for aeronautical services taking into consideration –

i. the capital expenditure incurred and timely investment in the improvement of airport facilities

ii. the service provided, its quality and other relevant factors

iii. the cost for improving efficiency

iv. economic and viable operation of Major Airports

v. revenue received from services other than the aeronautical services

vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise, and

vii. any other factor which may be relevant for the purpose of the Act.

Provided that different tariff structures maybe determined for different airports having regard to all or any of the above considerations specified at sub clauses (i) to (vii)

b) To determine the amount of the development fees in respect of Major Airports

c) To determine the amount of the passengers' service fee levied under Rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934

d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authority authorised by it in this behalf

e) To call for any such information as may be necessary to determine the tariff for aeronautical services, and

f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of the Act.

2.1.2. The terms "aeronautical services" and "Major Airports" are defined in Sections 2(a) and 2(i) of the Act, respectively.

2.1.3. As per the AERA Act 2008, the following are the aeronautical services for which Tariff is determined by the Authority:

i. Aeronautical services provided by the Airport Operators

ii. Cargo, Ground Handling and Fuel Supply Services, and

iii. Air Navigation Services

2.1.4. AERA has, after extensive stakeholders' consultation, finalised its approach to the economic regulation of services categorised in Para 2.1.3 above. Detailed Guidelines laying down information requirements,

periodicity and procedure for Tariff determination have also been issued. The details of Orders and Guidelines issued in this behalf are as under:

i. Order No. 13 dated 12.01.2011 (In the matter of Regulatory Philosophy and Approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and Conditions for Determination of Tariff for Airport Operators); and

ii. Order No. 05 dated 02.08.2010 (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 at Major Airports); Order No. 12 dated 10.01.2011 and Direction No. 4 dated 10.01.2011 (Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft).

iii. Order No. 07/2016-17 dated 13.06.2016 in the matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports-Capital Costs Reg.

iv. Order No. 14/2016-17dated 23.01.2017 in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India.

v. Order No. 20/2016-17 dated 31.03.2017 in the matter of allowing Concession to Regional Connectivity Scheme (RCS) Flights under RCS – Ude Desh ka Aam Naagrik (UDAN) at Major Airports.

vi. Order No. 35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09.04.2018 in the matter of Determination of Useful life of Airport Assets.

vii. Order No. 42/2018-19 dated 05.03.2019 in the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India.

2.1.5. AERA vide Order No. 14/2015-16 dated 05th June 2015 had determined the Aeronautical Tariff in respect of SVPIA for the First Control Period (01.04.2011 to 31.03.2016).

2.1.6. AERA vide Order No. 14/2018-19 dated 23rd July 2018 has determined the Aeronautical Tariff in respect of SVPIA for the Second Control Period (01.04.2016 to 31.03.2021). The tariff was applicable with effect from 01st August 2018.

2.1.7. As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority. Clause 28.11.1 of the Concession Agreement clearly mentions that the Airport Operator shall seek revision of Aeronautical Charges by the Regulator as per applicable Regulatory Framework for the next applicable Control Period and states that the Airport Operator shall have not less than 365 days from the COD to seek such revision of the aeronautical charges. The extract of the relevant Clause has been provided in Para 17.3.7 of Annexure 3 in Chapter 17. AIAL, on 04th February 2022, submitted a Multi-Year Tariff Proposal (MYTP) for the Third Control Period (TCP) from 01st April 2021 to 31st March 2026 for SVPIA, Ahmedabad.

2.1.8. Given that, during the Second Control Period, the Commercial Operation Date was achieved by AIAL on 07th November 2020, the true up proposal for the Second Control Period for the period from FY 2017 till COD was submitted separately by AAI on 01st February 2022. For the period post COD till 31st March 2021, AIAL has submitted its true up proposal as part of the MYTP.

2.1.9. Both the true up proposal for AAI and the MYTP of AIAL are available on the AERA website along with the Consultation Paper.

2.1.10. Further to the review of submissions made by AAI and AIAL, details and clarifications were sought for by AERA which have been submitted by both parties on various dates over the period from April 2022 to October 2022.

2.2. Control Period

2.2.1. In terms of Direction No. 05 issued on 28th February 2011 (Terms and Conditions for Determination of Tariff for Airport Operators), Control Period means a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant to such order shall subsist. The Second Control Period commenced from 01st April 2016, and the Third Control Period has commenced from 01st April 2021.

2.3. Pre-COD Period

2.3.1. AAI had submitted its initial true up proposal for the pre-COD period from 01st April 2016 to 06th November 2020 vide email dated 01st February 2022. The Authority based on its preliminary scrutiny of the true up figures submitted by AAI, observed various discrepancies and upon enquiry, AAI provided information from time to time till July 2022. The Authority noted variances between the assets transferred by AAI as on COD and that recorded by the Airport Operator (AO). In order to resolve such differences, the Authority intervened and directed AAI and the Airport Operator vide email dated 04th April 2022 for a joint reconciliation of the assets handed over by AAI and taken over by the Airport Operator. AAI and the Airport Operator submitted a Joint Asset Reconciliation statement on 13th April 2022 of the assets handed over by AAI on 07th November 2020 and taken over by the Airport Operator as on COD. The same has been discussed in detail in the Study on Allocation of Assets (The summary of the study is given in Annexure 1 of this Consultation Paper and the study is attached as Appendix 1 of this Consultation Paper). With respect to the operating expenses submitted by AAI on 01st February 2022, it was noticed that certain expense heads considered by AAI were different from those approved by AERA in the Tariff Order (Order No. 14/2018-19 dated 23rd July 2018) for SVPIA for the Second Control Period. Further it was observed that certain expenses were grouped under incorrect heads. In order to have a fair comparison between the actual expenses incurred and the projections approved in the Tariff Order for SCP, AAI was requested to share the actual operational and maintenance expenses (O&M expenses) incurred against the projections in the Tariff Order for SCP. AAI vide email dated 22nd June 2022 shared the revised O&M expenses along with the updated true up submission. The same has been discussed in detail in the Study on Efficient Operation and Maintenance Expenses (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper). The sequential timeline of the above events has been presented in the table below:

Table 3: Sequence of events with regard to true up submissions of AAI

Event	Date
Submission of original true up proposal by AAI	01st February 2022
Email from the Authority to AAI and Airport Operator seeking joint reconciliation of assets transferred as on COD	04th April 2022
Submission of Joint Asset Reconciliation statement by AAI and Airport Operator	13th April 2022
Submission of revised Operations and Maintenance Expenses by AAI for the pre-COD period	22nd June 2022
Submission of revised true up by AAI with changes to Operations and Maintenance expenses claimed for the pre-COD period	22nd June 2022

2.4. Post-COD Period

2.4.1. The tariff determination for the post-COD period has been considered for the Airport Operator under the following categories:

- True up of the period from COD till 31st March 2021
- Tariff determination for the Third Control Period i.e., from 01st April 2021 to 31st March 2026.

2.4.2. As SVPIA was taken over and operated by the Airport Operator from the COD i.e., 07th November 2020, the Authority has considered to true up the necessary building blocks of the Airport Operator for the five-month period commencing from 07th November 2020 up to 31st March 2021. Further, the Authority has considered the Third Control Period of five years for the Airport from 01st April 2021 to 31st March 2026.

2.4.3. The Airport Operator had submitted its MYTP on 04th February 2022. The document is available on the AERA's website along with the Consultation Paper.

2.4.4. The Authority appointed an Independent Consultant, PricewaterhouseCoopers Pvt. Ltd. to assess the MYTP submitted by the Airport Operator for the Third Control Period. Accordingly, the Independent Consultant has assisted the Authority in examining the true up submission of AAI and the Airport Operator for the pre and post COD period respectively, the MYTP of Airport Operator, including verifying the data from various supporting documents such as audited financials, Fixed Asset Register (FAR) submitted by the Airport Operator, examining the building blocks in tariff determination, and ensuring that the treatment given to it is consistent with the Authority's methodology and approach.

2.4.5. With respect to the operating expenses submitted by AIAL, vide email dated 20th April 2022, AIAL conveyed that they had missed to include Bank and Other finance Charges in the True-Up for FY 2021. Similarly, vide email dated 07th June 2022, AIAL conveyed that they had missed to include Utility Charges of INR 4.34 Lakhs and O&M Expenses of INR 12.36 Lakhs (both pertaining to Cargo) in the True Up for FY 2021. The same has been discussed in detail in the Study on Efficient Operation and Maintenance Expenses (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper).

2.4.6. In its initial submission, AIAL had not provided detailed break-up and supporting information regarding certain items such as the capital expenditure proposed for the Third Control Period (TCP). Vide email dated 12th May 2022, the Authority requested the Airport Operator to share the detailed break-up of the proposed capital expenditure. AIAL vide email dated 23rd May 2022 shared the list of projects planned to be carried out in the Third Control period. In its clarification vide email dated 21st July 2022, AIAL revised the list of projects and the cost proposed for various items. Among the list of projects, AIAL had included several minor projects that consisted of individual items of less than INR 15 Cr. value. However, AIAL had not provided the individual item level breakup of such projects. The Authority requested AIAL to share the breakup of minor projects vide email dated 19th June 2022 and the same was shared by AIAL vide email dated 16th July 2022. Subsequently, the Airport Operator shared a revised list of minor projects vide email dated 30th July 2022 in which AIAL submitted that it had dropped certain projects which were previously a part of the proposed capital expenditure for TCP. Even at this stage, there were multiple gaps in the information shared by AIAL in piecemeals over time. The Authority requested various clarifications and follow up queries on the information shared by AIAL from time to time to address these gaps and assess the reasonableness of the proposed capital expenditure. The Airport Operator responded to these queries and shared various documents in parts

over the period from 23rd May 2022 till 17th October 2022. The sequential timeline of the above events has been presented in the table below:

Table 4: Sequence of events with regard to true up and MYTP submissions of the AO

Event	Date
Submission of original MYTP by AO	04th February 2022
Email from the Authority to AAI and Airport Operator seeking joint reconciliation of assets transferred as on COD	04th April 2022
Submission of Joint Asset Reconciliation statement by AAI and Airport Operator	13th April 2022
Revision of Operating expenses due to the inclusion of Bank and Other finance Charges	20th April 2022
Email from the Authority to the Airport Operator for the detailed break-up of the proposed capital expenditure in TCP	12th May 2022
Submission of the list of projects planned to be carried out in TCP by AIAL	23rd May 2022
Revision of Operating expenses due to the inclusion of Utility Charges of INR 4.34 Lakhs and O&M Expenses of INR 12.36 Lakhs (both pertaining to Cargo)	07th June 2022
Email from the Authority to the Airport Operator for the detailed breakup of the minor projects planned to be carried out in TCP	19th June 2022
Submission of the breakup of the minor projects planned to be carried out in TCP by AIAL	16th July 2022
Revised Submission of the list of projects planned to be carried out in TCP by AIAL	21st July 2022
Revised submission of the breakup of the minor projects planned to be carried out in TCP by AIAL*	30th July 2022
Submission of documents and response to queries by AIAL	23rd May 2022 till 17th October 2022

**Even at this stage, gaps were still persistent in the information shared by AIAL*

2.4.7. The Authority through its Independent Consultant has examined the MYTP submitted by Airport Operator and verified the data and the projections for the Third Control Period including capital expenditure and obtained clarifications on the information provided by Airport Operator from time to time, for finalising this Consultation Paper.

2.5. Studies commissioned by the Authority

2.5.1. The Authority had also commissioned two independent studies with respect to SVPIA:

a) **Study on Allocation of Assets for SVPIA:** The Study has carried out a detailed analysis of the Regulatory Asset Base (RAB) of both AAI and the Airport Operator. The Study has developed a rationale for classification of assets into Aeronautical, Non-aeronautical, Air Navigation Services (ANS) and Common. It then apportioned the common assets based on suitable ratios. Further, the Study has also examined the assets transferred from AAI to AIAL (as on COD) and determined the Deemed Initial RAB as on COD.

b) **Study of Efficient Operation and Maintenance Expenses for SVPIA:** The Study examined the historical trends in the O&M expenses of SVPIA and assessed how the airport has been performing in comparison to select peers in the industry. The Study verified the classification of various expenses between Aeronautical, Non-aeronautical, ANS and Common and made revisions wherever necessary. The Common expenses were further apportioned by the Study based on suitable ratios. Further, the Study ascertained the expenses that appeared to be unreasonably high and rationalised them based on suitable benchmarks.

2.5.2. The recommendations of these studies have been used in this Consultation Paper. The summary of the Study on Allocation of Assets is given in Annexure 1 of this Consultation Paper and study is attached

as Appendix 1 of this Consultation Paper. The summary of the Study on Efficient Operation and Maintenance Expenses is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper.

2.6. Construct of the Consultation Paper

2.6.1. A brief on SVPIA is provided in Chapter 1. This Chapter 2 explains the context for the current tariff determination exercise and the submissions made by AAI and AIAL. The framework used for determination of tariffs as per the AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28th February 2011 is explained in Chapter 3.

2.6.2. Chapter 4 captures the submissions of AAI regarding true up of the Second Control Period (till COD) pertaining to each regulatory building block followed by a recap of the Authority's decisions regarding the same as part the Tariff Order (TO) for the Second Control Period. This is followed by the Authority's examination on specific issues regarding true up of the Second Control Period as part of the determination of tariffs for the Third Control Period.

2.6.3. Chapter 5 lists out AIAL's submissions regarding true up for the Second Control Period (post-COD). This is followed by Authority's views and proposals on the same.

2.6.4. Chapter 6 presents the submissions of AIAL regarding Traffic Projections and the Authority's proposals on the same.

2.6.5. Chapter 7 includes the submissions of AIAL regarding RAB and Depreciation for the Third Control Period along with the Authority's detailed examination, adjustments, rationalisation and proposals on the aeronautical capital expenditure and useful lives.

2.6.6. Chapter 8-13 includes the submissions of AIAL regarding various building blocks pertaining to the Third Control Period including Fair Rate of Return, Operating Expenses, Non-aeronautical Revenue, Taxes, Inflation and Quality of Service along with Authority's examination and proposals on each matter.

2.6.7. Chapter 14 presents the submissions of AIAL regarding Aggregate Revenue Requirement for the Third Control Period and the Authority's examination and revision of the same based on the proposals made by the Authority in the previous chapters.

2.6.8. Chapter 15 summarizes the Authority's proposals regarding each of the building blocks.

2.6.9. In Chapter 16, the Authority outlines the timelines for the Stakeholders' Consultation Process.

2.6.10. As already mentioned, the Authority had commissioned two independent studies with respect to SVPIA viz., "Study on Allocation of Assets" and "Study on Efficient Operations and Maintenance Expenses" for the purpose of tariff determination. The summary of these studies has been provided in Chapter 17. Chapter 17 also includes the relevant clauses of the Concession Agreement that have been referred in the Consultation Paper, the note on corporate cost allocation as shared by AIAL, details related to CAPEX in the Third Control Period, details regarding the O&M expenses in the Third Control Period.

2.6.11. The Authority notes that as per the Concession Agreement, "*For procurement of goods, works, services, sub-lease(s), sub-license(s), or any other rights or privilege where the consideration (including deposits in any form in respect thereof) exceeds Rs. 25,00,00,000/- (Rupees Twenty Five Crore) in any Accounting Year (collectively, the* ***"Contracts"****), the Concessionaire shall invite offers through open competitive bidding by means of e-tendering and shall select the awardees in accordance with the policy specified under Clause 5.6.1*." The Authority asked the AO to confirm whether all

works/projects/service orders/LoAs have been awarded through competitive bidding. AIAL, vide email dated, 19th August 2022, stated that –

"*AIAL ensures all procurements are done in adherence to the approved procurement policy (approved procurement policy is available on the company website at the link: https://www.adani.com/svpia-ahmedabad-airport/-/media/37A55F28181C483B939902F9BFCABC4D.ashx). AIAL always adheres to the best practices and processes for procurement and ensures transparent process is followed in all the transactions*." The Authority expects that AIAL would continue to follow the highest standards and best practices while awarding of projects/works/contracts in future.

2.6.12. It is the sole responsibility of the Airport Operator to maintain proper books of accounts & Fixed Asset Register (FAR) diligently and present accurate information in its submissions. The Authority relies on the information available in the audited financial reports & FAR for its analysis. The Authority expects that the Airport Operator would ensure the accuracy of the information captured in its books of accounts & FAR and that there is no overbilling or duplication of expenses that results in undue enrichment.

3. FRAMEWORK FOR DETERMINATION OF TARIFF FOR SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT

3.1. Methodology

3.1.1. The Methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 read with AERA (Amendment) Act 2019 and 2021, the AERA (Terms and Conditions for determination of Tariff for Airport Operators) Guidelines, 2011 and further Guidelines issued by AERA from time to time.

3.1.2. As per the guidelines, for the Second Control Period, the Authority had adopted the Hybrid-Till mechanism for tariff determination, wherein, only 30% of the Non-aeronautical Revenue is to be used for cross-subsidising the aeronautical charges. The Authority has considered the same methodology in the true up of the Second Control Period and for tariff determination in the Third Control Period.

3.1.3. The ARR under hybrid till for the Control Period (ARR) shall be expressed as under:

$$ARR = \sum_{t=1}^{5} ARR_t$$

$$ARR_t = (FRoR * RAB_t) + D_t + O_t + T_t - \alpha * NAR_t$$

- where t is the Tariff Year in the Control Period
- where ARR_t is the Aggregate Revenue Requirement for year t
- where FRoR is the Fair Rate of Return for the Control Period
- where RAB_t is the Regulatory Asset Base pertaining to Aero activities for the year t
- where D_t is the Depreciation corresponding to the RAB for the year t
- where O_t is the Operation and Maintenance Expenditure for the year t, which include all expenditures incurred by the Airport Operator(s) pertaining to Aero activities
- where T_t is the Taxation cost for the year t, relating to Aero activities
- α is the cross-subsidy factor for revenue from services other than aeronautical services. Under the hybrid till methodology followed by the Authority, α = 30%.
- where NAR_t is the revenue from Non-Aeronautical Services for the year t.

3.1.4. Based on ARR, yield per passenger (Y) is calculated as per the formula given below

$$Yield\ per\ passenger(Y) = \sum_{t=1}^{5} PV(ARR_t) \div \sum_{t=1}^{5} VE_t$$

- Where PV (ARR_t) is the present value of ARR for all the tariff years. All cash flows are assumed to occur at the end of the year. Further, the date considered by the Authority for discounting of cash flows is one year from the start of the Control Period.
- Where, VE_t is the passenger traffic in year 't'.

3.1.5. All the figures in this Consultation Paper have been rounded off up to two decimal places.

3.1.6. The Authority notes that clause 5.7.1 of the Direction 5/ 2010-11 pertaining to Terms and Conditions for determination of Tariff for Airport Operator Guidelines, 2011 states that – "*For any service provided by the Airport Operator for (i) ground handling services to aircrafts, passengers and cargo at an airport; (ii) the cargo facility at an airport; and (iii) supplying fuel to the aircraft at an airport, the Authority shall follow the regulatory approach and process for tariff determination as mentioned in the Direction No. 4/2010-11 on Terms and Conditions for determination of Tariff for services provided for Cargo facility, Ground Handling and Supply of fuel to the Aircraft Guidelines, 2011*".

Further, Clause 1.2 of the Direction No. 4/2010-11 states that – "*these Guidelines shall apply to Service Provider(s) for (i) the Cargo facility at a Major Airport, (ii) ground handling relating to aircraft, passengers and cargo at a Major Airport; and for (iii) supplying fuel to the aircraft at a Major Airport: Provided that Airport Operator providing the Regulated Services(s) as defined herein shall be excluded from the application of these Guidelines."*

Taking cognizance of the above provisions laid out under Direction 5/ 2010-11 and Direction No. 4/2010-11 and the fact that the AO is providing the services on cargo facility and supplying fuel to the aircraft, the Authority has examined the Assets, Expenses and Revenues pertaining to Cargo and fuel farm of the AO separately under the relevant chapters in this Consultation Paper, for the purpose of determining Aggregate Revenue Requirement of the AO.

3.2. Revenues from Air Navigation Services (ANS)

3.2.1. The Airport Operator shall be performing aeronautical services such as landing, parking, ground handling, cargo and fuel supply services at SVPIA and has submitted revenue projections for the same in the Third Control Period in its MYTP. However, AAI shall be handling the Air Navigation Systems (ANS) at SVPIA and hence the MYTP submitted by Airport Operator does not consider revenues, expenditure, and assets on account of ANS.

3.2.2. Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

4. TRUE UP OF AAI FOR THE SECOND CONTROL PERIOD FROM FY 2017 TILL COD

4.1. Background

4.1.1. AAI had entered into a Concession Agreement dated 14th February 2020 with AIAL (the 'Concessionaire') for the operation and maintenance of Sardar Vallabhbhai Patel International Airport for a period of 50 years from the COD, i.e., 07th November 2020.

4.1.2. As per the Concession Agreement between AAI and the Airport Operator (Clause 28.11.3) (Refer Para 17.3.16 of Annexure 3), the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA.

4.1.3. Pursuant to the above Concession Agreement, AAI has submitted its True Up Proposal for the period from 01st April 2016 up to 06th November 2020.

4.1.4. The true up workings submitted by AAI covers the following building blocks:

i. Traffic
ii. Regulatory Asset Base
iii. Fair Rate of Return
iv. Aeronautical Depreciation
v. Return on Land
vi. Aeronautical Operation and Maintenance Expenses
vii. Non-aeronautical Revenue
viii. Aeronautical Taxes

4.1.5. The Authority has examined AAI's true up submission in detail. The Authority has presented its examination in the following order:

i. AAI's submissions for true up under different Regulatory Building Blocks.
ii. Decisions taken by the Authority in the Tariff Order for the Second Control Period (Order No. 14/2018-19 dated 23rd July 2018)
iii. Authority's examination through its Independent Consultant of each regulatory building block followed by the Authority's proposals regarding the same.

4.1.6. The Authority has considered the following documents for determining true up for the Second Control Period (pre-COD):

i. Tariff Order for Sardar Vallabhbhai Patel International Airport (Order No.14/2018-19) dated 23rd July 2018.
ii. Audited Financial Results of AAI for the Second Control Period (pre-COD) and
iii. AERA Guidelines and Orders
iv. Authority's decisions on the Regulatory Building Blocks as per previously issued Tariff Orders of other airports.

4.2. AAI's submission of true up for the Second Control Period from FY 2017 till COD

4.2.1. As mentioned in Para 2.3.1 of this Consultation Paper, AAI has submitted a revised True Up Submission on 22nd June 2022. The details of the same have been provided below:

Table 5: True up for Second Control Period (till COD) submitted by AAI

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Opening RAB	293.75	301.12	290.52	297.86	331.38	
Closing RAB	301.12	290.52	297.86	331.38	316.44	
Average Regulatory Asset Base (RAB)	297.44	295.82	294.19	314.62	323.91	
Fair Rate of Return (FRoR)	14%	14%	14%	14%	14%	
Return on Average RAB @14%	41.64	41.42	41.19	44.05	45.35	213.64
Depreciation	23.08	24.19	26.40	27.22	17.05	117.95
Operating Expenditure	155.80	159.52	174.72	212.05	116.39	818.48
Return on Land	0.12	0.12	0.12	0.12	0.12	0.62
Unamortised portion of Land - Balance of Land Value	0.00	0.00	0.00	0.00	1.11	1.11
Corporate Tax	0.00	0.00	0.00	0.00	99.06	99.06
Add: Carried forward of Shortfall from First Control Period	3.6					3.64
Non-aeronautical revenues	67.09	63.02	78.74	101.91	20.59	331.35
Less: 30% Deductions for Non-Aero Revenues	-20.13	-18.91	-23.62	-30.57	-6.18	-99.41
Total Gross ARR	**204.16**	**206.35**	**218.81**	**252.87**	**272.91**	**1,155.09**
Revenue earned from Aeronautical Services	186.51	209.39	195.37	166.55	33.45	791.28
Excess / (Shortfall)	(17.64)	3.04	(23.43)	(86.32)	(239.46)	(363.81)
PV	1.69	1.48	1.30	1.14	1.00	
PV of Excess / (Shortfall)	**(29.80)**	**4.51**	**(30.45)**	**(98.41)**	**(239.46)**	**(393.61)**

4.3. Authority's examination of true up of AAI for the Second Control Period from FY 2017 till COD

4.3.1. For each of the regulatory building blocks proposed for true up by AAI, the Authority has looked at the past decisions taken with regards to the true up of the particular building block for Second Control Period as per the Tariff Order for the Second Control Period and has then proceeded to examine the same as part of the tariff determination for the Third Control Period. These issues have been discussed in detail in the relevant sections of this Consultation Paper.

4.3.2. The decisions taken at the time of determination of tariff for Aeronautical services for the Second Control Period vide Order No. 14/2018-19 dated 23rd July 2018 have been reproduced below:

- **Decision No. 2.e – Aggregate Revenue Requirement (ARR):** *"To consider shortfall of INR 3.6 Cr. in the First Control Period to be added to ARR for the Second Control Period."*
- **Decision No. 3.b – Traffic Forecast:** *"The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in 2nd Control Period while determining tariffs for the 3rd Control Period."*
- **Decision No. 5.a – Regulatory Asset Base:** *"The Authority decides to consider the opening regulatory base for the Second Control Period under Hybrid Till as INR 294.9 Cr".*

- **Decision No. 6.b – Capital Expenditure:** *"The Authority directs AAI to undertake user stakeholders' consultation process for the major capital expenditure as per the Guidelines."*
- **Decision No. 6.c – Regulatory Asset Base:** *"The Authority decides to true up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalization of underlying assets in a given year."*
- **Decision No. 9.a – Fair Rate of Return (FRoR):** *"The Authority decides to consider the FRoR at 14% for SVPIA for the First and Second Control Period."*
- **Decision No. 10.a – Non-aeronautical revenue:** *"The Authority decides to consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue."*
- **Decision No. 10.c –Non-aeronautical revenue:** *"The Authority decides that non-aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true-up will be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues"*
- **Decision No. 11.b – O&M expenses:** *"The Authority expects AAI to reduce O&M expenditure over a period of time."*
- **Decision No. 11.c – O&M expenses:** *"The Authority decides to true up the O&M expenditure for FY 2016-17 to FY 2020-21 of the Second control period based on the actuals at the time of determination of tariffs for the Third control period."*
- **Decision No. 11.d.i, 11.d.ii, 11.d.iii – O&M expenses:** *"The Authority decides the following factors for corrections while determining tariffs for the next control period:*
    i. *Mandated cost incurred due to directions issued by regulatory agencies like DGCA*
    ii. *Cost of actual operating expenses including electricity*
    iii. *All statutory levies in the nature of fees, levies, taxes and other such charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/service provided by AAI will be reviewed by the Authority for the purpose of corrections. Any additional expenditure by way of interest payments, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be trued up."*
- **Decision No. 12.b –Taxation:** *"The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the Second Control Period during determination of tariffs for the Third Control Period."*
- **Decision No. 13.b –Aeronautical revenue:** *"The Authority decides to continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Government of India vide Order No G.17018/7/2001- AAI dated 09.02.2004 in order to encourage and promote intra-regional connectivity at SVPIA"*
- **Decision No. 13.c –Aeronautical revenue:** *"The Authority decides to provide waiver of landing and other charges in line with the Order No.20/2016-17 dated 31.03.2017 of the Authority."*

- **Decision No. 13.d –Aeronautical revenue:** *"The Authority decides to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.08.2018."*
- **Decision No. 13.e – Aggregate Revenue Requirement (ARR):** *"The Authority decides to consider shortfall/excess in revenues for the Second Control Period based on proposed tariffs by AAI while determining aeronautical tariffs for the Third Control Period".*

4.4. True up of Traffic

4.4.1. AAI as a part of its true up proposal had submitted the passenger and ATM traffic based on actuals for the period from FY 2017 to FY 2021 (up to 30th November 2020). The passenger and ATM traffic as submitted by AAI for true up of the Second Control Period (till 30th November 2020) is as given in the table below.

Table 6: Traffic submitted by AAI for true up of the Second Control Period (till 30th November 2020)

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 up to 30th Nov 2020	Total
Passengers (In millions)						
Domestic	5.62	7.32	9.03	9.11	1.46	32.54
International	1.79	1.8	2.15	2.32	0.06	8.12
Total	7.41	9.12	11.17	11.43	1.53	40.66
ATM (in No's)						
Domestic	38,762	49,987	63,884	69,190	16,889	238,712
International	12,345	13,142	14,528	15,387	1,603	57,005
Total	51,107	63,129	78,412	84,577	18,492	295,717

Authority's examination and proposal regarding true up of Traffic for the Second Control Period

4.4.2. Traffic proposed by the Authority as per the Tariff Order for the Second Control Period is as given in the table below.

Table 7: Traffic proposed by the Authority as per the Tariff Order for the Second Control Period

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Passengers (In millions)						
Domestic	5.62	7.32	8.28	9.36	10.58	41.17
International	1.79	1.85	2.04	2.25	2.48	10.40
Total	7.41	9.17	10.32	11.61	13.06	51.57
ATM (in No's)						
Domestic	38,762	49,987	54,147	58,654	63,535	265,085
International	12,345	13,142	14,244	15,438	16,732	71,901
Total	51,107	63,129	68,391	74,091	80,267	336,985

4.4.3. In its true up proposal, AAI has considered the traffic till 30th November 2020 whereas AAI has operated the airport only till 06th November 2020, post which operations were taken over by AIAL. AAI was requested to share the details regarding the traffic handled at SVPIA during the period from 01st April 2020 till 06th November 2020. Based on the details received from AAI vide email dated 21st

July 2022 and the details available on the AAI Traffic News website, the actual traffic handled at SVPIA during the Second Control Period is as follows:

Table 8: Actual traffic handled at SVPIA in the Second Control Period[4]

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	FY 2021 (post-COD)	FY 2021	Total (till COD)	Total (SCP)
Passengers (Mn)									
Domestic	5.62	7.32	9.03	9.11	1.10	2.34	3.44	32.18	34.52
International	1.79	1.85	2.15	2.32	0.05	0.15	0.20	8.15	8.31
Total	7.41	9.17	11.17	11.43	1.15	2.49	3.64	40.34	42.83
ATM (000's)									
Domestic	38.76	49.99	63.88	69.19	13.50	23.61	37.11	235.33	258.94
International	12.35	13.14	14.53	15.39	1.40	1.69	3.10	56.80	58.50
Total	51.11	63.13	78.41	84.58	14.90	25.31	40.21	292.13	317.43

4.4.4. Since AAI has operated the Airport till 06th November 2021, the Authority has considered the actual traffic handled in FY 2021 till COD for true up of the Second Control Period (till COD) with respect to AAI and the rest has been attributed to the period post COD when the traffic was handled by AIAL (the Airport Operator).

4.4.5. The Authority noted that the international passenger traffic for FY 2018 submitted by AAI was slightly lower than the figure published on the AAI website. The figure available on the AAI website also matched the values considered by the Authority in the Tariff Order for SCP. Therefore, the Authority has considered the international passenger traffic based on the data published by AAI on its website.

4.4.6. The Authority compared the actual traffic achieved at SVPIA against the traffic projections approved by the Authority in the Tariff Order for the Second Control Period. The comparison is given below:

Table 9: Comparison of actual traffic submitted by AAI vs projections approved by AERA in TO for SCP

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Domestic Passengers (Mn)						
As per AAI (A)	5.62	7.32	9.03	9.11	3.44	34.52
As per the Tariff Order for SCP (B)	5.62	7.32	8.28	9.36	10.58	41.17
Difference (A – B)	-	-	0.75	(0.25)	(7.15)	(6.65)
International Passengers (Mn)						
As per AAI (C)	1.79	1.85*	2.15	2.32	0.20	8.26
As per the Tariff Order for SCP (D)	1.79	1.85	2.04	2.25	2.48	7.92
Difference (C – D)	-	-	0.11	0.07	(2.27)	(2.14)
Domestic ATM (in No's)						
As per AAI (E)	38,762	49,987	63,884	69,190	37113	258,936
As per the Tariff Order for SCP (F)	38,762	49,987	54,147	58,654	63,535	265,085
Difference (E – F)	-	-	9,737	10,536	(26,422)	(6,149)
International ATM (in No's)						
As per AAI (G)	12,345	13,142	14,528	15,387	3096	58,498
As per the Tariff Order for SCP (H)	12,345	13,142	14,244	15,438	16,732	71,901
Difference (G – H)	-	-	284.00	(51.00)	(13,636)	(13,403)

** From AAI Traffic News*

4.4.7. The Authority observed that the actual domestic and international passenger traffic in FY 2019 is higher than the projections approved by the Authority in the Tariff Order for SCP. For FY 2020, the

[4] Source: AAI Traffic News and clarifications from AAI

domestic passengers (PAX) as submitted by AAI was lower than the projections approved by the Authority in the Tariff Order for SCP by approximately 3% though the actual domestic ATM traffic was significantly higher than the projections by approximately 18%. The drop in domestic passenger traffic majorly occurred in March 2020 due to the impact of the Coronavirus-19 (COVID-19) pandemic.

4.4.8. In FY 2021, the actual traffic is considerably lower than the projections approved by the Authority in the Tariff Order for SCP, again due to the negative impact of COVID-19.

4.4.9. Based on the above facts, the Authority proposes to consider the actual traffic for true up of the Second Control Period, as given in Table 8.

4.5. True up of Regulatory Asset Base

4.5.1. The RAB for the Second Control Period as submitted by AAI for true up is given below.

Table 10: RAB for the Second Control Period as submitted by AAI

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
Opening RAB (A)	293.75	301.12	290.52	297.86	331.38	
Addition (B)	30.46	14.36	33.74	62.16	2.12	142.83
Depreciation (C)	(23.08)	(24.19)	(26.40)	(27.22)	(17.05)	(117.95)
Sales/Disposals/Transfers (D)	0.00	(0.08)	0.00	(1.42)	0.00	(1.51)
Cargo Assets Transferred (E)		(0.69)				(0.69)
Closing RAB (F = A + B + C + D + E)	301.12	290.52	297.86	331.38	316.44	
Average RAB [(A + F) ÷2]	297.44	295.82	294.19	314.62	323.91	

4.5.2. AAI also submitted that value of the Regulatory Asset Base that was transferred to AIAL as on COD is INR 301.77 Cr.

Authority's examination and proposal regarding true up of RAB for the Second Control Period from FY 2016-17 up to COD

4.5.3. The opening RAB considered by the Authority as per the Tariff Order for Second Control Period is given in the table below.

Table 11: Opening RAB considered by the Authority as per the Tariff Order for SCP

S. No.	Particulars	Amount (INR Cr.)
1	Original Cost of Airport Aeronautical Assets excluding ANS related assets as on 01.04.2011	548.1
2	Aeronautical asset addition during the First control period	25.7
3	Cost of Aeronautical Assets (1 + 2) as on 01.04.2016	**573.8**
4	Accumulated Depreciation as on 01.04.2016	278.9
5	Opening RAB (3 – 4) as on 01.04.2016	**294.9**

4.5.4. For true-up, AAI has considered a slightly different value for Opening RAB from what was approved by the Authority in the Tariff Order for Ahmedabad Airport for the Second Control Period. The Opening RAB submitted by AAI as part of the true up proposal submission is INR 293.75 Cr. AAI has given the following justification for the difference of INR 1.15 Cr. – *"the reason for variation is due to Freehold Land which has not been tabulated in the above"*.

4.5.5. As explained in paragraph 5.11 of Order No. 14/2018-19 dated 23rd July 2018, the Authority had decided to exclude the cost of land from RAB in its analysis during the determination of tariffs for the SCP. The Authority vide Order No. 42/2018-19 dated 05th March 2019 had decided that *"in case land is purchased by 'the airport' operating company either from private parties or from government, the compensation shall be in the form of equated annual instalments computed at actual cost of debt or SBI base rate plus 2% whichever is lower over a period of thirty years"* (Para 4.1.4). Therefore, the cost of land cannot be considered as a part of RAB.

4.5.6. Hence, the Opening RAB for the Second Control Period has been considered as INR 293.75 Cr. by the Authority after excluding the cost of land of INR 1.15 Cr from the aeronautical asset base.

4.5.7. The RAB computed by the Authority for the Second Control Period in the Tariff Order (Order No. 14/2018-19 dated 23rd July 2018) is as follows.

Table 12: RAB considered by the Authority as per Tariff Order for SCP

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Opening Aeronautical RAB (A)	294.9	284.5	269.0	380.0	349.0	
Aeronautical Addition Assets capitalized during the year (B)	16.7	11.8	144.8	6.4	193.6	373.3
Disposals/Transfers (C)	-	-	-	-	-	
Depreciation (D)	26.6	27.3	33.8	37.4	39.6	164.7
Closing Aeronautical RAB (E = A + B - C – D)	285.0	269.0	380.0	349.0	502.9	
Average RAB [(A + E) ÷2]	290.0	276.8	324.5	364.5	426.0	
Cargo closing RAB	0.5					
Closing Aeronautical RAB	284.5					

4.5.8. As per the Tariff Order for the Second Control Period, the Authority had approved aeronautical capital additions worth INR 373.3 Cr. However, the total aeronautical assets actually capitalised by AAI in the Second Control Period are worth INR 142.83 Cr. Further, INR 36.62 Cr. worth of Capital Work in Progress (CWIP) was transferred to AIAL. The remaining capital addition of INR 193.85 Cr. were dropped by AAI in view of the development under PPP basis. Some of these projects have been proposed by AAI as part of the Schedule U of the CA (Refer Para 17.3.11 in Annexure 3 of Chapter 17).

4.5.9. The Authority had commissioned an independent study on the allocation of assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1 of this Consultation Paper). The details of the assets capitalised by AAI in SCP till COD are provided in the Study. The Study has provided a broad framework for allocation of various classes of airport assets into Aeronautical, Non-aeronautical and Common. The process followed by the Study is as follows:

- The assets responsible for/ used exclusively for the provision of aeronautical services have been classified as 'Aeronautical'. Additionally, the decisions of AERA on allocation of certain assets in the previous control periods and in the case of other airports have also been taken into consideration for this exercise.
- Assets which are solely used for the provision of services other than aeronautical services are classified as 'Non-aeronautical'.
- Assets which are purely Aeronautical and purely Non-aeronautical were identified.
- If any asset is not exclusively used for the provision of either Aeronautical service or Non-aeronautical service, it has been classified as 'Common'.

- AAI is also involved in the provision of Air Navigation Services (ANS) over the Indian airspace. Therefore, certain ANS assets also form part of the books of AAI. However, since this service is managed separately by AAI and the tariffs for the same are not part of the tariff determination exercise, the assets related to the same are not considered under the RAB of AAI. Therefore, the ANS assets have been excluded from the Aeronautical Gross Block of AAI.
- The Study further apportioned the common assets into Aeronautical and Non-aeronautical based on suitable ratios.
- The Study found that the allocation followed in AAI's submissions, except as specifically identified in the case of certain assets such as terminal building works, office equipment etc., was broadly in line with the asset allocation methodology adopted by the Authority. The Study analysed the assets on a case-to-case basis and made appropriate reclassifications in case of any discrepancies identified in allocation.

4.5.10. The outcomes of the Study on allocation of Assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1) were as follows.

- AAI's classification of assets into Aeronautical, Non-aeronautical, ANS and Common, was examined by the Study. Wherever required, the assets were reclassified based on the information available in the FAR and the methodology detailed in the Study on the allocation of assets. The decrease in additions to aeronautical Gross Block due to such reclassifications is INR 2.78 Cr.
- The bifurcation of common assets to aeronautical and non-aeronautical is based on the Terminal Area Ratio (ratio of terminal area allocated towards aeronautical and non-aeronautical activities). As per the submissions of AAI, the average Terminal Area Ratio in the Second Control Period is 94.83 : 5.17 (aeronautical : non-aeronautical). However, the Study has considered the ratio to be 92.5 : 7.5 (aeronautical : non-aeronautical) as approved by the Authority in Order No. 14/2018-19, resulting in a reduction of INR 0.36 Cr in the aeronautical capital additions in the Second Control Period (until COD).
- The reclassification and exclusion of assets also had an impact on the aeronautical depreciation for the Second Control Period. Therefore, the depreciation was recomputed by the Study, considering the changes made to the aeronautical Gross Block. There was a reduction of INR 0.76 Cr. across the SCP (till COD).
- Post adjustments, the RAB as on COD for AAI was determined by the Study to be INR 314.06 Cr. as compared to INR 316.44 Cr as per AAI's submission.

4.5.11. The summary of revised additions to Gross Block in the Second Control Period as recommended by the Study on the Allocation of Assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1) is given below.

Table 13: Revised additions to Gross Block in SCP (till COD) as per the Study on Allocation of Assets

Particulars (INR Cr.)	Refer	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (until COD)	Total
As per AAI:							
Aero Gross Additions (A)		30.46	14.36	33.74	62.16	2.12	142.83
Non-aero Gross Additions (B)		0.06	0.00	0.10	0.15	0.00	0.31
ANS Gross Additions (C)		2.40	18.25	2.46	6.95	2.15	32.20
Total Gross Additions (D)	A + B + C	32.92	32.61	36.30	69.26	4.27	175.34
Impact of Study on:							

Particulars (INR Cr.)	Refer	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (until COD)	Total
Aero Gross Additions (E)		(2.09)	(0.21)	(0.37)	(0.41)	(0.06)	(3.14)
Non-aero Gross Additions (F)		0.65	0.21	0.37	0.17	0.06	1.47
ANS Gross Additions (G)		1.43	-	-	0.24	-	1.67
Total Gross Additions (H)	E + F + G	-	-	-	-	-	-
Revised as per Study:							
Aero Gross Additions	A + E	28.38	14.14	33.37	61.75	2.06	139.69
Non-aero Gross Additions	B + F	0.71	0.21	0.47	0.33	0.06	1.78
ANS Gross Additions	C + G	3.83	18.25	2.46	7.18	2.15	33.87
Total Gross Additions	D + H	32.92	32.61	36.30	69.26	4.27	175.34

4.5.12. Based on the recommendations of the Study on the Allocation of Assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1 of this Consultation Paper), the Authority proposes to consider the RAB for true up of the Second Control Period as given in the table below.

Table 14: RAB proposed by the Authority for true up of Second Control Period (till COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total (till COD)
Opening RAB (A)	293.75	299.09	288.39	295.62	328.92	
Addition (B)	28.38	14.14	33.37	61.75	2.06	139.69*
Depreciation (C)	(23.04)	(24.07)	(26.14)	(27.01)	(16.93)	(117.19)
Sales/Disposals/Transfers (D)	0.00	(0.08)	0.00	(1.42)	0.00	(1.51)
Cargo Assets Transferred** (E)		(0.69)				
Closing RAB (F = A + B + C + D + E)	299.09	288.39	295.62	328.92	314.06	
Average RAB [(A + F) ÷ 2]	296.42	293.74	292.01	312.27	321.49	

**As per the submission of AAI, the aeronautical capital additions were INR 142.83 Cr. However, as per the adjustments detailed in the Study on Allocation of Assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1), it was recomputed to INR 139.69.*

***The reduction of INR 0.69 Cr. is on account of the transfer of the cargo assets from AAI to AAICLAS in FY 2018 when the cargo operations at SVPIA were taken over by AAICLAS.*

Deemed Initial RAB:

4.5.13. In February 2019, Adani Enterprises Limited (AEL) won the rights of operations, management and development of the airport under the public-private partnership (PPP) model for a period of 50 years. On 14th February 2020, Concession Agreement was signed between Airport Authority of India and Ahmedabad International Airports Limited (AIAL) and the Commercial Operation Date (COD) was achieved on 07th November 2020. As per Concession Agreement, the Concessionaire shall be liable to pay to AAI an amount equivalent to investments made by AAI in aeronautical assets as of COD and as considered by the AERA as part of Regulatory Asset Base (RAB) subject to reconciliation, true up and final determination by AERA. The relevant clauses of the concession agreement in this regard are given below:

- *Clause 28.11.3 (a) - It is agreed by the Parties that the Concessionaire shall be liable to pay to the Auth*ority an amount *equivalent to the investments made by the Authority in the Aeronautical Assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment (**"Deemed Initial RAB"**).*

- *Clause 28.11.3 (*b) – *The estimated depreciated value of investments made by the Authority in the Aeronautical Assets at the Airport as on March 31, 2018, is Rs. 271,00,00,000 (Rupees Two Hundred and Seventy-One Crores)* ***("Estimated Deemed Initial RAB")****. It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.*

4.5.14. Therefore, as part of the tariff determination exercise for the Third Control Period (TCP), the Deemed Initial RAB, as on COD, needs to be determined taking into account the Opening RAB for the SCP, the aeronautical capital additions undertaken by AAI in the SCP (until COD) and the assets transferred to AIAL as on COD.

4.5.15. It was noticed that there were considerable differences in the initial submissions of AAI and AIAL regarding RAB. Considering the significant differences between the submissions and in order to resolve the same, the Authority intervened and directed AAI and AIAL to carry out a joint reconciliation of the transferred assets. Subsequently, a joint asset reconciliation statement (JARS) was submitted by both parties vide email dated 13th April 2022. As per the reconciliation statement jointly submitted by AAI and AIAL, the summary of the assets transferred is given below.

Table 15: Summary of assets transferred from AAI to AIAL as on COD as per joint asset reconciliation statement

Particulars (INR Cr.)	Gross Value	Gross Assets Retained by AAI	Gross Asset Transferred to AIAL
Aeronautical assets (A)	720.18	26.68	693.50
Non-aeronautical assets (B)	22.02	0.17	21.86
ANS assets (C)	113.04	93.80	19.24
Total (A + B + C)	855.24*	120.65	734.59
Particulars (INR Cr.)	**Net Value**	**Net Assets Retained by AAI**	**Net Asset Transferred to AIAL**
Aeronautical assets (D)	316.44	15.12	301.32
Non-aeronautical assets (E)	3.81	0.11	3.70
ANS assets (F)	28.36	26.56	1.80
Total (D + E + F)	348.61	41.78	306.82

**There is a difference of INR 1.15 Cr. due to exclusion of cost of land*

4.5.16. AIAL has accepted that the value of aeronautical assets (RAB) transferred by AAI as on COD was INR 301.32 Cr.

4.5.17. The Study on Allocation of Assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1 of this Consultation Paper) had made certain adjustments to the RAB submitted by AAI for the Second Control Period. The changes include reclassification of assets and revision of Terminal Area Ratio. These changes would apply to the assets when transferred to books of AIAL as well. Therefore, the transferred RAB was recomputed based on such changes made by the Study.

4.5.18. Based on the adjustments made to the RAB of AAI, the Net Block transferred from AAI to AIAL as on COD, as recomputed by the Study on the allocation of assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1 of this Consultation Paper) is as follows.

Table 16: Summary of revised Net Block transferred from AAI to AIAL on COD as per Study on Allocation of Assets

Particulars (INR Cr.)	Net Value (A + B)	Net Assets Retained by AAI (A)	Net Asset Transferred to AIAL (B)
As per JARS:			
Aeronautical assets (A)	316.44	15.12	301.32
Non-aeronautical assets (B)	3.81	0.11	3.70

Particulars (INR Cr.)	Net Value (A + B)	Net Assets Retained by AAI (A)	Net Asset Transferred to AIAL (B)
ANS assets (C)	28.36	26.56	1.80
Total (A + B + C)	348.61	41.78	306.82
Revised by the Study:			
Aeronautical assets (D)	314.06	14.87	299.19
Non-aeronautical assets (E)	4.69	0.25	4.44
ANS assets (F)	29.15	26.57	2.59
Total (D + E + F)	347.90	41.69	306.21

4.5.19. As can be seen above, certain ANS related assets were also transferred to AIAL as on COD. However, as per the terms of the Concession Agreement, AAI would continue to provide ANS services at SVPIA. As mentioned in Clause 20.2.2 of the Concession Agreement, AIAL is required to make available all necessary civil infrastructure and necessary support. Therefore, the ANS related assets, when transferred to the books of the AIAL, would be considered as aeronautical in nature considering that AIAL is not providing or charging for ANS services at SVPIA whereas it is required to provide the supporting infrastructure.

4.5.20. The Authority proposes to consider the Deemed Initial RAB, which would be the Opening RAB for AIAL as on COD, to be INR 301.77 Cr. (i.e., INR 299.19 Cr + INR 2.59 Cr.) as determined by the Study on the Allocation of Assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1 of this Consultation Paper).

4.6. True up of Depreciation

4.6.1. As per the true up proposal submitted by AAI, the Depreciation rates followed by AAI are as follows:

Table 17: Depreciation rates followed by AAI in SCP

S. No.	Asset Class name	Depreciation Rate from 1.4.2016 onwards (in %)	Depreciation as per Order 35 (1.4.2018 onwards) (in %)
1	Runway, taxiways, Apron	3.33%	3.33%
2	Building Freehold	3.33%	3.33%
3	Boundary - Freehold	3.33%	10.00%
4	Plant and Equipment - Fr	6.67%	6.67%
5	Furniture and fixtures	10.00%	14.29%
6	Vehicles - Freehold	12.50%	12.50%
7	Office appliances - Fr	16.67%	33.33%
8	Computer software - Fr	20.00%	20.00%
9	Plant and Equipment - Le	6.67%	6.67%

4.6.2. Based on the above rates of depreciation, AAI submitted the Aeronautical Depreciation for the Second Control Period (till COD) as follows.

Table 18: Aeronautical Depreciation as per AAI for the Second Control Period till COD

S. No.	Asset Class name (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total (till COD)
1	Land Freehold	-	-	-	-	-	-
2	Building Freehold	(0.91)	(0.91)	(0.91)	(1.11)	(0.76)	(4.60)
3	Plant and Equipment - Fr	(9.27)	(9.39)	(9.36)	(9.44)	(5.63)	(43.09)
4	Vehicles - Freehold	(0.20)	(0.23)	(0.23)	(0.23)	(0.14)	(1.03)
5	Land Freehold	(10.22)	(11.12)	(12.80)	(14.54)	(9.61)	(58.29)
6	Boundary Freehold	(0.14)	(0.15)	(0.26)	(0.21)	(0.08)	(0.84)

S. No.	Asset Class name (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total (till COD)
7	Runway, taxiways, Apron	(2.27)	(2.29)	(2.31)	(0.98)	(0.41)	(8.26)
8	Furniture and fixtures	(0.08)	(0.10)	(0.53)	(0.55)	(0.30)	(1.56)
9	Office appliances - Fr	-	-	-	(0.02)	(0.01)	(0.03)
10	Computer software - Fr	-	-	-	(0.16)	(0.09)	(0.25)
	Total	(23.08)	(24.19)	(26.40)	(27.22)	(17.05)	(100.89)

Authority's examination and proposal regarding true up of Depreciation for the Second Control Period from FY 2016-17 up to COD

4.6.3. The depreciation rates as considered by the Authority till FY 2018 is as follows.

Table 19: Depreciation rates considered by the Authority till FY 2018 as per Tariff Order for SCP

Asset Class name	Depreciation rates as per Authority till FY 2018
Land	0%
Leasehold land	0%
Runways	3.33%
Taxiways	3.33%
Aprons	3.33%
Roads, Bridges and Culverts	3.33%
Building - Terminal	3.33%
Building - Temporary	33%
Building - Residential	3.33%
Security Fencing - Temporary	33%
Boundary Wall - Operational	3.33%
Boundary Wall- Residential	3.33%
Other Buildings - Unclassified	3.33%
Computers and Peripherals	16.67%
Intangible Assets - Software	20%
Plant and Machinery	6.67%
Tools and Equipment	6.67%
Office Furniture	10%
Other vehicles	12.50%
Vehicle- Cars and Jeeps	12.50%
Electrical Installations	10%
Other office equipment	20%
Furniture and fixtures – other than office	10%
X-ray baggage system	6.67%
CFT/Firefighting Equipment	6.67%

4.6.4. The depreciation rates considered by the Authority from FY 2019 onwards are as follows:

Table 20: Depreciation rates considered by the Authority from FY 2018-19 onwards as per Tariff Order for SCP

Asset Class name	Depreciation rates as per Order No. 35/2017-18
Terminal building (including VIP terminal, bus terminal, Haj terminal)	3.33%
Building in operational area	3.33%

Asset Class name	Depreciation rates as per Order No. 35/2017-18
Utility building	3.33%
Cargo complex	3.33%
Residential building	3.33%
Main access roads, roads in operational area, boundary wall, security fencing	10.00%
Baggage handling/escalators/elevators/Travellite/ Heating, ventilation, and air conditioning (HVAC) equipment/Cargo Automated Storage and Retrieval System (ASRS)/ Emergency Transport Vehicle (ETV) equipment	6.67%
X-ray machine, Radio transmission (RT) Set, Door Frame Metal Detector (DFMD), Hand-held Metal Detector (HHMD), Security equipment	6.67%
Office equipment	20.00%
Furniture and Fixtures – other than trolleys	14.29%
Furniture and Fixtures – trolleys	33.33%
Cargo equipment, Dollies, PPT	6.67%
Computers – End user devices	33.33%
Computers – Servers and networks	16.67%
CUTE Equipment	16.67%
Electrical installation and equipment – Electrical fittings, including Runway lightning system Gen-set/Power equipment	10.00%
Flight information system, Airport Operation Command Centre (AOCC) system	10.00%
Light motor vehicles and heavy motor vehicles	12.50%
Crash fire tenders/other fire equipment including pumps, sprinklers	6.67%
Intangible assets- Computer software	20.00%
Runway/ Taxiway/ Apron	3.33%
Hangar	3.33%

4.6.5. Accordingly, Depreciation for the Second Control Period as approved by the Authority in the Tariff Order for the Second Control Period is given below.

Table 21: Depreciation as considered by the Authority in the Tariff Order for SCP

Details (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Depreciation for the Second Control Period	26.60	27.30	33.80	37.40	39.60	164.70

4.6.6. The Authority had commissioned a Study on Allocation of Assets for SVPIA for the Second Control Period till COD (summary of the study is given in Annexure 1 and the study is attached as Appendix 1 of this Consultation Paper). The Study examined the useful rates adopted by AAI and noted that for the purposes of true up, AAI has calculated the depreciation for the period from 01st April 2016 to 31st March 2018 using the depreciation rates adopted in their books of accounts as per the Companies Act, 2013. For the period from 01st April 2018 to COD, the Study noted that the depreciation has been determined by considering the useful life as prescribed under AERA Order No. 35/2017-18 dated 12th January 2018.

4.6.7. The Study concluded that the depreciation rates determined by AAI are in line with the depreciation rates prescribed in AERA Order No. 35/2017-18 dated 12th January 2018. Hence, based on the recommendations of the Study on Allocation of Assets (summary of the study is given in Annexure 1

and the study is attached as Appendix 1), the Authority proposes to consider the year-wise depreciation on aeronautical assets for the Second Control Period (till COD) as given in the table below.

Table 22: Depreciation proposed by the Authority for true up of AAI for SCP (pre-COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total (till COD)
Depreciation as per AAI (A)	23.08	24.19	26.40	27.22	17.05	117.95
Adjustments due to:						
Reclassification of assets (B)	(0.05)	(0.12)	(0.23)	(0.18)	(0.11)	(0.68)
Revision of Terminal Area Ratio (C)	(0.00)	(0.01)	(0.02)	(0.03)	(0.02)	(0.08)
Depreciation (A + B + C)	23.04	24.07	26.14	27.01	16.93	**117.19**

4.7. True up of Fair Rate of Return

4.7.1. AAI has considered the FRoR at 14% in line with the decision by the Authority taken for Chennai, Kolkata, Guwahati and Lucknow airports for the First Control Period.

4.7.2. The summary of FRoR on RAB as submitted by AAI for the true up of SCP till 1st November 2020 is as follows:

Table 23: Summary of FRoR on RAB as per AAI for SCP

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till 1st Nov 2020)	Total
Average RAB	297.44	295.82	294.19	314.62	323.91	
Fair Rate of Return (FRoR)	14%	14%	14%	14%	14%	
Return on average RAB @14%	41.64	41.42	41.19	44.05	45.35	213.64

Authority's examination and proposal regarding true up of FRoR for the Second Control Period from FY 2016-17 up to COD

4.7.3. The Authority noted that AAI has not taken any debt for financing of SVPIA.

4.7.4. At the time of determination of tariffs for the Second Control Period, the Authority had decided to consider the FRoR for SVPIA as 14%. In line with this decision, the Authority proposes to consider the Fair Rate of Return at 14% for true up of the Second Control Period.

4.7.5. However, it is to be noted that AAI has operated the Airport in FY 2021 till 06th November. Therefore, AAI is eligible to claim return on RAB only till the COD. Therefore, for FY 2021, the Authority proposes to pro-rate the FRoR for the 220 days in FY 2021 during which AAI operated the airport. The pro-rated FRoR for FY 2021 (till COD) has been computed as follows:

$$FRoR_{COD} = FRoR \times \frac{n}{365}$$

- Where FRoR is the fair rate of return for entire FY 2021, $FRoR_{COD}$ is the pro-rated FRoR for FY 2021 (till COD), and n is the number of days of operations in FY 2021.

4.7.6. Based on the approach detailed above, the pro-rated FRoR for FY 2021 (till COD) for AAI was computed as given below.

Table 24: Pro-rated FRoR proposed by the Authority for FY 2021 (till COD) for AAI for true up

Particulars	Value (%)
FRoR for FY 2021 (A)	14.00%
Number of days of operations in FY 2021 (B)	220
Pro-rated FRoR for FY 2021 (till COD) (A × B ÷ 365)	8.44%

4.7.7. Based on the above, the Authority proposes to consider FRoR as per table below for SVPIA for true up for the Second Control Period (till COD).

Table 25: FRoR proposed by the Authority for true up of Second Control Period (till COD)

Particulars (in %)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)
Fair Rate of Return (FRoR)	14%	14%	14%	14%	8.44%

4.8. True up of Return on Land

4.8.1. AAI submitted that they have calculated Equated Annual Instalments, as per Order No. 42/2018-19 issued by Authority on FRoR to be provided on Cost of Land incurred, as follows:

Table 26: Equated annual instalments computed by AAI for return on land

S. No.	Particulars	Amount (INR)
1	Cost of Land	1,15,14,911
2	Aero %	100%
3	Interest Rate (SBI Base Rate + 200 Points)	10.12%
4	Equated Annual Instalment	12,34,152

4.8.2. Based on the above, AAI has made the following submission regarding Return on Land during the Second Control Period as given below.

Table 27: Return on land as submitted by AAI for the Second Control Period till COD

Particulars (in INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
Return on Land	0.12	0.12	0.12	0.12	0.12	0.62
Unamortised portion of Land – Balance value of land	0.00	0.00	0.00	0.00	1.11*	1.11

** Considering the Airport has been transferred to Ahmedabad International Airport Limited w.e.f. 07th November 2020, un-amortised cost of the land will be allowed to be claimed in FY 2020-21.*

Authority's examination and proposal regarding true up of Return on Land for the Second Control Period from FY 2016-17 up to COD

4.8.3. The Authority notes that AAI has claimed return on land for INR 0.62 Cr. as part of its true up submission for the pre-COD Period. The Authority proposes to draw reference to the following clauses prescribed in its Order No. 42/ 2018-19 dated 05th March 2019, regarding determination of FRoR on the Cost of Land:

- As per para 4.1.1 of the aforementioned order, the Authority decides that in case the land is provided to the airport free of cost, no return shall be given on the land.

- As per para 4.1.2, the Authority states that return on land shall be provided on the cost if (provided it is not free of cost) it is used for aeronautical purposes only.
- As per clause 4.1.8., the aforementioned order would take effect from the next control period.

4.8.4. As return on land should be sought prospectively and not retrospectively (as per Clause 4.1.8 of the aforementioned Order), the Authority is of the opinion that return on land will not be included in the true up calculation. Hence, the Authority proposes not to allow any return on the cost of land as part of true up of the pre-COD period.

4.8.5. Further, AAI has submitted that considering the Airport has been transferred to Ahmedabad International Airport Limited w.e.f. 07th November 2020, un-amortised cost of the land may be allowed to be claimed in FY 2021. However, the return on cost of land is due in the case that the land is purchased by the Airport Operator from private parties or from government. Since, in the case of SVPIA, w.e.f. COD, AAI is not the airport operator, the Authority is of the considered view that AAI is not eligible to claim return on the cost of land post COD. Hence, the Authority proposes not to consider Return on Land claimed by AAI as part of True up for the pre-COD period.

4.9. True up of Operating Expenses

4.9.1. The aeronautical O&M expenses, as submitted by AAI for the Second Control Period till COD, are as given in the table below.

Table 28: Aeronautical O&M expenses submitted by AAI for true up of SCP (till COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
Employee Benefit	23.69	31.59	38.37	41.14	16.26	151.05
Resources Deployed from DIAL / MIAL	-0.05	-0.05	-0.05	-0.04	0.00	-0.18
Administrative & Other Expenses	3.21	6.49	6.54	14.41	20.76	51.40
Operating Expenses	42.83	48.94	58.91	56.43	17.18	224.29
Repairs & Maintenance	34.30	5.02	5.03	7.01	4.06	55.42
Security Expenses	0.45	0.90	-0.32	0.04	0.20	1.27
Prior Period Adjustment (NET)	0.09	0.42	0.00	-0.37	0.20	0.34
Finance Cost	0.00	0.00	0.00	0.15	0.00	0.15
Consumption of Stores Spares	0.00	0.00	0.00	0.00	0.00	0.00
CHQ/RHQ	75.17	61.09	58.75	85.97	44.65	325.63
Total	**179.70**	**154.40**	**167.23**	**204.74**	**103.32**	**809.38**

4.9.2. From the above table, it was observed that the expense heads considered by AAI were different from those approved by AERA in the Tariff Order (Order No.14/2018-19 dated 23rd July 2018) for SVPIA for the Second Control Period. Further, it was observed that certain expenses were grouped under incorrect heads such as in the case of certain Repair and Maintenance (R&M) expenses that were grouped under "Operating expenses". In order to have a fair comparison between the actual expenses incurred and the projections approved in the Tariff Order for SCP, AAI was requested to share the actual O&M expenses incurred against the projections listed in the Tariff Order for SCP. AAI vide email dated 22nd June 2022 shared the revised O&M expenses as follows.

Table 29: Revised O&M expenses proposed by AAI for true up of SCP till COD

FY ending March 31 (INR Cr.)	2017	2018	2019	2020	2021 (till COD)	Total (till COD)
Payroll expenditure	23.64	31.54	38.32	41.10	16.26	150.87

FY ending March 31 (INR Cr.)	2017	2018	2019	2020	2021 (till COD)	Total (till COD)
Administrative and general expenditure	9.22	13.79	16.31	28.15	26.18	93.64
Apportionment of A&G expenses of CHQ/RHQ	75.17	61.09	58.75	85.97	44.65	325.63
Repairs and Maintenance expenditure	28.64	31.67	40.84	35.51	18.84	155.51
Utility and Outsourcing expenditure	18.50	19.93	20.33	20.80	10.05	89.62
Other outflows	0.62	1.51	0.17	0.52	0.40	3.22
Total	**155.80**	**159.52**	**174.72**	**212.05**	**116.39**	**818.48**

4.9.3. It can be seen from the above table that the revised O&M expenses are slightly higher than those submitted as part of the initial true up proposal. AAI clarified that few expenses were missed out during the initial submissions and that though the invoices against certain expenses were raised post COD, all the expenses included in the revised O&M expense submissions were incurred prior to COD.

Authority's examination and proposal regarding true up of Operating expenses for the Second Control Period from FY 2016-17 up to COD

4.9.4. The aeronautical O&M expenses approved by the Authority in the Tariff Order for Second Control Period are as given in the table below.

Table 30: Aeronautical O&M expense projections approved by Authority in the Tariff Order for SCP

FY ending March 31 (INR Cr.)	2017	2018	2019	2020	2021	Total
Payroll expenditure	28.6	39.2	41.2	43.2	45.4	197.6
Administrative and general expenditure	5.9	6.4	10.9	11.2	11.5	45.9
Apportionment of Administrative & General expenses (A&G) of Corporate Head Quarter/ Regional Head Quarter (CHQ/RHQ)	13.3	13.2	13.8	14.5	15.2	70
Repairs and Maintenance expenditure	24.8	24.2	25.7	27.3	27.8	129.8
Utility and Outsourcing expenditure	23.2	23.2	23.2	23.2	23.2	116
Other outflows	0.4	0.4	0.5	0.5	0.6	2.4
Total	**96.1**	**106.6**	**115.2**	**120.0**	**123.8**	**561.7**

4.9.5. The Authority had commissioned an independent study to establish the efficient O&M expenses for SVPIA (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2). In addition to the examination of allocation of expenses, the Study also included the internal and external benchmarking of O&M expenses incurred by AAI during the Second Control Period.

4.9.6. The Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2) has allocated O&M expenses into Aeronautical, Non-aeronautical and Common based on the following principles

- **Aeronautical costs:** Expenses which are incurred for operation and maintenance of Aeronautical assets were categorised as Aeronautical costs.
- **Non-Aeronautical costs:** Expenses which are incurred for operation and maintenance of Non-Aeronautical assets were categorised as Non-aeronautical costs.
- **ANS costs:** Expenses which are incurred for the operation and maintenance of ANS assets were categorised as ANS expenses.

- **Common costs:** Expenses for which the benefits or use cannot be exclusively linked to either Aeronautical, Non-aeronautical or ANS were segregated as Common expenses.

4.9.7. Based on the outcomes of the Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2), the Authority has made the following observations regarding AAI's submission of O&M expenses under various heads for the Second Control Period:

a) Revision of the Terminal Area Ratio:

Observation: The Authority had at the time of determination of tariffs for the Second Control Period decided to adopt the Terminal Area Ratio as 92.5 : 7.5 (aeronautical : non-aeronautical) to encourage the growth of non-aeronautical revenues which would cross-subsidise aeronautical charges. However, AAI is yet to achieve such allocation as directed by the Authority. Further it can be observed that in its computations AAI has considered only the specific areas allocated to commercial activities as non-aeronautical. The common areas have not been identified and further bifurcated between aeronautical and non-aeronautical. Therefore, in light of the above, the Terminal Area Ratio has been revised to 92.5 : 7.5 (aeronautical : non-aeronautical) in line with the Authority's decision in Order No. 14/2018-19 dated 23rd July 2018 for the Second Control Period.

Impact: The impact on the aeronautical expenses based due to the revision of the Terminal area ratio results in reduction of the aforementioned expenses by INR 0.58 Cr. for the pre-COD period.

Reference: Para 5.2.2 and para 5.2.3 of the Study on Efficient Operation and Maintenance Expenses

b) Revision of the Employee Ratio:

Observation: The Authority noted that in the case of AAI, the costs directly pertaining to ANS employees have been excluded from the O&M expenses, but the ANS employees are considered in the allocation of Common expenses. Accordingly, the Authority has considered the common expenses allocated to ANS employees as deemed Non-aeronautical employees and has recomputed the Employee ratio as shown in Table 23 of the Study on Efficient Operation and Maintenance Expenses (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2).

Impact: The impact on the aeronautical expenses due to the revision of the Employee ratio is a reduction of INR 11.60 Cr. for the pre-COD period.

Reference: Para 5.2.6 and para 5.2.7 of the Study on Efficient Operation and Maintenance Expenses

c) Employee expenses:

Observation: The Authority noted that AAI has considered the entire retirement benefit provided at CHQ as aeronautical. As per Para 14.8 of the Tariff Order No. 14/2018-19 dated 23rd July 2018 for SVPIA for SCP, the Authority had proposed to use the ratio of 95 : 5 (aeronautical : non aeronautical) for retirement benefits provided at CHQ. Accordingly, the allocation of the retirement benefit allocated to CHQ/RHQ was revised.

Impact: The impact on the employee expenses due to the revision resulted in the reduction of the aforementioned expenses by INR 0.86 Cr. for the pre-COD period.

Reference: Para 5.3.2 of the Study on Efficient Operation and Maintenance Expenses.

d) A&G expenses:

Observation: The Authority notes that certain line items like arbitration expenses and legal fees of the A&G expenses were allocated as 100% aeronautical by AAI while line items like "INT/Penalties-Govt" was allocated by AAI using the Employee ratio. However, the Authority proposes to re-allocate the components of the A&G expenses related to the entire airport in the ratio of Gross Fixed Assets and that pertaining to employees in the ratio of Employee Head Count. Further, the various components of municipal taxes were reallocated based on the ratios as recommended by the Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2). For "INT/Penalties-Govt" expense, the Authority notes that it was allocated by AAI using the Employee ratio. However, as per paragraph 14.20.7 of the Tariff Order No. 14/2018-19 dated 23rd July 2018 for SVPIA for SCP, "*All statutory levies in the nature of fees, levies, taxes and other such charges by Central or State Government or local bodies, local taxes and levies directly imposed on and paid by AAI on final product/service provided by AAI will be reviewed by the Authority for the purpose of corrections. Any additional expenditure by way of interest payment, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be trued up*". Hence, the Authority proposes to exclude this expense.

Impact: The impact of the reallocation results in a reduction of A&G expenses by INR 4.33 Cr. for the pre-COD period.

Reference: Para 5.3.3 to Para 5.3.17 of the Study on Efficient Operation and Maintenance Expenses.

e) Repairs and Maintenance Expenses:

Observation: The Authority notes that certain line items "Power and generation set", "auto equipment" etc were allocated as 100% aeronautical by AAI. However, the Authority is of the view that these charges should be treated as Common and has proposed to allocate these expenses in the Gross Block Ratio considering that the benefits are accrued to the entire airport. For certain R&M expenses related to "residential building", "cars" etc, the Authority notes that AAI allocated these expenses as 100% aeronautical. However, these expenses are incurred towards the maintenance and upkeep of vehicles, offices and residential buildings that are used by the employees at the airport. Therefore, the Authority proposes to treat these charges as Common and allocate these items using the Employee ratio. The Authority notes that certain R&M expenses related to "communication equipment", "navigation equipment" etc were allocated as 100% aeronautical by AAI. However, these expenses are incurred in the provision of Air Navigation Services (ANS) and are managed separately by AAI. Therefore, the Authority proposes to exclude the same from the O&M expenses.

Impact: The impact of the reallocation results in a reduction of Repairs and Maintenance expenses by INR 5.76 Cr. for the pre-COD period.

Reference: Para 5.3.18 to Para 5.3.22 of the Study on Efficient Operation and Maintenance Expenses.

f) Utility Expenses:

Observation: The Authority notes that AAI had allocated the water charges using the employee ratio. However, the Authority is of the view that this charge is common to the airport and is not incurred specifically towards offices or employees. Hence, the Authority proposes to allocate this expense in the Gross Block ratio.

Impact: The impact of the reallocation results in the reduction of utility expenses by INR 0.06 Cr. for the pre-COD period.

Reference: Para 5.3.27 of the Study on Efficient Operation and Maintenance Expenses.

g) CHQ/RHQ expenses:

Observation: The Authority notes that as per the true up submissions of AAI, the CHQ/RHQ expenses were allocated as 95% aeronautical and 5% non-aeronautical and it was observed that the CHQ/RHQ expenses also included legal expenses and expenses related to Mumbai JVC Cell which were driving up the CHQ/RHQ expenses significantly. The Authority had the following the observations on the CHQ/RHQ expenses.

- **Administration & General Expenses of CHQ and RHQ**: The Authority notes that the legal and arbitration expenses incurred at CHQ/RHQ level should be analysed and distributed on a case-to-case basis. Since, such a breakup has not been provided by AAI, the Authority proposes to exclude the legal expenses from CHQ/RHQ expenses, considering that users should not have to bear the cost of services that are not availed by them.
- **Pay and Allowances of CHQ and RHQ:** The Authority also notes that the portion of JVC employee costs were to be to be paid by MIAL as per Operation, Maintenance and Development Agreement (OMDA) and that it sees no value addition in general of such JVC cells in the tariff determination process or for the provision of aeronautical services at the respective airports. Since these expenses do not bear any cost-relatedness to the aeronautical services provided at the respective airports, the Authority proposes to exclude the Mumbai Joint Venture Cell (JVC) expenses from the CHQ/RHQ expenses. AAI had excluded pay and allowances of employees involved in ATM, CNS & Cargo department at CHQ/RHQ while working out the allocation to airport. However, no exclusion has been done for support services of department relating to Human Resource, Finance, Civil etc. AAI had considered 5% of expenses (net off revenue) towards non-aeronautical income. Manpower of CHQ/RHQ is also providing services to activities that are not aeronautical i.e., Air Traffic Control, Communications, Navigation and Surveillance Systems cadres at respective airports for which appropriate adjustment was not carried out. In order to give effect to the reallocation as mentioned, it is considered that 20% of CHQ/RHQ pay and allowances be excluded towards the following:

    i. Support services to ANS, Cargo & Commercial at CHQ, RHQ and airport
    ii. Officials of Directorate of Commercial

The Authority proposes to consider the remaining balance of 80% of CHQ/RHQ expense to be allocated to the airport.

Impact: The impact of the reallocation results in a reduction of CHQ/RHQ expenses by INR 154.71 Cr. for the pre-COD period.

Reference: Para 5.3.30 to Para 5.3.35 of the Study on Efficient Operation and Maintenance Expenses.

4.9.8. The impact of the above re-allocation of O&M expenses are summarised in the following table.

Table 31: Impact of the re-allocation of O&M expenses as proposed by the Authority in SCP till COD

Particulars (INR crore)	Allocation as per		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
	AAI	Study						
Employee expenses-Retirement benefits (A)	Aeronautical	95 :5 (aero : non aero)	0.04	0.23	0.43	-	0.16	0.86
A&G expenses (B)	Aeronautical	Reclassified	0.01	0.01	0.01	0.31	1.03	1.38
	Aeronautical	Gross Block	0.00	0.02	0.11	0.01	0.01	0.16
	Employee ratio	Average aero PBT	-	-	-	-	-	-
	Employee ratio	Excluded	0.00	-	-	2.68	-	2.68
	Aeronautical	Employee	0.02	0.02	0.01	0.00	-	0.05
	Aeronautical	Terminal area	0.01	0.01	0.02	0.02	-	0.07
Repair & Maintenance Expenses (C)	Aeronautical	Gross Block	0.95	0.72	1.88	1.04	0.48	5.07
		Employee	0.08	0.11	0.06	0.14	0.10	0.49
		Excluded	0.01	0.02	0.06	0.06	0.05	0.20
Utility expenses (D)	Employee ratio	Gross Block	0.01	0.01	0.02	0.02	0.01	0.06
CHQ/RHQ expense (E)	95 :5 (aero : non aero)	Reallocated	40.91	21.29	35.36	49.21	7.93	154.71
Total (A+B+C+D+E)			42.05	22.46	37.96	53.49	9.76	165.72

4.9.9. **Rationalisation of aeronautical O&M expenses:**

Observation: The Authority had the following observations regarding the rationalisation of R&M expenses.

- The Authority observed that, on the basis of internal and external benchmarking, the R&M expenses incurred by AAI is on the higher side.
- The Authority notes that the R&M expenses (excluding the special case of runway recarpeting) as a % of opening RAB are higher than 7% except for FY 2021 (till COD). The Authority proposes to consider 6% of Opening RAB as the reasonable benchmark for R&M expenses and accordingly rationalise the R&M expenses for AAI for SCP (pre-COD).

Impact: There was a reduction of INR 33.86 Cr. in the O&M expenses due to the rationalisation of R&M expenses.

Reference: Refer Para 5.6 of the of the Study on Efficient Operation and Maintenance Expenses.

4.9.10. The aeronautical expenses of AAI as proposed by the Authority for true up of the Second Control Period (pre-COD) after taking into account the revision of ratios, re-allocation of expenses and the rationalisation of R&M expenses is shown in the following table.

Table 32: Aeronautical O&M expenses proposed by AERA for true up of AAI for SCP (pre-COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Employee Benefit	21.69	29.00	35.74	38.14	15.22	139.79
Administrative & Other Expenses	8.90	13.33	15.84	24.53	24.96	87.55
CHQ/RHQ	34.26	39.80	23.39	36.76	36.72	170.92
Repairs & Maintenance	24.39	24.71	24.07	24.50	18.22	115.88

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Utility Expenses	18.47	19.89	20.30	20.77	10.04	89.47
Miscellaneous & Other Outflows	0.62	1.49	0.13	0.47	0.39	3.09
Total*	108.32	128.23	119.46	145.16	105.55	606.72

**Refer Table 50 of the Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2).*

4.10. True up of Non-aeronautical Revenue

4.10.1. AAI submitted Non-aeronautical Revenue for Second Control Period as given in the table below.

Table 33: AAI's submission of Non-Aeronautical Revenue for true up of Second Control Period till COD

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Trading Concessions						
Restaurant/ Snack bar and T.R. Stall	0.63	0.85	1.40	1.16	0.01	4.07
Hoarding and Display	11.35	13.25	15.17	20.24	1.76	61.77
Other trading concessions	39.46	24.26	35.26	42.41	6.38	147.77
Rent and Space	4.98	10.48	11.81	12.49	7.73	47.49
Duty free shops	1.88	2.65	3.76	6.12	0.25	14.67
Miscellaneous	0	0	0.13	0.30	-0.01	0.43
Car rentals	0	0	0	0	0	0
Car Parking	9.15	11.75	6.95	14.74	0	42.58
Other Misc. Income	-0.37	-0.22	4.25	4.45	4.45	12.57
Total	**67.09**	**63.02**	**78.74**	**101.91**	**20.59**	**331.35**

Authority's examination and proposal regarding true up of Non-aeronautical Revenue for the Second Control Period from FY 2016-17 up to COD

4.10.2. The Authority had considered non-aeronautical revenue as given in the table below at the time of tariff determination for the Second Control Period.

Table 34: Non-aeronautical Revenue considered by the Authority as per the Tariff Order for SCP

Particulars (INR Crores)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Restaurant/ Snack bar	6.00	6.60	7.20	7.90	9.50	37.20
T.R Stall	5.40	5.90	6.50	7.20	8.60	33.60
Duty free shop	1.00	1.10	1.20	1.30	1.50	6.10
Hoarding and Display	11.20	12.30	13.50	14.90	17.90	69.80
Land lease	10.30	11.10	11.90	12.80	13.80	59.90
Building Non-residential	11.00	11.90	12.80	13.70	14.70	64.10
Porterage	9.40	10.40	11.40	12.50	13.80	57.50
Car Parking	0.50	0.60	0.70	0.70	0.90	3.40
Admission tickets	2.00	2.20	2.40	2.60	3.10	12.30
Other miscellaneous	4.10	4.30	4.60	4.80	5.00	22.80
Profit on sale of assets/Scrap	-	-	-	-	-	-
Revenues from interest income	0.10	0.10	0.20	0.20	0.20	0.80
Total (A)	**61.10**	**66.40**	**72.30**	**78.70**	**89.10**	**367.60**
Adjustment: Change in revenue from cargo, ground handling and fuel services	5.10	5.20	5.30	5.30	8.80	29.70

Particulars (INR Crores)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
considered as aeronautical revenues and change in growth rates (B)						
Non-aeronautical revenues as per Authority (A – B)	**56.00**	**61.20**	**67.00**	**73.30**	**80.20**	**337.70**

4.10.3. The following table summarises the difference between the Non-aeronautical Revenue (NAR) submitted by AAI based on actuals and the projections considered by the Authority in the tariff order for the Second Control Period.

Table 35: Comparison of NAR submitted by AAI and projections by the Authority in Tariff Order for SCP

Particulars (INR Crores)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
As per AAI (A)	67.09	63.02	78.74	101.91	20.59*	331.35
As per tariff order for SCP (B)	56.00	61.20	67.00	73.30	80.20	337.70
Difference (A-B)	11.09	1.82	11.74	28.61		

** For FY 2021, the figures are till COD for AAI.*

4.10.4. The Authority observed that the non-aeronautical revenues earned for FY 2021 till COD were on the lower side compared (by approximately 74%) to the projections approved by the Authority in the tariff order for the Second Control Period. However, it would be pertinent to note that the passenger traffic in FY 2021 has dropped by approximately 68% (~91% drop in international and ~62% drop in domestic) compared to FY 2020 due to the negative impact of the COVID-19 pandemic.

4.10.5. For FY 2017-20, the Authority noted that the NAR as per AAI has exceeded the projections approved by the Authority in the Tariff Order for the Second Control Period by approximately 21%.

4.10.6. The Authority requested AAI to share the break-up of "Rent and space" revenue vide email dated 24th August 2022 for further examination. The breakup of "Rent and space" provided by AAI vide email dated 29th August 2022 is shown in the following table.

Table 36: Breakup of "Rent and space" as per AAI

Classification (INR Cr.)	2016-17	2017-18	2018-19	2019-20	2020-21 (up to 1st Nov 2020)	Total
R&SA/l Counter Charges	-	0	0.03	0.03	0	0.05
R&SL and Rent Others	-	9.11	8.98	9.12	5.43	32.63
R &S-Land Ren Hangars	0	-	-	0	0.03	0.04
R &S Other Building	3.77	0.66	2.11	2.66	1.75	10.96
R&S-Hire Charges	-	-	0.04	0.03	-	0.07
R&S Utility Charges	1.21	0.72	0.65	0.66	0.52	3.75
Total	4.98	10.48	11.81	12.49	7.73	47.49

4.10.7. Further vide email dated 02nd September 2022, AAI was requested to share the details regarding "Space rentals collected from Airlines". AAI, vide email dated 29th September 2022, responded with the following table.

Table 37: Breakup of "Space rentals collected from Airlines" as shared by AAI

Space Rentals (INR Cr.)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
AIR ARABIA PJSC	0.00	0.00	0.00	0.01	0.00	0.02
AIR COSTA (LEPL) Airline	0.03	0.00	-	-	-	0.03
AIR INDIA LIMITED	0.06	0.06	0.05	0.06	0.00	0.24

Space Rentals (INR Cr.)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
AIR ODISHA AVIATION PVT LTD	-	0.00	0.01	-	-	0.01
Deccan Charters Private Limited	-	-	0.00	0.04	0.02	0.07
EMIRATES	0.05	0.06	0.06	0.07	0.04	0.28
ETIHAD AIRWAYS	0.01	0.01	0.01	0.01	0.01	0.06
GHODAWAT ENTERPRISES PRIVATE LIM	-	-	-	0.01	0.01	0.01
GO AIRLINES (INDIA) LIMITED	0.03	0.00	0.01	0.01	0.07	0.11
INTERGLOBE AVIATION LIMITED	0.15	0.02	0.10	0.13	0.13	0.52
JET AIRWAYS	0.05	0.02	0.02	0.00	-	0.09
JET LITE(INDIA) LTD	0.00	0.00	-	-	-	0.00
KUWAIT AIRLINES	0.01	0.01	0.01	0.01	0.01	0.04
QATAR AIRWAYS	0.01	0.01	0.01	0.01	0.01	0.06
SINGAPORE AIRLINES	0.02	0.02	0.03	0.03	0.02	0.12
SPICE JET LIMITED	0.06	0.01	0.04	0.06	-	0.16
Supreme Transport Organisation Pvt.	0.00	0.00	0.00	0.00	-	0.01
TATA SIA Airlines Limited	0.01	0.01	0.01	0.02	0.01	0.05
THAI AIRASIA	-	-	-	0.01	0.00	0.01
TURBO MEGHA AIRWAYS PRIVATE LIMI	-	-	0.01	0.02	0.01	0.04
VENTURA AIR CONNECT	0.00	0.00	0.00	0.00	0.00	0.01
Total	**0.49**	**0.23**	**0.37**	**0.51**	**0.34**	**1.95**

4.10.8. The Authority is of the view that space rentals from agencies providing aeronautical services should be treated as aeronautical revenue. Hence, the Authority proposes to consider "Space rentals collected from Airlines" amounting to INR 1.95 Cr. as aeronautical revenue.

4.10.9. Based on its analysis, the Authority proposes to recompute the Non-aeronautical Revenue as given in the table below for true up of AAI for the Second Control Period (pre-COD).

Table 38: Non-aeronautical Revenue proposed by the Authority for true up of AAI for SCP (pre-COD)

Particulars (INR Crores)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Trading Concessions						
Restaurant/ Snack bar and T.R. Stall	0.63	0.85	1.40	1.16	0.01	4.07
Hoarding and Display	11.35	13.25	15.17	20.24	1.76	61.77
Other trading concessions	39.46	24.26	35.26	42.41	6.38	147.77
Rent and Space	4.98	10.48	11.81	12.49	7.73	47.49
Duty free shops	1.88	2.65	3.76	6.12	0.25	14.67
Miscellaneous	0	0	0.13	0.30	-0.01	0.43
Car rentals	0	0	0	0	0	0
Car Parking	9.15	11.75	6.95	14.74	0	42.58
Other Misc. Income	-0.37	-0.22	4.25	4.45	4.45	12.57
Total (A)	**67.09**	**63.02**	**78.74**	**101.91**	**20.59**	**331.35**
Less: Space rentals collected from Airlines (B)	0.49	0.23	0.37	0.51	0.34	1.95
Total Non-aero Revenue (A - B)	**66.60**	**62.79**	**78.36**	**101.41**	**20.25**	**329.40**

4.11. True up of Aeronautical Revenue

4.11.1. AAI submitted the details of Aeronautical Revenue for true up of Second Control Period till COD as given in the table below.

Table 39: Aeronautical Revenue submitted by AAI for true up of Second Control Period (till COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Landing Domestic	38.88	42.17	52.05	52.20	9.57	194.88
Landing International	21.21	23.58	26.45	26.67	6.43	104.33
Parking Domestic	0.35	0.34	1.06	3.35	4.84	9.94
Parking International	0.06	0.07	0.20	0.66	0.18	1.18
UDF/PSF Domestic	61.19	72.42	57.66	37.71	4.32	233.30
UDF/PSF International	31.52	33.41	22.47	7.12	0.17	94.69
Exten of Watch Hours	0.00	0.00	0.00	0.00	0.00	0.00
CUTE & SITA charges	4.02	5.41	8.47	10.08	0.93	28.91
Throughput Revenue	2.44	1.96	2.62	2.07	0.00	9.10
Cargo Revenue	0.00	0.00	0.00	0.00	0.00	0.00
Concession Fees from AAICLAS / Others	0.00	0.05	0.49	0.71	0.03	1.27
Land lease to Ground Handling Agency	22.21	23.66	19.85	20.34	4.16	90.22
Land lease to Oil companies	4.65	6.33	4.05	5.63	2.82	23.48
Total	**186.51**	**209.39**	**195.37**	**166.55**	**33.45**	**791.28**

Authority's examination and proposal regarding true up of Aeronautical Revenue for the Second Control Period from FY 2016-17 up to COD

4.11.2. The Authority had proposed aeronautical revenues as given in the table below at the time of tariff determination for the Second Control Period.

Table 40: Aeronautical Revenue as per Tariff Order for SCP

Particulars (in INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Aeronautical Revenue	182.3	208.2	174.4	161	176.7	902.6

4.11.3. The Authority noted that as per the decision regarding aeronautical revenues, AAI has considered services related to Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue in their true up submission.

4.11.4. The comparison between the true up submission of AAI and the projections approved by the Authority in the Tariff Order for SCP is shown in the following table.

Table 41: Comparison of actual aeronautical revenue as per AAI and projections as per TO for SCP

Particulars (in INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
As per AAI	186.51	209.39	195.37	166.55	33.45	791.28
As per the Tariff Order for SCP	182.3	208.2	174.4	161.0	176.7*	902.6*
Difference	4.21	1.19	20.97	5.55		

** For entire FY 2021 as per Tariff Order whereas the data is till COD for AAI*

4.11.5. From FY 2017-20, AAI has realised higher aeronautical revenues when compared to the projections approved by the Authority in the Tariff Order for SCP. For FY 2021, the aeronautical revenues realised by AAI in on the lower side (approximately 81%) when compared to the projections approved by the Authority in the Tariff Order for SCP. However, it would be pertinent to note that the passenger traffic in FY 2021 has dropped by approximately 68% (~91% drop in international and ~62% drop in domestic) compared to FY 2020 due to the negative impact of the COVID-19 pandemic.

4.11.6. As observed in Para 4.10.8, the Authority proposes to make certain adjustments to the aeronautical revenue by reclassifying "Space rentals collected from Airlines" as aeronautical revenue. Hence, the Authority proposes to recompute and consider the aeronautical revenue for true up of AAI for the Second Control Period (pre-COD) as shown in the following table.

Table 42: Aeronautical Revenue proposed by the Authority for true up of AAI for SCP (pre-COD)

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Landing Domestic	38.88	42.17	52.05	52.20	9.57	194.88
Landing International	21.21	23.58	26.45	26.67	6.43	104.33
Parking Domestic	0.35	0.34	1.06	3.35	4.84	9.94
Parking International	0.06	0.07	0.20	0.66	0.18	1.18
UDF/PSF Domestic	61.19	72.42	57.66	37.71	4.32	233.30
UDF/PSF International	31.52	33.41	22.47	7.12	0.17	94.69
Exten of Watch Hours	0.00	0.00	0.00	0.00	0.00	0.00
CUTE & SITA charges	4.02	5.41	8.47	10.08	0.93	28.91
Throughput Revenue	2.44	1.96	2.62	2.07	0.00	9.10
Cargo Revenue	0.00	0.00	0.00	0.00	0.00	0.00
Concession Fees from AAICLAS / Others	0.00	0.05	0.49	0.71	0.03	1.27
Land lease to Ground Handling Agency	22.21	23.66	19.85	20.34	4.16	90.22
Land lease to Oil companies	4.65	6.33	4.05	5.63	2.82	23.48
Total	**186.51**	**209.39**	**195.37**	**166.55**	**33.45**	**791.28**
Add: Space rentals collected from Airlines (B)	0.49	0.23	0.37	0.51	0.34	1.95
Total Aeronautical revenue (A + B)	**187.01**	**209.62**	**195.75**	**167.05**	**33.79**	**793.23**

4.12. True up of Taxation

4.12.1. AAI submitted its aeronautical tax computation for the SCP as part of the true up submission after considering asset depreciation as applicable under Income tax laws and the following tax rates:

Table 43: Tax rates adopted for SCP by AAI

Particulars (INR Cr)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Tax rates adopted for SCP	34.61%	34.61%	34.94%	25.17%	25.17%	25.17%

4.12.2. Based on the above considerations, AAI submitted tax expenditure for SCP till 01st November 2020 as follows:

Table 44: Tax expenditure as per AAI for SCP till 01st November 2020

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till 01st Nov 2020)	FY 2022
Revenue						
Aeronautical Revenue	186.51	209.39	195.37	166.55	33.45	

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till 01st Nov 2020)	FY 2022
Return on Land	0.12	0.12	0.12	0.11	0.11	
Shortfall in Revenue						393.61
Cost						
Total Cost	-155.80	-159.52	-174.72	-212.05	-116.39	
Depreciation	-70.74	-66.79	-68.01	-79.89	-75.49	
Profit /Loss	-39.91	-16.81	-47.24	-125.29	-158.31	393.61
Tax Rates	34.61%	34.61%	34.94%	25.17%	25.17%	25.17%
Tax liability	0.00	0.00	0.00	0.00	0.00	99.06

Authority's examination and proposal regarding true up of Taxation for the Second Control Period from FY 2017 up to COD

4.12.3. The following table shows the tax projections for aeronautical services as considered by the Authority in the Tariff Order for SCP.

Table 45: Aeronautical taxes as approved by the Authority in the Tariff Order for SCP

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Aeronautical Revenue	182.3	208.2	174.4	161	176.7	902.6
Aeronautical O&M (excluding CHQ/RHQ overheads)	108.9	79.9	87.6	91.3	94.0	461.7
CHQ/RHQ overheads	17.6	19.1	20.1	21.1	22.2	100.1
Depreciation as per IT Act	26.2	25.0	33.5	40.3	48.9	173.9
PBT	29.5	84.2	33.5	8.3	11.6	167.1
Tax for aeronautical services	10.2	29.1	11.5	2.9	4.0	53.7

4.12.4. The Authority notes that AAI has claimed zero tax liability from FY 2017 to FY 2021 (till COD).

4.12.5. For FY 2022, the Authority notes that AAI has claimed a tax liability of INR 99.06 Cr on the shortfall in recovery of ARR of INR 393.61 Cr as calculated by AAI. Tax expenditure of INR 99.06 Cr. is claimed considering the shortfall for SCP that will be paid by AIAL (as per Clause 28.11.4 of the Concession agreement, stated below) in FY 2021-22 which will attract tax liability for AAI.

4.12.6. As per Clause 28.11.4 of the Concession Agreement, *"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon reconciliation, true up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"):*

a) Reduced to the extent of over-recoveries, if any, of aeronautical revenues by the Authority until COD, that the Regulator would provide for as a downward adjustment while determining aeronautical charges for the next Control Period; or

b) Increased to the extent of under-recoveries, if any, of aeronautical revenues by the Authority until COD, that the Regulator would provide for as an upward adjustment while determining aeronautical charges for the next Control Period"

4.12.7. However, the Authority is of the view that AAI should set off its prior period losses incurred in the pre-COD period against the Shortfall amount that is proposed to be collected from the Airport Operator.

4.12.8. Based on the revised O&M expenses and over-recovery/(shortfall) in the Second Control Period (pre-COD), the Authority recomputed the aeronautical tax as given below:

Table 46: Aeronautical Tax proposed by the Authority for true up of SCP till COD

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Revenue						
Aeronautical Revenue (A) (Refer Table 42)	187.01	209.62	195.75	167.05	33.79	793.23
Shortfall in revenue proposed to be collected (Refer Table 47) (B)						7.54*
Expenses						
O&M expenses (Refer Table 32) (C)	108.32	128.23	119.46	145.16	105.55	606.72
Depreciation as per IT Act** (D)	70.58	66.49	67.58	70.17	72.95	347.76
Total (E = C + D)	178.90	194.72	187.04	215.33	178.49	954.48
Profit /Loss (F = A - E)	8.11	14.90	8.70	(48.27)	(144.70)	(161.25)
Set off of prior period loss* (B + F)**						(153.71)
Tax Rates (G)	34.61%	34.61%	34.94%	25.17%	25.17%	
Tax liability (G × F)	2.81	5.16	3.04	-	-	11.01

**As on 31st March 2022*

***Computed using WDV method considering useful lives as per IT Act.*

****Note: The set off of prior period loss has been computed only for the purpose of determining taxes. The net loss of INR 153.71 Cr. will not be considered for true up for the pre-COD period.*

4.13. True up of Aggregate Revenue Requirement

Authority's examination and proposal regarding true up of ARR for the Second Control Period from FY 2016-17 up to COD

4.13.1. Based on the analysis of various building blocks for the Second Control Period as discussed in the previous sections and the proposals made regarding the same, the Authority proposes ARR as given in the table below for true up of AAI for the Second Control Period (pre-COD).

Table 47: ARR proposed by the Authority for true up of AAI for SCP (pre-COD)

Particulars (INR Cr.)	Refer	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (till COD)	Total
Average RAB (A)	Table 14	296.42	293.74	292.01	312.27	321.49	
FRoR (B)	Table 25	14.00%	14.00%	14.00%	14.00%	8.44%	
Return on RAB (C = A × B)		41.50	41.12	40.88	43.72	27.13	194.35
Return on Land (D)	Para 4.8.5	-	-	-	-	-	-
Depreciation (E)	Table 22	23.04	24.07	26.14	27.01	16.93	117.19
Operational expenses (F)	Table 32	108.32	128.23	119.46	145.16	105.55	606.72
Tax (G)	Table 46	2.81	5.16	3.04	-	-	11.01
ARR ((H = sum of C to G)		175.66	198.58	189.53	215.89	149.60	929.26
Non-aero Revenue (NAR)	Table 38	66.60	62.79	78.36	101.41	20.25	329.40
Less: 30% NAR (I)		19.98	18.84	23.51	30.42	6.07	98.82
First Control Period Shortfall (J)		3.64					3.64
Net ARR (K = H - I + J)		159.32	179.74	166.02	185.47	143.53	834.08
Aero Revenues (L)	Table 42	187.01	209.62	195.75	167.05	33.79	793.23
Over-recovery / (Shortfall) (M = L - K)		27.69	29.88	29.73	(18.42)	(109.73)	(40.85)
Present Value Factor (N)		1.61	1.41	1.24	1.08	1.00	
PV of Over-recovery / (Shortfall) as on 06th Nov 2020 (M × N)		44.48	42.11	36.75	(19.97)	(109.73)	(6.36)
Total Over-recovery / (Shortfall) of SCP till COD (O)							(6.36)
PV factor @14% as on 31st March 2021 (P)							1.06
PV of Over-recovery / (Shortfall) as on 31st March 2021 (Q = O × P)							(6.72)
PV factor @12.21% as on 31st March 2022 (R)							1.12
PV of Over-recovery / (Shortfall) as on 31st March 2022 (Q × R)							(7.54)

4.13.2. As can be seen above, there has been an under-recovery of INR 6.36 Cr. by AAI in the Second Control Period (pre-COD) as on 06th November 2020.

4.14. Adjusted Deemed Initial RAB

4.14.1. As per Clause 28.11.4 of the Concession Agreement, *"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon reconciliation, true up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing payment that*

becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"):

c) Reduced to the extent of over-recoveries, if any, of aeronautical revenues by the Authority until COD, that the Regulator would provide for as a downward adjustment while determining aeronautical charges for the next Control Period; or

d) Increased to the extent of under-recoveries, if any, of aeronautical revenues by the Authority until COD, that the Regulator would provide for as an upward adjustment while determining aeronautical charges for the next Control Period"

4.14.2. Accordingly, the Authority computed the Adjusted Deemed Initial RAB as follows:

Table 48: Adjusted Deemed Initial RAB as computed by the Authority

Particulars	Formula	Refer	Amount (INR Cr.)
Deemed Initial RAB	A	Para 4.5.20	301.77
Estimated Deemed Initial RAB	B	Clause 28.11.3 (b) of CA	271.00
Difference	C = A – B		30.77
PV of Under-recovery in Second Control Period (till COD) as on COD	D	Para 4.13.1	6.36
Adjusted Deemed Initial RAB as on COD	C + D		37.14

4.14.3. In accordance with the provisions of clause 28.11.4 of the CA, AERA has computed the Adjusted Deemed Initial RAB as on COD i.e., INR 37.14 Cr. (as shown in Table 48) and derived the future value of such Adjusted Deemed Initial RAB by applying the compounding factor of FRoR and assuming a future expected date of payment by the Concessionaire (Airport Operator) to the Airports Authority of India as follows:

i. The Authority has assumed future expected date of payment of Adjusted Deemed Initial RAB as 31st January 2023, based on the assumption that the Tariff Order for SVPIA (wherein the Deemed Initial RAB is finally determined by the Regulator) is issued on or before 15th January 2023.

ii. The Authority has applied a compounding factor to determine future value of the under-recovery as on COD by applying:

- FRoR @ 14% from COD up to 31st March 2021 and
- FRoR @ 12.21% from 01st April 2021 up to 31st January 2023 (based on the FRoR determined by AERA for the Third Control Period for SVPIA, as discussed under Chapter 8 of this Consultation Paper).

4.14.4. The Adjusted Deemed Initial RAB computed as on COD, 31st March 2021, 31st March 2022, 31st December 2022 and 31st January 2023 has been presented in the table below:

Table 49: Adjusted Deemed Initial RAB computed as on future date of payment

Particulars (in INR Cr.)	As on COD	31st March 2021*	31st March 2022**	31st January 2023
Adjusted Deemed Initial RAB	37.14	39.20	43.99	48.49

**Compounding for the period from COD up to 31st March 2021 has been done using FRoR of 14%.*

***Compounding for period beyond 31st March 2021 has been done using FRoR of 12.21%, determined by AERA for SVPIA for the Third Control Period.*

4.14.5. It is likely that the actual date of payment is different from 31st January 2023 as presented in the above table. In that scenario, following formula may be used for determining the Adjusted Deemed Initial RAB on a particular payment date:

$$\text{Adjusted Deemed Initial RAB}_t = A \times (1 + r \times t \div 365)$$

- where A = Adjusted Deemed Initial RAB computed as on 31st March 2022
- where r = FRoR for Third Control period, computed as 12.21% (Refer Chapter 8)
- where t = Number of days elapsed between actual date of payment and 31st March 2022

4.14.6. The projection of Adjusted Deemed Initial RAB on a particular payment date is illustrated through the following example.

Table 50: Illustration for computation of Adjusted Deemed Initial RAB based on date of payment

Particulars (INR Cr.)	Value
Assumed date of payment (DOP)	06th February 2023
Adjusted Deemed Initial RAB as on 31st March 2022 (A)	43.99
FRoR for TCP (r)	12.21%
Number of days between 31st March 2022 and 06th February 2023 (t)	312
Adjusted Deemed Initial RAB as on 06th February 2023	43.99× (1 + 12.21% × 312 ÷ 365)
	48.58

4.14.7. The Authority has proposed the Adjusted Deemed Initial RAB as explained above and requests the Stakeholders to provide their comments on the same.

4.14.8. The Authority proposes to consider under-recovery of INR 7.54 Cr. (as per Table 47 as on 31st March 2022) for true up of AAI for the Second Control Period (pre-COD) and readjust the same in the ARR computation of AIAL for the Third Control Period.

4.15. Authority's proposals regarding true up of Second Control Period (till COD)

Based on the material before it and its analysis, the Authority proposes the following with respect to true up of the Second Control Period (till COD):

4.15.1. To consider the Passenger traffic and ATM as detailed in Para 4.4.3 (Table 8) for true up of the Second Control Period (pre-COD).

4.15.2. To consider capital additions and aeronautical allocation of assets as suggested by the Study on Allocation of Assets for SVPIA for the Second Control Period till COD (summary of the Study is provided in Annexure 1 and the study is attached as appendix 1).

4.15.3. To consider RAB for AAI as detailed in Para 4.5.12 (Table 14) for true up of the Second Control Period Pre- COD).

4.15.4. To consider Deemed Initial RAB for AIAL as detailed in Para 4.5.20 (Table 16).

4.15.5. To recompute Depreciation considering the revised allocation of assets as detailed in Para 4.6.7 (Table 22) for true up of AAI for the Second Control Period (Pre COD).

4.15.6. To consider FRoR as detailed in Para 4.7.7 (Table 25) for true up of the Second Control Period (pre-COD).

4.15.7. To not consider return on the cost of land for true up of the Second Control Period (pre-COD).

4.15.8. To consider O&M expenses and their allocation as suggested by the study on efficient O&M expenses for SVPIA (summary of the Study is provided in Annexure 2 and the study is attached as appendix 2) and as detailed in Para 4.9.10 (Table 32) for true up of Second Control Period (pre-COD).

4.15.9. To consider Non-aeronautical Revenue as detailed in Para 4.10.9 (Table 38) for true up of the Second Control Period (pre-COD).

4.15.10. To consider Aeronautical Revenue as detailed in Para 4.11.6 (Table 42) for true up of the Second Control Period (pre-COD).

4.15.11. To consider Aeronautical Tax as detailed in Para 4.12.8 (Table 46) for true up of the Second Control Period (pre-COD).

4.15.12. To consider the under-recovery of INR 7.54 Cr (as on 31st March 2022) for true up of AAI for the Second Control Period (pre-COD) as detailed in Para 4.13.1 (Table 47) and readjust the same in the ARR for the Third Control Period.

5. TRUE UP OF THE AIRPORT OPERATOR FOR THE SECOND CONTROL PERIOD FROM COD TILL 31ST MARCH 2021

5.1. Background

5.1.1. As mentioned in Para 4.1.1, AAI had entered into a Concession Agreement dated 14th February 2020, with AIAL (the 'Concessionaire') for the operation and maintenance of SVPIA for a period of 50 years from the COD, i.e., 07th November 2020.

5.1.2. Pursuant to the above Concession Agreement, the Airport Operator has submitted its true up proposal for the Second Control Period from COD up to 31st March 2021 as part of its MYTP.

5.1.3. The true up workings submitted by the Airport Operator covers the following building blocks:

i. Regulatory Asset Base

ii. Fair Rate of Return

iii. Aeronautical Depreciation

iv. Aeronautical Operation and Maintenance Expenses

v. Non-aeronautical Revenue

vi. Aeronautical Taxes

5.1.4. The Authority has examined the Airport Operator's true up submission in detail and has presented its examination in the following order:

i. AIAL's submissions for true up under different Regulatory building blocks.

ii. Authority's examination and proposals regarding the true up calculation of each regulatory building block of AIAL

5.1.5. The Authority has considered the following documents for determining true up for the Second Control Period (post-COD):

i. Tariff Order for Sardar Vallabhbhai Patel International Airport (Order No.14/2018-19) dated 23rd July 2018.

ii. Financial results of the Airport Operator for the FY 2020-21.

iii. AERA Guidelines and Orders

iv. Authority's decisions on the Regulatory building blocks as per previously issued Tariff Orders of other similar airports

5.2. AIAL's submission of true up for the Second Control Period from COD till 31st March 2021

5.2.1. AIAL has submitted the true up for the period from COD till 31st March 2021 as follows.

Table 51: AIAL's submission of Aggregate Revenue Requirement for true up of SCP post-COD

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Average RAB	288.61
FRoR	14.76%
Add: FRoR Return on average RAB	16.41
Add: Operating expenses	71.11

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Add: Depreciation	21.88
Add: Amortisation of land	-
Add: Taxes	-
Add: Working capital loan interest	-
Less: Non - Aero	(6.18)
ARR - Aero based on RAB workings	103.23
Actual aero revenues	45.77
(Shortfall)/ Surplus	(57.46)
PV of (Shortfall)/ Surplus	(60.67)*

**Difference of INR 2.41 Cr. from MYTP submission is due to inclusion of bank and other finance charges and cargo related expenses. (The same has been discussed in Para 5.7.1 to Para 5.7.6).*

5.3. Authority's examination of true up submitted by AIAL for the Second Control Period from COD till 31st March 2021

5.4. True up of Regulatory Asset Base

5.4.1. As per the true up submission of AIAL, a total of INR 68.12 Cr. (including Financing Allowance of INR 0.97 Cr.) was capitalised in the Second Control Period (post-COD). This included a total of 87 asset items including assets capitalised from CWIP received from AAI. The details regarding the same are given below.

Table 52: RAB for FY 2021 (post-COD) as submitted by AIAL

Particulars (INR Cr.)	FY 2021 (post-COD)
Opening RAB	265.78
Addition*	68.12
Depreciation	(22.47)
Closing RAB	311.44
Average RAB	288.61

**INR 68.12 Cr. includes Financing Allowance of INR 0.97 Cr., intangible assets worth INR 25.55 Cr. and INR 34.79 Cr. worth of projects capitalised from CWIP transferred from AAI to AIAL on COD*

Authority's examination and proposal regarding true up of RAB for the Second Control Period from COD till 31st March 2021

5.4.2. The Authority had commissioned an independent study on the allocation of assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1). As explained in Para 4.5.20, the Authority has proposed to consider the Deemed Initial RAB to be INR 301.77 Cr. as recommended by the study on the allocation of assets. The details of the individual asset items capitalised by AIAL in SCP post-COD are also provided in the study on the allocation of assets.

5.4.3. The Study on Allocation of Assets made the following revisions to the aeronautical capital additions of AIAL:

- AIAL had not done an asset-by-asset allocation between Aeronautical and Non-aeronautical for the assets capitalised in SCP. Instead, in its computations, AIAL has applied a bifurcation factor of 97.7% on the overall RAB while calculating the return on average RAB. The study examined the individual asset items capitalised by AIAL and classified them suitably based on the information regarding the assets shared by the Airport Operator. The common assets were further bifurcated between aeronautical and non-aeronautical based on the Terminal Area Ratio of 92.5 :

7.5 (aeronautical : non-aeronautical). The reallocation of assets resulted in a reduction of INR 1.27 in aeronautical capital additions. (Refer Para 6.2.1 and Para 6.2.4 of the Study)

- In FY 2021, AIAL capitalised an asset item named "Domestic Apron, Link Taxi Track Extension". The cost incurred towards this project was INR 32.65 Cr. In its submission, AIAL had stated that this asset was transferred by AAI to AIAL as part of the CWIP and the same was confirmed by AAI vide their email dated 29th April 2022. AAI also submitted that the area of the said work was 61,246 SQM and the costs are within the normative costs prescribed by AERA. The Study compared the actual costs incurred against the inflation adjusted normative benchmarks prescribed by AERA (as per Order No. 07/2016-17 dated 13th June) and found that the cost, after exclusion of GST to be within the normative limits prescribed by AERA. Hence, the Study has considered the cost towards "Domestic Apron, Link Taxi Track Extension" as submitted by AIAL. (Refer Para 6.3 of the Study)

5.4.4. Apart from the reclassification of assets and the normative assessment, the study on the allocation of assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1) made the following observations and adjustments:

- AIAL has capitalised an amount of INR 25.55 Cr. as an intangible asset. The asset is a notional item, the value of which constitutes certain pre-COD expenses incurred by AIAL, AEL and AAHL in the process of winning the concession rights to the airport and until the COD was achieved. The Study noted that the Concession Agreement does not specifically provide for intangible asset, or expenditure which constitutes salary and consulting costs incurred prior to COD, to be included in the RAB. Accordingly, the intangible asset has been excluded by the Study from the aeronautical capital additions considered for the Second Control Period. (Refer Para 6.4 of the Study)

- The capitalisation proposed by AIAL for the SCP includes financing allowance of INR 0.97 Cr. on the average WIP in FY 2021 (post-COD). However, as per AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28th February 2011, financing allowance is not applicable to assets/projects which have been acquired/initiated and commissioned within the same Tariff Year. Therefore, no financing allowance has been considered by the Study on the assets capitalised by AIAL in FY 2021. (Refer Para 6.5 of the Study)

5.4.5. Based on the examination of the Study on Allocation of Assets (post classification of assets, normative assessment, exclusion of intangible asset (pre-COD expenses) and exclusion of Financing Allowance), the aeronautical capital additions in the Second Control Period (post-COD) as per the Study is INR 40.34 Cr. Details pertaining to these adjustments are provided in the study on the allocation of assets (summary of the study is given in Annexure 1 and study is attached as Appendix 1).

5.4.6. The Authority proposes to consider the recommendations of the Study on Allocation of Assets (summary of the study is given in Annexure 1 and study is attached as Appendix 1). Accordingly, the Authority recomputed the RAB for true up of AIAL for the Second Control Period (post-COD) as given in the table below.

Table 53: RAB proposed by the Authority for true up of AIAL for SCP (post-COD)

Particulars (INR Cr.)	Refer	Formula	FY 2021 (post-COD)
Opening RAB	Para 5.4.2*	A	301.77
Addition of assets	Para 5.4.5	B	40.34**
Financing Allowance	Para 5.4.4	C	-

Particulars (INR Cr.)	Refer	Formula	FY 2021 (post-COD)
Depreciation	Para 5.5.3	D	11.69
Closing RAB		E = A + B + C – D	330.42
Average RAB		(A + E) ÷ 2	316.10

**Refer Table 16 (INR 299.19 Cr + INR 2.59 Cr. = INR 301.77 Cr.)*

***Amount of INR 36.71 Cr was capitalised from CWIP transferred from AAI as on COD and the remaining amount of INR 3.63 Cr. is from projects initiated by AIAL.*

5.5. True up of Depreciation

5.5.1. For the purpose of true up, AIAL has calculated depreciation for the period from COD till 31st March 2021, based on their determination of remaining useful life of assets. AIAL has also submitted a technical evaluator's report in this regard.

Authority's examination and proposal regarding true up of Depreciation for the Second Control Period from COD till 31st March 2021

5.5.2. The study on the allocation of assets (summary of the Study is given in Annexure 1 and the Study is attached as Appendix 1), examined the useful lives considered by AIAL and noted that for certain assets, AIAL has considered a useful life that is different from that specified in AERA Order No. 35/2017-18 dated 12th January 2018. The observations and adjustments made by the Study in this regard are as follows:

- For certain software, AIAL has considered a useful life of 6 or 4 years, whereas for the remaining software a useful life of 3 years has been considered. AERA Order No. 35/2017-18 dated 12th January 2018 states that useful life of Computer Software can considered as estimated by the Airport Operator if the same is supported by Technical Justifications.
- Since the technical evaluator's report submitted by AIAL mentions the useful life of Software as 3 years, the study on the allocation of assets recomputed the depreciation for software considering a useful life of 3 years.
- The details of the assets for which the useful life has been revised by the study on the allocation of assets are given below:

Table 54: Assets for which the useful life was revised by the Study

Description	Asset Category	Useful life in years as per	
		AIAL	Study
DOMESTIC APRON, LINK TAXI TRACK EXTENSION	Runways, Taxiway and Apron	20	30
AHMEDABAD OFFICE SAFE TOUCH COATING	Building	10	30
AHMEDABAD OFFICE 1ST FLOOR INTERIOR WORK	Building	10	30
CONST.OF VISITORS LOUNGE	Building	25	30
BIOMATRIC ACCESS CONTROL SYSTEM AT AIRPORT	Plant & Machinery	7/6	15
BATTERY OPERATED FORKLIFT, CAP:3MT	Plant & Machinery	7/6	15
SAP RE-FX	Computer Software	6	3
GALAXY SOFTWARE	Computer Software	6	3
SURFACE PRO EHS SOFTWARE	Computer Software	4	3

Description	Asset Category	Useful life in years as per	
		AIAL	Study
SURFACE PRO EHS SOFTWARE	Computer Software	4	3

- Based on the revised useful lives, allocation of assets and date of capitalisation, the study on the allocation of assets (summary of the study is given in Annexure 1 and study is attached as Appendix 1)) recomputed the depreciation for each asset for the period from COD to 31st March 2021.
- Other than the assets capitalised by AIAL, the existing assets that were transferred from AAI to AIAL also form a part of the RAB of AIAL. The gross value of these assets is INR 711.51 Cr (INR 690.69 + INR 20.82 Cr.). Hence, the Study has determined the depreciation for such existing assets as well.

5.5.3. Based on the above, the Authority proposes to recompute the Depreciation for true up of AIAL for the Second Control Period (post-COD) considering the recommendations of the Study on Allocation of Assets (summary of the Study is given in Annexure 1 and the Study is attached as Appendix 1).

Table 55: Depreciation proposed by the Authority for true up of Second Control Period (post-COD)

Particulars (INR Cr.)	FY 2021 (post-COD)
Aeronautical Depreciation on new assets capitalised by AIAL (A)	0.71
Aeronautical Depreciation on existing assets transferred from AAI to AIAL (B)	10.98
Total aeronautical depreciation for FY 2021 (post-COD) (A + B)	11.69

5.6. True up of Fair Rate of Return

5.6.1. AIAL submitted the FRoR in their true up submissions as shown in the following table

Table 56: AIAL's submission of FRoR for true up of Second Control Period post COD

Particulars (In %)	FY 2021 (post-COD)
Cost of Equity (A)	17.30 %
Cost of Debt (B)	12.00 %
Gearing: Percentage of debt (C)	48.00 %
FRoR [(A × (1 – C) + B × C)	14.76 %

Authority's examination and proposal regarding true up of FRoR for the Second Control Period from COD till 31st March 2021

5.6.2. Authority notes that AIAL, in its MYTP, has assumed a uniform FRoR from COD till end of the Third Control Period. AIAL has considered the Cost of Equity to be 17.30% based on their consultant's report and has assumed the Cost of Debt to be 12.00% and Gearing to be 48%.

5.6.3. However, as per the Tariff Order No. 14/2018-19 dated 23rd July 2018 in the matter of determination of aeronautical tariffs in respect of Sardar Vallabhbhai Patel International Airport, Ahmedabad (SVPIA) for the Second Control Period, the Authority had decided to consider the FRoR for SVPIA for the First and Second Control Periods as 14% (Decision No. 9.a).

5.6.4. Therefore, the Authority proposes to consider the FRoR for true up of the Second Control Period as 14% in line with the decision taken at the time of determination of tariffs for SCP considering that the Airport Operator has operated the Airport only for a period of five months in the Second Control

Period. AERA will consider the FRoR for the Airport Operator in line with other PPP airports from the next Control Period.

5.6.5. Since AIAL has operated the Airport for only 145 days in FY 2021, the Authority proposes to consider a pro-rated FRoR for the period post COD in FY 2021. The pro-rated FRoR has been computed below as per the approach detailed in Para 4.7.5.

Table 57: FRoR proposed by the Authority for true up of AIAL for SCP (post-COD)

Particulars (%)	FY 2021 (post-COD)
FRoR (A)	14.00%
Number of days of operations in FY 2021 (B)	145
Equivalent FRoR for FY 2021 (post-COD) (A × B ÷ 365)	5.56%

5.7. True up of Operating Expenses

5.7.1. AIAL has submitted aeronautical O&M expenses for true up of the Second Control Period (post-COD) as given in the table below.

Table 58: Breakup of the various O&M expenses as per AIAL

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Manpower expenses - AAI employees	12.13
Manpower expenses - AIAL employees	13.58
Utility expenses	6.26
IT expenses	1.78
Rates & taxes	1.20
Security expenses	1.46
Security others	-
Corporate Allocation	6.98
Administrative Expenses	3.94
Insurance	0.85
R&M	10.37
Others	10.27
Runway recarpeting	-
Total	**68.83**

5.7.2. However, vide their email dated 20th April 2022, AIAL requested that. "*We found that we have missed to include the Bank and Other finance Charges in the True-Up for FY21, though the same is included while projecting the next control period ARR. The amount can be verified from Financial statements schedule 22 and also from the MYTP sheet "Master Actuals Cell J107". You may kindly consider the same while assessing the True-up for FY21*."

5.7.3. Accordingly, the Bank and Other finance Charges have been taken into consideration for the assessment of O&M expenses of AIAL for FY 2021.

5.7.4. Similarly, vide their email dated 07th June 2022, AIAL requested that, "*We noted that we have missed to include Utility Charges of Rs. 4.34 Lakhs and O&M Expenses of Rs. 12.36 Lakhs (both pertaining to Cargo) in the True Up for FY 21, though the same included while projecting the next control period ARR. The amount can be verified from the MYTP sheet "Master_Actuals-Linked" Cell "J82" and "J84" respectively for utility charges and O&M expenses. You may kindly consider the same while assessing the True-up for FY21."*

5.7.5. Accordingly, the cargo related expenses have been taken into consideration for the assessment of O&M expenses of AIAL for FY 2021.

5.7.6. The following table shows the breakup of the various O&M expenses as submitted by AIAL after including the abovementioned expenses.

Table 59: Revised breakup of the various O&M expenses as per AIAL for SCP (post-COD)

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Manpower expenses - AAI employees	12.13
Manpower expenses - AIAL employees	13.58
Utility expenses	6.26
IT expenses	1.78
Rates & taxes	1.20
Security expenses	1.46
Security others	-
Corporate Allocation	6.98
Administrative Expenses	3.94
Insurance	0.85
R&M	10.37
Others	10.27
Runway recarpeting	-
Utility expenses (Cargo)	0.04
Cargo expenses	0.12
Bank and Other finance Charges	2.12
Total	**71.11**

Authority's examination and proposal regarding true up of Operating Expenses for the Second Control Period from COD till 31st March 2021

5.7.7. In order to ascertain the reasonableness of the operating expenses of AIAL, the Authority had decided to conduct a study on efficient O&M expenses for SVPIA (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2). Additionally, the study on efficient O&M expenses for SVPIA also examined the allocation of the expenses into Aeronautical, Non-aeronautical and Common. The Common expenses were further bifurcated between Aeronautical and Non-aeronautical using suitable ratios.

5.7.8. Based on the outcomes of the study on efficient O&M expenses for SVPIA (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2), the Authority has made the following observations regarding AIAL's submission of O&M expenses under various heads for the Second Control Period (post-COD):

a) Employee Expenses – Select employees:

Observation: The Authority notes that AIAL has considered the expenses incurred towards the Select employees as 100% Aeronautical, in line with the Clause 6.5 of the Concession Agreement between AAI and AIAL. However, the Authority on examination of the relevant clauses of the Concession Agreement has considered the employee expenses of AAI employees up to 'Deemed Deputation Period' as Common, since the employee expenses of AAI pertains to both Aeronautical and Non-aeronautical activities. Accordingly, the Authority has bifurcated the employee expenses of AAI

employees up to 'Deemed Deputation Period' in the employee ratio of 98.67 : 1.33 (Aeronautical: Non-aeronautical), as submitted by AIAL.

Impact: The impact of the abovementioned revision led to the reduction of employee expenses of the Select employees by INR 0.16 Cr. in the Second Control Period (post-COD).

Reference: Para 6.1.14 to Para 6.1.16 and Para 6.1.19 of the Study on Efficient Operation and Maintenance Expenses.

b) Employee Expenses – AIAL employees:

Observation: The Authority notes that as per the MYTP submission of AIAL, there are 180 Select employees (from AAI) who are deployed at SVPIA since COD. Since these employees are expected to continue serving the airport until the end of the Deemed Deputation Period (i.e., till 3 years from COD), the need for 122 AIAL employees over and above the abovementioned 180 Select employees appears to be unreasonably high, especially in the first five months of operations. Hence, the Authority has proposed to make certain adjustments to the employee ratio of AIAL.

Impact: The impact of the revision in the employee ratio resulted in a reduction of employee expenses of AIAL employees by INR 3.63 Cr in the Second Control Period (post-COD).

Reference: Para 6.1.17 to Para 6.1.19 of the Study on Efficient Operation and Maintenance Expenses.

c) A&G Expenses:

Observation: The Authority notes that the allocation of certain expenses require revision. For e.g., AIAL has bifurcated Rates and Taxes using the Terminal Area Ratio, whereas the taxes are Common for the entire airport and not just for the terminal building. Hence the Authority has reallocated the taxes using the Gross Block ratio. Similarly, the Authority proposes to allocate the expenses based on the nature of each expense as recommended by the Study on Efficient O&M Expenses.

Impact: The impact of the abovementioned revision is a reduction of A&G expenses by INR 0.21 Cr in the Second Control Period (post-COD).

Reference: Para 6.1.21 to Para 6.1.24 of the Study on Efficient Operation and Maintenance Expenses

d) R&M expenses

Observation: The Authority notes that AIAL has used the terminal area ratio of 94.9 : 5.1 (aeronautical : non aeronautical) for the allocation of R&M expenses irrespective of the nature of expenses. However, the Authority proposes to bifurcate the various line items on basis of the nature of expenses as recommended by the Study on Efficient O&M Expenses for SVPIA. Further, the aeronautical R&M expenses of INR 10.41 Cr. as proposed by the Authority (post reallocation) was compared as a percentage of the opening RAB of AIAL in a similar manner as done in the case of AAI. The Authority noted that the extrapolated R&M expense (INR 26.25 Cr.) was found to be greater than 6% of the opening RAB of AIAL. Hence, the Authority proposes to rationalise the R&M expenses of AIAL at 6% of opening RAB.

Impact: The impact of the abovementioned reallocation resulted in an increase of R&M expenses by INR 0.04 Cr. Further, the rationalisation of the R&M expenses led to an overall reduction of INR 3.23 Cr in the R&M expenses in the post-COD period.

Reference: Para 6.1.33 to Para 6.1.42 of the Study on Efficient Operation and Maintenance Expenses

e) Corporate support services expenses (CSS)

Observation: The Authority notes that CSS expenses as submitted by AIAL comprises of inhouse legal team expense amounting to INR 0.44 Cr. However, the Authority proposes to exclude this in house legal team expense as recommended by the Study on Efficient O&M Expenses for SVPIA. Further, the Authority notes that the AO has segregated expenses towards Corporate Allocation Cost in the Initial RAB ratio of 97.7:2.3 (aeronautical : non- aeronautical). However, the Authority proposes to bifurcate this expense in the ratio of Employee Headcount as recommended by the Study on Efficient O&M Expenses for SVPIA.

Impact: The impact of the abovementioned revision resulted in a reduction of CSS expenses by INR 0.73 Cr.

Reference: Para 6.1.25 to Para 6.1.32 of the Study on Efficient Operation and Maintenance Expenses.

f) Other outflow expenses

Observation: The Authority notes that the allocation of various expenses require revision. For e.g., AIAL had bifurcated the expenses towards In-Line Baggage Screening System (ILBS) Screeners using the Terminal area ratio, the Study on Efficient Operation and Maintenance Expenses reclassified the same as 100% aeronautical, since the expense is airport security related. Therefore, the Authority proposes to reallocate certain expenses based on the nature of expenses as given in Table 69 of the Study on Efficient Operation and Maintenance Expenses.

Impact: The impact of the abovementioned revision resulted in a reduction of other outflow expenses by INR 2.98 Cr.

Reference: Para 6.1.46 to Para 6.1.55 of the Study on Efficient Operation and Maintenance Expenses

5.7.9. Based on the analysis of AIAL's submissions, the recommendations made by the Study on Efficient O&M Expenses for SVPIA (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2), the Authority proposes the following operations and maintenance expenditure for true up of AIAL for the Second Control Period (post-COD).

Table 60: Aeronautical O&M expenses as proposed by the Authority for true up of SCP (post-COD)

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Payroll expenditure – AAI employees	11.97
Payroll expenditure – AIAL employees	9.95
A&G expense	5.78
CSS expense	6.25
Utilities	6.31
R&M expenditure	7.19
Other outflows	12.76
Total*	**60.21**

**Note: Refer Table 74 of the Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2).*

5.8. True up of Non-aeronautical Revenue

5.8.1. AIAL's submission for true up of Non-aeronautical Revenue in the Second Control Period (post-COD) is given in the table below.

Table 61: AIAL's submission of Non-aeronautical Revenue for true up of SCP (post-COD)

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Food & beverages	2.32
Ground handling	-
Retail	0.66
Duty free	0.46
ATM/ Forex	-
Transit hotel	-
Advertising	2.81
Car parking	4.53
Lounge	0.18
Building rent	7.16
Other income	1.98
Master Concessionaire	-
Interest Income	0.49
Total	**20.59**

Authority's examination and proposal regarding true up of Non-aeronautical Revenue for the Second Control Period from COD till 31st March 2021

5.8.2. The Authority notes that AIAL has realised non-aeronautical revenue of INR 20.59 Cr. within a period of five months post COD. For further analysis of non-aeronautical revenue, the Authority scrutinized the various components of "Building rent" and "other income" as provided by AIAL vide mail dated 06th August 2022. The breakup of "other income" is shown in the following table.

Table 62: Breakup of other income as per AIAL

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Revenue from inflight kitchen	0.50
Revenue share from Forex	0.20
Revenue share from Wi-Fi	0.15
Baby care	0.10
Airport Entry Passes	0.13
Slot Allocation (one-time fees)	0.06
Non-refundable fees received for participation in bids	0.28
Rentals from Gujarat Tourism and Gujarat State Handloom	0.03
Space rentals from Maintenance facilities	0.05
Revenue from F&B	0.15
Various items	0.33
Total	**1.98**

5.8.3. The breakup of "Building rent" is shown in the following table.

Table 63: Breakup of building rent as per AIAL

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia	3.11
Rental from Indian Meteorological Department (IMD)	3.61
Rentals from various other agencies	0.44
Total	**7.16**

5.8.4. The Authority, through its Consultant, noted that space rentals from airlines have been included as part of the non-aeronautical revenue. However, space rentals from agencies providing aeronautical services should be treated as aeronautical revenue. Hence, the Authority proposes to consider "Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia" as aeronautical revenue.

5.8.5. Additionally, the Authority, through its Consultant, verified the total revenues with that of the audited financials as submitted by AIAL and observed that they were identical.

5.8.6. Hence, the Authority proposes to recompute and consider the non-aeronautical revenue for true up during the Second Control Period post COD as shown in the following table.

Table 64: Non-Aeronautical Revenues proposed by the Authority for true up of Second Control Period post COD

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Food & beverages	2.32
Retail	0.66
Duty free	0.46
ATM/ Forex	-
Transit hotel	-
Advertising	2.81
Car parking	4.53
Lounge	0.18
Building rent	4.05
Other income	1.98
Master Concessionaire	-
Interest Income	0.49
Total (A)	**20.59**
Adjustment: Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia (B)	3.11
Total (A – B)	**17.48**

5.9. True up of Aeronautical Revenue

5.9.1. AIAL made the following submission regarding the true up of the Aeronautical Revenue for SCP (Post-COD).

Table 65: AIAL's submission of Aeronautical Revenue for true up of SCP (post-COD)

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Landing revenue	21.37
Parking & housing revenue	1.98
Ground handling charges	6.57
Passenger UDF revenue	9.41
CUTE Revenue	-
CGF rentals	-
Cargo/Fuel/Other	6.44
Total	**45.77**

Authority's examination and proposal regarding true up of Aeronautical Revenue for the Second Control Period from COD till 31st March 2021

5.9.2. The Authority noted that as per the Decision No. 10a mentioned in the Tariff Order regarding aeronautical revenues, AIAL has considered services related to Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue in their true up submission.

5.9.3. The Authority notes that AIAL has realised aeronautical revenue of INR 45.77 Cr. within a period of five months post COD. The Authority, through its Consultant, verified the total revenues with that of the audited financials as submitted by AIAL and observed that they were identical.

5.9.4. As observed in Para 5.8.4, the Authority proposes to make certain adjustments to the aeronautical revenue by reclassifying space rentals from airlines as aeronautical revenue. Hence, the Authority proposes to recompute and consider the aeronautical revenue for true up of AIAL for the Second Control Period (post-COD) as shown in the following table.

Table 66: Aeronautical Revenue proposed by the Authority for true up of SCP (post-COD)

Particulars (INR Cr.)	AIAL 2020-21 (post-COD)
Landing revenue	21.37
Parking & housing revenue	1.98
Ground handling charges	6.57
Passenger UDF revenue	9.41
CUTE Revenue	-
CGF rentals	-
Cargo/Fuel/Other	6.44
Total (A)	**45.77**
Adjustment: Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia (B)	**3.11**
Total (A + B)	**48.88**

5.10. True up of Taxation

5.10.1. AIAL has claimed zero tax liability as per their true up submissions.

Authority's examination and proposal regarding true up of Taxation for the Second Control Period from COD till 31st March 2021

5.10.2. AIAL has claimed zero tax liability for FY 2021 (post-COD). Hence, the Authority proposes to consider the aeronautical tax expense for the Second Control Period (post-COD) to be zero based on the actuals submitted by AIAL in its true up proposal.

5.11. True up of Aggregate Revenue Requirement

5.11.1. Based on the examination of various building blocks for the Second Control Period (post-COD) as discussed in the previous sections and the proposals made therein regarding the same, the Authority proposes ARR as given in the table below for true up of AIAL for the Second Control Period (post-COD).

Table 67: ARR proposed by the Authority for true up of Second Control Period post-COD

Particulars (INR Cr.)	Refer	FY 2021 (post-COD)
Average RAB (A)	Table 53	316.10
FRoR (B)	Table 57	5.56%
Return on RAB (C = A × B)		17.58
Depreciation (D)	Table 55	11.69
Operating expenses (E)	Table 60	60.21
Tax (F)	Para 5.10.2	-
ARR (G = sum of C to F)		89.48
Non-aero revenue	Table 64	17.48
Less: 30% NAR (H)		5.24
Net ARR (I = G - H)		84.24
Aero Revenues (J)	Table 66	48.88
Surplus / (Shortfall) (K = J - I)		(35.36)
Present Value Factor as on 31st March 2021 (L)		1.00
PV of Surplus / (Shortfall) of Second Control Period post COD (M = K × L)		(35.36)
Present Value Factor @ 12.21% as on March 31, 2022 (N)		1.12
PV of Surplus / (Shortfall) as on March 31, 2022 (M × N)		(39.68)

5.11.2. The Authority proposes to consider shortfall of INR 39.68 Cr. (as on 31st March 2022) for true up of Airport Operator for the Second Control Period from COD up to 31st March 2021 and readjust the same in the ARR computation of AIAL for the Third Control Period.

5.12. Authority's proposals regarding true up of AIAL for the Second Control Period (post-COD)

Based on the material before it and its analysis, the Authority proposes the following with respect to true up of AIAL for the Second Control Period (post-COD).:

5.12.1. To consider capital additions and aeronautical allocation of assets as suggested by the Study on Allocation of Assets for SVPIA for the Second Control Period (summary of the Study is provided in Annexure 1 and the study attached as Appendix 1).

5.12.2. To consider RAB as detailed in Para 5.4.6 (Table 53) for true up of AIAL for the Second Control Period (post-COD).

5.12.3. To recompute Depreciation considering the revised allocation of assets as detailed in Para 5.5.3 (Table 55) for true up of AIAL for the Second Control Period (post-COD).

5.12.4. To consider FRoR as detailed in Para 5.6.5 (Table 57) for true up of AIAL for the Second Control Period (post-COD).

5.12.5. To consider O&M expenses and their allocation as suggested by the Study on efficient O&M expenses for SVPIA (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2), as detailed in Para 5.7.9 (Table 60)

5.12.6. To consider Non-aeronautical Revenue as detailed in Para 5.8.6 (Table 64) for true up of AIAL for the Second Control Period (post-COD).

5.12.7. To consider Aeronautical revenue as detailed in Para 5.9.4 (Table 66) for true up of AIAL for the Second Control Period (post-COD).

5.12.8. To consider Aeronautical Tax as detailed in Para 5.10.2 for true up of AIAL for the Second Control Period (post-COD).

5.12.9. To consider ARR as detailed in Para 5.11.1 (Table 67) for true up of the Second Control Period and to consider under recovery of INR 39.68 Cr. (as on 31st March 2022) for true up of the Airport Operator for the Second Control Period from COD till 31st March 2021 and readjust the same in the ARR for the Third Control Period.

6. TRAFFIC PROJECTIONS FOR THE THIRD CONTROL PERIOD

6.1. AIAL's submission of Traffic Projections for the Third Control Period

6.1.1. AIAL had engaged an independent agency – Centre of Asia Pacific Aviation (CAPA) India in August 2020 for assessing passenger traffic, aircraft movement and cargo traffic for SVPIA. Based on its analysis, CAPA India has provided high, medium and low estimate scenarios of projected traffic for the Third Control Period. The traffic projections submitted by AIAL in Table 68 is adopted from CAPA India's 'high scenario'. Accordingly, the traffic growth rates and traffic forecasts for the Third Control Period (TCP) for SVPIA as submitted by AIAL are as follows:

Passenger Traffic and ATMs:

6.1.2. Passenger traffic, ATMs and growth rates submitted by AIAL for TCP are shown below.

Table 68: Passenger traffic, ATMs and growth rates submitted by AIAL for TCP

Passengers (Mn)	FY 2022*	FY 2023	FY 2024	FY 2025	FY 2026	Total
Domestic	5.59	9.49	11.44	13.55	15.79	55.85
Y-o-Y Growth (%)	*62.49%*	*69.88%*	*20.50%*	*18.50%*	*16.50%*	
International	0.56	1.96	2.73	3.40	4.07	12.73
Y-o-Y Growth (%)	*175.89%*	*247.41%*	*39.50%*	*24.50%*	*19.50%*	
Total	6.15	11.45	14.17	16.96	19.85	68.58
ATM Traffic (No's)	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**Total**
Domestic	53,512	69,356	82,536	96,606	111,183	413,193
Y-o-Y Growth (%)	*44.19%*	*29.61%*	*19.00%*	*17.05%*	*15.09%*	
International	4,552	12,606	17,413	21,469	25,408	81,448
Y-o-Y Growth (%)	*47.03%*	*176.93%*	*38.13%*	*23.29%*	*18.35%*	
Total	58,064	81,962	99,949	118,075	136,591	494,641

**Adjusted by AIAL based on actual/projected traffic for FY 2022*

6.1.3. The passenger traffic and ATM projected above has been adjusted by the Airport Operator to account for billable domestic ATMs (other than ATMs with less than 80-seater capacity and those covered under the Regional Connectivity scheme (RCS) scheme initiated by the Government of India) and billable passenger traffic (excluding certain categories of passengers such as infants and transit passengers for whom User Development Fees (UDF) charges are not leviable). The adjusted passenger traffic and ATM submitted by AIAL are as follows:

Table 69: Adjusted Billable PAX traffic and ATM forecasts for SVPIA for TCP submitted by AIAL

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Passengers (In millions)						
Domestic	5.47	9.30	11.21	13.28	15.47	54.73
International	0.55	1.92	2.68	3.34	3.99	12.48
Total	6.03	11.22	13.89	16.62	19.46	67.21
ATM (in No's)						
Domestic	42,810	56,872	70,156	82,115	94,505	346,458
International	4,552	12,606	17,413	21,469	25,408	81,448
Total	47,362	69,478	87,569	103,584	119,913	427,906

Cargo:

6.1.4. Cargo traffic and growth rates forecasted for SVPIA for TCP as submitted by AIAL are shown below.

Table 70: Cargo traffic and growth rates for SVPIA as submitted by AIAL for TCP

Cargo Traffic (MT)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Domestic	59,191	63,931	69,046	74,570	80,311	347,049
Y-o-Y Growth (%)	*63.15%*	*8.01%*	*8.00%*	*8.00%*	*7.70%*	
International	23,970	37,818	52,239	62,372	67,809	244,208
Y-o-Y Growth (%)	*-2.04%*	*57.77%*	*38.13%*	*19.40%*	*8.72%*	
Total	83,161	101,749	121,285	136,942	148,120	591,257

6.1.5. AIAL has submitted that it expects to process certain cargo volumes out of the total volume at its own cargo facility. The following table summarizes the total cargo volumes to be handled by AIAL itself out of the total cargo traffic at SVPIA during TCP.

Table 71: Cargo volumes to be handled by AIAL itself out of the total cargo traffic during TCP

Cargo Traffic handled by AIAL (MT)	FY 2022*	FY 2023	FY 2024	FY 2025	FY 2026	Total
Domestic	31,916	39,560	47,156	53,243	57,589	229,436
International		11,721	13,972	15,776	17,063	58,533
Express cargo		21,978	26,198	29,579	31,994	
Total by AIAL (A)	31,916	73,259	87,325	98,598	106,646	397,744
Total cargo at SVPIA (B)	90,634	101,749	121,285	136,941	148,120	591,257
AIAL's Share % (A ÷ B)	35%	72%	72%	72%	72%	

** Based on actuals submitted by AIAL vide email dated 06th August 2022*

6.2. Authority's examination of AIAL's submission of Traffic for the Third Control Period

6.2.1. The Authority notes that AIAL appointed CAPA India as its Consultant who has derived traffic forecast based on Regression forecast methodology, developed through econometric analysis of historical data combined with projections of key demand drivers.

- Projections of Gross Domestic Product (GDP) (Urban area and State level) and population were derived to assess domestic and international passenger forecasts.
- The aircraft movement forecasts for the Airport were derived based on average number of passenger movements per aircraft movement (based on historical data). Further, the data on type of aircraft and load factors achieved have been used to derive aircraft movements.

6.2.2. The Authority notes that SVPIA has assumed the 'high scenario' estimates of traffic forecasts submitted by CAPA India for projecting passenger traffic, ATM and cargo (both domestic and international).

6.2.1. The Authority notes that AIAL has considered only billable ATM, after excluding ATM traffic covered under the RCS scheme and aircrafts with capacity less than 80-seater. AIAL has assumed the share of such ATMs to be approximately 15% to 20% over the Third Control Period based on historical trends. However, the Authority is of the view that RCS scheme is promoted by the Government of India with the objective of making regional air connectivity affordable by supporting airline operators through concessions offered by Central Government, State Government and the Airport Operators. As this scheme is promoted to encourage small aircrafts, the flights operating under this scheme are not eligible

to be claimed as a passthrough/ exemption. The Authority notes that out of the total exempted traffic submitted by the Airport Operator (15% to 20% of the total domestic ATMs), 1.5% to 3% constitutes flights operating under the RCS Scheme and the balance pertains to non-RCS flights. Hence, the Authority has considered the billable ATM traffic after excluding the ATMs that pertain to less than 80-seater capacity non-RCS flights that are exempted from landing charges.

6.2.2. Similarly, Government of India has allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/ 2019 read with AIC 20/ 2019. AIAL cannot claim any passthrough regarding UDF on such categories and this is followed by AERA across at all Major Airports. Therefore, there is no reason to consider the billable PAX traffic separately, as the Authority follows a consistent approach across all Major Airports, that naturally accounts for such considerations while projecting aeronautical revenues.

Computation of traffic forecasts by the Authority, considering the impact of COVID-19 pandemic

6.2.3. The traffic forecasts have been computed by the Authority, after taking into account the analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector, apart from the study report provided by CAPA India for SVPIA.

6.2.4. **Airports Council International (ACI):** ACI in its report on 28th June 2022 has projected the following air passenger traffic outlook:

- *Global domestic passenger traffic is still expected to reach 2019 levels in late 2023 with full-year 2023 traffic at par with 2019 levels. However, global international passenger traffic will require almost one more year to recover and will reach 2019 levels only by the second half of 2024.*

6.2.5. **International Air Transport Association (IATA):** IATA in its report as on 01st March 2022 has reported the following air passenger traffic projection:

- *The International Air Transport Association (IATA) expects overall traveller numbers to reach 4.0 billion in 2024 (counting multi-sector connecting trips as one passenger), exceeding pre-COVID-19 levels (103% of the 2019 total).*
- *In 2021, international traveller numbers were 27% of 2019 levels. This is expected to improve to 69% in 2022, 82% in 2023, 92% in 2024 and 101% in 2025.*
- *In 2021, domestic traveller numbers were 61% of 2019 levels. This is expected to improve to 93% in 2022, 103% in 2023, 111% in 2024 and 118% in 2025.*

6.2.6. Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority has taken into consideration the forecasted data published by ACI and IATA cited in para 6.2.4 and 6.2.5 for arriving at the revised traffic projections.

6.2.7. The Authority also compared the actual traffic recovery to pre-COVID levels (FY 2020 levels) in the first quarter of FY 2023 at Major Airports in India. The comparison is given below.

Table 72: Passenger traffic recovery in FY Q1 of FY 2023 to pre-COVID levels

Passenger Traffic Apr – Jun (No's)	International			Domestic		
	FY 2020	FY 2023	Recovery	FY 2020	FY 2023	Recovery
Formula	A	B	B ÷ A	C	D	D ÷ C
India	16,867,568	1,20,32,575	71.34%	67,672,557	6,44,40,437	95.22%
DIAL	4,279,288	32,28,191	75.44%	11,471,621	1,20,61,811	105.14%

Passenger Traffic Apr – Jun (No's)	International			Domestic		
	FY 2020	FY 2023	Recovery	FY 2020	FY 2023	Recovery
MIAL	3,072,173	21,94,889	71.44%	8,059,909	75,91,784	94.19%
BIAL	1,251,260	7,55,090	60.35%	7,160,008	62,46,695	87.24%
HIAL	1,034,966	7,57,831	73.22%	4,535,422	42,38,266	93.45%
CIAL	1,287,935	9,87,565	76.68%	1,407,947	9,96,945	70.81%
SVPIA	593,390	3,44,140	58.00%	2,217,538	1,777,931	80.18%

Source: AAI Traffic News

6.2.8. As can be seen above, the international passenger traffic has recovered to around approximately 58% and the domestic traffic recovery is at approximately 80%. Based on these recent trends in passenger traffic growth, the positive outlook towards GDP growth predicted by the GoI and relatively better revival of the domestic aviation market, the Authority expects that the domestic passenger traffic at SVPIA would recover to pre-COVID levels (of FY 2020) during FY 2023.

6.2.9. Further, considering the predictions done by the above agencies (as cited in para 6.2.4 and 6.2.5), the Authority is of the view that international passenger traffic and ATM will revert to pre-COVID levels (of FY 2020) by FY 2024.

6.2.10. The Authority notes that the traffic forecasts provided by the Airport Operator (based on CAPA India Study report) corresponds to the above views of the Authority that the domestic and international passenger traffic will reach pre-COVID levels of FY 2020 by FY 2023 and FY 2024, respectively.

6.2.11. The Authority has noted the actual passenger traffic and ATM data for FY 2022 from AAI's website and the same has been considered while estimating traffic for the Third Control Period. Considering the positive outlook provided by the Expert Agencies and the recent trends in traffic recovery, the Authority proposes to consider the passenger traffic and ATM proposed by the Airport Operator for FY 2023 to FY 2026.

6.2.12. With respect to cargo traffic, since the actual traffic data for FY 2022 is now available, the Authority compared the actual traffic from the AAI website against the projections submitted by AIAL as part of the MYTP. The comparison is given in the table below.

Table 73: Comparison of actual cargo traffic in FY 2022 at SVPIA vs the projection of AIAL

Cargo (MT)	FY 2022 (AIAL's MYTP)	FY 2022 (Actuals)[5]	% Change (Actuals vs MYTP)
Formula	A	B	(B – A) ÷ A)
Domestic	59,191	41,794	-29.39%
International	23,970	48,840	103.75%
Total	83,161	90,634	8.99%

6.2.13. It can be observed from the above table that the actual domestic cargo at SVPIA is lower than the projections as per the MYTP submission by approximately 29%. However, at the international level, the actual cargo at SVPIA exceeds the projections as per the MYTP submission by approximately 104%. Even at an overall level, the actual cargo at SVPIA is higher than the projections as per the MYTP submission by approximately 9%. Hence, the recovery in domestic cargo traffic has been slower than expected by AIAL, whereas the recovery in international cargo traffic has exceeded expectations significantly.

[5] AAI Traffic News

Table 74: Recovery of cargo traffic in first quarter of FY 2023

Q1 Cargo Traffic (MT)	International			Domestic		
	FY 2020	FY 2023	Recovery	FY 2020	FY 2023	Recovery
SVPIA	13203	12153	92%	14472	11,090	77%

6.2.14. The Authority notes that the domestic cargo traffic in the first quarter of FY 2023 (April to June) is already at approximately 77% of that in the first quarter of FY 2020. Going by the recent trends, the Authority is of the view that the domestic cargo traffic would recover to pre-COVID levels in FY 2023. The Authority notes that the domestic cargo traffic forecasts provided by the Airport Operator (based on CAPA India Study report) corresponds to the above views of the Authority that the domestic cargo traffic will reach pre-COVID levels of FY 2020 by FY 2023. Hence, the Authority has considered the domestic cargo traffic projections for FY 2023 to FY 2026 as submitted by the Airport Operator.

6.2.15. The Authority notes that the international cargo traffic has already surpassed the pre-COVID levels (FY 2020 levels). Based on the recent trends observed, the international cargo traffic projections made by AIAL appear to be quite conservative. Hence, the Authority has considered the international cargo traffic to grow at the historic growth rate of 10.15% (CAGR between FY 2015-20) from FY 2023-26. Accordingly, the Authority proposes the following cargo traffic for SVPIA for the Third Control Period:

Table 75: Cargo traffic at SVPIA for the Third Control Period proposed by the Authority

Cargo Traffic (MT)	FY 2020	FY 2022*	FY 2023	FY 2024	FY 2025	FY 2026	Total for TCP
Domestic	57674	41794	63,931	69046	74570	80311	329652
Y-o-Y Growth (%)		*15.2%*	*53.0%*	*8.0%*	*8.0%*	*7.7%*	
International	46067	48840	53795	59253	65265	71887	299040
Y-o-Y Growth (%)		*99.6%*	*10.1%*	*10.1%*	*10.1%*	*10.1%*	
Total	103741	90634	117726	128299	139835	152198	628692

** Actuals (Source: AAI Traffic News)*

6.2.16. In order to estimate the share of cargo handled by AIAL in FY 2023 to FY 2026, the Authority has considered the market share of 72% proposed by AIAL (which is composed of 54% Domestic, 16% International and 30% Express Cargo).

6.2.17. Based on its analysis of Passenger, ATM and Air Cargo Traffic, the Authority proposes the traffic for SVPIA for the Third Control Period as given in the table below and true up the same based on actuals, at the time of determination of tariffs for the Fourth Control Period.

Table 76: Traffic proposed by the Authority for TCP

Domestic Passengers (Mn)	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26	Total in TCP
Submitted by AIAL:							
Domestic Passenger Traffic		5.59	9.49	11.44	13.55	15.79	55.85
Recovery to FY 2020 levels (%)		61%	104%	126%	149%	173%	
Proposed by the Authority:							
Domestic Passenger Traffic	9.11	5.05	9.49	11.44	13.55	15.79	55.31
Recovery to FY 2020 levels (%)		55%	104%	126%	149%	173%	
International Passengers (Mn)	**FY 20**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**	**Total in TCP**
Submitted by AIAL:							
International Passenger Traffic		0.56	1.96	2.73	3.40	4.07	12.73
Recovery to FY 2020 levels (%)		24%	84%	118%	147%	175%	

Proposed by the Authority:							
International Passenger Traffic	2.32	0.63	1.96	2.73	3.40	4.07	12.79
Recovery to FY 2020 levels (%)		27%	84%	118%	147%	175%	
Total Passengers (Mn)	**FY 20**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**	**Total in TCP**
Submitted by AIAL:							
Total Passenger Traffic		6.15	11.45	14.17	16.96	19.85	68.58
Recovery to FY 2020 levels (%)		54%	100%	124%	148%	174%	
Proposed by the Authority:							
Total Passenger Traffic	11.43	5.67	11.45	14.17	16.96	19.85	68.10
Recovery to FY 2020 levels (%)		50%	100%	124%	148%	174%	
Domestic ATM (No's)	**FY 20**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**	**Total in TCP**
Submitted by AIAL:							
Domestic ATM Traffic		53,512	69,356	82,536	96,606	111,183	413,193
Recovery to FY 2020 levels (%)		77%	100%	119%	140%	161%	
Proposed by the Authority:							
Domestic ATM Traffic (A)	69,190	45,623	69,356	82,536	96,606	111,183	405,304
Recovery to FY 2020 levels (%)		66%	100%	119%	140%	161%	
Domestic Exempted ATM (%)	**FY 20**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**	**Avg. in TCP**
Submitted by AIAL		20%	18%	15%	15%	15%	17%
As per the Authority** (B)		17%	16%	14%	14%	14%	15%
Domestic Billable ATM (No's)	**FY 20**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**	**Total in TCP**
Submitted by AIAL		42,810	56,872	70,156	82,115	94,506	346,458
As per the Authority (C = A × B)		37,867	58,259	71,394	83,564	96,173	347,257
International ATM (Mn)	**FY 20**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**	**Total in TCP**
Submitted by AIAL:							
International ATM Traffic		4,552	12,606	17,413	21,469	25,408	81,448
Recovery to FY 2020 levels (%)		30%	82%	113%	140%	165%	
Proposed by the Authority:							
International ATM Traffic (D)	15,387	5525	12,606	17,413	21,469	25,408	82,421
Recovery to FY 2020 levels (%)		36%	82%	113%	140%	165%	
Total ATM (Mn)	**FY 20**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**	**Total in TCP**
Submitted by AIAL:							
Total ATM Traffic		58,064	81,962	99,949	118,075	136,591	494,641
Recovery to FY 2020 levels (%)		69%	97%	118%	140%	161%	
Proposed by the Authority:							
Total ATM Traffic (A + D)	84,577	51,148	81,962	99,949	118,075	136,591	487,725
Recovery to FY 2020 levels (%)		60%	97%	118%	140%	161%	
Total Billable ATM (No's)	**FY 20**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**	**Total in TCP**
Submitted by AIAL		47,362	69,478	87,569	103,584	119,914	427,906
As per the Authority (C + D)		43,392	70,865	88,807	105,033	121,581	429,678
Cargo Traffic (MT)	**FY 20**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**	**Total in TCP**
Total cargo volume:							
Submitted by AIAL:							
Domestic		59,191	63,931	69,046	74,570	80,311	347,049

International		23,970	37,818	52,239	62,372	67,809	244,208
Total cargo		83,161	101,749	121,285	136,942	148,120	591,257
Proposed by the Authority:							
Domestic	57,674	41,794	63,931	69,046	74,570	80,311	329,652
International	46,067	48,840	53,795	59,253	65,265	71,887	299,040
Total cargo	1,03,741	90,634	117,726	128,299	139,835	152,198	628,692
AIAL's cargo share:							
Submitted by AIAL							
Domestic cargo		31,916	39,560	47,156	53,243	57,589	229,463
International cargo			11,721	13,972	15,776	17,063	58,533
Express cargo			21,978	26,198	29,579	31,994	109,749
Total cargo		31,916	73,259	87,325	98,598	106,646	397,744
Market share of AIAL (in %)		35%	72%	72%	72%	72%	
Proposed by the Authority:							
Domestic cargo		31,916*	45,772	49,883	54,368	59,174	241,113
International cargo			13,562	14,780	16,109	17,533	61,984
Express cargo			25,429	27,713	30,204	32,875	116,221
Total cargo		31,916	84,763	92,375	100,681	109,582	419,318

**Actuals as submitted by AIAL*

***The present estimates for ATM traffic with respect to less than 80-seater flights (non-RCS) are provided by the AO. The same will be verified on actual basis and appropriate changes will be carried out before issuing the Tariff Order.*

Note: Total cargo volume for FY 2020 and FY 2022 are as per AAI website

6.2.18. The Authority has considered the traffic proposed above to assess the need for the capital expenditure proposed by the Airport Operator for the Third Control Period at SVPIA.

6.3. Authority's proposal regarding Traffic for the Third Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to traffic forecast for the Third Control Period:

6.3.1. To consider the ATM, Passenger traffic and Cargo traffic for the Third Control Period for SVPIA as detailed in Para 6.2.17 (Table 76).

6.3.2. To true up the traffic volume (ATM, Passengers and Cargo) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

7. REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

7.1. Background

7.1.1. RAB is an essential element in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an Airport Operator. To encourage the participation of the private sector in airport development and operations, investors must be fairly compensated for the capital outlays involved. At the same time, to safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return on investment provided solely on the assets related to the core operations (i.e., aeronautical services) of the airport and put to use by the Airport Users.

7.1.2. The Authority notes that as per the Concession Agreement (CA), the AO has proposed to plan and develop SVPIA in a phased manner during the Concession Period, as well as cater to the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per its demand projections. Further, development of the airport includes construction and procurement of various assets as described in Schedule B to the CA such as:

i. Runways, taxiways, apron, aircraft parking bays, air traffic control tower, cargo facilities, parking, flight kitchens, MRO facilities, warehousing facilities, airline offices, administrative offices, and associated facilities

ii. Construction and procurement of Terminal Building and facilities and

iii. Construction of required approach roads.

7.1.3. The Authority also notes that the AO is mandated to develop an integrated terminal building which is efficiently planned, flexible for phase-wise development, sustainable and economical, as stipulated in Schedule B of Annex I of the CA (Refer Para 17.3.10 in Annexure 3 of Chapter 17). Further, as per Clause 23.7.1 of the CA (Refer Para 17.3.8 in Annexure 3 of Chapter 17)- "*The Concessionaire shall participate in the user survey of ASQ undertaken by ACI or any substitute thereof, conducted every quarter and ensure that the Airport achieves and maintains a rating of at least 4.5 out of 5.0 and/ or shall appear within top 20 percentile of all airports, in its category in the World in such survey within five (5) years from the COD and maintain the same throughout the rest of the Concession Period."*

7.1.4. The Authority understands that as part of the Concession Agreement (CA), the AO shall be liable to pay to AAI amounts incurred by AAI as on the COD in respect of works-in-progress as set forth in Schedule T (Refer Para 17.3.14 in Annexure 3 of Chapter 17) of the CA. The Concessionaire is also responsible to incur any additional cost towards completion of such work-in-progress assets after COD. Upon reimbursement to AAI and completion of such works-in-progress by the Concessionaire, such works-in-progress assets shall form part of the Airport. The AO is also required to give due regard to the works proposed to be implemented by AAI as on the date of signing of the Concession Agreement as set forth in Schedule U of the CA (Refer Para 17.3.11 in Annexure 3 of Chapter 17).

7.1.5. The Independent Consultant appointed by the Authority has performed an in-depth analysis of the submissions made by the Airport Operator towards Aeronautical Capital Additions, Depreciation and RAB. In this respect, the Independent Consultant has performed the following functions:

- Conducted site visit on 25th May 2022 to witness the physical progress of the projects.
- Sought and verified various technical study reports of the Consultants appointed by the AO, Drawings & Plans, BOQs, Cost Estimates & Break-up, detailed justification & explanation,

Deviation Statements, Demand vs Requirement Statements, copies of Letter of Intent (LOIs), Letter of Award (LOAs), Purchase Orders and Work Orders, etc., and

- Sought documentary evidences and verified the process of approval of capital addition projects including competitive bidding process for award of various work orders to the contractors for such projects.

7.1.6. Based on the review of documents as stated above, the Authority has rationalized the capital expenditure projects submitted by the Airport Operator based on the essentiality, necessity for Airport operations and reasonableness of the proposed cost. In certain cases, the projects have been deferred to the next Control Period for the reasons given in the relevant paras.

7.1.7. In the background of the facts stated above, the Authority has examined the capital expenditure proposed by the Airport Operator for SVPIA, considering the historical traffic trends and future traffic estimates such that only essential, reasonable and efficient CAPEX is considered as part of RAB for the Third Control Period with a view to encourage the investors and maintain a balanced approach between the sustainable operations of the Airport and the interest of the airport users. Further, the Authority takes cognizance of the fact that, if any excessive CAPEX is allowed in this Control Period, it would be against the regulatory framework, as tariff would have no link to the services/ facilities created at the Airport and the resultant high aeronautical charges would be unfair to the ultimate users.

7.1.8. Towards this objective, the Authority has examined in detail the Capital Expenditure and RAB submitted by the Airport Operator and has presented its views in the following sequence:

i. Capital projects transferred to AO from AAI as on COD (Discussed as item B7 in the subsequent section)

ii. Capital expenditure proposed by the AO for the Third Control Period

iii. Aeronautical allocation of capital expenditure for the Third Control Period

iv. Aeronautical Depreciation for the Third Control Period

v. Regulatory Asset Base for the Third Control Period

7.1.9. While analysing the MYTP regarding capitalization of expenditure for the Third Control Period, the Authority has considered the appropriate adjustments to traffic in the context of the COVID-19 pandemic and the resultant stress on the financials of all the stakeholders of civil aviation sector. In this background, the Authority has sought and examined the Airport Operator's submission based on the following details/ criteria:

- Nature of the expenditure
- Necessity / requirement of the expenditure
- Business plan and Master plan for all projects
- Number of PAX both at present and projected for the Third Control Period
- Terminal Capacity both at present and projected for the Third Control Period
- Other short-term and long-term plans of the Airport Operator
- Sustainability of airport operations
- Passenger consideration
- Safety and security of the airport

- Process of approval and sanction for various work orders / purchase orders
- Site visit conducted through the Authority's Independent Consultant to witness the physical progress (on 25th May 2022).

7.1.10. Based on the above, the Authority has rationalized the capital expenditure for all the projects and accordingly proposed capital additions for the Third Control Period.

7.2. AIAL's submission of Capital Expenditure proposed for the Third Control Period

7.2.1. AIAL had submitted Aeronautical Capital Expenditure of INR 10,545.64 Cr. (inclusive of Financing Allowance, cost towards technical services, preliminaries, pre-operatives, insurance/statutory payments, contingencies etc.) in the MYTP dated 04th February 2022, for the Third Control period as given below:

Table 77: Asset-wise capital additions submitted by the Airport Operator for TCP as part of the MYTP

Particulars (INR Cr.)	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Terminal Building (Aero)	44.01	990.02	70.92	222.57	4,016.09	**5,343.61**
Runway, Taxiway and Apron	10.61	648.39	458.41	4.43	444.86	**1,566.70**
Cargo building	0.00	0.00	323.39	0.00	0.00	**323.39**
Cargo Equipment	6.47	0.00	102.07	0.00	0.00	**108.54**
Boundary wall	0.00	24.63	1.63	1.17	7.46	**34.89**
IT equipment	5.02	13.14	7.96	4.50	3.91	**34.53**
Security equipment	8.55	17.18	0.93	0.89	1.59	**29.14**
Plant and Machinery	29.28	64.92	41.45	124.34	179.34	**439.33**
Other Buildings	9.95	10.96	201.85	817.95	19.21	**1,059.93**
Access Road	1.59	14.83	6.61	22.62	376.49	**422.13**
Terminal Building (Non-Aero)	2.39	53.69	3.85	12.07	217.81	**289.81**
Vehicles	0.00	2.28	0.00	0.41	0.00	**2.69**
Fuel Farm	-	32.40	75.94	-	59.88	**168.23**
Total	**117.86**	**1,872.44**	**1,295.01**	**1,210.95**	**5,326.64**	**9,822.91**
Add: Financing Allowance (FA)	8.98	117.10	98.65	92.25	405.77	**722.74**
Total CAPEX including FA	**126.84**	**1,989.54**	**1,393.66**	**1,303.20**	**5,732.41**	**10,545.64**

7.2.2. The Authority, as part of its examination of the Capital Expenditure submitted by the Airport Operator for the Third Control Period, had raised queries and sought clarification on the essentiality of the capital expenditure and enquired for necessary documents such as project cost estimates, Technical Consultants' reports, design, drawings, plans, inspection report issued by various authorities etc., substantiating the capital expenditure proposed by the Airport Operator in the MYTP. However, the information shared by the AO was on a piecemeal basis. Further, the information furnished was not complete and required follow ups by the Authority to address the gaps. The Consultation Process is an exhaustive exercise and involves the analysis of significant data, reaching conclusions and recording the resultant proposals keeping in mind the interest of all stakeholders. This exercise takes considerable time, and the Authority can't afford to let it be an open-ended process. The Authority has accordingly relied on the information made available by the AO within reasonable timelines and made appropriate analysis and made changes wherever necessary.

7.2.3. In the course of responding to the queries of the Authority, the Airport Operator revised its initial submission of capital expenditure (including addition/removal of projects and revision of project costs) vide email dated 21st July 2022.

7.2.4. Upon review of all the necessary details and documents, the Authority had convened a virtual meeting on 22nd July 2022 with the representatives of the Airport Operator along with AERA's Consultant to obtain clarification regarding its queries on the ongoing and new projects proposed by the Airport Operator.

7.2.5. The Airport Operator has submitted multiple roadways and drain related projects under different heads. The Airport Operator has clarified vide email dated 13th October 2022 that there is no duplication of items between these projects and that these are separate items. The Authority has discussed its examination of these projects individually under the relevant heads. A brief summary is provided below.

Table 78: Summary of Projects related to Road and Drains submitted by AO

S. No.	Project Description	Reference
	Roadway systems:	
A.2	Construction of Roadway System New Integrated Passenger Terminal	Para 7.3.20
C.1	Landside Road Network	Para 7.3.60
C.2	Construction of temporary roads	Para 7.3.64
C.3	Airside Roads	Para 7.3.66
C.4	Minor Works – Roads	Para 7.3.68
D.2	Multi modal transport hub (MMTH) – Landside Roads	Para 7.3.70
	Stormwater drains:	
B.1	Major Rehabilitation of RWY - Drains	Para 7.3.40
F.2	Landside drainage	Para 7.3.85
F.3	Airside Drainage & Ducting System	Para 7.3.88

7.2.6. In its initial submissions, AIAL had not provided the item-wise break-up of the various Minor Projects/Works (individually below INR 15 Cr. value) included under multiple project heads. The Airport Operator was asked to share the details of the same vide email dated 24th June 2022. AIAL shared the details requested vide email dated 16th July 2022. On 30th July 2022 AIAL shared a revised list of minor projects with descriptions and break-up of costs. However, gaps were still persistent in the information submitted by AIAL and the Authority during its examination sought clarifications from time to time from AIAL.

7.2.7. A comparison of capital expenditure submitted by the Airport Operator during different time periods, namely, the original MYTP as on 04th February 2022 and the revised capital expenditure submission as on 21st July 2022, is shown below:

Table 79: Comparison on capital expenditure and revision submitted by AO

Capital Expenditure as per (INR Cr.)	MYTP as on 04th February 2022	Revised submission on 21st July 2022
Capital Expenditure	9,822.91	10,586.50
Financing Allowance	722.74	779.89*
Total	**10545.64**	**11,366.39**

**also including Interest During Construction*

7.2.8. Post 21st July 2022, AIAL has dropped certain projects from time to time in response to queries from the Authority seeking supporting information, documents and updated capital expenditure proposed by the Airport Operator is INR 11,107.43 Cr. (including indexation, soft costs, Interest During Construction and Financing Allowance).

7.3. Authority's examination of Capital Expenditure for the Third Control Period

7.3.1. The item-wise break-up of the capital expenditure proposed by the Airport Operator for the Third Control Period is given below:

Table 80: Capital Expenditure proposed by the Airport Operator for TCP

S. No.	Particulars (INR Cr.)	FY of Capitalisation	Cost Proposed (INR Cr.)		
			Base cost*	including indexation	Including soft costs**
A	**Terminal Buildings**				
A.1	Construction of New Integrated Terminal Building	2026	3,130.63	3,524.55	4,115.30
A.2	Construction of Roadway System New Integrated Passenger Terminal	2026	201.01	230.87	269.57
A.3	Substation (RSS/DSS) Building	2025, 2026	72.86	82.78	96.66
A.4	Upgradation / Modification in existing Terminal Building	2023	907.43	936.47	1,094.47
A.5	VIP /CIP Terminal	2024	31.37	33.67	39.32
A.6	Minor Works – Terminal Buildings	2022-26	22.21	22.21	25.93
	Subtotal - Terminal Buildings		**4,365.51**	**4,830.55**	**5,641.25**
B	**Runways, Taxiways & Aprons**				
B.1	Major Rehabilitation of RWY	2023	367.60	367.60	429.46
B.2	Apron Improvement Works	2023, 2024, 2026	380.34	422.67	493.60
B.3	Taxiway Improvement Works	2024, 2026	195.67	208.17	243.21
B.4	Improvements to AGL System	2024, 2026	37.03	40.05	46.77
B.5	Isolation Bay	2024	23.58	25.11	29.33
B.6	Minor Works – Runway & Taxiway	2022, 2023, 2025, 2026	21.67	22.81	26.64
B.7	CWIP from AAI	2022	1.94	1.94	1.94
	Subtotal - Runways, Taxiways & Aprons		**1,027.83**	**1,088.36**	**1,270.94**
C	**Roads**				
C.1	Landside Road Network	2024-26	41.81	47.83	55.85
C.2	Construction of temporary roads	2023, 2026	41.46	46.46	54.24
C.3	Airside Roads	2023, 2026	25.26	28.46	33.23
C.4	Minor Works – Roads	2022-26	17.96	17.96	20.98
	Subtotal - Roads		**126.49**	**140.71**	**164.30**
D	**Metro Link & MMTH**				
D.1	Metro Station and Metro Corridor	2025	418.50	458.15	534.94
D.2	Multi modal transport hub (MMTH)	2023,2026	167.93	187.56	219.05
	Subtotal - Metro Link & MMTH		**586.43**	**645.71**	**753.99**
E	**Hangars**				
E.1	HANGAR 1	2024	48.53	51.48	60.15
E.2	Other Hangars	2024	208.45	219.85	256.91
	Subtotal - Hangars		**256.98**	**271.33**	**317.06**
F	**Utilities, Drains and External Works**				
F.1	Distribution network for all Utilities	2023, 2026	87.23	94.55	110.37
F.2	Landside drainage	2023, 2026	108.05	111.72	130.40
F.3	Airside Drainage & Ducting System	2023, 2024	71.25	76.81	89.69
F.4	STP, Storage Tanks, Pump House etc.	2023, 2026	79.37	90.55	105.74

S. No.	Particulars (INR Cr.)	FY of Capitalisation	Cost Proposed (INR Cr.)		
			Base cost*	including indexation	Including soft costs**
F.5	Boundary wall improvements including PIDS	2023-26	20.64	22.37	26.12
F.6	Minor Works – Boundary wall	2023-25	4.29	4.34	5.07
F.7	External Landscape & Horticulture	2023, 2026	17.01	19.25	22.48
F.8	Oil Water Separator	2024	15.50	16.73	19.54
F.9	T1 Utility Complex	2025-26	11.08	13.10	15.29
	Subtotal - Utilities, Drains and External Works		**414.41**	**449.42**	**524.70**
G	**Equipment & Machinery**				
G.1	IT Equipment	2022-26	29.54	29.54	34.49
G.2	Security Equipment	2022-26	24.71	24.71	28.88
G.3	DARK (Disabled Aircraft Removal Kit)	2023	20.00	20.00	23.38
G.4	Minor Projects – Plant & Machinery	2022-26	62.65	65.50	76.48
	Subtotal - Equipment & Machinery		**136.90**	**139.75**	**163.23**
H	**Other Buildings**				
H.1	CISF Barracks And Officers' Quarters	2025	192.72	213.87	249.71
H.2	ATC Technical Block with ATC Tower in AAI Colony	2025	183.13	198.92	232.26
H.3	IMD/MET Facility	2024	41.40	44.78	52.29
H.4	ARFF Building	2024	19.15	20.19	23.60
H.5	Airport Health Office (AHO)	2025	17.44	18.13	21.20
H.6	GSE Maintenance Facility	2025	15.50	17.44	20.36
H.7	AAI Cargo Warehouse	2026	69.85	76.61	89.45
H.8	Minor Works – Other Buildings	2022-26	21.96	22.99	26.85
	Subtotal - Other Buildings		**561.15**	**612.93**	**715.72**
I	**Vehicles**				
I.1	Minor Projects – Vehicles	2023, 2025	2.30	2.30	2.69
J	**Cargo**				
J.1	New Cargo Complex - Phase 1 & 2	2024	233.92	250.12	292.16
J.2	Cargo Equipment	2022, 2024	106.59	115.02	134.29
J.3	Minor Works – Cargo Building	2024	12.62	13.22	15.44
J.4	Minor Works – Misc. Cargo Equipment	2022-2024	6.17	6.50	7.58
	Subtotal - Cargo		**359.30**	**384.86**	**449.47**
K	**Fuel Farm**				
K.1	New Fuel Farm facility	2024	218.70	246.50	287.82
K.2	Fuel Farm Equipment	2023	32.68	32.68	32.68
K.3	Minor Projects – Fuel Farm	2023, 2026	2.80	3.16	3.68
	Subtotal - Fuel Farm		**254.18**	**282.34**	**324.18**
	Grand total (M=A+B+C+D+E+F+G+H+I+J+K)		**8,091.48**	**8,848.26**	**10,327.53**
	IDC + FA (N)				779.89
	Grand total including IDC & FA (M + N)		**8,091.48**	**8,848.26**	**11,107.43**

** as in FY 2022*

*** Soft costs include costs towards Technical Service Fee, Preliminaries, Insurance, Statutory Payments, Pre-operatives, Contingencies etc.*

7.3.2. As per the AERA Guidelines 2011 (Terms and Conditions for Determination of Tariffs for Airport Operators) dated 28th February 2011, the Authority shall determine the opening and closing RAB for each Tariff Year in a Control Period on the basis of the forecasted RAB. The Authority's judgements in this regard would also be informed by the periodic update reports of the Airport User Consultative Committee (AUCC). In the context, the Authority has examined the submission of the Airport Operator regarding forecasted capital expenditure in the following paragraphs.

7.3.3. The Authority notes that the Airport Operator conducted its first Airport User Consultation Committee (AUCC) Meeting on 21st January 2022 with all the stakeholders and discussed about the capital expenditure proposed to be undertaken at SVPIA during the Third Control Period from FY 2022 to FY 2026. The meeting was attended by various airport stakeholders such as International Air Traffic Association (IATA), Federation of Indian Airlines (FIA), Indigo, Air India, Vistara, Fly Dubai, Emirates, SpiceJet, Qatar Airways, Singapore Airlines, Go Air, Kuwait Airways, BlueDart, DHL Express, AAI, Association of Private Airport Operators (APAO), BCAS, TAAI and Immigration. As per the 'minutes' of the meeting, the Authority observes that the Airport Operator had broadly discussed the following points with the stakeholders:

i. Historic, current, and future growth forecast of passenger traffic at AIAL.

ii. Detailed presentation on Master plan for the Airport covering 50 years of the Concession period and planned to be executed in four phases with Phase 1 and 2 being undertaken in the Third Control period.

iii. Existing challenges in AIAL pertaining to its location, topography, weather conditions, limited availability of land, etc.

iv. Projects planned to be implemented in the Third Control Period

7.3.4. The Authority also notes, from the Minutes of the AUCC meeting, that various observations were made by some of the stakeholders relating to the aspects of normative costing, cost estimates projected for the capex projects, plans to procure a Disabled Aircraft Removal Kit (DARK), construction and commissioning of new ARFF building, ATS block with certain CNS equipment, timelines for the respective phases of the master plan etc.

7.3.5. The Authority notes that the Airport Operator is mandated to plan and develop Phase I of the Airport in the manner set out in the Concession Agreement as well as cater to the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per its demand projections (as mentioned in Para 7.1.2 of this Consultation Paper). In this background, the Authority has examined the new capital expenditure projects submitted by the Airport Operator and has rationalized it based on traffic forecasts, present and future designed capacity of the Airport and with the perspective of keeping the tariff rates at a reasonable level.

7.3.6. The Authority observes that the AO has submitted various Minor Projects/Works under different heads consisting of numerous sub-projects/procurements planned to be carried out over the Third Control Period (each individually below INR 15.00 Cr.). AIAL did not provide the detailed break-up of these projects as part of its MYTP submission, instead the AO had submitted lumpsum amounts for each head. The Authority vide email dated 24th June 2022 asked AIAL to share the detailed break-up along with the basis for the costs being estimated. AIAL, vide email dated 16th July 2022 shared the list of minor works/procurements planned to be carried out.

The Authority notes that for each Minor Project, AIAL has provided POs and BOQs for only a portion of the cost. For the remaining amounts which consist of multiple line items, no documents or cost estimates have been submitted by AIAL to justify the proposed costs. The Authority notes that these

are budgets for various procurements and minor works over the Third Control Period, therefore, detailed estimates and POs may not be available at this stage. In the absence of such details, it is not possible to assess the reasonableness of these expenses. Therefore, the Authority proposes to rationalise the amount for such projects/items at this stage. In the event that such projects are necessary and critical to airport operations, the Airport Operator may incur the remaining amounts and the same would be taken into due consideration by the Authority for true up at the time of determination of tariffs for the Fourth Control Period subject to cost efficiency and reasonableness.

The Authority also examined the individual line items under each Minor Project and classified them based on the nature of the project into aeronautical, non-aeronautical and common. The common assets were further bifurcated using the Terminal Area Ratio. Accordingly, only the aeronautical portion of the cost has been considered as part of aeronautical capital expenditure. The Authority has detailed its examination of the respective Minor Projects under the relevant heads.

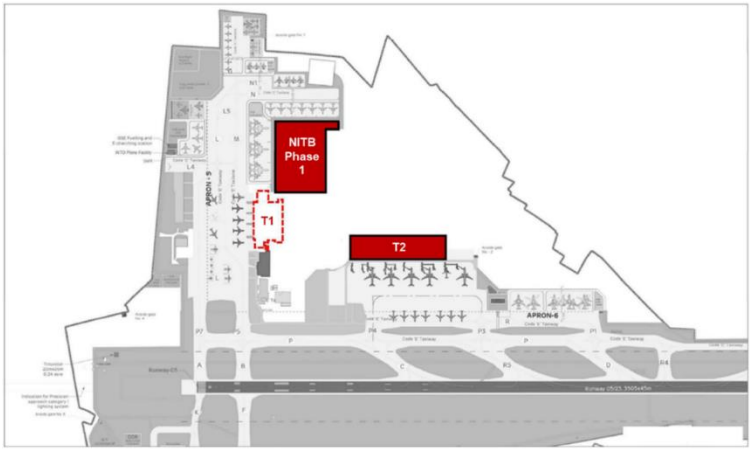
7.3.7. The Authority's examination of the projects proposed by the Airport Operator (Refer Table 80 in Para 7.3.1) is given project-wise in the following paragraphs. The costs mentioned below are as submitted by the Airport Operator as in FY 2022 and does not include cost indexation and soft costs.

A. Terminal Buildings

A.1 New Integrated Terminal Building (NITB) Phase – 1

7.3.8. As part of the capital expenditure for the Third Control Period, AIAL has proposed the commissioning of New Integrated Terminal Building in two phases. Phase 1 of the NITB is proposed to be commissioned in February 2026 at an estimated cost of INR 3,130.63 Cr. (without indexation and soft costs) with a planned capacity of 20 MPPA (2,14,000 SQM). The project was presented to the users at the AUCC meeting held on 21st January 2022. AIAL has submitted that the NITB is planned to be a multi-level terminal with main departure level at 13 m, arrival mezzanine at 6m and arrival level at 0.0 m. The terminal would be well connected on the landside with elevated departure road and at-grade road network at arrival level. The location of Phase 1 of the proposed NITB is shown below.

Figure 3: Location of proposed NITB Phase 1



7.3.9. As per AIAL, the present terminals have a combined capacity of 7.5 MPPA (T1 - 5 MPPA and T2 – 2.5 MPPA). AIAL has proposed the modification, refurbishment, and expansion of the existing terminals to augment the capacity to 16.8 MPPA (T1 – 8.0 MPPA and T2 – 8.8 MPPA). However, the traffic expected in FY 2026 is 19.85 million which is significantly higher than the capacity of the existing terminals even after expansion. AIAL has also submitted the Peak Hour Passenger (PHP) projections for the Third Control Period which also suggest that the existing terminals would not be

able to handle the projected traffic in FY 2026. The Authority compared the area requirement and PHP projections and found AIAL's claims to be reasonable. The PHP capacity submitted by AIAL is given below.

Table 81: PHP capacity submitted by AIAL

Terminal	Type	Current Status			Post modification of terminals		
		Area (SQM)	Capacity (MPPA)	PHP*	Area (SQM)	Capacity (MPPA)	PHP
T1	Domestic	34,158	5.0	800	40,934	8.0	2,265
T2	Domestic					5.7	1,731
	International					3.1	1,064
	Combined	45,462	2.5	700	54,474	8.8	2,795
Total		**79,620**	**7.5**		**95,408**	**16.8**	**5,060**

**One way traffic*

7.3.10. The PHP projections submitted by AIAL is given below.

Table 82: PHP projections submitted by AIAL for the Third Control Period

PHP Demand	2020	2021	2022	2023	2024	2025	2026
Domestic:							
Arrival	1,461	387	914	1,351	1,560	1,585	1,610
Departure	1,489	395	930	1,375	1,587	1,612	1,637
Total	2,950	782	1,844	2,726	3,147	3,197	3,247
International:							
Arrival	737	68	313	505	688	837	976
Departure	869	80	365	586	796	963	1,118
Total	1,606	148	678	1,091	1,484	1,800	2,094
Total PHP*	**4,556**	**930**	**2,522**	**3,817**	**4,631**	**4,997**	**5,341**

Note: The figures for FY 2020 are as per actuals and the figures from FY 2021-2026 are projections made by the AO.
**One way traffic*

7.3.11. The Authority observes that the PHP projections submitted by the Airport Operator indicates the need for a significant increase in terminal capacity. It needs to be ensured that the airside capacity does not become a constraint in achieving the projected passenger traffic. In order to validate the balance of capacity in the terminals and the airside facilities, the Authority directed the Airport Operator to carry out a study regarding airside constraints. Based on the Authority's direction, the AO has engaged National Air Traffic Services (NATS) to Study the following:

- Runway capacity
- Stand capacity
- Taxiway infrastructure
- Airspace infrastructure

The Airport Operator submitted the study (Ahmedabad Airport Master Plan NATS Review) carried out by (NATS) vide email dated 15th September 2022 (The conclusion of the report is provided in Para 17.5.19 of Annexure 5 in Chapter 17 of this Consultation Paper, detailed report is available on the AERA website along with the Consultation Paper).

7.3.12. The Authority notes that as per the NATS Study, no airside capacity constraints are expected in the Third Control Period. However, it is observed that the traffic projections considered in the NATS Study are different from those considered by the Airport Operator in the MYTP. The Airport Operator was asked to clarify this difference, to which AIAL responded vide email dated 08th September 2022 that the CAPA Traffic Study had three scenarios, out of which the medium scenario has been considered for long term master planning, whereas the high scenario has been considered in the MYTP based on short term trends.

7.3.13. The Authority finds that the NATS Study had recommended the expansion of the current planned balance-length parallel taxiway to Code E compliant by 2030. This would help in increasing the runway capacity by 2-5 movements per hour. The Authority understands that the current planned taxiway is Code C compliant considering land availability constraints. However, the Authority infers from the NATS Study Report that Parallel Taxiway for Code C would be sufficient for the Third Control Period. The Authority has shared a copy of the NATS Study Report with ANS Operator (i.e., AAI as provided in the Concession Agreement) for necessary action/updation appropriately. Further, the Airport Operator is directed to ensure the availability of land required for future expansion in a timely manner.

7.3.14. The Authority finds that the construction of the NITB Phase 1 was also envisaged by AAI as per Schedule U of the Concession Agreement (Refer Para 17.3.11 in Annexure 3 of Chapter 17). However, it would be pertinent to note that the total passenger handling capacity at the end of FY 2026 would be 36.6 MPPA with the commissioning of the NITB Phase 1, whereas the projected traffic is 19.85 million. The Authority is of the view that there is a gap in capacity planning, whereas the Concession Agreement requires that the planning effort of the Airport Operator must result in a scheme that remains flexible while also definitely establishing a coordinated plan for the incremental growth of specific elements of the Airport as per Clause 2 of Schedule B of the Concession Agreement (Refer Para 17.3.15 in Annexure 3 of Chapter 17). Hence, the Airport Operator is expected to proceed with expansion and development of the Airport in a modular fashion, in order to avoid undue stress on Airport Users. The cost proposed by the Airport Operator towards construction of NITB Phase 1 is given in the table below.

Table 83: Cost towards NITB Phase 1 proposed by the Airport Operator

S. No.	Particulars	Unit	Unit Rate (INR)	Quantity	Amount (INR Cr.)
1	Construction of NITB	SQM	1,46,000	2,14,000	3,124.40
2	Demolition Works -				
2.a	Demolition of Flexible Pavement	SQM	730	25,742	1.88
2.b	Demolition of Existing Structure	SQM	3,300	13,041	4.30
2.c	Demolition of Existing Boundary wall	RMT	2,100	208	0.04
	Total				**3,130.63**

7.3.15. The Authority examined the cost proposed by AIAL towards construction of the NITB Phase 1 and found the cost to be higher when compared to inflation adjusted normative benchmarks. The Authority asked AIAL to clarify the reasons for the same. AIAL vide email dated 28th June 2022 shared a note regarding normative benchmark for terminal building. As per the note shared, AIAL has referred various orders with respect to different airports for determining normative benchmark for construction of terminal building ranging between INR 0.95 lacs to INR 1.25 lacs per SQM.

7.3.16. AIAL has proposed a new composite index, based on their experience, for determining the normative cost for each year from FY 2022 to FY 2026. The composite index comprised of indices of material and labour used in construction of terminal building. The table below shows the composition of the index along with index value for material and labour for FY 2018 and FY 2022. As per AIAL, WPI

Index value is used for various components from FY 2018 to FY 2022. For FY 2023 and onwards, AIAL has assumed a 5% Y-o-Y growth to arrive at the inflation adjusted normative cost.

Table 84: Composition of composite index for terminal building proposed by Airport Operator

Composition	Proportion	Contribution (INR)	FY 2018	FY 2022
Manufacture of electrical equipment	28%	28,000	109.6	122.3
HSD	12%	12,000	84.4	128.2
Angles, Channels, Sections, steel (coated/not)	20%	20,000	96.4	143.4
Mild Steel -Long Products	12%	12,000	95.6	137.4
Ordinary Portland cement	8%	8,000	111.4	125.4
Labour	20%	20,000	104.8	123.6
Weighted average	100%	1,00,000	101.45	129.55
Normative cost (INR per SQM)			1,00,000	1,28,410

7.3.17. Based on the above index, the inflation adjusted normative cost proposed by the Airport Operator for Terminal Building for FY 2022 is INR 1,28,410 per SQM.

7.3.18. The Authority is of view that the composition of steel considered in the cost of construction of terminal building by AIAL is higher than typically expected for a terminal building. Considering a different approach in the case of individual airports would result in non-uniformity of cost rationalisation, which would not be a fair approach. Further, AIAL has assumed the unit cost as INR 1,00,000 per SQM for FY 2018, whereas the Authority had considered the same with respect to FY 2021 for certain airports. Therefore, the Authority doesn't find merit in the submission of AIAL regarding the normative cost for terminal building. Therefore, the Authority recomputed the inflation adjusted normative cost for Terminal Building considering a base cost of INR 1,00,000 per SQM in FY 2021 as given in the table below.

Table 85: Inflation adjusted normative cost proposed by the Authority

Normative Cost (INR per SQM)	FY 2021	FY 2022
Terminal Building (A)		
WPI Index* (B)	123.40	139.40
Inflation adjusted cost (C = A × B / 123.40)	1,00,000	1,12,966

**https://eaindustry.nic.in/*

7.3.19. Accordingly, the Authority proposes to limit the allowable cost for NITB Phase 1 based on the inflation adjusted normative cost as given in the table below.

Table 86: Cost proposed by the Authority towards construction of NITB Phase 1

Normative Cost Calculation	Unit Rate (INR per SQM)	Quantity (SQM)	Amount (INR Cr.)
A.1 NITB Phase – 1			
Cost submitted by AIAL (A)			**3,130.63**
Exclusions from normative limit			
Less: Demolition cost (B)			6.23
Less: GST on above items (C)			476.60
Net Amount (D = A – B – C)	1,23,728	2,14,000	**2,647.80**
Cost proposed by the Authority:			
Cost based on normative limit (E)	1,12,966*	2,14,000	2,417
Add: GST on NITB Phase – 1 (F = E × 18%)			435.14

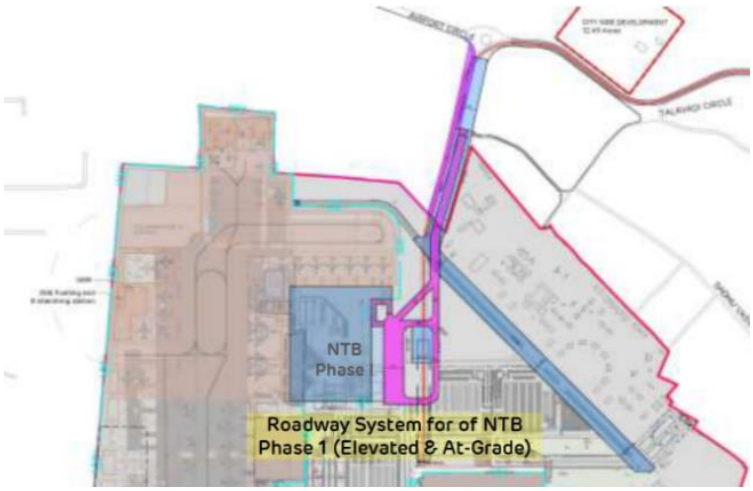
Normative Cost Calculation	Unit Rate (INR per SQM)	Quantity (SQM)	Amount (INR Cr.)
Add: Demolition Cost (B)			6.23
Cost proposed by the Authority (G = E + F + B)			**2,858.84**
Difference (A – G)			271.78

**As per Order No. 07/2016-17 dated 06th June 2016 regarding normative approach to regulatory building blocks (capital costs reg.)*

A.2 Construction of roadway system for New Integrated Passenger Terminal

7.3.20. Along with the construction of the NITB Phase 1, AIAL has also proposed the construction of a multi-level roadway system of elevated and at-grade roads connecting to the terminal's kerbs. All the terminal roadway system (3 lanes in each direction) - elevated and at-grade shall be unidirectional near the terminal to avoid conflict of vehicle flows and provide direct guidance to incoming and out-going traffic of NITB Phase 1. The proposed elevated and at-grade road system of the terminal shall lead to departure kerbs, arrivals kerbs and also provide access to MMTH, VIP parking, etc.

Figure 4: Roadway system for NITB Phase – 1



7.3.21. The length of elevated road to be constructed is 1,364 m (including ramps), while length of the new terminal related at-grade roads is approximately 858 m.

7.3.22. The cost proposed by the Airport Operator towards construction of Roadway System for New Integrated Passenger Terminal is given in the table below.

Table 87: Cost towards Roadway System for NITB Phase – 1 proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
A.2	**Construction of Roadway System for Phase 1 of NITB**			
	Cost submitted by AIAL:			
1	At Grade - NTB Phase I Arrival Road	4,500	17,998	8.10
2	Elevated - NTB Phase I Departure Road	83,900	20,879	175.17
3	NTB Phase I Departure Ramp	26,400	4,953	13.08
4	Ramp from Departure kerb to Arrival kerb	26,400	1,767	4.66
	Total (A)			**201.01**
	Cost proposed by the Authority (B)			**201.01**
	Difference (A – B)			-

7.3.23. The Authority notes that AIAL has submitted the designs for this roadway system along with the cost estimates based on the CPWD DSR 2021 and traffic simulations. The Authority proposes to consider the cost towards NITB roadway system as submitted by AIAL (as given in the table above) given that the roadway system would be integral to the NITB Phase 1.

A.3 Substation (RSS/DSS) building

7.3.24. AIAL has proposed the commissioning of a new Substation building in FY 2026 at an estimated base cost of INR 72.86 Cr. The Authority notes that the proposed sub-station is to cater to the increased power demand of the airport. In this regard, AIAL shared a note vide email dated 16th July 2022, which states that there is an expected increase in demand for power at the airport from 11444 KVA to 26555 KVA due to increase in the capacity of the airport and other developments planned.

7.3.25. The Authority has analysed the traffic projections, increase in terminal area and corresponding increase in power demand and found the estimates on power demand shared by AIAL for the Third Control Period based on the increased need for capacity to be justified. It would be pertinent to note that, in the Third Control Period, the total terminal area is expected to increase from 79,620 SQM in FY 2022 to 95408 SQM in FY 2024 with expansion of the existing terminals and subsequently to 3,09,408 SQM by the end of FY 2026 with the commissioning of the NITB Phase 1.

7.3.26. AIAL has provided the cost estimate based on CPWD PAR 2021 and the detailed break-up of cost estimate for additional cables and accessories was shared by AIAL vide email dated 04th Sep 2022, based on the quotation received for the same (Refer Para 17.5.20 of Annexure 5 in Chapter 17). The Authority notes that the cost proposed by the Airport Operator matches with the quotation from a vendor shared by the AO. However, in the absence of comparable benchmarks for the cost considered towards additional cables, it is not possible to assess the reasonableness of the same at this stage. Therefore, the Authority proposes to allow 50% of the cost as per the quotation shared by AO for Additional cable and other associated accessories at this stage and true up the same at the time of determination of tariffs for the Fourth Control Period. Accordingly, the Authority proposes to consider the cost towards substation as given in the table above.

Table 88: Cost towards Substation as proposed by the Authority

S. No.	Description of Item	Unit	Rate (INR)	Quantity	Amount as per (INR Cr.)	
					AIAL	Authority
A.3	**Substation (RSS/DSS) Building**				A	B
1	Substation Building- RSS	Sqm	45,300	3,065	13.89	13.89
2	RSS & DSS Electrical Substation Equipment	KVA	10,500	40,000	42.00	42.00
3	Additional cable and other associated accessories for 66/33 kV*	LS			16.44	8.22
4	Access & Circulation Area/ Site	Sqm	4,400	1,215	0.53	0.53
	Total				**72.86**	**64.64**
	Difference (A – B)					8.22

**50% of the proposed cost is considered for Additional cable and other associated accessories based on the Quotation shared by AO*

A.4 Expansion and modification of existing terminal buildings:

7.3.27. To maximize the utilization of T1&T2, resolve current bottlenecks and to improve the Level of Service, AIAL has proposed some modifications and expansions in the existing terminals. The existing combined area for Terminal T1 and T2 is 79,620 SQM which is expected to increase by 15,788 SQM to a total area of 95,408 SQM. As per AIAL, the proposed changes would increase the capacity of T1

from the existing 5 MPPA to 8 MPPA and the capacity of T2 from the existing 2.5 MPPA to 8.8 MPPA, resulting in a total increase in the passenger capacity from 7.5 MPPA to 16.8 MPPA.

Figure 5: Proposed modifications to T1 and T2

7.3.28. The Airport Operator submitted that the existing terminals are in need of extensive refurbishment since there are multiple issues such as deteriorating ceiling, sections of cracked flooring in many places, inadequate seating, suboptimal passenger flows etc. Hence, the AO has proposed the replacement of Terminal flooring, landscaping, treatment of Terminal walls and columns to improve passenger experience, replacement of signages to cater to new passenger flow, improvement of look and feel through for creation of sense of place and addition and upgradation of washrooms. Apart from these changes, the following modifications have been proposed in the existing terminals:

In T1:

- Relocation and enhancement of Security screening lanes with all associated services (6 Existing + 5 New)
- Additional 900 SQM of SHA area to accommodate 2 additional gates and seating capacity
- Additional building construction of approx. 2200 SQM to accommodate relocation of 1 and addition of 1 baggage reclaim carousel.
- Additional shade construction of approx. 2000 SQM to accommodate Baggage Reclaim & BHS System.
- Addition of 4 Check-in counters, 4 SBDs and associated ILBS BHS system
- Reconfiguration of Arrivals hall for better passenger experience by adding passenger amenities like travel services etc. and extended areas for Seating.
- BHS System Improvement

In T2:

- Conversion from International to Integrated Terminal and creation of additional area to accommodate Domestic and International functions.
- Reorientation of International PAX flows and adding domestic passenger processors and flows ensuring clear demarcation between Intl. and Dom. flows.

- Addition of 24 Check-in counters (including 2 SBDs) with all associated BHS system. Enhancement of Departure BHS including introducing level 2B screening and makeup carousel in BMA & Airline Offices.
- Enhancement & reorientation of Security screening with all associated services (4 existing + 6 new + 4 future lanes)
- Relocation of Immigration area with 19 Counters.
- Addition of 3 Domestic Departures Bus gates and relocation of International Departure bus gates.
- Optimization of baggage reclaim carousels by adding swing partition and provision of adding 1 new carousel.
- Relocation of current Intl. arrivals and Immigration and addition of Bus Gates (Dom & Int). Addition of 24 Immigration counters with Intl. Bus gate arrival.
- Addition of 12 Terminal entry points with fast-track entry and improvements in Departure & Arrival Kerb.
- Addition of 4 FLBs & 4 PBB.
- In Extended areas accommodate with Boarding Gate, Seating areas, Passenger Lounge, Toilets & Duty-Free store.
- Addition of Domestic arrival route by demolishing of 1 staircase & Elevator and adding new vertical core (1 escalator,1 elevator & 1 staircase) as per improved layout.
- Relocation of stakeholder offices and other non-passenger function to other BOH areas.
- In Extended areas accommodate with International Arrival, D-I & I-I Transfer, stores, Passenger Lounge and adding new vertical core (2 escalator, 1 elevator & 1 staircase) as per improved layout

7.3.29. The break-up of the estimated cost submitted by the Airport Operator is given below.

Table 89: Cost towards T1 and T2 modification submitted by the Airport Operator

Particulars (INR Cr.)	Basic Cost	Incl. GST	Incl. expected variations
T1 Refurbishment Works	100.51	118.60	132.07
T2 Refurbishment Works	324.28	382.65	426.09
T2 Refurbishment Works - Additions			91.98
Passenger Amenities at Landside			164.47
Art works			42.30
Signages			6.00
IT systems (SBDs, E-gates, Kiosk)			12.00
Security systems			4.00
BHS			14.43
New CTX			14.10
Total			**907.43**

7.3.30. The Authority notes that AIAL has provisioned an additional ~11% of the cost of T1 and T2 refurbishment to account for expected variations. It is understood from the Airport Operator that the cost proposed for T2 refurbishment is expected to undergo a change due to change in scope of work. The Airport Operator had included an amount of INR 91.98 Cr. in the estimate to account for the

change in scope. Therefore, the provision of an additional 11% of the costs as contingency appears to unreasonably high, whereas CPWD norms suggest a provision of 3%. Further it is also observed that over the base cost submitted in the table above, AIAL has also claimed soft costs that also include contingency. Therefore, the Authority is of the view that there is a double counting of allowance for contingency in the estimate submitted by AIAL, therefore, the Authority proposes to exclude any allowance for contingency at this stage and consider the same while examining in the soft costs (Refer Para 7.3.173).

7.3.31. Based on the above and the estimated break-up of the expenses between refurbishment and capacity enhancement shared by AIAL vide email dated 23rd July 2022, the Authority has considered the cost towards refurbishment of T1 and T2 for further analysis as given below. The detailed list of BOQ for T1 and T2 Refurbishment works is provided in Para 17.5.14 of Annexure 5 in Chapter 17 of this Consultation Paper.

Table 90: Cost towards T1&T2 refurbishment proposed by Authority for further analysis

Particulars (INR Cr.)	Expansion	Refurbishment	Total
T1 Refurbishment Works*	77.84	69.29	147.13
T2 Refurbishment Works**	153.58	321.05	474.63
Sub total			**621.76**
Artworks, signages, IT & Security Systems			64.30
Passenger amenities at landside			164.47
Total			**850.53**

** including GST, BHX and CTX*

*** including GST and additions*

7.3.32. The Authority notes from the BOQ shared by the AO that the costs for certain items also include the cost towards comprehensive maintenance and additional warranty. The Authority, vide email dated 07th October 2022, requested the AO to clarify whether the maintenance costs are paid upfront or in annual/monthly instalments. In its clarification vide email dated 13th October 2022, AIAL stated that – *"For equipment with AICMC, the cost includes AMC for 2 years DLP + 5 years. Once testing and commissioning is completed for the equipment, the entire amount shall be released on submission of Bank guarantees."*

The Authority examined the above matter and noted that for certain items in the BOQ towards expansion/modification of T1&T2, the cost includes "AICMC & O&M for 7 Years including 2 years DLP". Whereas generally other Airport Operators do not include the cost of AICMC in their upfront CAPEX but the same would be reflected in subsequent years in O&M expenses. The Authority's current proposal in the Consultation Paper is based on the submissions made by the AO as per Para 7.3.29. In this regard, the Authority would take a final decision based on Consultation Process after considering the views and comments of the Stakeholders on this proposal.

7.3.33. The Authority observes that the cost of expansion of T1 and T2 is beyond the inflation adjusted normative limits, hence the Authority has limited the allowable cost based on the normative limits as given in the table below.

Table 91: Normative adjustment by the Authority to cost towards expansion of T1 and T2

Particulars	UOM	T1 Expansion Works	T2 Expansion Works
Cost towards expansion (A)	INR Cr.	77.84	153.58
Cost excluding GST (B = A × 100 ÷ 118)		65.97	130.15

Particulars	UOM	T1 Expansion Works	T2 Expansion Works
Additional area (SQM) (C)	SQM	6,776.00	9,012.00
Cost per SQM (D = B ÷ C)	INR/SQM	97,356.31	1,44,422.78
Normative cost in FY 2022 (E)		1,12,966	1,12,966
Cost per SQM to be considered [F = Min (D, E)]		97,356.31	1,12,965.96
Allowable cost including GST (F × C × 1.18)	INR Cr.	77.84	120.13
Total			197.97

7.3.34. AIAL has also proposed INR 64.30 Cr. towards artworks, Signages, Security Systems and IT Systems. However, AIAL had not provided the basis for these estimates. Further, AIAL has separately proposed capital expenditure towards Security and IT Systems. Vide email dated 18th August 2022, AIAL shared a quotation received regarding artworks amounting to INR 22.73 Cr. showing the detailed list of the artworks to be carried out. Hence, the Authority has considered only the amount of INR 22.73 Cr. at this stage as against the amount of INR 64.30 Cr. proposed by the AO.

7.3.35. Based on the above, the Authority proposes to consider the cost towards refurbishment of T1 and T2 as given below.

Table 92: Cost towards refurbishment and modification of T1 & T2 proposed by the Authority

Particulars (INR Cr.)	As per AIAL (A)	As per the Authority		
		Expansion	Refurbishment	Total (B)
A.4 Expansion and modification of existing terminal buildings				
T1 Refurbishment Works*	160.60	77.84	69.29	147.13
T2 Refurbishment Works**	518.07	120.13	321.05	441.18
Sub total	**678.66**	197.97	390.33	**588.31**
Artworks, signages, IT & Security Systems	64.30			22.73
Passenger amenities at landside[6]	164.47			164.47***
Total	907.43			**775.51**
Difference (A – B)				131.92

** including GST, BHX and CTX*

*** including GST and additions*

**** only 50% is considered as aeronautical (Refer Para 7.5.4)*

A.5 VIP /CIP Terminal

Figure 6: Proposed site for new GA Terminal

[6] As per the LoI dated 22nd July 2022 shared by AIAL, out of the estimated cost of 164.47 Cr., work amounting to INR 152.33 Cr. is awarded (Refer Para 17.5.16).

7.3.36. In its submission, AIAL states the following – *"the present Ceremonial Lounge at SVPIA comes in the footprint of Phase 1 of proposed New Integrated Terminal and shall be decommissioned / demolished in Phase 2. Therefore, AIAL has proposed a new VIP Terminal as part of SVPIA Master Plan"*.

7.3.37. The Authority examined and compared the costs proposed by AIAL with inflation adjusted normative costs and found them to be within the normative limits. Therefore, the Authority has considered the cost for the VIP/CIP terminal as submitted by AIAL in the table below.

Table 93: Cost towards construction of VIP /CIP Terminal proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
A.5	**VIP /CIP Terminal**			
	Cost submitted by Airport Operator:			
1	Access & Circulation Area/ Site Development	4,400.00	5,838	2.57
2	Construction of VIP / CIP Terminal	1,20,000.00	2,400	28.80
	Total (A)			**31.37**
	Cost proposed by the Authority (B)			**31.37**
	Difference (B – A)			**-**

A.6 Minor Works – Terminal Buildings

7.3.38. AIAL has proposed various procurements and works (individually under 15 Cr.) amounting to INR 97.3 Cr. under the head Minor Projects – Terminal Building. AIAL, vide email dated 30th July 2022 dropped projects worth INR 75.1 Cr. The break-up of this expense provided by AIAL vide email dated 16th July 2022 is given in the table below.

Table 94: Cost towards Minor Works - Terminal Buildings proposed by the Airport Operator

S. No.	Type of CAPEX	Asset Description	Amount (INR Cr.)
1.	General Aviation Terminal	Conversion of existing Ceremonial Lounge into GA Terminal	11.56
2.	E&M	Waterproofing work at T1, T3 & T4	0.60
3.	E&M	Light Motion Sensor 300 Nos	0.05
4.	E&M	Terminal -2 Roof modification to avoid leakage waterproofing issues	10.00
	Total		**22.21**

Note: The break-up of the above-mentioned item is provided in Para 17.5.1 of Annexure 5 in Chapter 17 of this Consultation Paper

7.3.39. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works - Terminal Buildings is given in the table below.

Table 95: Cost towards Minor Projects – Terminal Building proposed by the Authority

S. No.	Asset Description	Cost proposed by (INR Cr.)		Difference
		AIAL	Authority	
A.6	**Minor Projects – Terminal Building**			
1.	Conversion of existing Ceremonial Lounge into GA Terminal	11.56	9.40	2.16
2.	Waterproofing work at T1, T3 & T4	0.60	0.21	0.39
3.	Light Motion Sensor 300 Nos	0.05	0.01	0.03
4.	Terminal -2 Roof modification to avoid leakage waterproofing issues	10.00	8.31	1.69
	Total	**22.21**	**17.94**	**4.27**

B. Runways, Taxiways & Aprons

B.1 Major rehabilitation of runway

7.3.40. As per the DGCA report on surveillance inspection, the following is observed – "*surface texture at various location on runway found bad and also FOD being generated on Runway and Taxiway. On runway Surface Fines were observed removed at number of locations. Though Runway recarpeting proposal submitted to DGCA, however immediate mitigation for the above to be taken by Aerodrome for safe aircraft operation*". In light of the DGCA observation, AIAL undertook major rehabilitation work. AIAL submitted that certain other works were also part of this project such as AGL works (including provisions for centerline lighting), Drainage, Stubs, Strengthening, Land Stabilisation for RESA at Runway 05 (partial up to 130m) and Land Stabilisation for Runway 23 (up to 240 m). AIAL has also provided the LoA for the work already completed showing the break-up of costs. Based on the break-up provided, the cost proposed by AIAL appears to be reasonable.

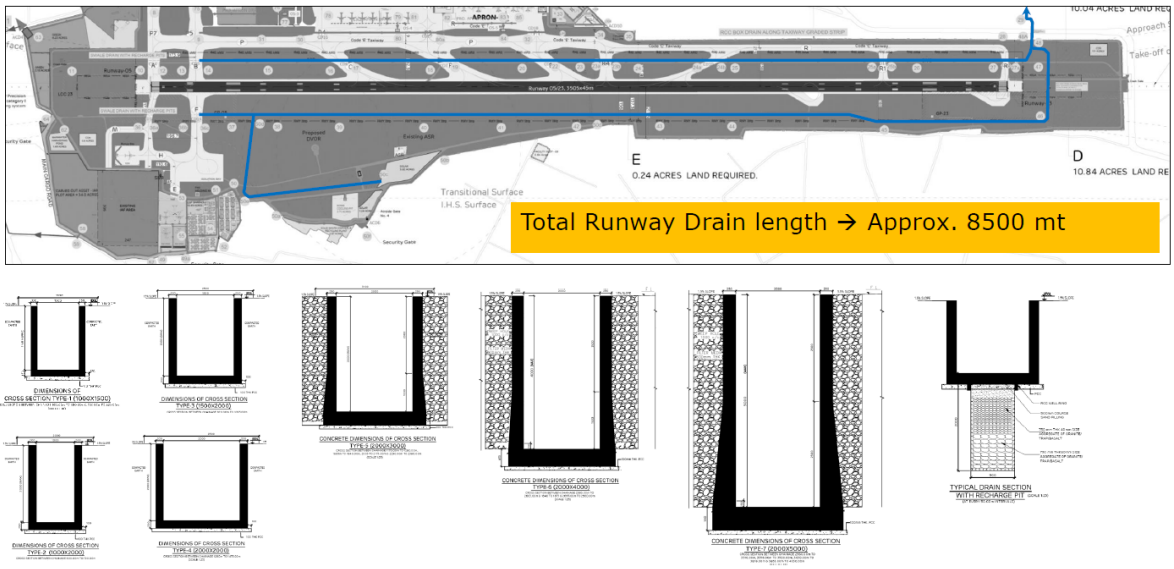
7.3.41. The cost proposed by the Airport Operator towards major rehabilitation of runway is given in the table below.

Table 96: Cost towards major rehabilitation of runway proposed by the Airport Operator

S. No.	Description	Amount (INR Cr.) incl. GST
B.1	**Major rehabilitation of runway**	
	As per AIAL:	
1	Runway	178.14
2	AGL	2.64
3	Stubs	44.47
4	Drains	103.89
5	Misc.	1.56
6	Additional AGL works*	16.04
7	Taxiway Overlay	20.86
	Total base cost (A)	**367.60**

**The AO clarified that this includes provisions for centreline lighting such as cabling, piping etc carried out along with the rehabilitation of runway.*

Figure 7: Runway Drain



7.3.42. The Authority noted that a considerable amount has been spent on drainage and the cost seems to be on the higher side. The Authority sought clarification from the AO regarding the same and the AO clarified that the total drain work being constructed on the airside is of RCC, with a total length of 8500 m. Hence, the cost proposed by the AO towards drains is justified.

7.3.43. As per AERA Order No. 35/2017-18 dated 12th January 2018, *"the cost of resurfacing & runway leading to restoration of original PCN value would be amortized over 05 years for the purpose of Tariff computations".* However, from the reports shared by AIAL, it is noted that there has been considerable increase in the Pavement Classification Number (PCN) value to 100/F/B/W/T post rehabilitation. The original PCN value prior to rehabilitation was 83/R/B/W/T for the rigid portion and 94/F/B/W/T for the flexible portion of the runway. Therefore, the Airport Operator may capitalise these expenses on account of the significant strengthening of the runway.

Accordingly, the Authority has considered the cost of runway recarpeting as per the LoA submitted by AIAL. However, it was observed that AIAL has calculated an additional 17% for soft costs on the LoA amount, whereas this work is already completed. Therefore, the Authority has considered the total project cost based on the LoA submitted by AIAL as given in Table 96.

B.2 Apron improvement works

7.3.44. AIAL has proposed the realignment of the existing aprons and construction of new aprons for the NITB Phase 1, Cargo Complex and General Aviation. AIAL has submitted the design and concept reports along with the LoA for works that have already been awarded. AIAL has also submitted the drawings and cost estimates towards the proposed projects. The Authority notes that these works are necessary to meet the operational requirements for the upcoming facilities at SVPIA.

Figure 8: Expansion of T1&T2 apron and construction of cargo apron

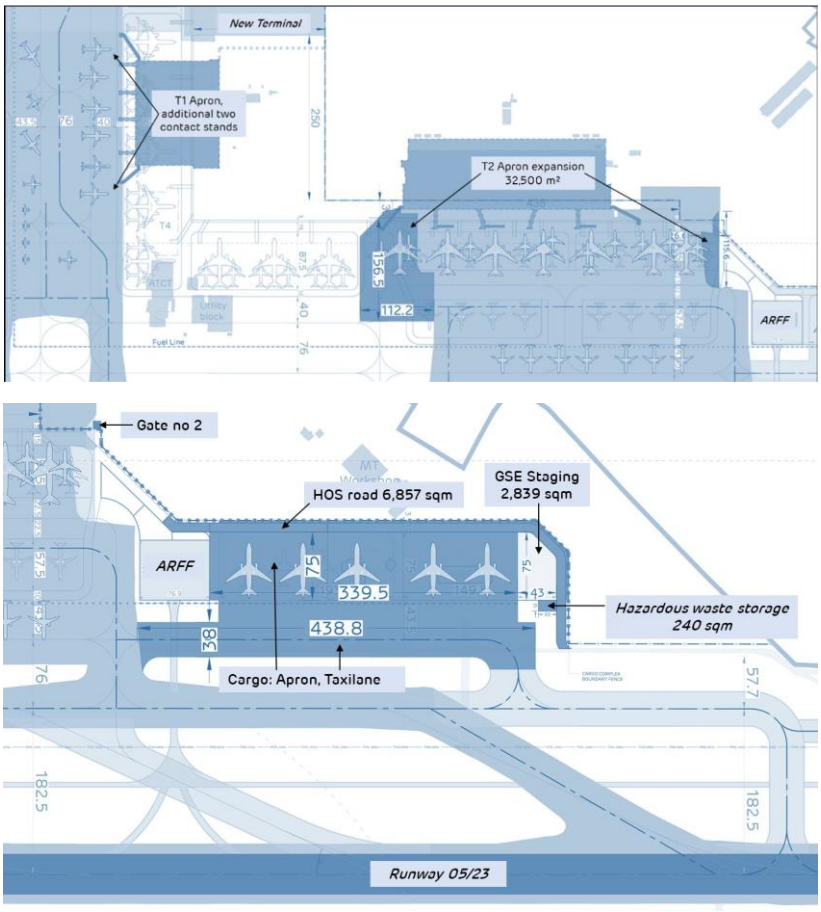
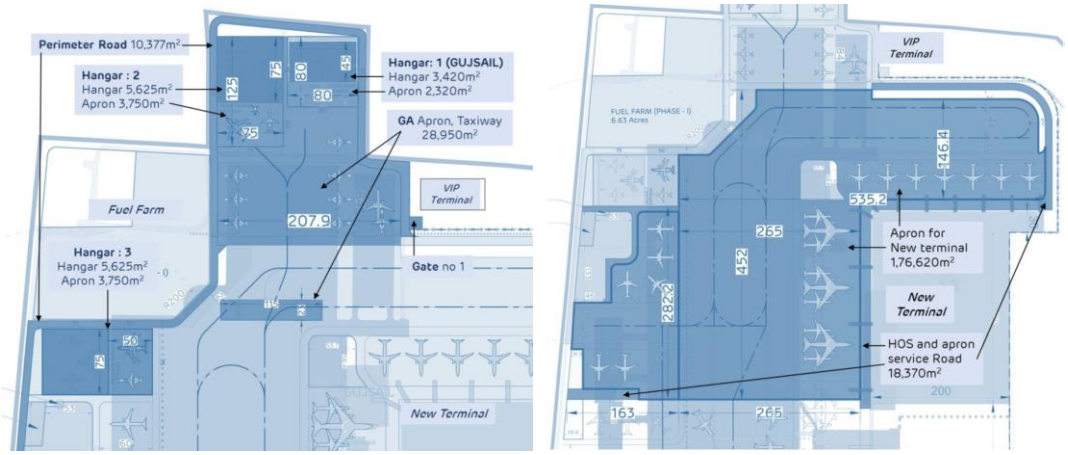


Figure 9: NITB Apron and GA Apron



7.3.45. The Authority examined the cost estimate submitted by AIAL and noticed that AIAL has included a 15% mark-up on the costs citing airside operational constraints. The Authority is of the view that the provision made by AIAL is quite high and therefore revised the allowance for airside operational constraint to 5%.

7.3.46. AIAL, vide email dated 19th July 2022, submitted a note on normative costs for runways, taxiways and aprons, detailing their methodology of computation of the inflation adjusted normative costs for aprons using a composite index. The proportion of various components considered by AIAL in the composite index is given in the table below.

Table 97: Components considered by AIAL in composite index for normative cost of apron

Composition	Proportion	Contribution (INR)	March 2016	March 2022
Bitumen	50%	2,350	57.8	104.0
P&M	20%	940	108.5	122.7
Aggregates	20%	940	117.5	111.2
Labour	10%	470	100.0	126.0
Normative cost (INR per SQM)	100%	4,700	4,700	6,775

7.3.47. The Authority notes that AIAL has assumed 80% growth in the price of Bitumen and considered the WPI index for the remaining components. The Authority observes that in the case of apron, AIAL has followed a different methodology for inflation adjustment when compared to the note submitted by AIAL on normative cost for terminal building. In the case of terminal building, AIAL had compared the indices of FY 2016 against FY 2022, whereas in the case of apron AIAL has compared the indices of March 2016 against those of March 2022. The Authority is of the view that the methodologies used by AIAL to arrive at the inflation adjusted normative costs are inconsistent and lack merit. Therefore, the Authority recomputed the inflation adjusted normative costs for apron as given in the table below.

Table 98: Inflation adjusted normative cost for apron as computed by the Authority

Normative Cost (INR per SQM)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Apron (A)	4,700						
WPI Index (B)*	109.70	111.60	114.90	119.80	121.80	123.40	139.40
Inflation adjusted cost (C = A × B / 109.70)	4,700	4,781	4,923	5,133	5,218	5,287	5,972

* *https://eaindustry.nic.in/default.asp*

7.3.48. Accordingly, the Authority compared the costs towards apron improvement proposed by AIAL and made necessary adjustments as given in the table below.

Table 99: Normative cost adjustment of apron improvement works proposed by the Authority

Project	Area (SQM)	Cost (INR Cr.)				
		normative incl. GST	Exclusions	Total	As per AIAL	As per the Authority
Formula	A	B = A × norm cost incl. GST	C*	D = B + C	E	F = Min (D, E)
B.2 Apron improvement works						
Expansion & realignment of Apron 1 & 2 aircraft stands	26,663	18.79	11.98	30.77	28.74	28.74
Cargo Apron	69,769	49.17	29.55	78.72	72.51	72.51
Apron associated with NITB Phase 1	1,43,429	101.08	48.77	149.85	161.94	149.85
West Apron for remote stands	51,705	36.44	15.99	52.43	52.57	52.43
GA Apron	26,303	18.54	10.15	28.69	28.14	28.14
Demolition Works	1,61,597				36.44	36.44
Total	4,79,465				380.34	368.12
Difference (E – F)						12.22

** As submitted by AIAL post adjustment of airside operational constraints to 5% from 15%. Includes earthwork, drainage, and AGL works.*

B.3 Taxiway Improvement Works

7.3.49. As part of the capital expenditure for the Third Control Period, AIAL has proposed Taxiway Improvement Works at an estimated base cost of INR 195.67 Cr. Taxiway Improvement Works comprises of Construction of balance-length Code C parallel taxiway, construction of Cargo Apron associated taxiway, Construction of new Rapid Exit Taxiway - RET 23, Construction of connecting taxiways to new GA Hangar, Aprons, Runup Bay, Isolation Bay, IAF Apron along with the corresponding Taxiway Overlay Works and Demolition work. The Authority notes that these are operational requirements because of the developments planned on the airside in tandem with the passenger handling capacity.

7.3.50. The Authority compared the cost estimate share by AIAL against the inflation adjusted normative benchmarks (Refer Table 98, Para 7.3.47) and found the costs proposed by AIAL to be high in certain cases. Therefore, the Authority has revised the costs in line with the inflation adjusted normative benchmarks as given in the table below.

Table 100: Cost towards taxiway improvement works proposed by the Authority

Project	Area (SQM)	Cost (INR Cr.)				
		Normative incl. GST	Exclusions	Total	As per AIAL	As per the Authority
Formula	A	B = A × norm cost incl. GST	C*	D = B + C	E	F = Min (D, E)
B.3 Taxiway improvement works						
Balance-length CODE C Parallel Taxiway and associated RETs	58,425	41.18	23.95	65.12	54.78	54.78
Cargo Apron associated Taxiway	33,533	23.63	16.48	40.11	34.73	34.73
New Rapid Exit Taxiways - RET 23	23,938	16.87	11.94	28.81	25.00	25.00
Connecting Taxiways to new GA Hangar, Runup Bay and Isolation Bay and IAF Apron	15,512	10.93	13.79	24.73	15.72	15.72

Project	Area (SQM)	Cost (INR Cr.)				
		Normative incl. GST	Exclusions	Total	As per AIAL	As per the Authority
Taxiway Overlay Works (Refurbishment)	46,266	32.61	10.47	43.08	51.82	43.08
Demolition Works	71,797				13.62	13.62
Total					195.67	**186.92**
Difference (E – F)						8.74

** As submitted by AIAL post adjustment of airside operational constraints to 5% from 15%. Includes earthwork, drainage, AGL works.*

B.4 Improvements to AGL System

7.3.51. AIAL has proposed the replacement of existing lights with LED lights and also the installation of centreline and touchdown zone lights. AIAL has shared the detailed design report for AGL works along with the cost estimates for the same. AIAL also submitted that during the runway rehabilitation that was carried out in FY 2022, certain forward-looking enhancements were carried out to improve operational efficiency. AIAL has now proposed to carry out the following balance works related to AGL improvement.

7.3.52. The balance works that are proposed to be carried out by AIAL include:

- Provisions of Duct & Pit system primary ducting matching with new CCR location. This will improve the maintenance capability of overall AGL system.
- Transition from old CCR which is in depleted condition to new CCR's on 05 & 23 side (05-CCR side will be done in near future, but CCR on 23 side can be taken up only after land availability).
- Replace existing lights with LED lights for better efficiency.
- Installation & commissioning of centre line lights & touch down zone lights, which will improve Runway efficiency. ALCMS & ILCMS for better control & monitoring.

Figure 10: Overall AGL Layout at SVPIA

7.3.53. The cost estimate submitted by AIAL is based on CPWD DSR 2021 and appears to be reasonable. Therefore, the Authority proposes to consider the cost towards improvements to AGL system as submitted by AIAL as given in the table below.

Table 101: Cost towards improvements to AGL System proposed by the Airport Operator

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
B.4	Improvements to AGL System	37.03	37.03	-

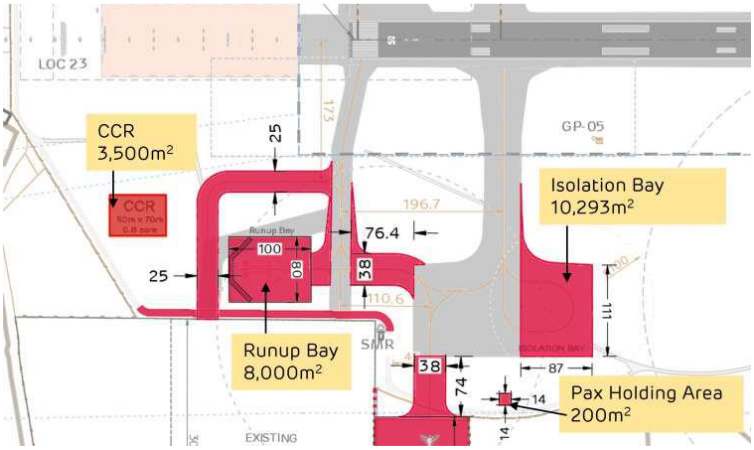
B.5 Isolation Bay

7.3.54. In its PIF submission, AIAL states the following – *"the south-western part of airport land is presently underutilised while on the other hand, SVPIA is deficient in space and infrastructure for Runup Bay, General Aviation apron & hangars, etc. Therefore, relocation of some of the existing airport facilities*

/ infrastructure, like Isolation Pad/Bay on airside is essential to create space for required new airport facilities, and also to retain balance between functionality of proposed as well as existing airfield facilities. In view of this rearrangement of the existing Isolation Bay for Code E aircraft is required, wherein new Isolation Pad/Bay needs to be constructed on location opposite to its current location."

7.3.55. Therefore, as part of capacity enhancement of the airport, AIAL has proposed that the current isolation bay would be relocated to a different location to make way for development of taxiway for GA Apron.

Figure 11: Isolation bay



7.3.56. The cost proposed by the Airport Operator towards construction of Isolation Bay is given in the table below.

Table 102: Cost towards construction of Isolation Bay proposed by the Airport Operator

S. No.	Description of Item	Unit	Rate (INR)	Quantity	Amount (INR Cr.)
B.5	**Isolation Bay**				
1.	Demolition of Flexible Pavement	SQM	730	2,190	0.16
2.	Isolation Pad / Isolation Bay	SQM	11,300	10,295	11.63
3.	Passenger Holding Area (Flexible Pavement)		9,200	200	0.18
4.	Code E Runup Bay		11,300	8,000	9.04
5.	Runup Bay Blast Fence	RMT	2,56,000	100	2.56
	Total				**23.58**

7.3.57. The Authority compared the costs proposed by AIAL based on inflation adjusted normative benchmarks and inferred the proposed cost to be high. Hence, the Authority has limited the allowable cost based on inflation adjusted normative benchmarks as given in the table below.

Table 103: Cost proposed by the Authority based on normative limits for construction of Isolation Bay

Particulars	Unit	Value
B.5 Isolation Bay		
As per AIAL:		
Isolation Bay	INR Cr.	11.63
Passenger Holding Area (Flexible Pavement)		0.18
Code E Runup Bay		9.04
Subtotal		20.86
Less: Drains, AGL and airside operational constraint		5.41
Subtotal (excluding drains, AGL and constraints)		15.45
Less: GST		2.36

Particulars	Unit	Value
Subtotal (excluding drains, AGL, constraints and GST)	INR Cr.	13.09
Area (A)	SQM	18,495
Cost per SQM	INR per SQM	7,079
As per the Authority:		
Normative cost (Refer Para 7.3.47) (B)		5,972
Cost based on normative (A × B)	INR Cr.	11.05
Add: AGL, drains, airside constraints and GST		6.55
Add: Demolition of Existing Pavement (Refer Table 102)		0.16
Add: Runup Bay Blast Fence (Refer Table 102)	INR Cr.	2.56
Total allowable base cost (C)		**20.32**
As per AIAL (Refer Table 102) (D)		**23.58**
Difference (D – C)		3.26

B.6 Minor Works – Runway & Taxiway

7.3.58. AIAL has proposed various works amounting to INR 21.67 Cr. under the head Minor Projects – Runway & Taxiway. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works – Runway & Taxiway is given in the table below.

Table 104: Cost towards Minor Works – Runway & Taxiway proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
B.6	Minor Works – Runway & Taxiway	21.67	0.15	21.53

Note: The break-up of the above-mentioned item is provided in Para 17.5.2 in Annexure 5 of Chapter 17 of this Consultation Paper

B.7 CWIP from AAI

7.3.59. The capital expenditure proposed by AIAL included an amount of INR 1.94 Cr capitalised in FY 2022 which was the balance portion of CWIP received from AAI towards "Domestic Apron, Link Taxi Track Extension". Considering that the work was initiated by AAI and has already been completed and capitalised, the Authority has considered the same as part of the Capital Expenditure for the Third Control Period.

Table 105: CWIP from AAI proposed by the Airport Operator

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
B.6	Minor Works – Runway & Taxiway	1.94	1.94	-

C. Roads

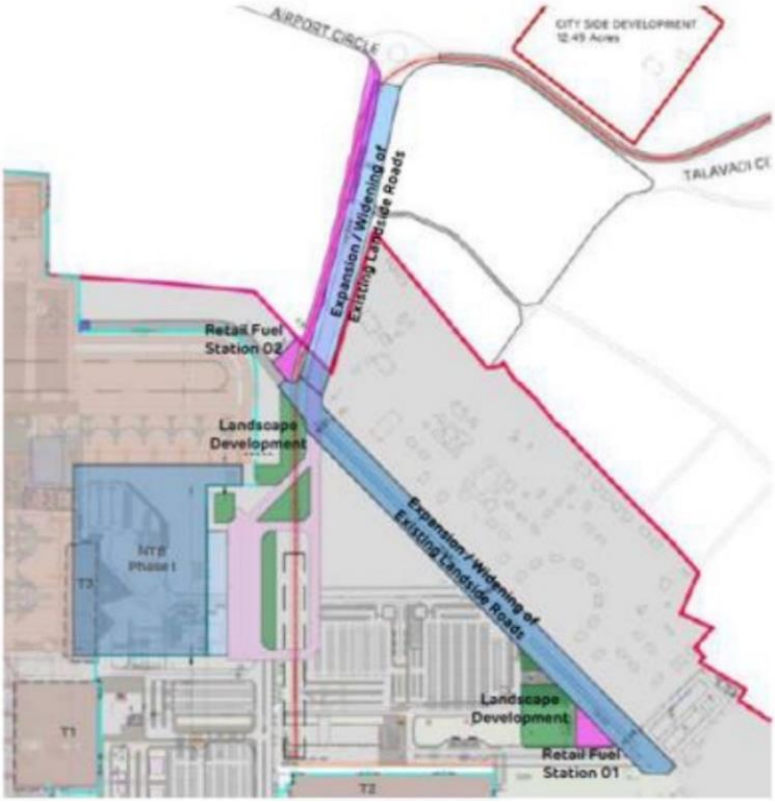
C.1 Landside Road Network

7.3.60. In view of the increase in passenger traffic footfall projected for the Third Control Period, AIAL has proposed that the existing roads need to be expanded/widened with additional lanes to serve the demand, along with utility corridor, storm water drains and landscape. One such key project is expansion/widening of main Airport Road section to minimum 5+5 lanes with additional corridor for

metro rail connectivity to airport, and underground corridor for airport utilities like power cables and ATF fuel supply pipeline.

7.3.61. AIAL has also submitted the vehicular traffic projections as part of the Master Plan. Considering the growing traffic at SVPIA, the Authority has included the cost towards Landside Road network under the capital expenditure considered for the Third Control Period.

Figure 12: Landside road network



7.3.62. The cost proposed by the Airport Operator towards Landside Road Network based on CPWD PAR 2021 is given in the table below.

Table 106: Cost towards Landside Road Network proposed by the Airport Operator

S. No.	Description of Item	Unit	Rate (INR)	Quantity	Amount (INR Cr.)
C.1	**Landside road network**				
1	Demolition of Flexible Pavement	SQM	730	34,695	2.53
2	Existing MAR starting from Airport Circle		4,500	18,379	8.27
3	Existing Road along AAI quarters till Integrated Cargo Complex		4,500	32,853	14.78
4	From Main Access Road (SVP Statue Junction) to Airside Security Gate No. 1		4,500	8,400	3.78
5	From AAI Road along New IMD Plot		4,500	2,826	1.27
6	From T2 Main Departure Road to Airside Security Gate No.2		4,500	1,622	0.72
7	Duct for BHS from Metro Station to Terminal	RMT	373,000	280	10.44
	Total base cost				**41.81**

7.3.63. The Authority notes that a portion of the project, "Existing Main Access Road from Airport Circle" is subject to land availability. AIAL has clarified that they have submitted a request letter for joint survey to Cantonment Board. However, this proposal with the Cantonment Board is not yet finalised.

Considering this uncertainty regarding availability of land, the portion of the cost towards the Main Access Road has been excluded from the proposed CAPEX for TCP. Further, it is also observed that a portion of the cost is towards duct for BHS from terminal to Metro Station. Since the design of the metro corridor is yet to be finalised and considering the low likelihood of the commissioning of the metro link in TCP (Refer Para 7.3.69), the Authority has excluded the cost towards the duct to the metro station from the capex considered for TCP.

Table 107: Cost towards Landside Road Network proposed by the Authority

S. No.	Description of Item	Cost as per (INR Cr.)	
		AIAL	Authority
C.1	**Landside road network**	A	B
1	Demolition of Flexible Pavement	2.53	2.53
2	Existing MAR starting from Airport Circle	8.27	
3	Existing Road along AAI quarters till Integrated Cargo Complex	14.78	14.78
4	From Main Access Road (SVP Statue Junction) to Airside Security Gate No. 1	3.78	3.78
5	From AAI Road along New IMD Plot	1.27	1.27
6	From T2 Main Departure Road to Airside Security Gate No.2	0.72	0.72
7	Duct for BHS from Metro Station to Terminal	10.44	
	Total base cost	**41.81**	**23.10**
	Difference (A – B)		18.71

C.2 Construction of temporary roads

7.3.64. As per the submission of AIAL, the purpose of the construction of temporary roads are for diversion of traffic, temporary barricading, signages, removal & relocation of existing utilities etc. The Authority understands that this is an enabling project for development of the landside road network.

7.3.65. The Authority notes that AIAL has estimated the cost towards the construction of temporary roads as 5% of the cost expected towards the road projects. However, it was observed that AIAL has also included the cost towards temporary roads for Metro Station and MMTH. Since the likelihood of completion of the Metro link and resultantly the MMTH in the Third Control Period are low (Refer Para 7.3.69 and Para 7.3.71), the Authority has excluded the cost towards the temporary roads for Metro Station and MMTH from the CAPEX considered for the Third Control Period. Accordingly, the cost proposed by the Authority towards the construction of temporary roads is given in the table below.

Table 108: Cost towards construction of temporary roads proposed by the Authority

S. No.	Description of Item	Cost as per (INR Cr.)	
		AIAL	Authority
C.2	**Construction of temporary roads**	A	B
1.	Demolition for Roads	2.53	2.53
2.	Landside Road Network	39.28	23.10
3.	Construction of Roadway System for Phase 1 of NITB	201.00	201.00
4.	Metro Station and Metro Corridor	418.49	
5.	Multi-Modal Transport Hub	167.93	
	Total	829.25	226.64
	Base cost towards temporary roads (5% of above cost)	41.46	**11.33**
	Difference (A – B)		30.13

C.3 Airside Roads

7.3.66. In its Project Information File (PIF), AIAL states the following – "*in view of proposed changes to SVPIA airside area due to implementation of projects like new Code C parallel taxiway with land acquisition along northwest-edge of existing airport site , development of full RESA-05 on eastern end post land acquisition, development of GA , Bomb Cooling Pit and other facilities on south-western edge of existing airside boundary; some of the existing airside roads need to re-constructed, and new airside roads need to be built at appropriate locations, to create required airside road network for smooth and safe airside operations. The development of Code C parallel taxiway (post land acquisition in Phase 1) along north-western edge of existing airport site, requires existing perimeter road at this location to be relocated along the new perimeter boundary wall. Therefore, new airside road of 8m width and 1,752 m length, and of approx. 13,910 sqm of pavement will be constructed in Phase 2 of SVPIA Master Plan development, in the Third Control Period.*"

Figure 13: Airside roads

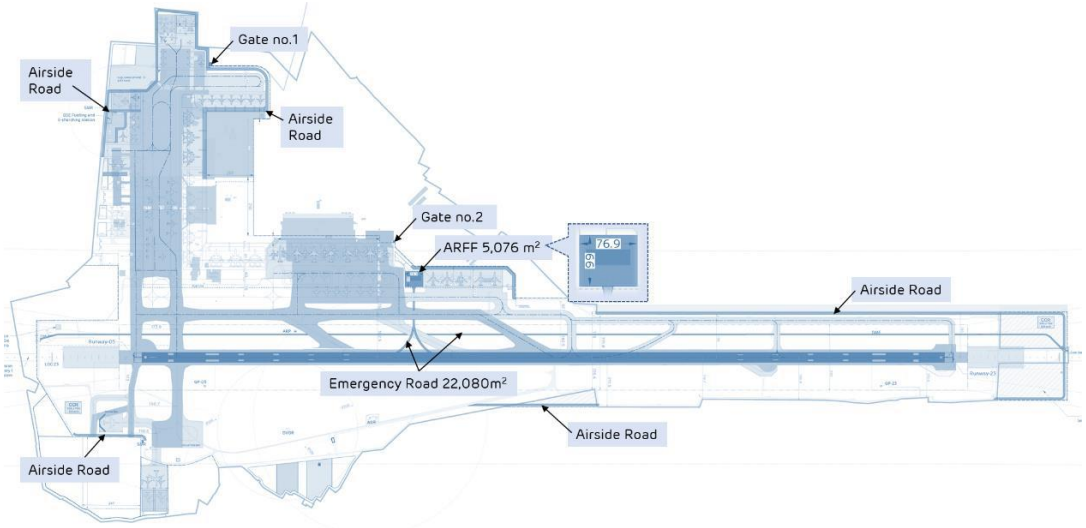


Table 109: Cost towards Construction of Airside roads proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
C.3	**Airside roads**			
	Cost submitted by Airport Operator:			
1	Demolition of flexible pavement	730.00	10,037	0.73
2	Airside perimeter & service road	3,500.00	32,450	11.35
3	Airside road along new CODE C parallel Taxiway and around RESA 05	3,500.00	15,535	5.43
4	Emergency access road	3,500.00	22,080	7.72
	Total (A)			**25.26**
	Cost proposed by the Authority (B)			**25.26**
	Difference (A-B)			**-**

7.3.67. The Authority notes that the construction of the airside roads would be an operational requirement. Hence, the Authority proposes to consider the cost towards airside roads as submitted by the Airport Operator based on CPWD PAR 2021 as given in the table above.

C.4 Minor Works – Roads

7.3.68. AIAL has proposed various procurements and works amounting to INR 17.96 Cr. under the head Minor Projects – Roads. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works – Roads is given in the table below.

Table 110: Cost towards Minor Works – Roads proposed by the Authority

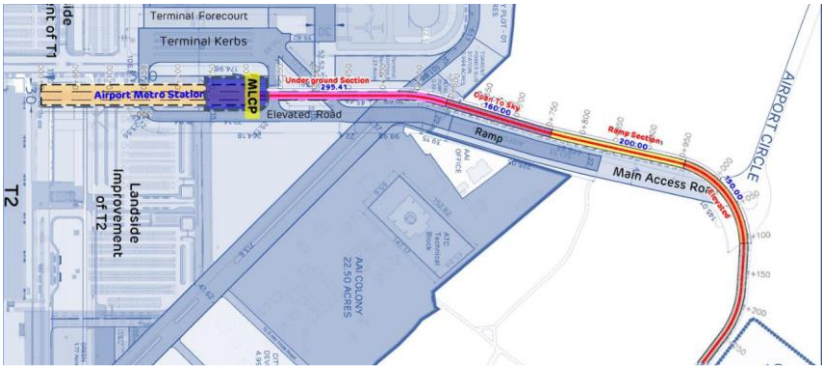
Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
C.4	Minor Works – Roads	17.96	13.71	4.25

Note: The break-up of the above-mentioned item is provided in Para 17.5.3 in Annexure 5 of Chapter 17 of this Consultation Paper

D. Metro Link & MMTH

D.1 Metro Station and Metro Corridor

Figure 14: Metro Station and Metro Corridor



7.3.69. The Airport Operator has proposed the capitalization of the metro station and corridor in FY 2025. The Authority is of the view that if the same needs to be achieved, the requisite approvals, land acquisition, and DPRs should have been completed by now. It is understood from the Airport Operator that the project is still in the planning stage and discussions are ongoing between the Airport Operator, GMRC and other stakeholders. Further, Phase 2 of Ahmedabad Metro would be an enabling project for the airport link, which is still underway. Therefore, the Authority feels that currently the timeline of this project is uncertain, and the year of capitalization proposed by AIAL is quite optimistic when compared to the timeline of completion of other metro projects in the country. Even the Master Plan submitted by AIAL mentions 2030 as the expected year of operationalization of the metro link. Therefore, it is highly unlikely that the metro station would be commissioned in the TCP. Hence, it would not be fair to charge Users for assets that are not available and put to use. The Authority notes that the proposed cost is based on broad estimates as detailed studies are yet to be carried out. Therefore, the Authority has excluded the cost of metro station and corridor from the proposed capital expenditure at this stage. In the event that the project is commissioned in the Third Control Period, the actual cost incurred towards the same would be considered as part of true up at the time of determination of tariffs for the Fourth Control Period subject to the factors listed below:

- There is ring fencing of assets and assets are within the boundary of the airport.
- The assets are capitalized in the books of AIAL and put to use in accordance with the extant rules and regulation of the AERA

- The metro stations cater only to the airport. To clarify, metro stations for city side, aero city, or any non-aeronautical services will not be considered as part of RAB.

Table 111: Cost towards Metro Station and Metro Corridor proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
D.1	Metro Station and Metro Corridor	418.50	-	418.50

D.2 Multi Modal Transport Hub (MMTH)

7.3.70. As part of the capital expenditure in the Third Control Period, AIAL has proposed a multi-modal transport hub adjacent to the NITB Phase 1 which integrates the bus station, car park, metro station, city side check-in and self-bag drop (SBD) facility, and the kerb-side facilities.

Figure 15: Multi Modal Transport Hub (Plan)

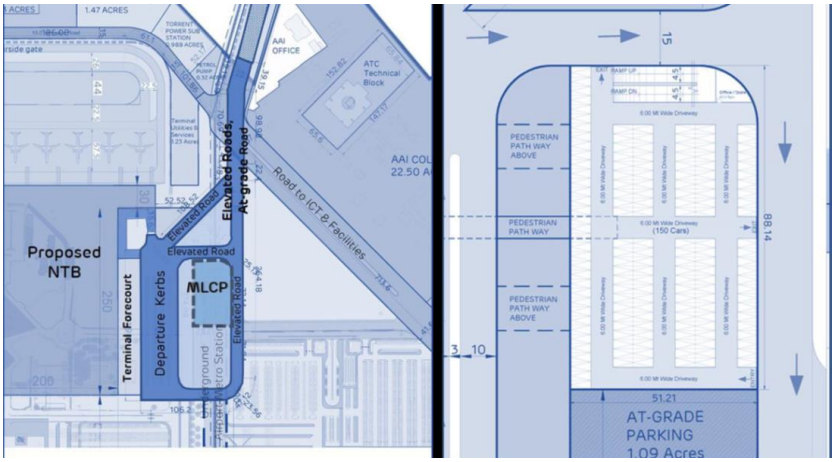
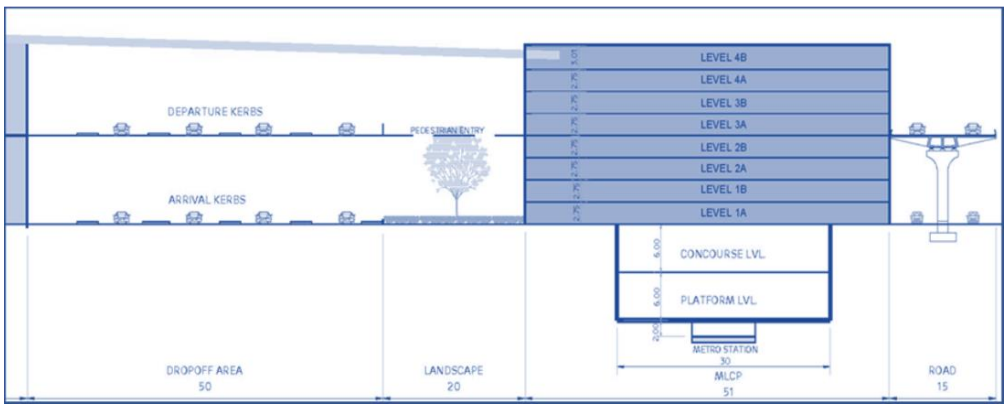


Figure 16: Multi Modal Transport Hub (Elevation)



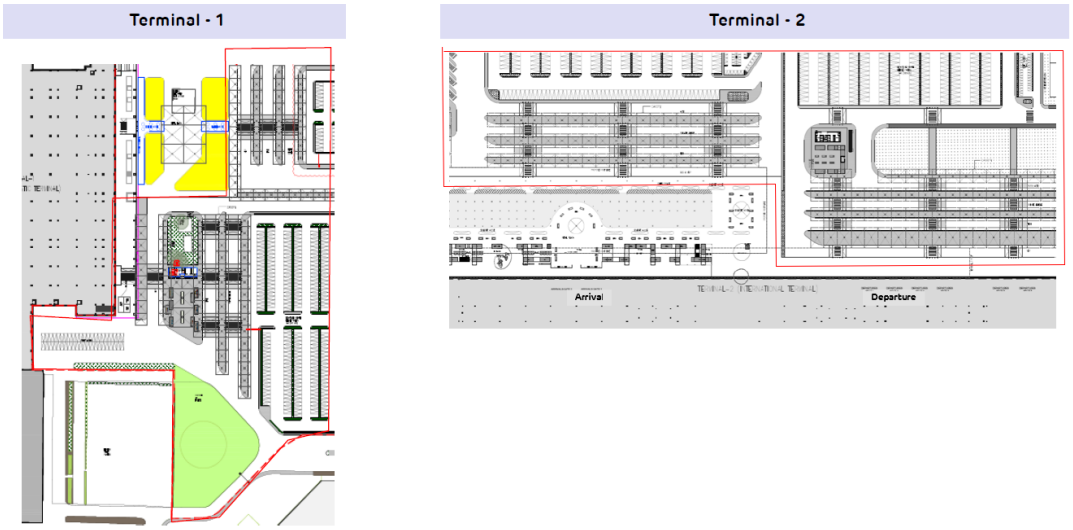
7.3.71. As per the submission of AIAL, MMTH shall be built above the northern part of the metro station in Phase 2 of SVPIA development. Since the commissioning of the airport metro link and station in the TCP is uncertain, it is likely that MMTH would not be operational in the TCP.

7.3.72. The Authority notes that the MMTH has both aeronautical and non-aeronautical components and proposes to bifurcate the MMTH cost into aeronautical and non-aeronautical components based on the floor-wise area usage for both aeronautical and non-aeronautical activities. However, AIAL has not shared the floor plans of the same since the MMTH is currently under planning stage. Therefore, it is not possible to ascertain what portion of the costs need to be allocated towards non-aeronautical activities. Further, from the submissions of AIAL, it appears that Phase-1 of the MMTH largely consists of car parking facilities which is a non-aeronautical activity.

7.3.73. The MMTH would also provide direct access to the departure and arrival areas of the NITB Phase 1, therefore, certain aspects of the MMTH project are also dependent on the commissioning of the NITB Phase 1.

7.3.74. Based on the above, the Authority is of the view that it is likely that the MMTH may not be entirely operational in the Third Control Period, and it would not be fair to charge the passengers for assets that are not put to use and accessible to users. Therefore, the Authority proposes to exclude the cost of MMTH from the capital expenditure considered for TCP at this stage and true up the same based on actual cost incurred and the actual area allocation towards aeronautical, non-aeronautical and non-aviation activities at the time of determination of tariffs for the Fourth Control Period subject to cost efficiency and actual asset allocation.

Figure 17: MMTH - Landside roads



7.3.75. However, the Authority notes that T1 and T2 landside road works are also included under this project. Since the contract for this work has already been awarded and since these works may be carried out independently, the Authority has considered the cost towards the same as part of the capital expenditure for the TCP based on the LoA submitted by AIAL (after allowing for GST and BOCW). The detailed break-up of the above-mentioned LoA is provided in Para 17.5.18 in Annexure 5 of Chapter 17 of this Consultation Paper.

7.3.76. Based on the above, the cost proposed by the Authority towards construction of MMTH is given in the table below.

Table 112: Cost towards MMTH proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
D.2	**MMTH**			
	MMTH – Landside roads	167.93	55.80	112.13

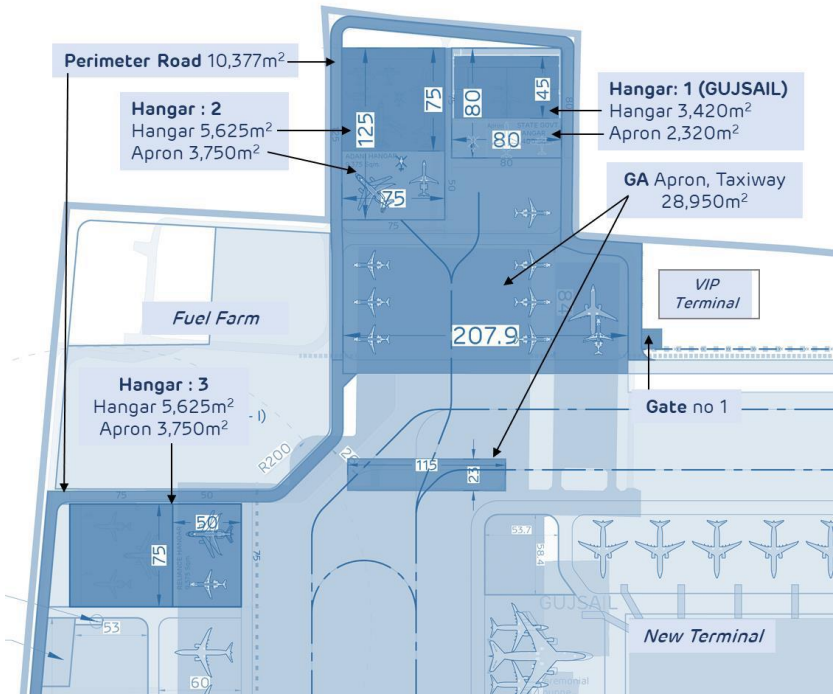
E. Hangars

E.1 Hangar 1

7.3.77. In its submission, AIAL states the following– *"the existing Hangar / GA facility of GUJSAIL Hangar & its apron comes in the footprint of Phase 1 of proposed new Integrated Passenger Terminal development. In view of this, it needs to be relocated as part of overall GA development of SVPIA, on the north-western part of airport site. The proposed new GUJSAIL facility shall be built on equivalent*

total site area (as existing) of 6400 sqm. The proposed apron of new GUJASAIL facility shall be 2,320 sqm, slightly more than its existing apron area of 2207 Sqm. Their proposed Office / Annex Building is planned to be a G+2 Structure (as existing) with BUA of 2780 Sqm and BUA of Hangar shall be 2500 Sqm. The total proposed BUA of GUJ SAIL Facility shall be 5284 Sqm against existing BUA of 4992 Sqm on site area of 3,428 sqm (928 + 2500)."

Figure 18: Hangars proposed by AIAL



7.3.78. The Authority notes that this is an enabling project for NITB. Hence, the Authority has considered the cost towards this project part of the capital expenditure for the Third Control Period. However, there is no basis for the cost estimated for the "Annex building" at a rate of INR 93,750 per SQM. Therefore, the Authority has recalculated the same considering a cost of INR 47,300 per SQM on the basis of the cost considered for the GSE Maintenance facility. Further, the Authority observes that the cost proposed by the AO towards the main pavement is beyond the inflation adjusted normative cost. Therefore, the Authority recomputed the cost towards main pavement based on the inflation adjusted normative cost after making appropriate provisions for the GST and other items such as AGL ducts & reconfigurations, drain connections and airside operational constraints. Accordingly, the Authority has revised the proposed cost for Hanger 1 as given in the table below.

Table 113: Cost towards Hangar 1 proposed by the Authority

Particulars	Cost as per AIAL (INR Cr.)	As per the Authority		
		Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
E.1 Hangar 1 - As enabling work for NTB	A	B	C	D = B×C
Annexe Building	29.03	47,300	3,096	14.64
Hangar steel structure	17.02	55,400	3,072	17.02
Apron - Main Pavement (Rigid Pavement)	2.48	9619.86*	2,325	2.24
Total	48.53			**33.90**
Difference (A – D)				14.63

**Normative cost in FY 2022 adjusted for AGL ducts & reconfigurations, drain connections and airside operational constraints and GST (Refer Para 17.5.23 of Annexure 5 in Chapter 17)*

E.2 Other Hangars

7.3.79. As per its submissions, AIAL has stated that approximately 50% of the GA aircrafts needs to be parked at other than GA apron (i.e., either T1 Apron or T2 Apron) in order to accommodate the existing demand of around 25 to 30 stands against limited capacity of 12 stands in current GA Apron. The traffic details regarding the proportion of GA flights that were allotted on T1/T2 Apron due to space constraint at GA Apron shared vide email dated 14th July 2022 is given below.

Table 114: % of GA traffic accommodated on T1/T2 Apron as submitted by AIAL

Month	% of GA flight allocated on T1/T2 Apron
Apr-21	47%
May-21	46%
Jun-21	60%
Jul-21	56%
Aug-21	53%
Sep-21	66%
Oct-21	54%
Nov-21	48%
Dec-21	48%
Jan-22	50%
Feb-22	43%
Mar-22	48%
Apr-22	46%
May-22	49%

7.3.80. AIAL also shared a note on GA Hangers demand vide email dated 19th July 2022 stating the strong demand and interest from businesses houses and NSOPs to provide Hangar space at the Airport. AIAL has also submitted the MoUs signed with customers in this regard. Further, as per AIAL, the GA Traffic is expected to be 5-6% of overall ATM traffic, which is expected to grow significantly. Hence based on such robust demand from the market, as per AIAL, the requirement for Hangar is more than 10. However, due to limitation in land, AIAL have proposed to build 5 hangars in the Master Plan.

The Authority sought clarification regarding the purpose of Annexe buildings. AIAL, vide email dated 14th October 2022, shared a note on the same, stating that – "*As Hangar shall be airside facility in which Checks A-C could be performed on large business jets, including Gulfstream, Bombardier-GX and larger Cessna and Dassault aircraft. A-checks could be performed on airliner class business jets such as the Boeing BBJ, Airbus ACJ or Embraer E-Jets"* For these operations, AIAL has submitted that operations facility should have the following supplementary spaces such as expanded inventory and tooling stores, airframe structures shop, machine shop, battery shop etc.

7.3.81. Based on the examination by the Authority, the cost proposed by AIAL for the hangers appears to be reasonable, however, there is no basis for the cost estimated towards "Annex buildings" at a rate of INR 93,750 per SQM. Since there is no basis for arriving at such a figure, the Authority has revised the cost towards "Annex buildings" based on the rate considered for GSE Maintenance Facility i.e., INR 47,300 per SQM as done in the case of Hangar 1. Subsequently, the cost towards the main pavement was rationalised using the inflation adjusted normative costs as done in the case of Hangar

1 (Refer Para 7.3.78). Accordingly, the Authority has recalculated the cost towards Hangers for the Third Control Period as given in the table below.

Table 115: Cost towards Other Hangars proposed by the Authority

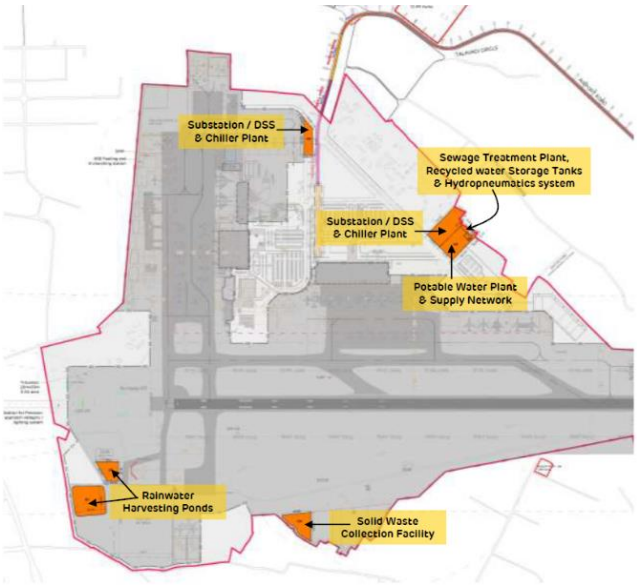
Particulars	Cost as per AIAL (INR Cr.)	As per the Authority		
		Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
E.2 Other Hangars	A	B	C	D = B×C
Hanger 2:				
Demolition of Flexible Pavement	0.07	730	924	0.07
Demolition of Existing Structure	0.05	3,300	150	0.05
Annexe Building	35.77	47,300	3,815	18.04
Hangar steel structure	25.00	55,400	4,513	25.00
Apron - Main Pavement (Rigid Pavement)	4.01	9619.86*	3,750	3.61
Total (E)	64.90			**46.77**
Hanger 3:				
Demolition of Flexible Pavement	0.01	730	125	0.01
Annexe Building	15.00	47,300	1,600	7.57
Hangar steel structure	27.90	55,400	5,037	27.90
Apron - Main Pavement (Rigid Pavement)	3.46	9619.86	3,235	3.11
Total (F)	46.38			**38.59**
Hanger 4&5 – Code C:				
Annexe Building	37.50	47,300	4,000	18.92
Hangar steel structure	44.32	55,400	8,000	44.32
Apron 2 code C / 1 Code E- Main Pavement (Rigid Pavement)	15.35	9619.86	14,350	13.80
Total (G)	97.17			**77.04**
Total (E + F + G)	208.45			**162.41**
Difference (A – D)				46.04

**Normative cost in FY 2022 adjusted for AGL ducts & reconfigurations, drain connections and airside operational constraints and GST (Refer Para 17.5.23 of Annexure 5 in Chapter 17)*

7.3.82. The Authority notes that in total AIAL has proposed the construction of 5 Hangars along with "Annex buildings" in the Third Control Period. The Authority is of the view that the creation of these assets would lead to the generation of additional aeronautical revenues. Accordingly, the estimates of the same would be taken into due consideration by the Authority while determining the aeronautical tariffs for the Third Control Period. The Airport Operator is directed to submit the revenue projections from the Hangars and Annex Buildings along with the Annual Tariff Proposal.

F. Utilities, Drains and External Works

Figure 19: Utility improvements



F.1 Distribution network for all Utilities

7.3.83. As per the cost estimates shared by AIAL, the AO has assumed the cost towards distribution network to be 25% of the cost of all utility projects. However, the Authority could not ascertain any such practice prevalent for the construction of Airport projects. The Authority is of the view that the actual costs would depend on the specification of the components used and the quantities required depending on the location of various facilities and the routing of the utility network.

7.3.84. Therefore, in the absence of a reliable estimate from the Airport Operator, the Authority has considered "Electrical external service connections" (3.75%) and "Civil external service connections" (1.25%), as per Plinth Area Rates (PAR) 2021 to derive an estimate for the distribution network for utilities. Accordingly, 5% of all the utility project costs has been considered towards the cost for distribution network for all the utility projects. The cost considered by the Authority towards distribution network for utilities is given in the table below.

Table 116: Cost towards distribution network for all utilities proposed by the Authority

S. No.	Description of Item	Cost as per (INR Cr.)	
		AIAL	Authority
F.1	**Distribution network for all utilities**	A	B
1.	Fresh Water tank with Pump House	43.14	43.14
2.	STP & Storage Tanks, Pump House associated Buildings	36.23	36.23
3.	Terminal 1 Utility Complex (HVAC Plant, and other associated Buildings etc.).	11.08*	11.08
4.	Substation (RSS/DSS) Building	72.86	72.86
5.	Triturator	5.18	5.18
6.	Hazardous Waste Storage	0.38	0.38
7.	Development of Rainwater Harvesting Pond	0.76	0.76
8.	Airside Drainage & Ducting System	71.25	71.25
9.	Landside drainage	108.05	108.05
	Total	348.91	340.69
	Base cost towards utility projects (5% of above cost*)	**87.23**	**17.03**

S. No.	Description of Item	Cost as per (INR Cr.)	
		AIAL	Authority
	Difference (A – B)		70.19

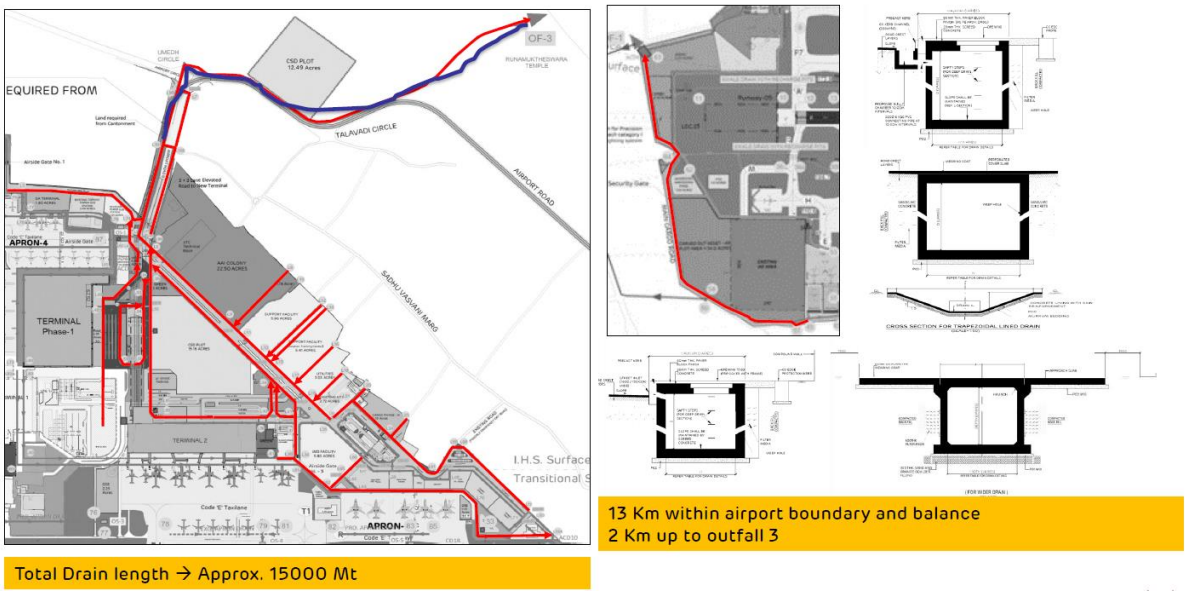
** 25% in AIAL's submission*

Note: INR 99.08 as per initial submission, later revised to 11.08 by AIAL

F.2 Landside drainage

7.3.85. AIAL has proposed landside drainage work amounting to INR 108.05 Cr in the Third Control Period. AIAL has shared the LOI (INR 11.65 Cr.) vide email dated 06th August 2022, for a portion of the project related to South Outfall which connects the stormwater drainage network to Sabarmati River for which the work is in progress. AIAL has clarified that the remaining work is currently at design stage. AIAL has also submitted the cost estimate for the balance work based on Plinth Area Rates.

Figure 20: Landside drainage



7.3.86. The Authority notes that the project is required to prevent waterlogging during heavy rainfall and ensure continued operations on landside. Hence, the Authority has considered the cost of proposed project in the capital expenditure for Third Control Period. The cost estimate submitted by AIAL appears to be reasonable. However, the Authority noticed that a portion of this cost would need to be incurred on land outside the airport boundary. The Authority enquired about such costs that would be incurred outside the Airport boundary. The AO clarified that the entire cost proposed by AIAL is to be incurred within the Airport boundary (approx. 13 km). The cost towards the portion of the drain outside the airport land would be borne by the Ahmedabad Municipal Corporation (approx. 2km). The portion to be constructed by the Municipal Corporation is indicated in the picture above in blue colour.

7.3.87. Based on the above, the Authority proposes to consider the cost as proposed by the Airport Operator.

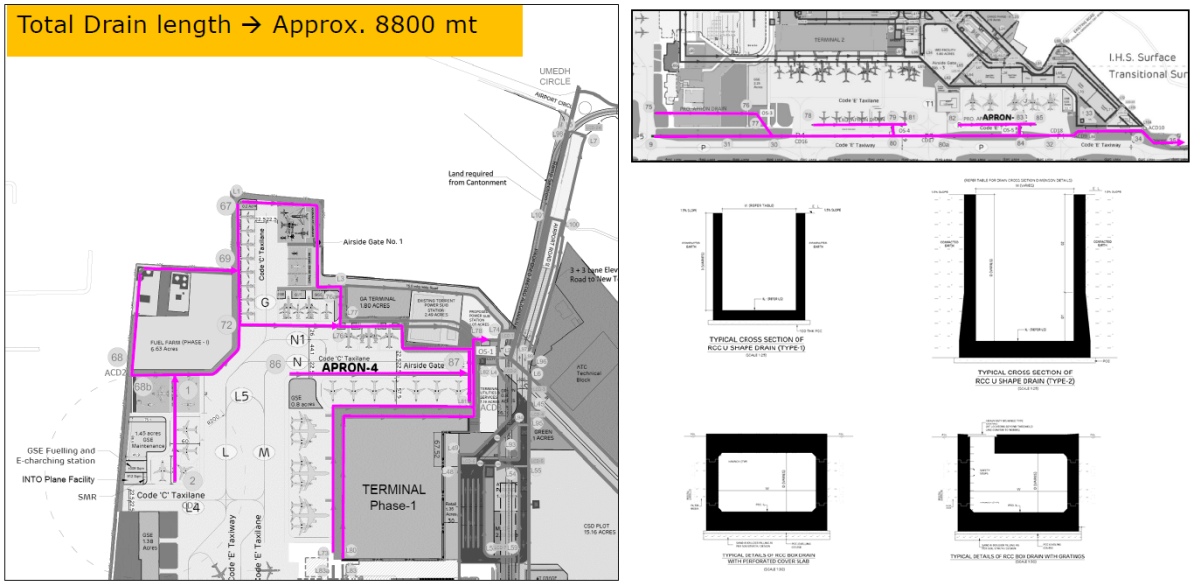
Table 117: Cost towards landside drainage proposed the Airport Operator

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
F.2	Landside drainage	108.05	108.05	-

F.3 Airside Drainage & Ducting System

7.3.88. As per the capital expenditure proposed by AIAL for the Third Control Period, the base cost of Airside Drainage & Ducting System works amounts to INR 71.25 Cr. The Master Plan submitted by AIAL mentions the following regarding airside drainage – *"considering the airside grading plan, operational and functional requirements, drainage networks are planned to comply with the DGCA guidelines. There is no defined external natural drain that exists around the airport area and there isn't much scope for development due to habitations adjoining the airport boundary and the narrow roads. Also, the existing RCC pipe drain laid by AMC authority inside Cantonment board Defense area is not having much of spare capacity to cater for discharging the runoff from airport area. Hence, it is planned to reverse the drain bed slope and divert major quantity of the runoff water generated from airport area on Airside towards OF - 2. The runoff from landside areas and portion of airside (apron & aircraft hangar area) areas shall be diverted towards OF - 3. Only small quantity allowed to percolate in recharge pits and excess diverted towards OF - 1."*

Figure 21: Airside drainage



7.3.89. The Authority notes that the project is required to prevent waterlogging during heavy rainfall and ensure continued operations. AIAL has submitted the cost estimates based on CPWD PAR 2021. The Authority found the cost estimates submitted by AIAL to be reasonable. Hence, the Authority has considered the cost of towards airside drainage and ducting system as submitted by AIAL as given in the table below.

Table 118: Cost towards Airside Drainage & Ducting proposed by the Airport Operator

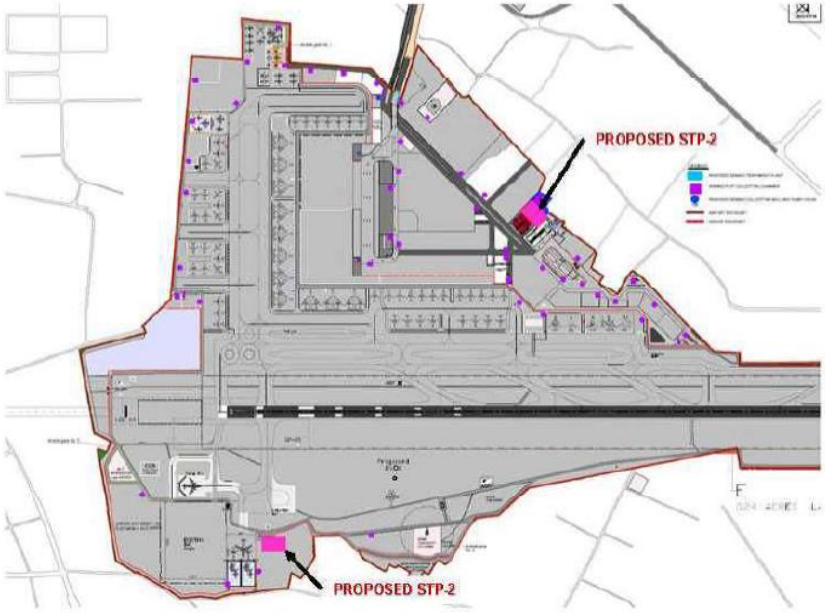
Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
F.3	Airside drainage & ducting system	71.25	71.25	-

F.4 STP, Storage Tanks and Pump House

7.3.90. AIAL, in its submission states the following – *"the sewerage generation at SVPIA shall increase to 4.16 MLD in Phase 2 of SVPIA development, in the Third Control Period. Current STP capacity is very limited. This needs to be urgently enhanced to ensure compliance with environment regulations, to provide required sewerage treatment facility and to recycle wastewater. Therefore, STP of 2.0 MLD capacity with recycled water storage tank of 1520 KL capacity, Hydropneumatics system of 3170 LPM,*

pumphouse of 56 Sqm & sewage networks & recycled water supply network is proposed in Phase 1. In Phase 2, the capacity of STP shall be increased by 2.25 MLD, along with increase in recycled water storage tank capacity to 1950 KL, hydropneumatics system of 4062 LPM, pumphouse of 56 sqm, and extension of sewage network & recycled water supply network. Treated water from STP will be fully utilized for non-potable purposes like non-potable purposes like flushing, gardening & HVAC, to achieve zero discharge from STP as per GPCB norms."

Figure 22: Proposed STP facility location



7.3.91. The Authority notes that this project was also presented at the AUCC meeting held on 21st January 2021. AIAL also clarified that the "*existing STP is having capacity of 0.5 MLD catering for airport sewage mainly serving for T1 & T2 which is not sufficient during peak hours flow. New STP 2MLD and its storage tanks are planned for increased traffic of T1 & T2 and to cater the NITB and other airport buildings. After commissioning of this facility and existing STP will be dismantled since water quality output does not meet the requirement for HVAC make-up water & flushing and also due to space constraint for future expansion*." The Authority examined the traffic projections and finds that the increased need for capacity is justified. Further, the Authority compared the cost proposed towards STP against the cost incurred at other airports and prevailing market rates and found the same to be reasonable. Therefore, based on the above, the Authority has considered the cost towards the STP and related projects as part of the capital expenditure for TCP based on the cost estimate submitted by AIAL. The detailed break-up of the BOQ is provided in Para 17.5.21 in Annexure 5 of Chapter 17 of this Consultation Paper.

Table 119: Cost towards STP, Storage Tanks and Pumphouse proposed by the Airport Operator

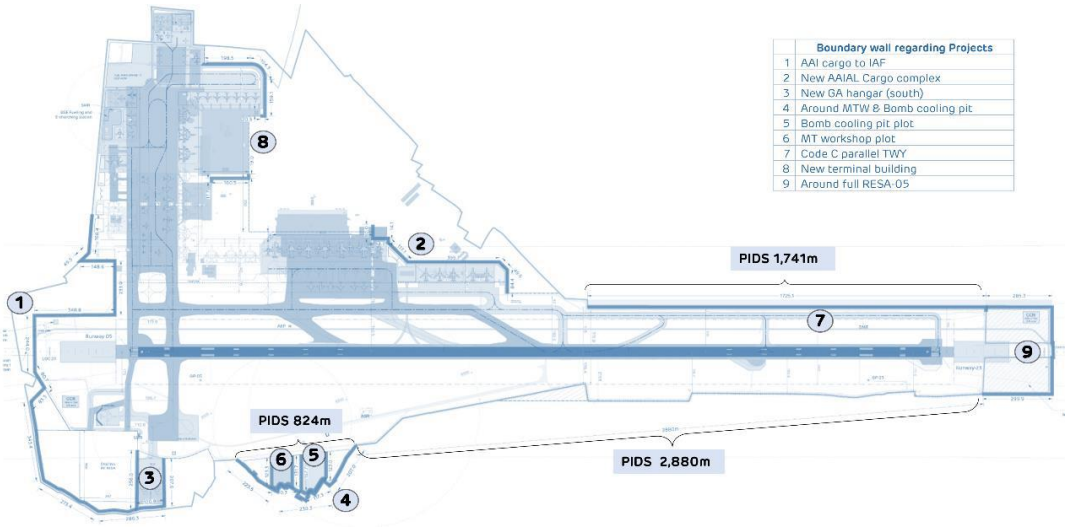
Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
F.4	STP, Storage Tanks and Pump House	79.37	79.37	-

F.5 Boundary wall improvements including PIDS

7.3.92. AIAL, in its submissions, states the following – *"SVPIA presently does not have PIDS along / on its airside boundary wall. However, in view of security considerations, SVPIA requires PIDS as part of its airport security infrastructure. Therefore, installation of PIDS is proposed, to be implemented in phases."* AIAL has also proposed the re-construction of existing airside boundary wall in view of the

proposed land acquisition for implementation of projects like new Code C parallel taxiway, full RESA-05 on eastern end of the runway, etc. The Authority understands that the project is crucial from an airport safety and security perspective.

Figure 23: Boundary wall including PIDS



7.3.93. The Authority compared the rates submitted by AIAL with the quotations received for PIDS at Lucknow airport (LKO) and found the unit rate considered by AIAL to be reasonable. Further, the Boundary wall needs to be reconstructed as per the recent land survey and Code C mandate as part of Bureau of Civil Aviation Security (BCAS) requirement. Therefore, the Authority, has considered the cost towards Boundary wall and PIDS as submitted by AIAL, as given in the table below.

Table 120: Cost towards boundary wall improvements including PIDS proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	As per the Authority	
			Quantity (RMT)	Amount (INR)
F.5	**Boundary wall improvements including PIDS**	A	B	C = A×B
	Cost submitted by Airport Operator:			
1	Airport Boundary Wall	10,900	3,301	3.60
2	Airside Boundary wall along new CODE C parallel Taxiway & around RESA 05	10,900	2,716	2.96
3	Perimeter Intrusion Detection System (PIDS)	10,700	13,160	14.08
	Total (D)			**20.64**
	Cost proposed by the Authority (E)			**20.64**
	Difference (D – E)			-

F.6 Minor Works – Boundary wall

7.3.94. As per MYTP, AIAL has proposed the construction of landside boundary wall at locations where the height is low and to install monkey fencing to address BCAS observations. Further, watch towers, based on CISF requirements are also planned at appropriate locations. AIAL has proposed such Boundary wall related work amounting to INR 4.29 Cr. (excluding indexation and soft costs) under the head Minor Projects – Boundary wall. The Authority examined the items proposed by AIAL as per

the methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works – Boundary Wall is given in the table below.

Table 121: Cost towards Minor Works – Boundary wall proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
F.6	Minor Works – Boundary wall	4.29	0.44	3.85

Note: The break-up of the above-mentioned item is provided in Para 17.5.4 in Annexure 5 of Chapter 17 of this Consultation Paper

F.7 External Landscape & Horticulture

7.3.95. As per its PIF, AIAL has proposed landscaping and horticulture activities as part of its environmental and sustainability measures as well to enhance the airport ambience. The Authority is of the view that although landscaping enhances passenger experience, it is not integral to airport operations in general and hence proposed to be treated as common. All building blocks pertaining to landscaping is proposed to be treated as common for purpose of tariff determination of this consultation Paper.

7.3.96. AIAL has proposed for the External Landscape & Horticulture work at a cost of INR 17.01 Cr (excluding indexation and soft costs) and has shared the block cost estimates vide email dated 21st July 2022.

Figure 24: Proposed Landscape Area

7.3.97. The Authority observes that there is no basis for the cost estimated for the New Tree Plantation, Transplantation of Trees, and Removal of Trees. Vide email dated 07th September 2022, AIAL shared various quotations received from vendors. The Authority, through their Consultant, examined the quotes and found that the cost proposed by AIAL was lower than the cost in any of the quotes with respect to Transplantation of Trees and Removal of Trees. Hence, the Authority proposes to consider the cost as per AO's proposal. However, no quotations or supporting documents were received with respect to plantation of new trees. Hence, the Authority proposes to exclude the cost towards the same at this stage and true up the same at the time of tariff determination for the Fourth Control Period.

Accordingly, the Authority proposes to consider the cost towards External Landscape and Horticulture as given in the table below.

Table 122: Cost towards External Landscape & Horticulture proposed by the Authority

S. No.	Description of Item	Unit	Quantity	As per AIAL		As per AERA	
				Rate (INR)	Amount (INR Cr.)	Rates (INR)	Amount (INR Cr.)
F.7	**External Landscape & Horticulture**		B	A	C = A × B	D	E = B × D
1	External Landscape & Horticulture with Irrigation system	SQM	30,000	2,400	7.20	2400	7.20
2	New Plantation Trees	Each	4,000	15,000	6.00	-	-
3	Transplantation of trees		1,000	26,710	2.67	6372	0.64
4	Removal of trees		1,000	11,407	1.14	11,407	1.14
	Total				17.01		**8.98**
	Difference (C – E)						8.03

F.8 Oil Water Separator

7.3.98. As per its submissions, AIAL states the following – "*wastewater from aprons, hangars, cargo facilities, GA & GSE workshop, etc contains floating oil along with suspended solids. These need to be separated from the water through screens, oil water separator, and Grit Chamber. After removal of floating oil and suspended solids, the wastewater is to be treated in STP. This is important for environmental compliance."*

7.3.99. AIAL has proposed the commissioning of Oil Water Separator/s at a cost of INR 15.50 Cr and has submitted the cost estimates vide email dated 21st July 2022 based on CPWD PAR 2021. However, there was no basis for the cost estimated for Supply, Installation, Testing, and Commissioning of Oil Water Separator.

7.3.100. AIAL was requested to provide the details regarding the cost of Supply, Installation, Testing and Commissioning of Oil Water Separator via email dated 18th August 2022. AIAL has shared a quotation for Oil Water Separator containing details for the same vide email dated 19th August 2022. The Authority notes that the cost proposed by the Airport Operator is ~22% lower than the quotation. Therefore, the Authority proposes to consider the cost towards Oil Water Separator as submitted by AIAL at this stage, as given in the table below.

Table 123: Cost towards Oil Water Separator proposed by the Airport Operator

S. No.	Particulars	Amount (INR Cr.)
	Cost submitted by Airport Operator:	
F.8	Oil Water Separator	15.50
	Total (A)	**15.50**
	Cost proposed by the Authority (B)	**15.50**
	Difference (A – B)	-

F.9 Terminal 1 Utility Complex

7.3.101. As per its PIF, AIAL has stated that the existing Torrent Power Receiving Sub-Station (RSS) is based on Air Insulated Switchgear (AIS) system and is located on a large site area of SVPIA. The power demand of SVPIA shall increase to 25 to 30 MW in future. In view of this, a new RSS with Gas Insulated Switchgear (GIS) technology is proposed to be developed at the current location of Torrent Sub-Station on an optimised land area.

7.3.102. In this regard AIAL has shared a note vide email dated 16th July 2022, which states that there is an expected increase in demand for power at the airport from 11444 KVA to 26555 KVA due to increase in the capacity of the airport and other developments planned.

7.3.103. AIAL has proposed the commissioning of Terminal 1 utility complex at a cost of INR 99.08 Cr and has submitted the cost estimates vide email dated 21st July 2022 based on CPWD PAR 2021. However, vide email dated 06th August 2022, AIAL submitted the following – "*As per latest discussion with Torrent, this project may not happen during the current control period*." Therefore, the Authority has excluded the cost associated with Relocation of Torrent Power Station / Construction of New Power Station from the project cost.

7.3.104. Based on the above, the cost proposed by the Authority towards Terminal 1 Utility Complex is given in the table below.

Table 124: Cost towards Terminal 1 Utility Complex proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
F.9	**Terminal 1 Utility Complex**	A	B	C = A × C
	Cost submitted by Airport Operator:			
1	Demolition of Flexible Pavement	730	2,384	0.17
2	Relocation of Torrent Power Station / Construction of New Power Station*			-
3	New Terminal 1 Utility Complex (HVAC Area)	28,300	1,800	5.09
4	Access & Circulation Area/ Site	4,400	3,927	1.73
5	Tunnel / utility duct from NTB Phase 1 -Terminal to Utility Complex (5M x 5M)	3,40,000	120	4.08
	Total (D)			**11.08**
	Cost proposed by the Authority (E)			**11.08**
	Difference (D – E)			-

**This project worth INR 88.00 Cr has been dropped by AIAL. The detailed list of projects dropped by AO is provided in Para 17.5.17 in Annexure 5 of Chapter 17 of this Consultation Paper.*

G. Equipment and Machinery

G.1 IT Equipment

7.3.105. AIAL has proposed various procurements and works amounting to INR 29.54 Cr. (excluding indexation and soft costs) under the head Minor Projects – IT Equipment including Security related IT Infra. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the aeronautical cost proposed by the Authority towards IT Equipment is given below.

Table 125: Cost towards IT Equipment proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
G.1	IT Equipment	29.54	8.49	21.05

Note: The break-up of the above-mentioned item is given in Para 17.5.5 in Annex. 5 of Chapter 17 of this Consultation Paper

G.2 Security Equipment

7.3.106. AIAL has proposed various procurements and works amounting to INR 24.71 Cr. under the head Minor Projects – Security Equipment. The Authority examined the items proposed by AIAL as per the

methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Security Equipment is given in the table below.

Table 126: Cost towards Security Equipment proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
G.2	Security Equipment	24.71	8.13	16.58

Note: The break-up of the above-mentioned item is provided in Para 17.5.6 in Annexure 5 of Chapter 17 of this Consultation Paper

G.3 Disabled Aircraft Removal Kit (DARK)

7.3.107. AIAL has submitted a note on DARK which states the following – "*as per latest traffic forecast, it is likely that the Airport will serve traffic of over 20 MPPA and ATM of approx. 140,000 by FY25-26. This translates into daily Pax and ATM of approx. over 50,000 and over 380 respectively. Lastly, Ahmedabad is a single runway Airport. Any disturbance on the runway will lead to closure of Airport. This will impact the overall aviation ecosystem at the Airport including but not limited to Airlines, Cargo movement, airport, concessionaires, tourism bodies, first and last mile operators etc. AIAL has evaluated the option to tie up with nearest Airport which has Disabled Aircraft Recovery Kit (DARK) and then deploy the same in case of any incident at the Airport. The nearest sizeable Airport which has DARK is Mumbai Airport which is at distance of more than 500 Kms from Ahmedabad Airport. In case the aircraft is disabled on the Runway at Ahmedabad, the Runway cannot be used and therefore the aircraft recovery kit from the other airport will have to be brought to Ahmedabad by Road only. Since the distance between Mumbai and Ahmedabad is more than 500 kms, it will take more than a day to get the kit from Mumbai to Ahmedabad in case of requirement. During this time the airport will be completely closed, and this will have both financial and economic impact on the ecosystem and inconvenience to the travelling public. Considering all the above factors, AIAL has decided to purchase the Disabled Aircraft Recovery Kit (DARK).*"

7.3.108. The Authority notes that AIAL has proposed to acquire DARK in order to address the guidelines of regulatory agencies such as DGCA and BCAS. This project was also presented at the AUCC meeting held on 21st January 2021. Further, vide email dated 20th July, AIAL shared a cost estimate based on the quotation received for CSMIA.

7.3.109. The Authority enquired about the precedence of such events at SVPIA that led to the deployment of DARK. The Airport Operator, in its response, did not mention any such historic precedents at SVPIA. The Authority notes that, given the proximity of SVPIA to CSMIA, SVPIA may rely on the equipment available at CSMIA which is at a distance of ~500 km from SVPIA, in the event that such a circumstance arises. Though SVPIA is single runway airport, the Airport Operator has not furnished any analysis comparing alternate scenarios that would justify the benefits of incurring the cost towards procurement of DARK. Given the prevailing market conditions, the Authority is of the view that currently only those projects which are critically required for safety, security, operations, and customer experience may be initiated.

Accordingly, the Authority proposes to exclude the cost towards Disabled Aircraft Removal Kit from the capital expenditure for the Third Control Period.

Table 127: Cost towards Disabled Aircraft Removal Kit proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
G.2	Disabled Aircraft Removal Kit (DARK)	20.0	-	20.0

G.4 Minor Projects – Plant & Machinery

7.3.110. AIAL has proposed various procurements and works amounting to INR 62.65 Cr. under the head Minor Projects – Plant and Machinery. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works – Plant and Machinery is given in the table below.

Table 128: Cost towards Minor Works – Plant and Machinery proposed by the Authority

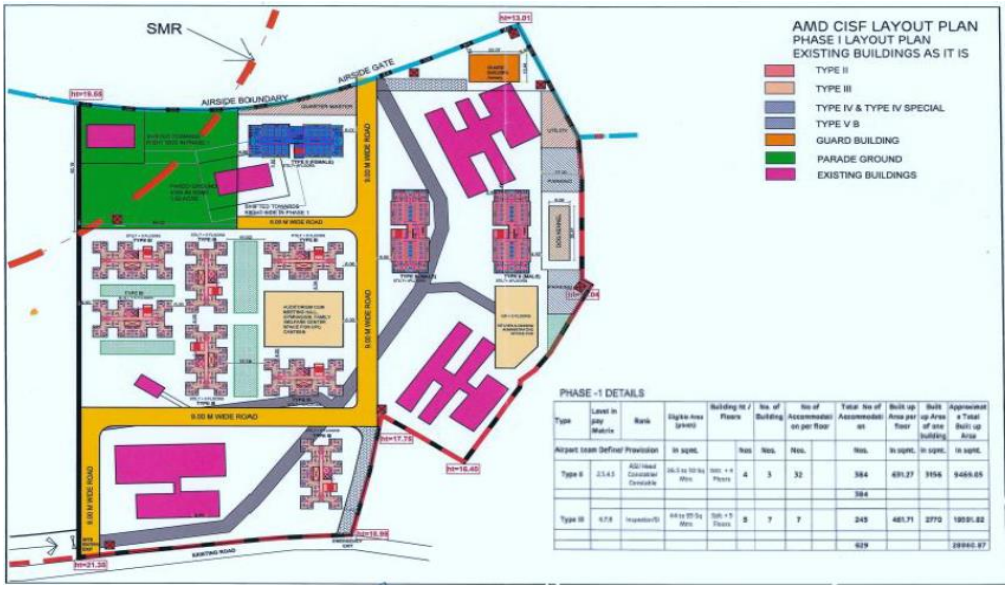
Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
G.4	Minor Works – Plant and Machinery	62.65	13.28	49.37

Note: The break-up of the above-mentioned item is provided in Para 17.5.7 of Annexure 5 in Chapter 17 of this Consultation Paper

H. Other Buildings

H.1 CISF Barracks And Officers' Quarters

Figure 25: CISF Layout Plan



7.3.111. As a part of the CAPEX in TCP, AIAL has proposed that the existing CISF bachelor's accommodation will have to be increased on an optimised site area of 4.25 Ha (10.50 acres) in Phase 1 of this project. As per AIAL's submission, an additional 629 CISF Bachelors accommodation along with required support facilities shall be developed subject to approval of AERA for this project. However, family quarters shall not be part of this project.

7.3.112. AIAL vide email dated 18th August 2022 submitted a note on the CISF Barracks which stated the need for the construction of the same. It states the following – *"considering the various expansion projects at the airport (including cargo complex, Terminal Refurbishment, construction of new airside security gates, additional terminal entry gates & security check counters), the CISF staff requirement at AMD is projected to increase to 1500 by FY 2026 and subsequently it would reach to 1800 by FY 2028" and "Also, we have analysed other Airports serving traffic of 20 MPPA like Hyderabad and Chennai and we have found that they have CISF deployment of approx. 1,500 which corroborates with the Ahmedabad CISF deployment plan for FY2026."* It further stated, *"As per CISF accommodation norms, they are eligible for bachelor accommodation for 55% of total strength which in our case works out to be 554 accommodation requirements at present approved strength and 990 accommodation*

requirements in 2028. Currently, there are 360 existing bachelor accommodations. So additional 630 accommodations are needed. In view of the above, AIAL has planned to construct additional 629 barrack accommodations for CISF staff. Also, to clarify that currently there are no rented facilities arranged by AIAL for CISF staff."

7.3.113. In the abovementioned note, AIAL also stated that they had also initiated few discussions with real estate consultants from where they could understand that such facility at one single location is not readily available in market and the same can be made available only on make-to-order basis. AIAL stated that they received an offer from a reputed builder for providing such facility on long term lease basis. Based on the said offer, AIAL carried out a detailed cost-benefit analysis and observed that initially for first 3 years the cost under "Own construction model" is higher but after 3 years, the costs under "Own construction model" goes down with reduction in RAB values.

7.3.114. Additionally, AIAL has also submitted a letter from CISF requesting to provide family/barrack accommodation for CISF ASG Ahmedabad personnel. The letter states that there are 395 families deficient of CISF accommodation and 198 bachelor accommodation required.

7.3.115. AIAL has put forward that they were unable to find suitable location near the airport to arrange rented facilities which complies with the requirements of CISF. Therefore, AIAL has proposed the construction of CISF Barracks at the Airport on an optimised location.

7.3.116. The cost proposed by the Airport Operator towards the construction of CISF Barracks is given in the table below.

Table 129: Cost towards Construction of CISF Barracks proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
	CISF Barracks and Officers' Quarters			
1	Access & Circulation Area/ Site Development	4,400	11,648	5.12
2	Construction of additional CISF Quarters	65,000	28,861	187.59
	Total			**192.72**

7.3.117. The Authority notes that AIAL has considered a unit rate of 65,000 per SQM for construction of CISF Quarters with no detailed break-up showing unit rates considered. For further analysis, the Authority compared the cost proposed by AIAL against the cost incurred at other airports and observed that the cost proposed by AIAL appears to be quite high when compared to the cost being incurred at Kolkata Airport. Therefore, in the absence of a detailed estimate from the Airport Operator, the Authority proposes to revise the estimate based on the cost incurred at Kolkata (INR 48,000 per SQM).

7.3.118. Based on the above, the cost proposed by the Authority towards CISF Barracks is given in the table below.

Table 130: Cost towards CISF Barracks proposed by the Authority

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
H.1	**CISF Barracks and Officers' Quarters**			
	Cost proposed by the Authority:			
1	Access & Circulation Area/ Site Development	4,400.00	11,648	5.12
2	Construction of additional CISF Quarters	48,000	28,861	138.53
	Total (A)			**143.66**
	Cost submitted by AIAL (B)			**192.72**
	Difference (B – A)			49.06

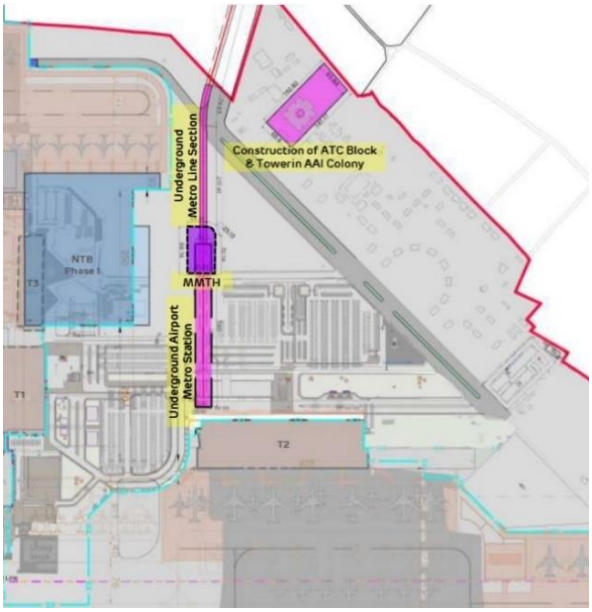
H.2 ATC Technical Block with ATC Tower in AAI Colony

7.3.119. As part of the Phase 2 of SVPIA Master Plan development, AIAL has proposed that the existing ATC Block & ATC Tower be relocated in AAI Colony. A new ATC Tower & Technical Block shall be constructed in TCP at the proposed location, and once these are commissioned, the existing Block & Tower shall be decommissioned. This project was originally proposed by AAI and AIAL shall implement the same with required updates to design of the proposed facility. The area earmarked for the proposed new Air Traffic Control (ATC) Tower & Technical Block is about 9,840 SQM and its BUA is about 13,570 SQM.

7.3.120. The Authority notes that this project was also proposed by AAI as part of Schedule U of the Concession Agreement. It is observed that AIAL has considered the cost by applying a 10% escalation on the costs proposed by AAI in Schedule U of the Concession Agreement, which was also accorded by the AAI Board on 20th June 2018. For further analysis, the Authority has compared the cost proposed by AIAL to that incurred at other airports such as Kolkata and Delhi Airport and found the costs proposed by AIAL appears to be reasonable.

7.3.121. As per the submissions of AIAL, the existing tower also comes in the footprint of the proposed NITB Phase 2.

Figure 26: Location of ATC Block and Tower in AAI Colony



7.3.122. The cost proposed by the Airport Operator and considered by the Authority towards ATC Tower & Technical Block is given in the table below.

Table 131: Cost towards ATC Tower & Technical Block proposed by the Airport Operator

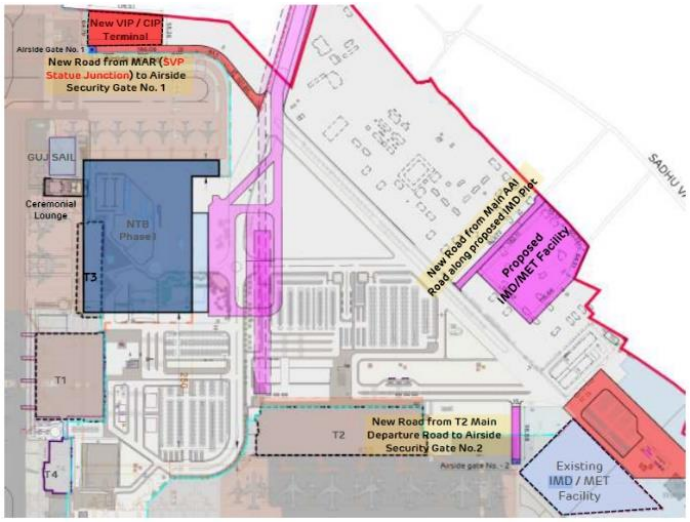
S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
H.2	**ATC Block & Tower in AAI Colony**			
	Cost submitted by Airport Operator:			
1	Demolition of Flexible Pavement	730.00	135	0.98
2	Access & Circulation Area/ Site Development		8,017	183.11
3	ATC Technical Block with ATC Tower		13,570	
	Total (A)			**183.13**
	Cost proposed by the Authority (B)			**183.13**

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
	Difference (B – A)			-

H.3 IMD/MET Facility

7.3.123. As per the MYTP submission of AIAL, this project amounting to INR 41.40 Cr (excluding soft cost and indexation) is proposed by AIAL because the land under existing IMD/MET Facility is required for future expansion of New Cargo Complex Development. The existing MET / IMD facility is proposed to be relocated/reconstructed on plot of land in AAI Colony (to be handed over to AIAL).

Figure 27: Proposed location of IMD/MET Facility



7.3.124. From the PIF presented in the AUCC meeting held on 21st January 2021, the following is observed – "*the site for new IMD/Met facility will be on equivalent area of 24,123 sqm, on part of land of AAI Colony to be vacated by AAI. The project shall be implemented in Phase 3, in the Fourth Control Period in after 2026. The proposed facility shall include required spaces and infrastructure for IMD/MET operations like Hydrogen Balloon Shed, Observatory, Automatic Weather Station, laboratory, Admin office, workshop/store, parking, entrance, etc. IMD shall relocate its radars and any new equipment that they have planned, to this new facility. The proposed total BUA shall be approx. 3000sqm. The existing IMD/MET facilities will be developed and constructed first on the new premises, without disturbing current operations of IMD to facilitate smooth transition with no effect on services of IMD. Operations at the new facility shall commence after 2026.*"

7.3.125. Further, no MoU has been signed between AAI and the AO regarding the right of use of the land area at the proposed site in the AAI Colony. Considering the uncertainty regarding the availability of land, the Authority is of the view that this facility would not be operational in the Third Control Period. Therefore, the same may be deferred to the next control period. Accordingly, the cost proposed by the Authority towards IMD/MET Facility is given in the table below.

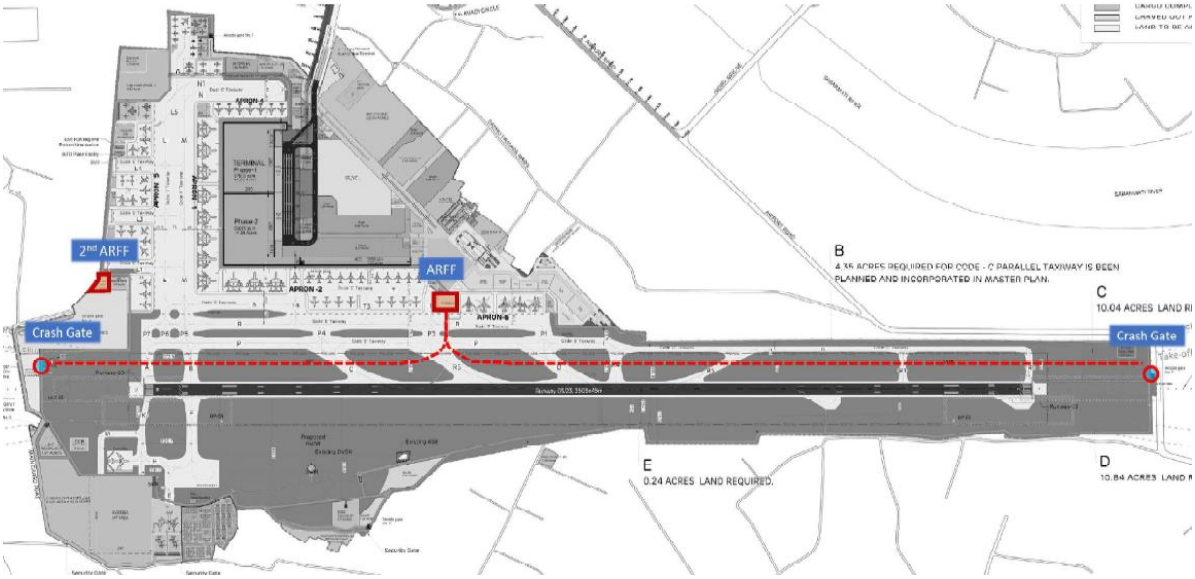
Table 132: Cost towards IMD/MET Facility proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
H.3	IMD/MET Facility	41.40	-	41.40

H.4 ARFF Building

7.3.126. As per the PIF submission of the Airport operator, the ARFF building and the area around it is required for development of new AIAL Cargo Complex and its apron, and therefore the existing ARFF needs to be relocated. In view of this, a new ARFF facility with built up area of approximately 2,492 SQM including the Fire Station and Employee Canteen (lunch/dinner area for operations on-duty staff) is proposed to be constructed on airside of SVPIA located between new Cargo Complex and Terminal T2 apron on site area of 5,076 SQM.

Figure 28: Proposed location of ARFF facility



7.3.127. The Authority notes that this project was also presented at the AUCC meeting held on 21st January 2021. The Authority further notes that the base cost estimated for the construction of new ARFF Facilities by AIAL was INR 19.15 Cr. Vide email dated 05th September 2022, AIAL shared the combined LoA for ARFF building and Airport Health Office (AHO). The Authority revised the cost towards ARFF building based on the LoA submitted by AIAL by bifurcating the cost between ARFF building and AHO in the ratio of their built-up area details shared by AIAL.

7.3.128. Accordingly, the cost proposed by the Authority towards ARFF building is given in the table below.

Table 133: Cost towards ARFF building proposed by the Authority

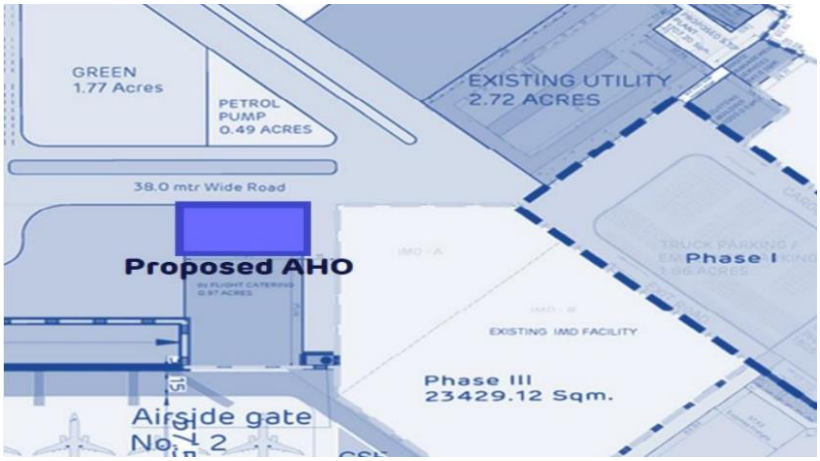
S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
H.4	**ARFF building**			
	As per AIAL:			
	ARFF Facilities (A)	92,500	2070	19.15
	As per Authority (determined from LoA):			
	ARFF Facilities (B)		2070	**19.02**
	Difference (A – B)			0.13

H.5 Airport Health Office (AHO)

7.3.129. AIAL has stated that the project is needed for creating a facility for coordination of activities and containment of Public Health Emergencies, hence forming part of critical Health Infrastructure at the airport. AIAL further claim the AHO is for the benefit of passengers and Airport Users and that this requirement has to be fulfilled as per Clause 2.3.2 of the CA (Refer Para 17.3.13 in Annexure 3 of

Chapter 17) and Schedule R of the Concession Agreement. As per AIAL, this facility would be run by central government as similar to other airports.

Figure 29: AHO proposed location



7.3.130. AIAL has proposed for the construction of Airport Health Office at a base cost of INR 17.44 Cr and has shared the block cost estimates vide email dated 21st July 2022.

7.3.131. Vide email dated 05th September 2022 AIAL shared the combined LoA for ARFF building and Airport Health Office (AHO). The Authority revised the cost towards AHO based on the LoA submitted by AIAL by bifurcating the cost between ARFF building and AHO in the ratio of their built-up area details shared by AIAL.

7.3.132. Accordingly, the Authority has recalculated the cost towards AHO Facilities for the Third Control Period as given in the table below.

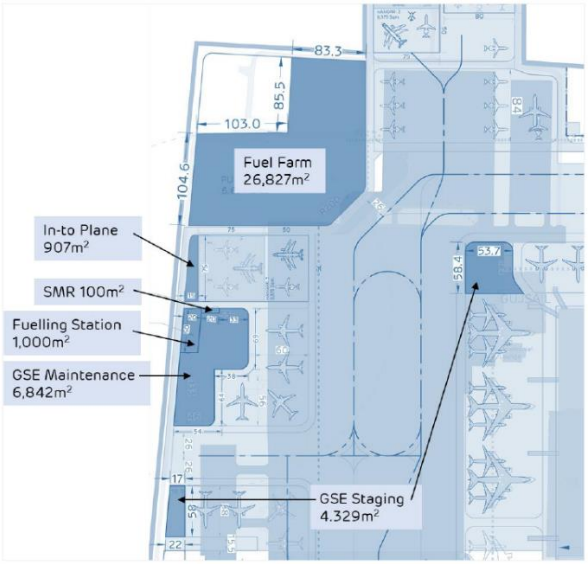
Table 134: Cost towards Airport Health Office proposed by the Authority

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
H.4	**Airport Health Office**			
	As per AIAL:			
	Airport Health Office (A)	95,625	1,824	17.44
	As per the Authority (from LoA):			
	Airport Health Office (B)		1,824	**16.76**
	Difference (A – B)			0.68

H.6 GSE Maintenance Facility

7.3.133. As per its submissions, AIAL has stated that currently there is no GSE maintenance facility available at SVPIA. Considering operational requirement of a dedicated maintenance facility for ground support equipment and vehicles, GSE Maintenance Facility is proposed on airside to avoid movement of GSE equipment & vehicles from airside to landside to ensure operational efficiency and safety. AIAL has proposed for the construction of GSE Maintenance Facility at a cost of INR 15.50 Cr (excluding indexation and soft costs) and has submitted the cost estimates based on CPWD PAR 2021, shared vide email dated 21st July 2022.

Figure 30: Proposed location for GSE Maintenance Facility



7.3.134. The Authority in its examination found the cost estimates submitted by AIAL to be reasonable. Hence, the Authority has considered the cost of towards GSE maintenance facility as submitted by AIAL as given in the table below.

Table 135: Cost towards GSE Maintenance Facility proposed by the Airport Operator

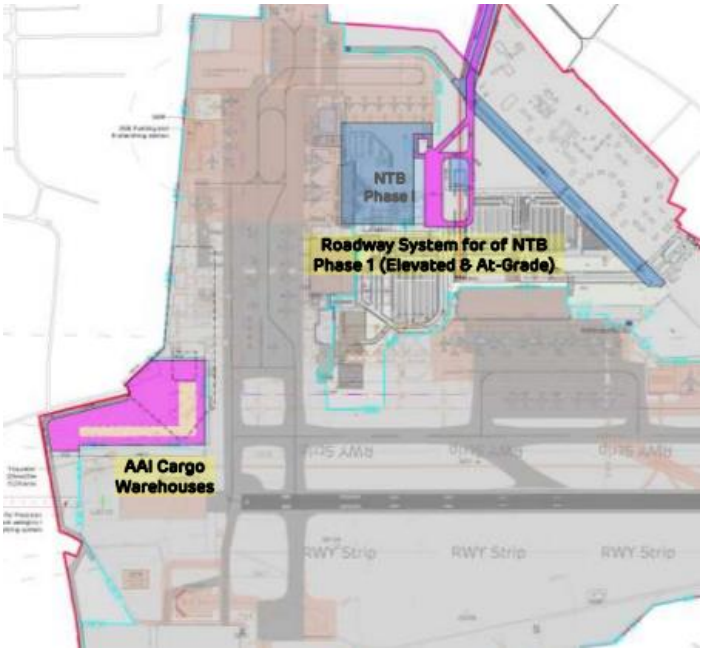
S. No.	Description of Item	UNIT	Rate (INR)	Quantity	Amount (INR Cr.)
H.6	**GSE Maintenance Facility**				
	Cost submitted by AIAL:				
1	Demolition of Flexible Pavement	SQM	730	475	0.03
2	Demolition of Existing Boundary wall	RMT	2,100	85	0.02
3	GSE Maintenance Facility	SQM	47,300	3,000	14.19
4	Access & Circulation Area/ Site Development		4,400	2,868	1.26
	Total (A)				**15.50**
	Cost proposed by the Authority (B)				**15.50**
	Difference (B – A)				**-**

7.3.135. The Authority notes that there would be incidental revenues as a result of the creation of this asset. The Authority proposes to consider revenue projections from the GSE Maintenance Facility as aeronautical revenue at the time of finalisation of tariffs for the Third Control Period. The Airport Operator is directed to provide the projections of such aeronautical revenues along with the Annual Tariff Proposal.

H.7 AAI Cargo Warehouse including Landside Area Development:

7.3.136. As per the terms of Concession Agreement, the existing cargo complex land area of 7 hectares (17.5 acres) operated by AAICLAS is a Carved-Out Asset and has been retained by AAI. AIAL has submitted that, as part of the NITB development, its associated remote apron along the north-western boundary of airport, partly on the said Carved Out land is essential for development of remote Code C parking stands. Therefore, AIAL has proposed shifting of the location of Carved-Out land further south-west of its current location, with equivalent land area. This shall affect existing old structures located in currently demarcated Carved Out land area and will have to be re-built for AAI.

Figure 31: Location of AAI Cargo Warehouses



7.3.137. The Authority notes that the land and the assets therein are owned and operated by AAICLAS. Therefore, this project is subject to approval from the said entities. AIAL has clarified that they are in discussions with AAICLAS, however no MoU has been signed till date. In the absence of any information on the progress of the discussions, the viability of the project in this control period is not certain. Hence, the cost towards this project has been excluded from the CAPEX considered for TCP. However, if the project is completed within the Third Control Period, the same would be considered as part of true up at the time of determination of tariffs of the Fourth Control Period subject to efficiency of costs and reasonableness.

Table 136: Cost towards AAI Cargo Warehouse including Landside Area Development proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
H.7	AAI Cargo Warehouse including Landside Area Development	69.85	-	69.85

H.8 Minor Works – Other Buildings

7.3.138. AIAL has proposed various procurements and works amounting to INR 21.96 Cr. (excluding indexation and soft costs) under the head Minor Projects – Other buildings. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6. Accordingly, the aeronautical base cost proposed by the Authority towards Minor Works – Other Buildings is given in the table below.

Table 137: Cost towards Minor Works – Other Buildings proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
H.8	Minor Works – Other Buildings	21.96	9.10	12.86

Note: The break-up of the above-mentioned item is provided in Para 17.5.8 of Annexure 5 in Chapter 17 of this Consultation Paper

I. Vehicles

I.1 Minor Projects – Vehicles

7.3.139. AIAL has proposed the procurement of Airside Operation Vehicles, Vehicle Recovery Van, Follow ME Vehicles, Ambulances and Mini Road Roller for airside operations. amounting to INR 2.30 Cr. (excluding indexation and soft costs), under the head Minor Projects – Vehicle.

7.3.140. The Authority examined this minor project as detailed in Para 7.3.6. Accordingly, the cost proposed by the Authority towards Minor Works – Vehicles is given in the table below.

Table 138: Cost towards Minor Works – Vehicles proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
G.4	Minor Works – Vehicles	2.30	0.79	1.51

Note: The break-up of the above-mentioned item is provided in Para 17.5.9 of Annexure 5 in Chapter 17 of this Consultation Paper.

J. Cargo

J.1 New Cargo Complex - Phase 1

7.3.141. As per the terms of the Concession Agreement, the land area of existing cargo complex measuring 7.08 hectares (17.5 acres) on south-western part of the site near Runway 23 end, operated by AAICLAS, is a Carved-Out Asset and has been retained by AAI with itself, necessitating development of new cargo facility for AIAL. In view of this, AIAL has commenced its cargo operations from existing Terminal T3, which was decommissioned earlier for passenger operations by AAI. However, the said interim cargo facility at Terminal T3 comes in the footprint of Phase 1 construction of new Integrated Passenger Terminal.

7.3.142. In view of the above, AIAL has proposed and initiated the construction of a New Cargo Complex on land area of approximately 12.14 hectares (30. acres excluding approx. 18.44 acres of cargo apron area) located on north-eastern part of airport.

7.3.143. The first phase of the New Cargo Complex that is planned to be commissioned in the Third Control Period and is expected to have a capacity of 1,80,000 MT. Upon completion of the second phase, an additional capacity of 96,000 MT would be created, however, this expansion is not planned in the current control period. AIAL has submitted that Phase 1 would house international operations for export and import shipments with a dedicated cold zone for pharma and perishable cargo handling. Phase 2 would house the Domestic operations for outbound and inbound shipments, with a zone for express cargo.

Figure 32: Existing cargo facility within the former T3 Terminal building

Figure 33: Existing Cargo Facilities located southwest part of the airport Premises

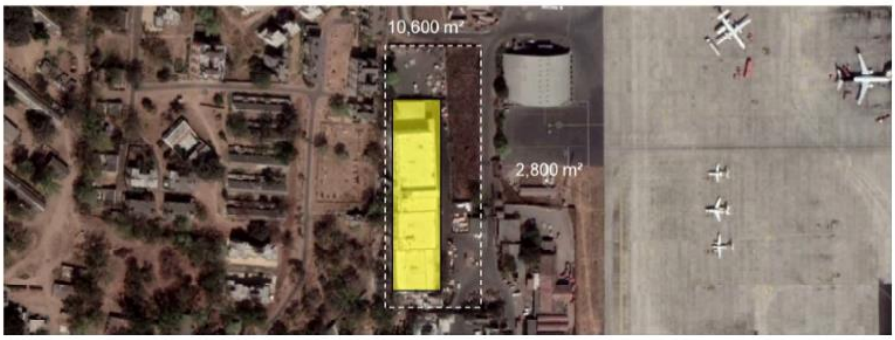
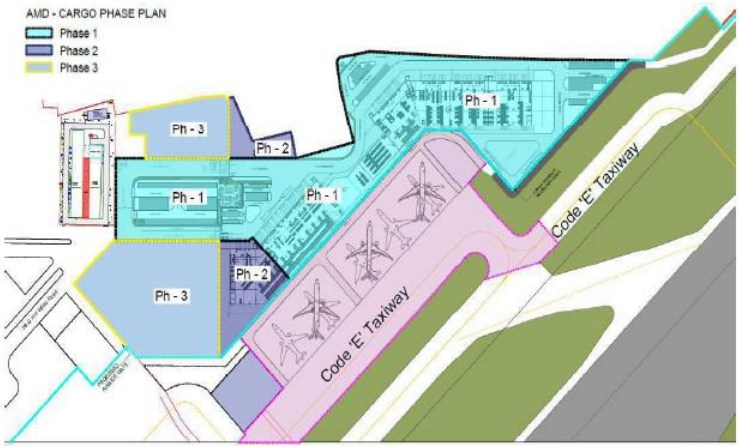


Figure 34: AIAL Cargo phase plan



7.3.144. The Authority notes that this project was also proposed by AAI as part of Schedule U of the Concession Agreement. The project was also presented in the AUCC meeting held on 21st January 2021.

7.3.145. The Authority examined the traffic estimates provided by AIAL and observed that the cargo traffic in FY 2020 was 1,03,741 MT at SVPIA. AIAL expects the traffic to grow to 1,48,120 MT by FY 2026 out which AIAL projects that it will handle 1,04,232 MT of cargo at its own facility. Therefore, the proposed capacity of 1,80,000 MT for the Phase 1 of the Integrated Cargo Terminal (ICT) would be sufficient to handle the forecasted the projected cargo traffic in the Third Control Period.

7.3.146. The break-up of the cost proposed by the Airport Operator towards construction of New Cargo Complex - Phase 1 is given in the table below.

Table 139: Cost towards New Cargo Complex - Phase 1 proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
J.1	**New Cargo Complex - Phase 1**			
1	Cargo Terminal Complex (Warehouse including docking area)	60,000	27,630	165.78
2	Perishable cargo	85,000	3,000	25.50
3	CRDC	47,300	1,212	5.73
4	Office	47,300	1,484	7.02
5	Gate Complex	45,600	892	4.07
6	Circulation Area around Warehouse	4,400	11,207	4.93
7	Road	4,500	29,399	13.23
8	Parking	7,900	8,358	6.60
9	Green & Landscape	2,400	4,418	1.06
	Total			**233.92**

7.3.147. The Authority notes that AIAL had estimated the cost of Cargo Complex based on CPWD DSR rates. Subsequently, AIAL also submitted the LoA for a portion of the project for which the contract has been awarded. It is observed that out of the components listed in the table above, all major items except the Perishable Cargo Facility, have already been awarded.

7.3.148. The Authority finds that there is no basis for the cost estimated for the Perishable Cargo section which was considered as INR 85,000 per SQM. The Authority compared the cost incurred for Perishable Cargo units at other airports and found the cost proposed by AIAL to be higher. In the absence of further details to justify the higher cost, the Authority has considered the cost towards the perishable cargo facility at the same rate as that of the general cargo facility (obtained from LoA).

7.3.149. Based on the above, the cost proposed by the Authority towards ICT is given in the table below.

Table 140: Cost towards New Cargo Complex - Phase 1 proposed by the Authority

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
J.1	**New Cargo Complex - Phase 1 & 2**			
	Cost proposed by the Authority:			
1	Work awarded (as per LoA)			161.30
2	Perishable cargo	77533.50	3,000	23.26
	Total (A)			**184.56**
	Cost submitted by AIAL (B)			**233.92**
	Difference (B – A)			49.36

J.2 Cargo Equipment

7.3.150. AIAL has proposed the purchase of cargo equipment worth INR 106.59 Cr. for the new Integrated Cargo Terminal which is currently under construction. The project was presented at the AUCC meeting held on 21st January 2021. AIAL has also provided the list of equipment it proposes to purchase along with their expected cost.

Table 141: Cost towards cargo equipment proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (LS)	Amount (INR Cr.)
J.2	**Cargo Equipment**			
1	Movable Equipment for ICT			9.33
2	MHE Equipment			67.51
3	IT System, Equipment Dom + Intl + Exp			3.36
4	Ancillary Services			26.40
	Total			**106.59**

7.3.151. The Authority notes that AIAL has not provided any supporting documents or basis for the cost estimates. The Authority understands that the availability of equipment would be critical for the operationalisation of the ICT. However, it is not possible to assess the reasonableness of the costs proposed at this stage considering the large number of equipment that is required, the costs of which vary with respect to their specification. Therefore, in the absence of a reliable basis, the Authority proposes to consider 50% of the estimated cost at this stage. The Authority understands that this project is currently under bidding. In case the project is awarded prior to the culmination of the consultation process, the same would be taken into consideration by the Authority. Otherwise, the same may be considered at the time of true of the Third Control Period subject to efficiency of costs and reasonableness.

7.3.152. Accordingly, the cost proposed by the Authority towards Cargo Equipment is given in the table below.

Table 142: Cost towards Cargo Equipment proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
J.2	Cargo Equipment	106.59	53.30	53.29

Note: The break-up of the above-mentioned item is provided in Para 17.5.10 of Annexure 5 in Chapter 17 of this Consultation Paper.

J.3 Minor Works – Cargo Building

7.3.153. As per the document submitted by AIAL, AIAL has proposed for the relocation of MT Workshop as it comes in the footprint of the proposed Integrated Cargo Terminal. The cost proposed toward site development for MT Workshop, Access and Circulation Areas is INR 12.62 Cr. (excluding indexation and soft costs), under the head Minor Projects – Cargo Building. However, AIAL had not provided the break-up of these expenses as part of the MYTP.

Figure 35: Proposed MT Workshop location

7.3.154. The break-up of the cost proposed by the Airport Operator towards development for MT Workshop is given in the table below.

Table 143: Cost towards development for MT Workshop proposed by the Airport Operator

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
J.3	MT Workshop	75,000	1,682	12.62

7.3.155. Based on the examination by the Authority it was found that the cost estimate for the construction of MT Workshop at rate of INR 75,000 per SQM, is higher as compared to similar structures at other airports. In the absence of a reliable estimate from the Airport Operator, the Authority has revised the cost towards MT Workshop based on the rate considered for construction of GSE Maintenance Facility i.e., INR 47,300 per SQM. Accordingly, the Authority has recalculated the cost towards GSE Maintenance Facility for the Third Control Period. The same may be trued up at the time determination of tariffs for the Fourth Control Period subject to efficiency of costs and actual utilization of assets.

7.3.156. Based on the above, the cost proposed by the Authority towards Minor Works – Cargo Building is given in the table below.

Table 144: Cost towards Minor Works – Cargo Building proposed by the Authority

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
J.3	Minor Works – Cargo Building	12.62	7.96	4.66

Note: The break-up of the above-mentioned item is provided in Para 17.5.11 of Annexure 5 in Chapter 17 of this Consultation Paper

J.4 Minor Works – Misc. Cargo Equipment

7.3.157. As per the documents submitted by AIAL, the AO has commenced interim cargo operations from old terminal T3. AIAL has carried out renovation of T3, procurement of IT equipment and cargo equipment amounting to INR 6.17 Cr. (excluding indexation and soft costs), under the head Minor Projects – Misc. Cargo Equipment. The break-up of this expenditure is provided in Para 17.5.12 of Annexure 5 in Chapter 17. The Authority examined the items proposed by AIAL as per the methodology detailed in Para 7.3.6.

7.3.158. Accordingly, the cost proposed by the Authority towards Minor Works – Misc. Cargo Equipment is given in the table below.

Table 145: Cost towards Minor Works – Misc. Cargo Equipment proposed by the Airport Operator

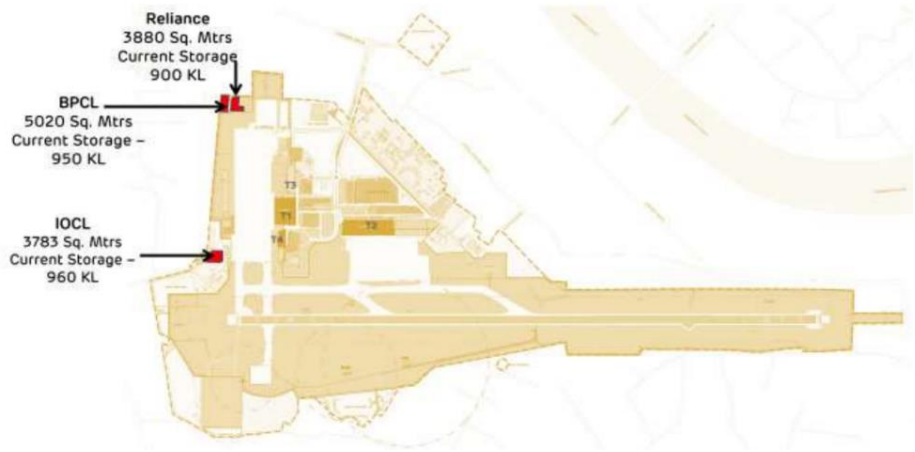
Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
J.4	Minor Works – Misc. Cargo Equipment	6.17	6.17	-

Note: The break-up of the above-mentioned item is provided in Para 17.5.12 of Annexure 5 in Chapter 17 of this Consultation Paper

K. Fuel Farm

K.1 New Fuel Farm Facility

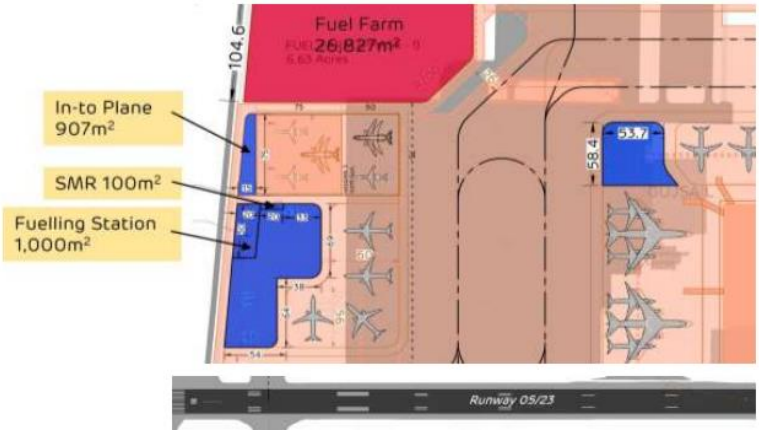
Figure 36: Location of Assets of different OMCs present at SVPIA



7.3.159. AIAL has submitted the following as per Clause 19.3 of Concession Agreement – *"the Concessionaire shall provide, or cause to be provided the infrastructure required for operation of fuelling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good industry Practice."*

7.3.160. Accordingly, AIAL is planning to start open access in order to bring overall efficiency. AIAL has proposed to purchase the fuel facilities of all OMCs (IOCL-960KL, BPCL-950KL and Reliance - 900KL) and convert these to an open access facility. Post takeover, the capacity of AIAL would be 2810 KL. MoUs between AIAL and IOCL and RIL are already shared with the Authority. Considering estimated uptake of 6KL per departing ATM, AIAL has estimated the storage requirement to be 700KL per day (pre-COVID) i.e., 5000KL storage demand based on 7-day requirement.

Figure 37: Proposed Fuel Farm location



7.3.161. AIAL expects the ATM traffic to increase from 85,000 in FY 2020 to 1,37,000 in FY 2026, and accordingly the ATF demand to increase from 5,000KL to 8,000KL. Therefore, AIAL has proposed the construction of greenfield facility with a capacity of 8,000KL along with provision of hydrant system. The Fuel Farm project was presented at the AUCC meeting held on 21st January 2021.

7.3.162. The Authority notes that the existing fuel farm capacity at SVPIA is 2,810 KL. Considering the ATM traffic growth, the Authority infers the capacity requirement for fuel farm in the Third Control Period as given in the table below.

Table 146: Fuel storage capacity requirement estimated by the Authority

Particulars	Formula	Value
Current Capacity (KL)	A	2,810
ATM Traffic in FY 2020	B	84,577
ATM Traffic Projected in FY 2026	C	1,36,591
Increase in ATM Traffic (%)	D = C ÷ B – 1	61%
Capacity Requirement (KL)	F = A × D	4,538

7.3.163. The table below shows the cumulative fuel capacity following different phases of development of the new Fuel Farm Facility.

Table 147: Phase wise cumulative Capacity for Fuel Farm

Facility	Capacity (KL)	Cumulative Capacity
Existing	2,800	2,800
Phase 1	5,000	5,000*
Phase 2	3,000	8,000

** Phase 2 is proposed to be commissioned at the site of the existing facility*

7.3.164. Based on the above, the Authority is of the view that Phase 1 of the new Fuel Farm Facility would provide sufficient capacity for SVPIA in the Third Control Period. Therefore, the Authority proposes to defer the commissioning of Phase 2 of the new Fuel Farm Facility to the next Control Period and

true up the cost incurred based on actuals at the time of determination of tariffs for the Fourth Control Period subject to reasonableness and cost efficiency. Accordingly, the cost proposed by the Authority towards new Fuel Farm Facility based on the LoA submitted by AIAL is given in the table below.

Table 148: Cost towards new Fuel Farm Facility proposed by the Authority

S. No.	Description of Item	Amount (INR Cr.)		Difference
		AIAL	Authority	
K.1	**New Fuel Farm facility**	A	B	A – B
1.	Fuel Tank	218.70	135.87*	82.83
2.	Admin & Support Facilities			
3.	Refilling/ offloading area (Rigid pavement)			
4.	Incoming ATF Pipeline to New Integrated Fuel Farm			
5.	Part Fuel Hydrant system			

** Adjusted for Phase 1 based on the LoA submitted by AIAL*

K.2 Fuel Farm Equipment

7.3.165. AIAL has submitted that as per Clause 19.3 of Concession Agreement (Refer Para 17.3.6 of Chapter 17 of this Consultation Paper), AIAL has to provide fuel storage and allied services on equal/ open-access basis to all fuel suppliers in a transparent and non-discriminatory manner. In view of this and in order to enhance overall efficiency, AIAL is planning to start open access facility. As per AIAL, the current fuel farm facilities have limited fuel storage capacity and will not be able to handle the projected demand in future, for a 40 MPPA capacity airport. Owing to this, AIAL shall take over current IOCL, RIL, BPCL facilities, and then develop an integrated Fuel Farm with enhanced storage capacity for future.

7.3.166. AIAL has proposed to purchase the fuel facilities of all OMCs (IOCL-960KL, BPCL-950KL and Reliance -900KL) and convert these to an open access facility. The land area of existing RIL and BPCL facilities shall be absorbed within the AIAL Fuel Farm area in second phase of its development in next Control Period. In this regard, AIAL has also shared the MoUs signed with IOCL and RIL along with the purchase orders for other equipment. The MoU with BPCL is under finalisation. Based on the documents submitted by the AIAL, the Authority proposes to consider the cost towards purchase of Fuel Farm Equipment as proposed by the Airport Operator as given in the table below.

Table 149: Cost towards Fuel Farm Equipment proposed by the Airport Operator

S. No.	Description of Item	Type	Rate (INR Cr.)	Quantity	Amount (INR Cr.)
K.2	**Fuel Farm Equipment**				
	Cost submitted by Airport Operator:				
1.	Refuellers				
	Refuellers 16KL	16KL	1.160	5	5.80
	Refuellers 16KL	16KL	1.166	10	11.66
	Refuellers 25KL	25KL	1.940	2	3.88
	Sub Total (incl. GST@18%)				21.35
2.	Assets purchased from Reliance, IOCL and BPCL				11.33
	Total (A)				**32.68**
	Cost proposed by the Authority (B)				**32.68**
	Difference (A – B)				**-**

K.3 Minor Projects – Fuel Farm

7.3.167. As per the clarification provided by AIAL, this expense consists of procurement of deadstock. Deadstock is the minimum level of fuel that needs to be always maintained in the storage tanks and pipelines for uninterrupted operations of the fuel farm. This is required for commencement of operations of the new open-access fuel farm facility.

7.3.168. AIAL has proposed cost of procurement of dead stock to be INR 2.80 Cr. (excluding indexation and soft costs), and shared details regarding the same vide email dated 16th July 2022.

7.3.169. The Authority compared the cost proposed by AIAL with other airports and found the same to be reasonable. Accordingly, the Authority has considered the cost towards Minor Works – Fuel Farm as submitted by the Airport Operator as given in the table below.

Table 150: Cost towards Minor Works – Fuel Farm proposed by the Airport Operator

Reference	Particulars	Cost as per (INR Cr.)		Difference
		AIAL	Authority	
K.3	Minor Works – Fuel Farm	2.80	2.80	-

Note: The break-up of the above-mentioned item is provided in Para 17.5.13 of Annexure 5 in Chapter 17 of this Consultation Paper

L. Stamp Duty

7.3.170. The Airport Operator in its MYTP had submitted the following – *"AIAL is required to pay the stamp duty and registration charges on the Concession Agreement. AIAL would be required to bear the stamp duty and registration charges based on decision with the state authorities, and it will be added to the capital expenditure. For the time being, the numbers provided below for capital expenditure are exclusive of stamp duty and registration charges for the purpose of this MYTP calculation. AIAL hereby, reserves the right to include the stamp duty and registration charges and revise the Capital Expenditure in MYTP or shall be considered in subsequent control periods as part of true-up, depending on the future outcome of the matter.*

7.3.171. Vide email dated 07th June 2022, the Airport Operator submitted that AIAL paid stamp duties of INR 15.92 Cr. based on the order from the Superintendent of Stamps, Gandhinagar. The Airport Operator submitted the proof of payment and mentioned that the process of registration is underway, and that the AO will intimate accordingly once the registration charges are paid. Both documents are provided in Para 17.5.22 of Annexure 5 in Chapter 17. The Authority also notes that, as per Clause 44.17 of the CA, "*stamp duty and registration charges shall be payable by the Concessionaire on the execution or delivery of this Agreement*."

7.3.172. In view of the above, the Authority proposes to consider the Stamp Duty under the capitalisation for the Third Control Period in FY 2022.

Soft costs and Indexation

Soft costs

7.3.173. In its submission of capital expenditure, AIAL had considered a provision of 16% to 17% over and above the inflation adjusted base cost to account for the costs expected to be incurred towards various technical services - 6%, preliminaries - 2%, pre-operatives - 3%, insurance/statutory payment - 1%, contingencies etc - 4%, amounting to INR 1479.27 Crores.

7.3.174. In this respect, the Authority notes that for other PPP airports such as HIAL, BIAL, DIAL etc, the above-mentioned costs had been considered in the past in the range of 8% - 11% of the project costs. The Authority is of the view that 16-17% claimed by the Airport Operator is on the higher side, as compared to other PPP Airports and hence not justified. Accordingly, the Authority proposes to consider the aforementioned costs (inclusive of the Consultant's cost for Concept planning and Master planning) to the extent 8% of the costs of the CAPEX allowed by the Authority in respect of new projects proposed by the AO for the Third Control Period. The Authority has thus derived the amount proposed to be allowed towards the aforementioned costs as INR 515.71 Crores (i.e., 8% of the costs of the CAPEX allowed for this Control Period)

The downward adjustment in such costs is mainly on account of applying 8% on the 'allowable' Capital Expenditure as against 16-17% claimed by AO and the reduction in Capital Expenditure considered by the Authority due to deferring/ disallowance of some projects such as Metro Station & Corridor, MMTH etc., as well as rationalization of certain others during the Third Control Period such as modification of existing terminals, apron improvement works etc.

Table 151: Soft Cost proposed by the Authority for TCP

Particulars (INR Cr.)	Refer	Total
Capital Expenditure proposed by the Authority for TCP (A)*	Table 155	6,446.34
Soft Cost (B = A × 8%)		515.71
Capital Expenditure incl. soft costs for TCP (A + B)		**6,962.04**

**excluding indexation*

Indexation

7.3.175. AIAL has submitted the year-wise expenditure on the different projects proposed by it. AIAL has estimated the costs for individual projects considering FY 2022 as the base year. Based on the year-wise cashflow, AIAL has adjusted the expenditure to account for inflation in the future years.

7.3.176. The Authority revised the cost indexation based on the rate of inflation proposed by it for the Third Control Period (Refer Para 9.2.2). Further, based on the revisions made to the proposed capital expenditure, the Authority recomputed the year-wise cash flow. Accordingly, the impact of inflation adjustment on the capital expenditure proposed by the Authority based on the revised year-wise cash flow and rates of inflation considered by the Authority is given below.

Table 152: Inflation adjusted capital expenditure proposed by the Authority for TCP

Particulars (INR Cr.)	Capitalisation (INR Cr.)					
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Total base cost allowed (A)	430.94	1,677.03	1,792.77	1,706.07	1,355.24	6,962.04
Cost of projects awarded (B)	197.15	364.33	274.84	-	-	836.32
Yet to be awarded (base cost) (C = A – B)	233.79	1,312.70	1,517.93	1,706.07	1,355.24	6,125.73
Inflation rate (Refer Table 171)	12.97%	11.1%	5.1%	5.1%	5.1%	
Index for cost inflation (D)	1.00	1.11	1.17	1.23	1.29	
Inflation adjusted CAPEX* (E = C × D)	233.79	1,458.41	1,772.43	2,093.70	1,747.99	7,306.32
Impact of inflation (F = E – C)	-	145.71	254.50	387.64	392.75	1,180.59
Inflation adjusted capital expenditure (G = A + F)	430.94	1,822.74	2,047.27	2,093.70	1,747.99	8,142.64

** Projects yet to be awarded only*

7.3.177. As can be seen above, after accounting for the impact of inflation, the gross capital expenditure proposed by the Authority for the Third Control Period is INR 8,142.64 Cr.

Interest During Construction

7.3.178. As part of the MYTP, AIAL had submitted Financing Allowance (FA) worth INR 722.74 Cr. Vide email dated 21st July 2022, AIAL made a revised submission claiming both financing allowance on the equity portion of capital expenditure (assumed as 35%) and Interest During Construction (IDC) on the remaining portion. The FA and IDC claimed by the Airport Operator is given below.

Table 153: Financing Allowance & IDC submitted by the Airport Operator for TCP

Particulars (INR Cr.)	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Financing Allowance	3.01	55.08	36.81	31.63	146.43	272.96
IDC	5.59	102.29	68.37	58.74	271.94	506.93
Total	8.61	157.37	105.18	90.36	418.36	779.89

7.3.179. The Authority is of the view that SVPIA being one of the oldest Airports in India, would not be eligible for Financing Allowance, as it is only a notional allowance and is different from the actual investment incurred by airport operators which includes interest during construction, amongst other things. Therefore, the provision of financing allowance on the average capital work in progress would lead to a difference between the projected capitalisation and actual cost incurred, especially when the airport operator funds the projects through a mix of equity and debt. Further, the Authority notes that in case of greenfield Airports, the Airport Operator would have had to wait for a considerable length of time before getting the return on the large capital outlay incurred by it as these projects take longer durations to commission and operationalise. It was with this consideration that the Authority had earlier provided financing allowance in the initial stages to such Airports. The Authority notes that SVPIA is a brownfield Airport and has lower construction and traffic risk for new construction at the Airport and Financing Allowance has never been provided in case of other Airports such as DIAL, MIAL and KIAL, Chennai, Kolkata etc.

Further, this will disincentivize the airport operator from ensuring a timely completion of projects and delivery of services to airport users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.

7.3.180. The Authority considered that giving an assured return on the equity investment even on work-in-progress assets would result in reducing the risks associated with equity investment in capital projects. However, the Airport Operator is given a fair rate of return on equity when the capital assets are capitalised.

7.3.181. In respect of IDC, the Authority is inclined to allow the same and accordingly, the Authority has recomputed IDC to be provided on the debt portion of the total value of proposed aeronautical capital expenditure based on the notional gearing ratio (debt-equity ratio of 48:52) followed for other PPP airports and cost of debt @ 9% (refer Para 8.3.3, Table 169) for the Third Control Period. Accordingly, the IDC proposed by the Authority towards the capital expenditure for the Third Control Period is given below.

Table 154: IDC proposed by the Authority for TCP

Particulars (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Opening WIP	246.90	355.48	485.19	1219.64	2715.20	
Closing WIP	355.48	485.19	1219.64	2715.20	0.00	

Particulars (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Average WIP (A)	301.19	420.33	852.41	1967.42	1357.60	
Debt Equity Ratio (B)	48%	48%	48%	48%	48%	
Cost of Debt (C)	9.00%	9.00%	9.00%	9.00%	9.00%	
IDC (A × B × C)	13.01	18.16	36.82	84.99	58.65	211.63

Capital expenditure proposed for the Third Control Period

7.3.182. The Authority notes that the Airport Operator would be eligible to claim GST Input Tax Credits on procurement of certain movable property. The Authority expects that the Airport Operator would properly account for such credits in its submissions in accordance with Chapter V of The Central Goods And Services Tax Act, 2017 at the time of true up of the RAB for the Third Control Period. The Authority may examine the accounting of input tax credits and make necessary adjustments in this regard at the time of determination of tariffs for the Fourth Control Period.

7.3.183. The Authority proposes to reduce 1% of the project cost (not capitalised) from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/capitalised as per the approved capitalisation schedule. It is further proposed that if the delay in completion of the project is beyond the timeline given in the capitalisation schedule, due to any reason beyond the control of the Airport Operator or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the Fourth Control Period. The re-adjustment in the ARR/ Target Revenue is to protect the interest of the stakeholders who are paying for services provided by the AO and is also encouragement for AIAL to commission/ capitalize the proposed assets as per the approved CAPEX plan/ schedule.

7.3.184. The Authority further notes that within a span of 6 months (between submission of MYTP by AO on 10th December 2021 and breakup of Minor Projects as on May 7, 2022), there has been several changes to the CAPEX projects, wherein some projects have been dropped and the value of some projects have increased (Refer Para 7.2). The trend of revisions to the capital projects does not instil confidence in the Authority about the near-term and long-term project planning process.

7.3.185. Based on the Authority's examination of the capital expenditure for the Third Control Period as detailed above, the inflation adjusted capital expenditure including soft costs proposed by the Authority is given in the table below.

Table 155: Gross Capital Expenditure proposed by the Authority for the Third Control Period

S. No.	Particulars (INR Cr.)	FY of Capitalisation	Cost Proposed (INR Cr.)	
			in FY 22	Including indexation
A	**Terminal Buildings**			
A.1	Construction of New Integrated Terminal Building	2026	2,858.84	3,512.84
A.2	Construction of Roadway System New Integrated Passenger Terminal	2026	201.01	253.32
A.3	Substation (RSS/DSS) Building	2025, 2026	64.64	80.35
A.4	Upgradation / Modification in existing Terminal Building	2023	775.51	844.37
A.5	VIP /CIP Terminal	2024	31.37	36.27
A.6	Minor Works – Terminal Buildings	2022-26	17.94	19.59
	Subtotal - Terminal Buildings		**3,949.31**	**4,746.74**
B	**Runways, Taxiways & Aprons**			
B.1	Major Rehabilitation of RWY	2023	367.60	367.60

S. No.	Particulars (INR Cr.)	FY of Capitalisation	Cost Proposed (INR Cr.)	
			in FY 22	Including indexation
B.2	Apron Improvement Works	2023, 2024, 2026	368.12	444.10
B.3	Taxiway Improvement Works	2024, 2026	186.92	214.05
B.4	Improvements to AGL System	2024, 2026	37.03	43.24
B.5	Isolation Pad	2024	20.32	23.26
B.6	Minor Works – Runway & Taxiway	2022, 2023, 2025, 2026	0.15	0.16
B.7	CWIP from AAI	2022	1.94	1.94
	Subtotal - Runways, Taxiways & Aprons		**982.08**	**1,094.36**
C	**Roads**			
C.1	Landside Road Network	2024-26	23.10	28.96
C.2	Construction of temporary roads	2023, 2026	11.33	13.84
C.3	Airside Roads	2023, 2026	25.26	31.07
C.4	Minor Works – Roads	2022-26	13.71	16.01
	Subtotal - Roads		**73.40**	**89.88**
D	**Metro Link & MMTH**			
D.1	Metro Station and Metro Corridor	2025	-	-
D.2	MMTH – Landside Roads	2023,2026	55.80	55.80
	Subtotal - Metro Link & MMTH		**55.80**	**55.80**
E	**Hangars**			
E.1	HANGAR 1	2024	33.90	38.63
E.2	Other Hangars	2024	162.41	183.69
	Subtotal - Hangars		**196.31**	**222.31**
F	**Utilities, Drains and External Works**			
F.1	Distribution network for all Utilities	2023, 2026	17.03	19.96
F.2	Landside drainage	2023, 2026	108.05	118.24
F.3	Airside Drainage & Ducting System	2023, 2024	71.25	82.81
F.4	STP, Storage Tanks, Pump House etc.	2023, 2026	79.37	99.09
F.5	Boundary wall improvements including PIDS	2023-26	20.64	24.16
F.6	Minor Works – Boundary wall	2023-25	0.44	0.51
F.7	External Landscape & Horticulture	2023, 2026	8.98	11.11
F.8	Oil Water Separator	2024	15.50	18.05
F.9	T1 Utility Complex	2025-26	11.08	13.05
	Subtotal - Utilities, Drains and External Works		**332.33**	**386.99**
G	**Equipment & Machinery**			
G.1	IT Equipment	2022-26	8.49	9.70
G.2	Security Equipment	2022-26	8.13	8.89
G.3	DARK (Disabled Aircraft Removal Kit)	2023	-	-
G.4	Minor Projects – Plant & Machinery	2022-26	13.28	14.57
	Subtotal - Equipment & Machinery		**29.91**	**33.17**
H	**Other Buildings**			
H.1	CISF Barracks And Officers' Quarters	2025	143.66	173.30
H.2	ATC Technical Block with ATC Tower in AAI Colony	2025	183.13	215.03
H.3	IMD/MET Facility	2024	-	-

S. No.	Particulars (INR Cr.)	FY of Capitalisation	Cost Proposed (INR Cr.)	
			in FY 22	Including indexation
H.4	ARFF Building	2024	19.02	19.02
H.5	Airport Health Office (AHO)	2025	16.76	16.76
H.6	GSE Maintenance Facility	2025	15.50	19.03
H.7	AAI Cargo Warehouse	2026	-	-
H.8	Minor Works – Other Buildings	2022-26	9.10	10.05
	Subtotal - Other Buildings		**387.16**	**453.18**
I	**Vehicles**			
I.1	Minor Projects – Vehicles	2023, 2025	0.79	0.89
J	**Cargo**			
J.1	New Cargo Complex - Phase 1	2024	184.56	184.56
J.2	Cargo Equipment	2022, 2024	53.30	61.95
J.3	Minor Works – Cargo Building	2024	7.96	8.93
J.4	Minor Works – Misc. Cargo Equipment	2022-2024	6.17	6.17
	Subtotal - Cargo		**251.99**	**261.61**
K	**Fuel Farm**			
K.1	New Fuel Farm facility	2024	135.87	135.87
K.2	Fuel Farm Equipment	2023	32.68	32.68
K.3	Minor Projects – Fuel Farm	2023, 2026	2.80	3.45
	Subtotal - Fuel Farm		**171.35**	**172.00**
L	Stamp Duty	2023	15.92	15.92
	Subtotal (M=A+B+C+D+E+F+G+H+I+J+K+L)		6,446.34	7,532.85
N	Soft Cost*		515.71	609.78
	Grand total (O = M + N)		**6,962.04**	**8,142.64**
P	IDC			211.63
	Grand total including IDC (O + P)		**6,962.04**	**8,354.27**

** Computed as 8% of the capital expenditure*

7.4. AIAL's submission of allocation of assets between aeronautical and non-aeronautical

7.4.1. In its MYTP submission, AIAL had not carried out a project wise allocation between aeronautical and non-aeronautical. Instead AIAL had classified projects by asset type as can be seen from the table below. Common asset classes were bifurcated in the Estimated Deemed Initial RAB ratio.

Table 156: Aeronautical allocation of capital expenditure submitted by AIAL for TCP

Asset	Classification	Total	% Aero	Total
Terminal Building (Aero)	Aero	5,343.61	100.00%	5,343.61
Runway, Taxiway and Apron	Aero	1,566.70	100.00%	1,566.70
Cargo building	Aero	323.39	100.00%	323.39
Cargo Equipment	Aero	108.54	100.00%	108.54
Boundary wall	Common	34.89	97.69%	34.09
IT equipment	Common	34.53	97.69%	33.73
Security equipment	Common	29.14	97.69%	28.46
Plant and Machinery	Common	439.33	97.69%	429.18
Other Buildings	Common	1,059.93	97.69%	1,035.43
Access Road	Common	422.13	97.69%	412.38

Asset	Classification	Total	% Aero	Total
Terminal Building (Non-Aero)	Non-aero	289.81	-	-
Fuel	Aero	168.23	100.00%	168.23
Vehicles	Common	2.69	97.69%	2.63
Subtotal		9,822.91		9,486.36
Financing Allowance	Aero	722.74	100.00%	722.74
Grand total				**10,209.10**

7.5. Authority's examination of allocation of asset between aeronautical and non-aeronautical

7.5.1. The Authority notes that AIAL classified asset classes in to aeronautical, non-aeronautical and common. The common assets were bifurcated by the Airport Operator into aeronautical and non-aeronautical using the Estimated Deemed Initial RAB ratio, i.e., the ratio of the aeronautical to non-aeronautical assets that were transferred from AAI as on COD. Further the Terminal Building related assets were bifurcated by the Airport Operator assuming a Terminal Area Ratio of 94.86 : 5.14 (aeronautical : non-aeronautical). AIAL has also submitted a Technical Valuer's report in this regard.

7.5.2. Regarding the Estimated Deemed Initial RAB ratio, the Authority is of the view that it is not appropriate to use the ratio of existing assets that too based on estimated values for bifurcation of assets to be capitalised in future. Therefore, the Authority examined each project individually and classified them between aeronautical, non-aeronautical and common. The Authority proposes to bifurcate the common assets using the Terminal Area Ratio except in the case of certain specific assets explained in Para 7.5.4-7.5.7.

7.5.3. However, the non-aeronautical area allocation considered by the Airport Operator for computation of Terminal Area Ratio is quite low when compared to other PPP airports. The Authority had at the time of determination of tariffs for SVPIA for the Second Control Period decided to consider the Terminal Area Ratio as 92.5 : 7.5 (aeronautical : non-aeronautical) to encourage growth of non-aeronautical revenues which would cross-subsidize aeronautical charges. The Authority notes that the Airport is yet to achieve such area allocation. Further, in the context of development through PPP mode, it is expected that there would be larger focus on non-aeronautical activities and increased area allocation towards the same. It is observed that the area allocation towards non-aeronautical activities at the other PPP airports such as DIAL, MIAL, BIAL and GHIAL are much higher than 10%. Ever the IMG norms on norms recommend the non-aeronautical area allocation to be between 8-12% for any airport, while for bigger airports, i.e., with passenger traffic exceeding 10 million, commercial area could be up to 20% of the overall area. Hence, the Authority expects the non-aeronautical area allocation at SVPIA to increase in future. Therefore, the Authority proposes to consider the Terminal Area Ratio for SVPIA for the Third Control Period as 90 : 10 (aeronautical : non-aeronautical). The Authority proposes to examine the same based on actuals at the time of determination of tariffs for the Fourth Control Period.

7.5.4. With regard to passenger amenities at landside (part of Upgradation / Modification in existing Terminal Building T1 and T2, refer Para 7.3.29), the Authority notes that INR 164.47 Cr. was budgeted towards passenger amenities at landside. AIAL was asked to clarify the purpose of this expense to which AIAL responded vide email dated 19th August 2022 that this involves *"Improving the kerbside for T1 and T2. It includes providing a covered space for meeters and greeters and re-aligning the kerbside roadways to debottleneck the traffic congestion that is caused during peak hours. It further includes to provide covered pick-up points at the arrivals. It includes grade correction at the kerbside."* From the BOQ shared by the Airport Operator, it is noticed that this space also includes commercial spaces such as Cafeteria, Pharmacy and Salon. The Authority is of the view that this area equally caters to the

airport users and the commercial activities targeted at meeters and greeters. Therefore, the Authority proposes to consider only 50% of the cost towards passenger amenities at landside as aeronautical.

7.5.5. With regard to landside road network (refer Para 7.3.60), the Authority is of the view that, in future, the commercial area that will be developed around the airport might attract more people and related traffic movements. The connection of the planned multi-story car park (MSCP) with the metro station might also attract non-airport related traffic. Therefore, considering that the landside areas also cater to the significant development planned by the Airport Operator on the cityside, and the traffic generated therein, the landside roads have been classified as Common and bifurcated in the ratio of 50:50 (aeronautical : non-aeronautical). Further, the construction of temporary roads is an enabling project for development of the landside road network. Therefore, the construction of temporary roads has also been classified as Common and bifurcated in the same manner as that of the landside road network.

7.5.6. As mentioned above, the Airport Operator has planned significant developments on the city side. Considering the future potential for non-airport related traffic, the Authority is of the view that the landside developments planned by the Airport Operator would also benefit the commercial activities planned at SVPIA. The exact benefits that would accrue to the Airport Operators and to the commercial ventures cannot be determined at this stage. Therefore, the Authority proposes to consider the cost towards Landscaping & Horticulture and road works under Multi Modal Transport Hub as common and bifurcate them in 50 : 50 (aeronautical : non-aeronautical) ratio.

7.5.7. With respect to stamp duty, the Authority has bifurcated the same in the aeronautical ratio of net block transferred from AAI to AIAL as on COD considering that the stamp duty is applicable primarily on the value of the assets transferred.

7.5.8. Based on the above, the aeronautical capital expenditure proposed by the Authority for the Third Control Period is given in the table below.

Table 157: Aeronautical capital expenditure proposed by the Authority for TCP

S. No.	Particulars (INR Cr.)	Total Cost	Aero %	Aero Capitalisation					
				FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
A	**Terminal Buildings**								
A.1	Construction of New Integrated Terminal Building	3,512.84	90%	-	2.21	-	-	3,159.34	3,161.56
A.2	Construction of Roadway System New Integrated Passenger Terminal	253.32	90%	-	-	-	-	227.98	227.98
A.3	Substation (RSS/DSS) Building	80.35	90%	-	-	-	-	72.32	72.32
A.4	Upgradation / Modification in existing Terminal Building	844.37	Para 17.5.15	-	688.31	-	-	-	688.31
A.5	VIP /CIP Terminal	36.27	90%	-	-	32.65	-	-	32.65
A.6	Minor Works – Terminal Buildings	19.59	90%	7.20	2.24	8.19	-	-	17.63
	Subtotal - Terminal Buildings	**4,746.74**		7.20	692.76	40.84	-	3,459.65	4,200.44
B	**Runways, Taxiways & Aprons**								
B.1	Major Rehabilitation of RWY	367.60	100%	-	367.60	-	-	-	367.60
B.2	Apron Improvement Works	444.10	100%	-	71.69	117.13	-	255.28	444.10
B.3	Taxiway Improvement Works	214.05	100%	-	47.86	135.10	-	31.10	214.05
B.4	Improvements to AGL System	43.24	100%	-	-	43.24	-	-	43.24
B.5	Isolation Pad	23.26	100%	-	-	23.26	-	-	23.26
B.6	Minor Works – Runway & Taxiway	0.16	100%	0.04	0.08	-	0.04	0.00	0.16
B.7	CWIP from AAI	1.94	100%	1.94	-	-	-	-	1.94
	Subtotal - Runways, Taxiways & Aprons	**1,094.36**		1.98	487.22	318.74	0.04	286.38	1,094.36

S. No.	Particulars (INR Cr.)	Total Cost	Aero %	Aero Capitalisation					
				FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
C	**Roads**								
C.1	Landside Road Network	28.96	50%	-	-	0.42	3.46	10.60	14.48
C.2	Construction of temporary roads	13.84	50%	-	0.38	-	-	6.54	6.92
C.3	Airside Roads	31.07	100%	-	1.04	-	-	30.03	31.07
C.4	Minor Works – Roads	16.01	Para 17.5.3	1.21	5.89	2.67	3.56	2.67	16.01
	Subtotal - Roads	**89.88**		1.21	7.30	3.09	7.03	49.85	68.48
D	**Metro Link & MMTH**								
D.1	Metro Station and Metro Corridor	-	-	-	-	-	-	-	-
D.2	MMTH – Landside Roads	55.80	50%	-	7.51	20.39	-	-	27.90
	Subtotal - Metro Link & MMTH	**55.80**		-	7.51	20.39	-	-	27.90
E	**Hangars**								
E.1	HANGAR 1	38.63	100%	-	-	38.63	-	-	38.63
E.2	Other Hangars	183.69	100%	-	-	183.69	-	-	183.69
	Subtotal - Hangars	**222.31**		-	-	222.31	-	-	222.31
F	**Utilities, Drains and External Works**								
F.1	Distribution network for all Utilities	19.96	90%	-	10.46	-	-	7.50	17.96
F.2	Landside drainage	118.24	90%	-	106.42	-	-	-	106.42
F.3	Airside Drainage & Ducting System	82.81	100%	-	-	82.81	-	-	82.81
F.4	STP, Storage Tanks, Pump House etc.	99.09	90%	-	6.73	-	-	82.46	89.19
F.5	Boundary wall improvements including PIDS	24.16	100%	-	7.38	-	-	16.79	24.16
F.6	Minor Works – Boundary wall	0.51	100%	-	0.17	0.17	0.12	0.06	0.51
F.7	External Landscape & Horticulture	11.11	50%	-	1.50	-	-	4.05	5.55
F.8	Oil Water Separator	18.05	100%	-	-	18.05	-	-	18.05
F.9	T1 Utility Complex	13.05	90%	-	-	-	10.25	1.50	11.75
	Subtotal - Utilities, Drains and External Works	**386.99**		-	132.65	101.03	10.36	112.36	356.40
G	**Equipment & Machinery**								
G.1	IT Equipment	9.70	Para 17.5.5	1.41	3.69	2.24	1.26	1.10	9.70
G.2	Security Equipment	8.89	100%	2.61	5.24	0.29	0.27	0.49	8.89
G.3	DARK (Disabled Aircraft Removal Kit)	-	100%	-	-	-	-	-	-
G.4	Minor Projects – Plant & Machinery	14.57	Para 17.5.7	5.56	5.05	1.57	0.54	1.84	14.57
	Subtotal - Equipment & Machinery	**33.17**		9.59	13.99	4.10	2.08	3.42	33.17
H	**Other Buildings**								
H.1	CISF Barracks And Officers' Quarters	173.30	100%	-	-	-	173.30	-	173.30
H.2	ATC Technical Block with ATC Tower in AAI Colony	215.03	100%	-	-	-	215.03	-	215.03
H.3	IMD/MET Facility	-	100%	-	-	-	-	-	-
H.4	ARFF Building	19.02	100%	-	-	19.02	-	-	19.02
H.5	Airport Health Office (AHO)	16.76	100%	-	-	16.76	-	-	16.76
H.6	GSE Maintenance Facility	19.03	100%	-	-	-	19.03	-	19.03
H.7	AAI Cargo Warehouse	-	100%	-	-	-	-	-	-
H.8	Minor Works – Other Buildings	10.05	Para 17.5.8	3.72	1.82	3.08	0.37	1.06	10.05
	Subtotal - Other Buildings	**453.18**		3.72	1.82	38.85	407.73	1.06	453.18

S. No.	Particulars (INR Cr.)	Total Cost	Aero %	Aero Capitalisation					
				FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
I	**Vehicles**								
I.1	Minor Projects – Vehicles	0.89	Para 17.5.9	-	0.75	-	0.14	-	0.89
J	**Cargo**								
J.1	New Cargo Complex - Phase 1 & 2	184.56	100%	-	-	184.56	-	-	184.56
J.2	Cargo Equipment	61.95	100%	1.81	-	60.14	-	-	61.95
J.3	Minor Works – Cargo Building	8.93	100%	-	-	-	8.93	-	8.93
J.4	Minor Works – Misc. Cargo Equipment	6.17	100%	2.07	-	4.10	-	-	6.17
	Subtotal - Cargo	**261.61**		3.88	-	248.80	8.93	-	261.61
K	**Fuel Farm**								
K.1	New Fuel Farm facility	135.87	100%	-	-	135.87	-	-	135.87
K.2	Fuel Farm Equipment	32.68	100%	-	32.68	-	-	-	32.68
K.3	Minor Projects – Fuel Farm	3.45	100%	-	-	-	-	3.45	3.45
	Subtotal - Fuel Farm	**172.00**		-	32.68	135.87	-	3.45	172.00
L	Stamp Duty*	15.92	98.55%	15.69	-	-	-	-	15.69
	Subtotal (M = A+B+C+D+E+F+G+H+I+J+K+L)	**7,532.85**	**91.68%**	**43.27**	**1,376.69**	**1,134.01**	**436.31**	**3,916.16**	**6,906.43**
N	Soft Costs	609.78	91.68%	28.25	126.83	142.49	142.52	118.99	559.07
	Grand total (O = M + N)	**8,142.64**	**91.68%**	**71.52**	**1,503.52**	**1,276.51**	**578.83**	**4,035.14**	**7,465.51**
P	IDC	211.63	94.28%	12.33	16.13	35.81	82.25	53.02	199.53
	Grand total including IDC (O + P)	**8,354.27**	**91.75%**	**83.85**	**1,519.64**	**1,312.31**	**661.07**	**4,088.16**	**7,665.04**

7.5.9. The aeronautical capital expenditure proposed by the Authority in the table above, is based on the Authority's examination of the capital expenditure and cost estimates proposed by the Airport Operator. The Authority may commission an independent study to assess the efficiency and reasonableness of the capital expenditure incurred and asset allocation carried out by AIAL and to take corrective action as necessary for determination of tariffs at the time of determination of tariffs for the Fourth Control Period.

7.6. AIAL's submission of Depreciation for the Third Control Period

7.6.1. With respect to assets taken over from AAI as on COD as per Estimated Fixed Asset Register, the Airport Operator has submitted that it has calculated depreciation based on the remaining useful lives of the assets.

7.6.2. With respect to the new assets, AIAL submitted that it has considered the depreciation based on the useful life of the assets as per the Companies Act and also submitted that the approach is consistent with the Authority's Order No. 35/2017-18 dated 12th January 2018 and amendment to Order No. 35/2017-18 dated 09th April 2018.

7.6.3. Additionally, the Airport Operator has carried out an independent technical evaluation of the various assets and has arrived at different useful lives. The process followed for the technical evaluation of the useful lives of assets as per AIAL is as follows:

- Physical inspection of assets
- Detailed discussions with AAI pertaining to usage of various assets

- Guidance for determination of Useful Life given in Depreciation under Companies Act, 2013 Schedule 2, AERA, Marshall & Swift Valuation Service (MVS) and American Society of Appraisers (ASA)
- Reviewing break-up costs of various components within an asset class

7.6.4. Following are the useful life and depreciation rates assumed by the Airport Operator for the TCP as per the study conducted by technical consultant:

Table 158: AIAL's submission for useful life and depreciation rates assumed for the Third Control Period

S. No.	*Particulars*	*AIAL Book Depreciation*	*AERA useful Life (Years)*
1	*Terminal Building*	*4.0%*	*25*
2	*Runway, Taxiway and Apron*	*5.0%*	*20*
3	*Cargo building*	*4.0%*	*25*
4	*Cargo Equipment*	*13.3%*	*8*
5	*Boundary wall*	*20.0%*	*5*
6	*Software*	*33.3%*	*Not provided*
7	*IT equipment*	*33.3%*	*3*
8	*Security equipment*	*13.3%*	*8*
9	*Plant and Machinery*	*13.3%*	*8*
10	*Other Buildings*	*3.3%*	*30*
11	*Access Road*	*10.0%*	*10*
12	*Fuel Farm (considered same as Plant & Machinery)*	*13.3%*	*8*
13	*Furniture & fixtures*	*14.3%*	*7*
14	*Vehicles*	*20.0%*	*5*
15	*Office equipment*	*20.0%*	*5*
16	*Intangible Assets (not part of the Technical study)*	*14.3%*	*7*

7.6.5. Depreciation has been computed separately on opening block of assets and on the proposed additions.

7.6.6. For the additions to RAB, the Airport Operator has calculated the depreciation during year of capitalisation on 50% of the asset value (assuming that the asset is capitalised in the middle of the financial year).

7.6.7. AIAL has submitted the following regarding its consideration of useful lives for various assets:

Terminal Building

7.6.8. *"A reduction in the useful life of the terminal building has been arrived at as based on a review of the breakup of cost of construction of the terminal building of Mangalore airport. The following table provides a break-up of the terminal building cost. Cost break-up of various components of terminal building is not expected to differ much from airport to airport. Based on the components' costs, their weighted contributions were calculated, thereby arriving at the revised useful life of the terminal building:*

Table 159: Computation of useful life of terminal building by Airport Operator

Component of Terminal Building	*% contribution*	*Technical Useful Life (Years)*	*Weighted contribution*
False Ceiling	*3%*	*10*	*0.34*
Sanitation	*2%*	*10*	*0.21*
Glass work & glass facades	*6%*	*15*	*0.96*

Component of Terminal Building	*% contribution*	*Technical Useful Life (Years)*	*Weighted contribution*
Flooring works	*7%*	*10*	*0.70*
Remaining components of the structure	*81%*	*30*	*24.36*
Total	***100%***		***25***

7.6.9. *The useful lives of various components were arrived at by AIAL based on the renovation/reconfiguration works that are usually carried out for the abovementioned sub-components. Wear and tear of these components due to weather conditions has also been considered to calculate the useful life of the terminal building."*

Runways, Taxiways, and Aprons

7.6.10. *"A reduction in the economic useful life of this class of assets is based on discussions with technical personnel from AAI. Additionally, the existing runway needs modification works to cater to the changing visibility conditions in the Airport. There is a requirement for installation of Centreline Lighting; this requires surface preparation and laying adhesives to ensure sufficient bonding between existing surface which is of Pavement Quality Concrete with new layer of Bituminous Concrete. The Centreline Lighting will be provided on this new layer.*

7.6.11. *The useful lives of various components have been arrived at based on the renovation/reconfiguration works that are usually carried out for the abovementioned sub-components. Wear and tear of these components due to weather conditions has also been considered to calculate the useful life of the terminal building."*

Plant & Equipment

7.6.12. *"Plant & Machinery, along with various equipment are broadly used for 24 hours since there are arrivals and departures 24 hours a day. Considering these circumstances, these assets are used on three-shift basis. Due to higher usage of these equipment`s and associated wear and tear, lower economic useful life of 7.5 years is assumed."*

7.6.13. *"The methodology used by AIAL is supported by the Companies Act. Following is the note no. 6 given in Depreciation under Companies Act 2013, Schedule II: "The useful lives of assets working on shift basis have been specified in the Schedule based on their single shift working. Except for assets in respect of which no extra shift depreciation is permitted (indicated by NESD in part C), if an asset is used for any time during the year for double shift, the depreciation will increase by 50% for that period and in case of the triple shift, the depreciation shall be calculated on the basis of 100% for that period*"."

7.6.14. AIAL also submitted that the Independent chartered engineer based on his experience in varied industries has concurred with the useful life adopted by AIAL.

7.6.15. Following is the depreciation and amortization calculated by AIAL based on above methodology and also after applying necessary aero allocation ratios:

Table 160: Depreciation and Amortization calculated by AIAL

Particulars (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Depreciation and amortization of assets	40.99	89.96	175.30	244.54	407.96	958.74

7.7. Authority's examination of Depreciation for the Third Control Period

7.7.1. The Authority notes that most of the useful lives considered by the Airport Operator are deviant from those prescribed by AERA vide Order No. 35/2017-18 dated 13th July 2017 regarding determination of useful lives of airport assets. The Authority referred the Technical Evaluator's report to examine the reasons for consideration of useful lives that are different from the norms. However, the Authority does not find merit in the submission of AIAL as the reasons quoted by AIAL do not sufficiently justify the need for deviating from an approach that is uniformly applied across all Major Airports. It is expected that a fairly large asset such as the terminal building would have multiple components. It would not be practical to determine the useful live separately for each component of the asset at each airport to arrive at a unique rate of depreciation for every airport. The intention behind Order No. 35/2017-18 is to have a uniform approach in determination of useful lives for key airport assets, therefore the methodology adopted by the Airport Operator lacks merit.

7.7.2. Further, the useful life prescribed in AERA's order has considered the typical usage of these assets for an airport and there appears to be no reason for the usage of these assets to vary from the typical usage for SVPIA. The Authority has also provided AIAL with adequate maintenance expenditure to enable the airport to maintain the assets in good working conditions during the life of the assets. Therefore, the Authority proposes to not consider the lower useful life submitted by AIAL for the Plant and Machinery assets.

7.7.3. Hence, the Authority revised the useful lives considered for the assets proposed to be capitalised in the Third Control Period to align with AERA Order No. 35/2017-18 dated 13th July 2017 regarding determination of useful lives of airport assets as given below.

Table 161: Useful lives proposed by the Authority for assets to be capitalised in TCP

S. No.	Type/Category of Asset	Useful Life (Years)		Asset Class
		AIAL	Authority	
A1	Terminal Building	25	30	Buildings & Civil Works
A2	Other Buildings	25/30	30	Buildings & Civil Works
A3	Utility Building	20	30	Buildings & Civil Works
A4	Cargo Building	25	30	Cargo
A5	Hangars	30	30	Buildings & Civil Works
A6	Runway, Apron and Taxiway	20	30	Runway, Roads and Culverts
A7	Plant and Equipment	7.5	15	Plant and Equipment
A9	Cargo Equipment	7.5	15	Cargo
A10	Fuel Farm	7.5	15	Fuel Farm
A11	Electrical Installation	20	10	Plant and Equipment
A12	Roads	10	10	Runway, Roads and Culverts
A13	Boundary Wall	5	5	Buildings & Civil Works
A17	Vehicles	5	8	Vehicles
A18	Computers, servers and networks	3	6	Computers and Accessories
A19	Stamp Duty	-	25*	Stamp Duty

** Explained below*

7.7.4. Considering that the stamp duty is primarily applicable on the value of the assets that were transferred from AAI to AIAL as on COD, the Authority is of the view that the useful life considered for the same should be representative of this fact. Therefore, the Authority proposes to consider a weighted average useful life of all the assets that constitute the Deemed Initial RAB. The Authority computed the depreciation on the assets in the Deemed Initial RAB for FY 2021 and found that it amounts to ~4%

of the Gross Value of these assets. Hence, the Authority proposes to consider the depreciation rate for Stamp Duty as 4% (i.e., useful life of 25 years).

7.7.5. Accordingly, the Authority recomputed the depreciation to be considered for the Third Control Period considering the following factors:

- Revised useful lives proposed by the Authority
- Closing RAB for Second Control Period as determined by the Authority (Refer Para 5.4.6), and
- Aeronautical capital expenditure proposed by the Authority for the Third Control Period (Refer Para 7.5.8)

7.7.6. Based on the above, the aeronautical depreciation proposed by the Authority for the Third Control Period is given in the table below.

Table 162: Aeronautical Depreciation proposed by the Authority for the Third Control Period

Depreciation on (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
New Assets*						
Airport (A)	1.99	29.17	70.84	97.95	176.77	376.71
Cargo (B)	0.12	0.25	5.20	10.30	10.44	26.31
Fuel Farm (C)	0.00	1.03	6.37	10.67	10.78	28.87
Total from New Assets (D = A + B + C)	2.11	30.45	82.41	118.92	197.99	431.89
Existing Assets (E)	26.43	24.87	21.28	18.11	17.94	108.63
Total (F = D + E)	28.54	55.32	103.69	137.04	215.93	540.52

**including on IDC and Soft Costs*

7.8. AIAL's submission of RAB for the Third Control Period

7.8.1. As part of its MYTP submission, the Airport Operator submitted the RAB for airport related assets as given below.

Table 163: RAB submitted by the Airport Operator for the Third Control Period

Particulars (INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Opening RAB	301.76	383.79	1,886.87	3,095.08	4,118.29
Closing RAB	383.79	1,886.87	3,095.08	4,118.29	9,194.75
Average RAB	342.78	1,135.33	2,490.98	3,606.69	6,656.52

7.9. Authority's examination of RAB for the Third Control Period

7.9.1. Based on its examination of the Deemed Initial RAB (Refer Para 4.5.20), the aeronautical capital expenditure for TCP (Refer Para 7.5.8) and the aeronautical depreciation for TCP (Refer Para 7.7.6), the Authority proposes the RAB for the Third Control Period, as given in the table below.

Table 164: RAB proposed by the Authority for the Third Control Period

Particulars (INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Opening RAB (A)	Table 53	330.42	385.72	1,850.04	3,058.67	3,582.71	
Addition (B)	Table 157	83.85	1,519.64	1,312.31	661.07	4,088.16	7,665.04
Depreciation (C)	Table 162	28.54	55.32	103.69	137.04	215.93	540.52
Closing RAB (D = A + B – C)		385.72	1,850.04	3,058.67	3,582.71	7,454.94	

Particulars (INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Average RAB (A + D) ÷ 2		358.07	1,117.88	2,454.35	3,320.69	5,518.82	

7.10. Authority's proposal regarding RAB and Depreciation for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Regulatory Asset Base and Depreciation for the Third Control Period:

7.10.1. To consider the revised Terminal Area Ratio as 90 : 10 (aeronautical : non-aeronautical) in line with the IMG norms and as approved for other similar airports as mentioned in Para 7.5.3.

7.10.2. To not allow Financing Allowance on capital additions but allow IDC during the Third Control Period as mentioned in Para 7.3.178 and Para 7.3.179.

7.10.3. To consider the capitalisation of aeronautical capital expenditure for the Third Control Period as given in Para 7.5.8 (Table 157).

7.10.4. To reduce (adjust) 1% of the project cost from the ARR in case any particular capital project is not completed / capitalised as per the approved capitalisation schedule, as mentioned in Para 7.3.185 (Table 155). The same will be examined during the true up of the Third Control Period, at the time of determination of tariff for the Fourth Control Period.

7.10.5. To true up the Aeronautical Capital Expenditure based on actuals, cost efficiency and reasonableness at the time of determination of tariff for Fourth Control Period.

7.10.6. To adopt Aeronautical Depreciation as per Para 7.7.6 (Table 162) for the Third Control Period.

7.10.7. To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalisation during the tariff determination of the Fourth Control Period.

7.10.8. To consider average RAB for the Third Control Period for SVPIA as per Para 7.9.1 (Table 164).

7.10.9. To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods And Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the Fourth Control Period (as explained in Para 7.3.182).

7.10.10. To commission an independent study to assess the efficiency and reasonableness of the capital expenditure incurred and asset allocation carried out by AIAL and to take corrective action as necessary at the time of determination of tariffs for the Fourth Control Period (Refer Para 7.5.9).

7.10.11. To true up the RAB based on actuals at the time of tariff determination for the Fourth Control Period.

8. FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

8.1. AIAL's submission of FRoR for the Third Control Period

Cost of Equity (CoE):

8.1.1. The Airport Operator had engaged the services of an Independent Consultant to carry out a study on evaluating the applicable Cost of Equity. On the basis of this study, AIAL has considered CoE as 17.30%.

8.1.2. The Airport Operator submitted the following assumptions for estimating the Cost of Equity:

- Asset beta was derived based on five-year weekly regressed beta computed for comparable listed airports (weighted) and adjusted for appropriate leverage to determine the levered Equity beta.
- A gearing ratio of 48:52 is considered for the computation of CoE. This has been derived from the gearing ratios set by the regulators at different comparable international airports.
- For the computation of risk-free rate, an average of daily yield for 10 years of the 10-year Government of India security has been considered.
- Rate of market return was estimated by using average of last 40 years' data of BSE Sensex, and last 30 years' data of Nifty 50, computed using Geometric Mean. The average market return was 14.63%. Accordingly, the Equity Risk Premium over risk-free rate was computed as 7.06%.

Table 165: Cost of equity computation as per AIAL's submission

Parameter	Formula	Value
Risk-free rate	R_f	7.57%
Market return	R_m	14.63%
Equity Beta	β	1.38
Cost of Equity	$R_f + (R_m - R_f) \times \beta$	17.30%

Cost of debt:

8.1.3. The Airport Operator submitted that the cost of debt is assumed for TCP to be 12% per annum (p.a.). The tenure of the loan is expected to be over 15 years with a bullet repayment at the end of the tenure.

8.1.4. The audited financial statements of AIAL for the year ended 31st March 2022 disclosed that it has issued long-term secured, redeemable, non-convertible debentures to its shareholder group company, Adani Airport Holdings Limited in order to raise funds at an interest rate of 12% p.a. Further, AIAL had also raised inter-corporate deposit from the same shareholder group company at an interest rate of 12% p.a.

8.1.5. Subsequently, Adani Airport Holdings Limited announced on 09th May 2022 that it had raised a 3-year External Commercial Borrowing facility of USD 250 Million from a consortium of Standard Chartered Bank and Barclays Bank PLC. The all-in borrowing cost of this facility is 12.10% p.a. Vide email dated 01st September 2022, AIAL was requested to share the breakup of all-in borrowing cost of ECB facility. AIAL, vide email dated 02nd September 2022, shared the breakdown as shown in the table below:

Table 166: Breakdown of all-in External Commercial Borrowing Cost of AAHL

Parameter	Value
Secured Overnight Financing Rate (SOFR) reference	2.28%

Parameter	Value
Spread over SOFR	4.25%
Withholding tax gross up (at 5% of SOFR + spread)	0.33%
One-year forward Dollar-Rupee hedge cost (mandatory as per RBI guidelines)	4.51%
Upfront fees (annualised)	0.73%
All-in Cost of External Commercial Borrowing	12.10%

Source: Clarifications received from AIAL

8.1.6. It was mentioned that a part of the proceeds raised from this facility are being on-lent to AIAL for the purpose of financing its capital expenditure at the rate of 12.25% p.a. For the purposes of computation of weighted average cost of capital, cost of debt has been assumed as 12% p.a.

FRoR:

8.1.7. The following table summarizes the FRoR submitted by AIAL for TCP. AIAL has calculated FRoR/Weighted Average Cost of Capital on the basis of a debt-equity ratio of 48:52.

Table 167: FRoR for TCP as per AIAL's submission

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Cost of Debt	12.00%	12.00%	12.00%	12.00%	12.00%
Cost of Equity	17.30%	17.30%	17.30%	17.30%	17.30%
D/E Ratio	48%:52%	48%:52%	48%:52%	48%:52%	48%:52%
FRoR	14.76%	14.76%	14.76%	14.76%	14.76%

8.2. Authority's examination of FRoR for the Third Control Period

Cost of Equity:

8.2.1. The Authority had commissioned independent studies for the evaluation of cost of capital separately, in case of each PPP Airport, namely Delhi International Airport Limited (DIAL), Mumbai International Airport Limited (MIAL), GMR Hyderabad International Airport Limited (GHIAL), Bangalore International Airport Limited (BIAL) and Cochin International Airport Limited (CIAL) through a premier institute, namely IIM Bangalore and proposes to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of Equity of AIAL for the Third Control Period.

8.2.2. The independent study reports have drawn from the international experience of airports and their conclusions have been evaluated to the extent comparable with SVPIA in terms of hybrid till, ownership structure, size, scale of operations and regulatory framework. The median and average Cost of Equity arrived at by the independent study reports are 15.16% and 15.18%, respectively, as shown in the table below.

Table 168: Computation of Cost of Equity as per IIM Bangalore independent study reports

Particulars	CIAL	MIAL	BIAL	DIAL	GHIAL	Average	Median
Risk free rate	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%
Equity beta	0.9427	0.9391	0.9296	0.9732	0.9442	0.9458	0.9427
Equity risk premium	8.06%	8.06%	8.06%	8.06%	8.06%	8.06%	8.06%
Cost of equity	15.16%	15.13%	15.05%	15.41%	15.17%	15.18%	15.16%

8.2.3. The above independent study reports have used the Capital Asset Pricing Model (CAPM) and a notional gearing (Debt: Equity) ratio of 48:52 to determine the levered Equity Beta and accordingly, derive the Cost of Equity.

8.2.4. Based on the above reports, the Authority proposes the Cost of Equity of 15.18% for AIAL for the Third Control Period.

Cost of Debt:

8.2.5. The Authority noted that AIAL has considered Cost of Debt at 12% for the Third Control Period based on its current borrowing rate from a related party and based on Adani Airport Holdings Limited's all-in borrowing cost of 12.10%.

8.2.6. Vide email dated 01st September 2022, AIAL was requested to clarify if AIAL or its current group lending shareholder, Adani Airport Holdings Limited has obtained credit rating from any external rating agency. AIAL, vide email dated 02nd September 2022, stated that, "*Under the ECB guidelines there is no mandatory requirement for credit rating. However, the lenders have requested for credit rating. Therefore, AAHL has opted for private monitored rating which is shared with lenders. Since the credit rating is private and for specific purpose, it is not disclosed in public*."

8.2.7. The Authority recommends that the Airport bring in further efficiencies in its cost of borrowing by leveraging its parent entity's financial strength in order to reduce the interest rates. This suggestion is also in keeping with the spirit of privatisation whereby it is expected that the financial strength of PPP airports is maintained at an optimal level and their cost of capital is within reasonably allowable limits.

8.2.8. Further the Authority has also noted that average bank lending rate of public sector banks and scheduled commercial banks as per the Reserve Bank of India's publication of June 2022 has been in the range of 8.39% to 8.93% p.a.[7]. The Authority has also noted the Cost of Debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL, which ranges from 7.80% to 10.30% (the average cost of debt works out to 8.95%).

8.2.9. Based on the above, the Authority proposes to consider the Cost of Debt as 9% for the computation of Fair Rate of Return. The Authority proposes to true up the cost of debt, based on the efficiency and reasonableness for the Third Control Period at the time of determination of tariffs for the Fourth Control Period.

FRoR

8.2.10. Based on the examination detailed above, the Authority proposes to consider the following FRoR for AIAL for the Third Control Period.

Table 169: Fair Rate of Return proposed by the Authority for the Third Control Period

Parameter (in %)	Formula	Value
Cost of Equity	E	15.18%
Cost of Debt	D	9.00%
Weighted average gearing of debt	G	48.00%
FRoR	D × G + E × (1 – G)	12.21%

[7] https://www.rbi.org.in/rbi-sourcefiles/lendingrate/LendingRates.aspx

8.3. Authority's proposal regarding FRoR for the Third Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to FRoR for the Third Control Period:

8.3.1. To consider the Cost of Equity at 15.18% as per CAPM formula.

8.3.2. To consider the notional debt to equity (gearing) ratio of 48 : 52 in line with target gearing ratio being considered in case of other PPP airports.

8.3.3. To consider cost of debt of 9% and true up the cost of debt for the Third Control Period, based on the efficiency and reasonableness at the time of determination of tariffs for the Fourth Control Period.

8.3.4. To consider FRoR of 12.21% for the Third Control Period based on above mentioned Cost of Equity, Cost of Debt and Gearing ratio.

9. INFLATION FOR THE THIRD CONTROL PERIOD

9.1. AIAL's submission regarding Inflation for the Third Control Period

9.1.1. The AO has submitted an inflation rate of 5.2% for all operating expenses including manpower expenses, utility expenses, IT expenses, rates & taxes, security expenses, corporate allocation, administrative expenses, repair and maintenance, and other operating expenses.

9.1.2. The inflation rate of 5.2% has been submitted by the Airport Operator based on Consumer Price Index (CPI) inflation forecasts as summarised in the table below.

Table 170: CPI inflation rate submitted by the Airport Operator for TCP

Calendar Year	CPI (in %)	Source
(CPI Combined general)	Q3 FY22 5.0% Q4 FY22 5.8% Q1 FY23 5.2% Q2 FY23 5.2%	Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 73rd Round released on 08th December, 2021
Calendar year (CY) 2021	5.2%	Oxford Economics Forecast
CY 2022	5.1%	
CY 2023	4.8%	
CY 2024	5.1%	
CY 2025	5.2%	
CY 2026	5.0%	

9.2. Authority's examination regarding Inflation for the Third Control Period

9.2.1. The Authority on examination of the submission made by AIAL on inflation to be considered for the TCP, proposes to consider the actual Wholesale Price Index (All Commodities) inflation in FY 2022[8] and mean of WPI inflation forecasts (All Commodities) for FY 2023 till FY 2026 as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 78" released on 30th September 2022 published by the Reserve Bank of India (RBI)[9].

9.2.2. The Authority has assumed that the inflation rate would be stable and remain constant from FY 2024 till FY 2026. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Third Control Period.

Table 171: Inflation rates proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
WPI inflation	12.97%	11.1%	5.1%	5.1%	5.1%

9.3. Authority's proposal regarding Inflation for the Third Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to inflation for the Third Control Period:

9.3.1. To consider WPI inflation as 12.97% in FY 2022 based on actuals, and 11.1% in FY 2023 and 5.1% from FY 2024 till FY 2026 based on mean WPI forecasts as given in the 78th round of survey of professional forecasters on macroeconomic indicators of RBI.

[8] https://eaindustry.nic.in/download_data_1112.asp
[9] https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=21348

10. OPERATIONS AND MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD

10.1. AIAL's submission of Operations and Maintenance Expenses for the Third Control Period

10.1.1. The Airport Operator in its MYTP submission has stated that the aeronautical Operation and Maintenance (O&M) expenses for the Third Control Period has been estimated based on the following assumptions:

- AIAL has taken into consideration the obligations as per the Concession Agreement as well as the planned expansion, which includes expected increase in capacity due to T1 and T2 refurbishment, commencement of New Integrated Terminal Building (NITB) Phase 1, and development of additional facilities on Airside/Landside/Utilities etc.
- Expansion of terminal building which involves 19.83% increase in terminal area in FY 2023 (from 79,620 SQM in FY 2022 to 95,408 SQM.) and approximately 181% increase in terminal area in FY 2026 (95,408 SQM to 2,68,474 SQM due to NITB) will result in an additional increase in the O&M expenses.
- AIAL has considered inflationary increase of 5.2% towards all expenses.
- Considering the current economic scenario, recent transition from old Airport Operator to new Airport Operator under PPP mode, evolving regulatory requirements, Concession Agreement obligations and upcoming expansion, AIAL has considered 10% increase in the O&M expenses.
- AIAL has considered FY 2022 as the base year and applied relevant growth percentages over it.

10.1.2. The AO has submitted the following categories of O&M expenses in its MYTP submission.

Table 172: O&M expenses claimed by the Airport Operator in the MYTP for TCP

Type of O&M expense	Expense Category
Aeronautical Operating Expenses	Manpower Expenses – AAI employees
	Manpower Expenses – AIAL employee
	Utility Expenses
	IT Expenses
	Rates and Taxes
	Security Expenses
	Security others
	Corporate expenses
	Administrative Expenses
	Insurance
	Repair and Maintenance Expenses
	Other Operating Expenses and
	Runway recarpeting expenses
	Financing charges
Fuel farm operating expenses	O&M Expenses
	Bowser Rental

Type of O&M expense	Expense Category
Cargo operating expenses	Insourced salary
	O&M Expenses
	Customs Cost Recovery

10.1.3. The above expenses do not include Concession Fee, since it is not considered as part of aeronautical O&M expenses, as per Clause 27.1.2 of the CA, which states that: "*The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same.*"

10.1.4. The AO has segregated all O&M expenses into Aeronautical, Non-aeronautical and Common expenses. Allocation ratios have been used to further segregate the Common expenses into Aeronautical and Non-aeronautical categories. The basis adopted by the AO for allocation and segregation of O&M expenses is as follows:

Table 173: Basis for allocation of O&M as per AIAL's submission

Expenses		Expense Classification	Allocation Basis	Aeronautical (%)
Aeronautical Operating Expenses				
Manpower expenses - AAI employees		Aeronautical	Obligated cost as per CA	100.0 %
Manpower expenses - AIAL employees		Common	Employee headcount	97.0 %
Utility expenses (net of recovery)		Aeronautical	-	100.0 %
IT expenses		Common	Initial RAB ratio	97.7 %
Rates & taxes		Common	Terminal area ratio	94.9 %
Security expenses		Common	Initial RAB ratio	97.7 %
Security others		Common	Initial RAB ratio	97.7 %
Corporate expenses		Common	Initial RAB ratio	97.7 %
Administrative Expenses		Common	Initial RAB ratio	97.7 %
Insurance		Common	Initial RAB ratio	97.7 %
R&M		Common	Terminal area ratio	94.9 %
Others		Common	Terminal area ratio	94.9 %
Runway recarpeting		Aeronautical	-	100.0 %
Finance charges	Other Finance charges	Common	Ratio of Average Aero Assets and Average Non-Aero Assets	91.71%*
	Bank Charges for Performance BG	Aeronautical	-	100.0 %
	Working Capital interest and other interest	Aeronautical	Calculated on aero working capital	100.0%
Fuel farm operating expenses		Aeronautical	-	100.0 %
Cargo operating expenses		Aeronautical	-	100.0 %

**Average across TCP*

10.1.5. The total aeronautical O&M expenses including Fuel and Cargo Operating Expenses submitted by the AO for the Third Control Period are as follows:

Table 174: Aeronautical Operation and Maintenance expenses submitted by AIAL for TCP

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical Operating Expenses						
Manpower expenses - AAI employees	40.89	47.10	45.94	38.14	43.94	216.01
Manpower expenses - AIAL employees	32.50	37.64	59.00	67.97	87.49	284.60
Utility expenses	19.72	26.97	36.89	38.81	40.83	163.22
IT expenses	6.84	7.88	10.64	12.25	14.12	51.72
Rates & taxes	3.79	3.99	4.99	5.25	5.52	23.55
Security expenses	5.86	24.73	28.73	31.45	34.50	125.26
Corporate expenses	11.72	18.19	20.96	24.14	27.81	102.84
Administrative Expenses	9.77	15.16	17.47	20.12	23.18	85.70
Insurance	2.53	4.71	6.39	8.04	13.79	35.46
R&M	38.58	45.52	70.79	91.33	112.19	358.41
Others	14.23	19.24	25.98	29.92	34.47	123.84
Runway recarpeting	-	116.54	106.64	96.75	86.85	406.77
Financing Charges and Others	21.35	111.33	20.44	17.61	21.71	192.44
Total Aeronautical Operating Expenses (A)	207.77	478.99	454.84	481.79	546.41	2,169.80
Cargo related expenses						
Insourced salary	1.50	4.35	5.97	7.77	9.68	29.27
O&M Expenses	3.78	20.04	25.13	29.85	33.96	112.76
Customs Cost Recovery	0.22	0.93	0.97	1.02	1.08	4.22
Total Cargo related expenses (B)	5.50	25.31	32.07	38.64	44.72	146.25
Fuel farm Expenses						
O&M Expenses	-	12.87	15.93	18.13	20.47	67.41
Bowser Rental	-	2.33	-	-	-	2.33
Total Fuel farm Expenses (C)	-	15.20	15.93	18.13	20.47	69.74
Grand Total O&M expenses (A + B + C)	**213.28**	**519.51**	**502.85**	**538.55**	**611.60**	**2,385.78**

10.1.6. AIAL was requested vide email dated 04th September 2022 to share the actual expenses incurred against each of the expense items under O&M in FY 2022. AIAL, vide email dated, 08th September 2022, submitted the following table.

Table 175: Total O&M expenses incurred by AIAL in FY 2022

Particulars (in INR Cr.)	FY 2022
Manpower expenses - AAI employees	40.67
Manpower expenses - AIAL employees	29.96
Utility expenses	16.54
IT expenses	4.19
Rates & taxes	3.06
Security expenses	5.99
Security others	-
Corporate expenses	13.94
Administrative Expenses	9.56
Insurance	1.63

Particulars (in INR Cr.)	FY 2022
R&M	33.96
Others	15.40
Runway recarpeting	-
Financing Charges and Others	16.51
Cargo related expenses	4.34
Fuel farm Expenses	-
Total	**195.74**

Note: These are total expenses incurred by AIAL in FY 2022 (prior to application of the allocation ratios)

10.1.7. The growth rates assumed by the Airport Operator for the O&M expenses have been presented in the table below.

Table 176: Growth rates for O&M expenses submitted by AIAL for TCP

Particulars (in %)	FY 2023	FY 2024	FY 2025	FY 2026
Aeronautical Operating expenses				
Manpower expenses - AAI employees	15.20%	15.20%	15.20%	15.20%
Manpower expenses - AIAL employees		15.20%	15.20%	15.20%
Utility expenses	35.20%	35.20%	5.2%	5.2%
IT expenses	15.20%	35.00%	15.20%	15.20%
Rates & taxes	5.20%	25%	5.20%	5.20%
Security expenses	55.20%	35.00%	15.20%	15.20%
Security others	-	5.20%	5.20%	5.20%
Corporate expenses	55.20%	15.20%	15.20%	15.20%
Administrative Expenses	55.20%	15.20%	15.20%	15.20%
Insurance-Initial Asset Base	15.20%	15.20%	15.20%	15.20%
R&M- Initial Asset Base	15.20%	15.20%	15.20%	15.20%
Others	35.20%	35.00%	15.20%	15.20%
Cargo related expenses				
Insourced salary	15.20%	15.20%	15.20%	15.20%
O&M Expenses	5.20%	5.20%	5.20%	5.20%
Customs Cost Recovery	5.20%	5.20%	5.20%	5.20%
Fuel farm Expenses				
O&M Expenses	-	5.20%	5.20%	5.20%
Bowser Rental	-	-	-	-

10.2. Authority's examination of Operation and Maintenance (O&M) Expenses for the Third Control Period

The Authority has examined the O&M expenses in two parts. The first part deals with the analysis of the allocation ratios of O&M expenses into aeronautical and non-aeronautical. The second part is the detailed analysis of the various expenses and their growth rates.

I. Examination of allocation ratios of O&M expenses to Aeronautical and Non-aeronautical

a) Employee expenses - AAI

10.2.1. The AO has considered the Manpower Expenses of AAI employees as 100% aeronautical, as this expense is considered as pass through in the determination of aeronautical charges, as per Clause 6.5 read with Clause 28.4.3 of the Concession Agreement. The Authority, in this regard examined the extract of the relevant clauses of the Concession Agreement which reads as follows:

- Clause 6.5.1. states that:

  i. *"**Select Employees"** shall mean those employees of the Authority as set forth in Schedule S (of the rank of assistant general manager and below) who are posted at the Airport by the Authority and shall be deployed at the Airport for the duration of the Joint Management Period and Deemed Deputation Period. The Select Employees shall stand reduced to the extent of employees who retire, are deceased or otherwise separated from Authority's services during the Joint Management Period or Deemed Deputation Period. It is clarified that the Select Employees shall not be reduced to the extent of employees who are transferred by AAI."*

  ii. ***"Joint Management Period"** shall mean the period commencing from the COD and ending on the date which is I (one) calendar year after the COD*

  iii. ***"Deemed Deputation Period"** shall mean the period commencing from the expiry of the Joint Management Period and ending on the date which is 2 (two) calendar years therefrom.*

- Clause 6.5.4 states that: *"The Concessionaire shall bear the Select Employee Costs for the Joint Management Period and Deemed Deputation Period."*

- Clause 6.5.10 states that: *"If, at the expiry of the Deemed Deputation Period, the number of Accepting Employees is less than 60% (sixty) percent of the Select Employees (the ·'Deficit Employees"), the Concessionaire shall, commencing from the expiry of the Deemed Deputation Period pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority in respect of such Deficit Employees (the "Deficit Employee Costs").*

  (ii) The Deficit Employee Costs shall be considered for pass-through in the determination of the Aeronautical Charges."

- Clause 28.4.3. states that: *"The Parties agree and acknowledge that the Concessionaire expressly waives its right to seek as pass-through in the Aeronautical Charges such costs and/ or expenses which the Concessionaire is restrained under this Agreement from seeking to be passed-through thereunder."*

10.2.2. Based on the above, the Authority proposes to consider the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' as Common, since the Manpower of AAI is used for both Aeronautical and Non-aeronautical activities. This is also in line with the recommendations of the Study on Efficient Operation and Maintenance Expenses (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper). Accordingly, the Authority proposes to bifurcate the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' in the employee ratio of 99.30 : 0.70 (Aeronautical: Non-aeronautical) as submitted by AIAL (Refer table 257 for the detailed computation of the employee ratio of the Select employees as per AIAL). With respect to the Manpower Expenses of AAI employees relating to 'Deficit

Employees', after the expiry of the Deemed Deputation Period, the Authority proposes to consider the same as 100% pass through as mandated by Clause 6.5.10. of the CA.

b) Employee expenses – AIAL

10.2.3. As per the MYTP submission, AIAL has allocated the Manpower Expenses of its own employees in the ratio of Employee Head Count of 97:3 (aeronautical : non-aeronautical). As per the clarifications received from AIAL, vide email dated 23rd April 2022, AIAL had submitted the employee ratio for TCP as shown in the following table (Refer Table 258 in Annexure 6 of Chapter 17 for the detailed computation).

Table 177: Headcount summary as proposed by AIAL for TCP

Particulars	Formula	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Aero (in No.)	A	145	258	365	365	397
Non-Aero (in No.)	B	6	9	10	10	10
Common (in No.)	C	10	34	44	44	48
Total (in No.)	D = A + B + C	161	301	419	419	455
Employee Ratio (Aero : Non Aero)						
Aero%	A ÷ (A + B)	96.03%	96.63%	97.33%	97.33%	97.54%
Non-Aero%	B ÷ (A + B)	3.97%	3.37%	2.67%	2.67%	2.46%

10.2.4. The Authority is of the view that the classification of the departments and the number of employees in each department require revision (Refer Table 259 in Annexure 6 of Chapter 17 for the detailed analysis). Accordingly, the Authority proposes to consider the employee ratio as shown in the following table for the manpower expenses of AIAL employees. (Refer table 260 in Annexure 6 of Chapter 17 for the detailed computation).

Table 178: Headcount summary as proposed by the Authority for TCP

Particulars	Formula	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Aero (in No.)	A	135	179	279	300	331
Non-Aero (in No.)	B	6	9	10	10	10
Common (in No.)	C	16	55	74	74	87
Total (in No.)	D = A + B + C	157	243	363	384	428
Employee Ratio (Aero : Non Aero)						
Aero%	A ÷ (A + B)	95.74%	95.21%	96.54%	96.77%	97.07%
Non-Aero%	B ÷ (A + B)	4.26%	4.79%	3.46%	3.23%	2.93%

10.2.5. The Authority proposes to consider the employee ratio for each respective year as computed in the above table for segregation of the manpower expenses of AIAL employees.

c) Utility expenses

10.2.6. The Authority notes that the AO has included only electricity cost under this expense. Further, the AO has segregated the same after netting off the recoveries proposed to be made from the Concessionaires for Non-aeronautical activities and has considered the net utility expenses as 100% Aeronautical. The Authority finds this allocation to be in line with that followed in other similar airports and proposes to consider the same allocation.

The Authority notes that AIAL has considered diesel consumption charges and water charges under R&M and Other expenses respectively. However, the Authority has considered the same under utility expenses. Further, the Authority notes that the AO had bifurcated the water and the diesel consumption charges in the Terminal Area Ratio, i.e., 94.9 : 5.1 (aeronautical : non aeronautical) for TCP. However, the Authority proposes to revise the abovementioned expense items in the revised Gross block ratio as these items are not specific to the terminal building but are applicable to the airport as a whole.

d) IT expenses

10.2.7. The Authority notes that the AO has segregated IT expenses in the Initial RAB ratio, i.e., 97.7 : 2.3 (aeronautical : non- aeronautical) for TCP. However, the Authority is of the view that this expense pertains primarily to the terminal buildings and associated areas of the airport, hence the same is bifurcated using the revised Terminal Area Ratio of 90 : 10 (aeronautical : non aeronautical). This allocation is also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper).

e) Rates and taxes

10.2.8. The Authority notes that the AO has segregated the expenses towards Rates and taxes in the Terminal area ratio, i.e., 94.9 : 5.1 (aeronautical : non aeronautical) for TCP. However, the Authority proposes to bifurcate this expense on the basis of the revised Gross Block Ratio, considering that the Taxes are applicable for the airport as a whole and not just for the terminal building. This allocation is also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper).

f) Security expenses and Security-others

10.2.9. The Authority notes that the AO has segregated these expense items in the Initial RAB ratio, i.e., 97.7 : 2.3 (aeronautical : non- aeronautical) for TCP. For further analysis, vide email dated 06th September 2022, AIAL was requested to share the breakup of the security expenses for FY 2022. AIAL, vide email dated 09th September 2022, submitted that this expense comprises of "Outsourced Security Cost". AIAL, vide email dated 11th October 2022, was requested to share the detailed breakup of this expense to which AIAL responded, vide email dated 13th October 2022, with the following table.

Table 179: Breakup of "outsourced security cost" as per AIAL

Particulars	Nature of Expenditure
Security Services	- Security Services for supervision of Kerb-side areas and other support services (Airport entry pass section management, security back office) and co-ordination for Security System with various stakeholders like (CISF, Terminal operations, ATC and various users) - ILBS loaders from Oct'21 onwards - Services of Security System Technicians from Oct'21 onwards
ILBS Screeners from AAICLAS	Contract manpower Charges (ILBS Manpower - Screeners & Loaders from AAICLAS) upto Sep'21, based on contracted novated from AAI to AIAL as on COD.
Others	Misc. items

For "Security Services", the Authority is of the view, that the activities involved under this expense item primarily pertains to the supervision of kerb side, and is non-aeronautical in nature. Considering that this expense also consists of aeronautical (ILBS loaders) and certain non-aeronautical activities, the Authority proposes to bifurcate "Security Services" in the ratio of 50 : 50 (aeronautical : non

aeronautical). For "ILBS Screeners from AAICLAS", the Authority proposes to consider the same as 100% Aeronautical, as this expense is purely aeronautical. As for "others", Authority proposes to allocate the same in the revised Gross Block ratio, as this expense pertains to the airport as a whole.

With regard to "Security-others", the Authority has excluded this expense as discussed in Para 10.2.61 to Para 10.2.62.

g) Corporate expenses

10.2.10. The Authority notes that the AO has segregated expenses towards Corporate Cost in the Initial RAB ratio, i.e., 97.7 : 2.3 (aeronautical : non- aeronautical) for TCP and has engaged an Independent Consultant for conducting a Study on allocation of Corporate Costs of both the Holding Companies of the AO. The AO has shared a Note on the Study report which provides the types of services / costs that have to be allocated to the AO, along with the basis of allocation of such costs. The AO has derived the allocable Corporate Costs based on the study. However, the basis for allocation of the costs towards Aeronautical and Non-aeronautical activities has not been provided in the Study report. The Authority is of the view that in the absence of an appropriate basis, Corporate Cost can be bifurcated in the employee ratio as mentioned in Table 178 (after excluding legal expenses as explained in Para 10.2.68). This is also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper).

h) Administrative and General expenses

10.2.11. The Authority notes that the AO has segregated the Administrative & General expenses in the Initial RAB ratio, i.e., 97.7 : 2.3 (aeronautical : non- aeronautical) for TCP. For further analysis, vide email dated 04th September 2022, AIAL was requested to share the breakup of the administrative expenses for FY 2022. AIAL, vide email dated, 08th September 2022, AIAL submitted the breakup of this expense as shown in the following table.

Table 180: Breakup of total administrative & general expenses as per AIAL for FY 2022

Serial No.	Particulars
1	Professional and Consultancy Charges
2	Collection Charges of User Development Fees
3	Travelling and Conveyance
4	Office Expenses
5	Miscellaneous Expenses
6	Rent
7	Payment to Auditors
8	Foreign Exchange Loss (net)

10.2.12. The Authority proposes to allocate the collection charges on UDF as 100% Aeronautical considering that the nature of the expense is purely aeronautical. The Authority is of the view that the other administrative expenses as shown in Table 180 should be apportioned in the revised Gross Block Ratio for TCP since these are largely common to the airport.

i) Insurance

10.2.13. The Authority notes that the AO has segregated this expense in the Initial RAB ratio, i.e., 97.7 : 2.3 (aeronautical : non- aeronautical) for TCP. However, the Authority proposes to bifurcate this expense in the revised Gross Block Ratio for TCP. This allocation is also in line with the Study on Efficient

Operation and Maintenance Expenses for SVPIA (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper).

j) R&M expenses

10.2.14. The Authority notes that the AO has segregated the expenses towards R&M in the Terminal Area Ratio, i.e., 94.9 : 5.1 (aeronautical : non aeronautical) for TCP. For further analysis, vide email dated 04th September 2022, AIAL was requested to share the breakup of the R&M expenses for FY 2022. Vide email dated, 08th September 2022, AIAL submitted the breakup of this expense as shown in the following table.

Table 181: Breakup of R&M expenses as per AIAL for FY 2022

Serial No.	Particulars
1	Repairs - Plant & Machinery
2	Repairs - Building
3	Repairs - Security Equipment
4	Other Repairs and Maintenance
5	Consumption of Stores & Spares

10.2.15. After analysing the breakup of R&M expenses, the Authority is of the view that these items are not specific to the terminal building but are applicable to the airport as a whole. Hence, the Authority proposes to bifurcate the same in the revised Gross Block Ratio for TCP at this stage.

k) Others

10.2.16. The Authority notes that the AO has segregated the other expenses in the Terminal Area Ratio, i.e., 94.9 : 5.1 (aeronautical : non aeronautical) for TCP.

10.2.17. For further examination, AIAL was requested vide email dated 04th September 2022 to share the breakup of the other expenses for FY 2022. AIAL, vide email dated, 08th September 2022, submitted the breakup of this expense as shown in the following table.

Table 182: Breakup of other expenses as per AIAL for FY 2022

Serial No.	Particulars
1	Housekeeping Expenses
2	Manpower Hiring Charges
3	Horticulture Expenses

10.2.18. Further, vide email dated 10th September 2022, AIAL was requested to share the breakup of "Manpower Hiring Charges" and "Housekeeping Expenses", along with the contracts for the same, to which they responded with the following table vide email dated 13th September 2022.

Table 183: Breakup of "other expenses" as submitted by AIAL for TCP

S. No.	Expense Nature	Details of the Purchase Order (PO)
1	**Housekeeping Expenses**	Service Order for SLA based Services for Non- Technical Packages comprising of namely Housekeeping, Trolley Management, Birds & Wildlife Hazard Management, Pest Control
		Service Order for Appointment of Contractor for MECHANIZED ENVIRONMENT AL SUPPORT SERVICES (MESS) (UP-KEEPING) OF TERMINAL-1 & ITL AT SVPI AIRPORT, AHMEDABAD

S. No.	Expense Nature	Details of the Purchase Order (PO)
		Service Order for Appointment of Contractor for Mechanized environmental support services (MESS) work at Terminal 2 of Ahmedabad Airport.
		Service Order for additional manpower requirement of house keeper & Operator for T-1, T-2 & GA Terminal at Ahmedabad Airport.
		Other Misc. PO for low value items (below Rs. 10 lakhs)
2	**Hiring Charges**	Service Order for Appointment agency for Passenger Support Assistant, Passenger Service Executive & Thermal Scanner for 1 year at SVPI, Ahmedabad Airport.
		Service Order for Appointment of Service Providers for providing off-roll manpower for Ahmedabad
		Service Order for Appointment of Guest Relation Assistants & Baggage Handler Agency for providing off-roll manpower for at AMD Airport. (01.04.2021 to 31.10.2021)
		Service Order for Appointment of agency for manpower requirement for Porter at Ahmedabad Airport.
		Service Order for Appointment of Service Providers for providing off-roll Associates manpower at SVPI, Ahmedabad Airport.
		Service Order for Appointment of agency for Fire Ambulance Services at Ahmedabad Airport.
		Service Order for Appointment of Service Provider Agency for providing off-roll manpower for Customer Service Staff at AMD, Airport.
		Service Order for Rental charges of Rubber Removal Machine at Ahmedabad Airport.
		Service Order for Appointment manpower agency for Thermal Screening booth for 6 months at Ahmedabad Airport. (Amended up to 31.10.2021)
		Other Misc. PO for low value items (below Rs. 10 lakhs)
3	**Horticulture Expenses**	Purchase Order for Requirement of various types of Pots, Planters & other services for Landscaping work for Horticulture development at Terminal 1 & 2, Ahmedabad Airport.
		Service Order for Appointment of agency for landscape development and maintenance work at Ahmedabad Airport. (This service order for 6 months: 01.04.2021 to 30.09.2021)
		Purchase Order for Requirement of Landscape development for Horticulture at Terminal 1 & 2, Ahmedabad Airport.
		Purchase Order for Requirement of various types of Pots, Planters & other services for Landscaping work for Horticulture development at Terminal 1 & 2, Ahmedabad Airport.
		Purchase Order for Requirement of various types of Pots, Planters & other services for Landscaping work for Horticulture development at Terminal 1 & 2, Ahmedabad Airport
		Purchase order for Supply of different type of Chemical, Fertilizer & planting media for Horticulture maintenance work at Ahmedabad Airport.
		Other Misc. PO for low value items (below Rs. 5 lakhs)

10.2.19. Based on the information available in the table above, the Authority proposes to bifurcate the horticulture expenses in the ratio of 50 : 50 (aeronautical : non aeronautical) in line with the approach followed regarding the proposed capital expenditure related to horticulture (Refer Para 7.5.6). For housekeeping expenses, the Authority proposes to bifurcate the same in the revised Terminal Area Ratio of 90 : 10 (aeronautical : non aeronautical) for TCP as these expenses pertains primarily to the terminal buildings and associated areas of the airport. This allocation is also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper).

10.2.20. With regard to "Manpower Hiring Charges", the Authority proposes to bifurcate the same in the revised Gross Block Ratio for TCP as these items are not specific to the terminal building but are applicable to the airport as a whole.

l) Runway recarpeting expenses

10.2.21. The AO has considered the expense towards runway recarpeting expenses as 100% Aeronautical. The Authority finds the allocation to be reasonable. However, this expense has been further examined in Para 10.2.89 to Para 10.2.92.

m) Financing Charges and Others

10.2.22. As per the MYTP submission, this expense item comprises of finance charges, Performance Bank guarantee (PBG) and Working Capital interest and other interest. The allocation ratios for the abovementioned items are given in Table 173.

10.2.23. The Authority notes that for Performance BG, the AO has considered this as 100% aeronautical as per Clause 9.1.1 of the CA, which states that "*The Concessionaire shall, for the performance of its obligations during Phase I hereunder, provide to the Authority, no later than 120 (one hundred and twenty) days from the date of this Agreement, an irrevocable and unconditional guarantee from a Bank for a sum equivalent to Rs. 130,00,00,000 (Rupees One Hundred and Thirty Crore) in the form set forth in Schedule E ("Performance Security"). Until such time the Performance Security is provided by the Concessionaire pursuant hereto and the same comes into effect, the Bid Security shall remain in force and effect, and upon such provision of the Performance Security pursuant hereto, the Authority shall release the Bid Security to the Concessionaire*."

10.2.24. Based on the above, the Authority proposes to consider the PBG charges as aeronautical. Further, the Authority proposes to bifurcate the "finance charges" and "Working Capital interest and other interest" in the revised Gross block ratio for FY 2022 and recompute the aeronautical portion of the "finance charges" and "Working Capital interest and other interest" based on the changes in the other building blocks.

n) Fuel and cargo operating expenses

10.2.25. The AO has considered the expense towards Fuel and Cargo Operating expenses as 100% Aeronautical, which the Authority finds to be appropriate.

10.2.26. The Authority's proposal for allocation of Aeronautical O&M expenses of AIAL as compared to that submitted by the Airport Operator has been summarized in the table below.

Table 184: Allocation of Aeronautical O&M expenses for AIAL for TCP

Particulars	O&M expense allocation	
	AIAL's submission	Authority's proposal
Manpower expenses - AAI employees (up to Deemed Deputation Period)	100 % Aeronautical	Employee ratio (99.30%)
Manpower expenses - AAI employees (Deficit Employee Cost)	100 % Aeronautical	100 % Aeronautical
Manpower expenses - AIAL employees	Employee ratio (97.0 %)	Employee ratio (96.27%)
Utility expenses – Electricity cost (net of recovery)	100 % Aeronautical	100 % Aeronautical

Particulars	O&M expense allocation	
	AIAL's submission	Authority's proposal
Utility expenses – Water charges	Terminal Area Ratio (94.9 %)	Gross block ratio (92.51%)
Utility expenses – Diesel consumption charges		
IT expenses	Initial RAB ratio (97.7 %)	Terminal Area Ratio (90%)
Rates & taxes	Terminal Area Ratio (94.9 %)	Gross block ratio (92.51%)
Security expenses – "Security services"	Initial RAB ratio (97.7 %)	Ratio of 50% (aero : non-aero)
Security expenses – "ILBS Screeners from AAICLAS"		100% Aeronautical
Security expenses – "Others"		Gross block ratio (92.51%)
Security others	Initial RAB ratio (97.7 %)	Para 10.2.61 and Para 10.2.62 (Counter Drone System)
Corporate Expenses	Initial RAB ratio (97.7 %)	Employee ratio (96.27%)
Administrative Expenses - UDF	Initial RAB ratio (97.7 %)	100 % Aeronautical
Administrative Expenses - Others		Gross block ratio (92.51%)
Insurance	Initial RAB ratio (97.7 %)	Gross block ratio (92.51%)
R&M expenses	Terminal Area Ratio (94.9 %)	Gross block ratio (92.51%)
Others - Horticulture	Terminal Area Ratio (94.9 %)	Ratio of 50% (aero : non-aero)
Others – Housekeeping expenses		Terminal Area Ratio (90%)
Others – Manpower hiring charges		Gross block ratio (92.51%)
Runway recarpeting	100 % Aeronautical	100 % Aeronautical
Finance charges – Performance BG	100 % Aeronautical	Para 10.2.93 to Para 10.2.95
Finance charges - Debt drawdown fee	Ratio of Avg Aero Assets and Avg Non-Aero Assets	
Finance charges - Working Capital interest and other interest	Based on Working Capital requirement for each vertical of business like Aero and Non-Aero separately	
Fuel farm operating expenses	100 % Aeronautical	100 % Aeronautical
Cargo operating expenses	100 % Aeronautical	100 % Aeronautical

Note: The average values of the various ratios for the Third Control Period have been mentioned in this table.

II. Examination of O&M expenses and their growth rates for Third Control Period

10.2.27. With respect to the TCP, the Authority first examined each expense based on the actual expense incurred in FY 2022 (Refer Table 175) as submitted by AIAL and as validated by the Independent Consultant from AIAL's Annual Report. The Authority then proceeded to examine the growth rates proposed by the AO for each expense item. The examination of the various expenses under operational expenditure is detailed below.

a) Employee expenses – AAI

10.2.28. The Airport Operator has projected the expense towards specified number of AAI employees across all the five (5) tariff years in the Third Control Period as per Clause 6.5.1 of the Concession Agreement

entered into between AAI and the Airport Operator. The extract for the same has been provided in Para 10.2.1.

10.2.29. As per the MYTP submission, the Airport Operator has claimed Manpower Expenses for 'Select Employees' till the end of Deemed Deputation Period, namely for 177 Select Employees and also 'Deficit Employee Cost' for 108 employees (calculated at 60% of 'Select employee' number as stated in Clause 6.5.10 of the Concession Agreement) for the remaining portion of the Third Control Period. The Airport Operator has also projected a growth rate of 15.2% (real growth 10% plus inflation 5.2%) year-on-year towards manpower expenses of AAI employees.

10.2.30. The Authority notes that, vide email dated 23rd April 2022, AIAL submitted the department-wise list along with their classification of 173 Select employees deputed at SVPIA as on 31st March 2022. (Refer table 257 in Annexure 6 of Chapter 17)

10.2.31. The Authority further notes that the Manpower Expense of AAI employees are accounted by the Airport Operator, based on the invoices raised by AAI for the 'Select Employees' deputed at SVPIA.

10.2.32. The Authority on review of Clause 6.5 along with clause 28.4.3 of the Concession Agreement between AAI and the Airport Operator, notes that the cost of AAI employees deputed at the SVPIA is eligible for pass-through in the determination of Aeronautical charges. The employee expenses of the AAI employees for the Third Control Period are considered as 100% Aeronautical expenses by the Airport Operator. However, the Authority proposes to consider the Employee Expenses – AAI employees up to 'Deemed Deputation Period' and thereafter consider 'Deficit Employee Cost', as per the relevant Clauses of the Concession Agreement (Refer paragraph 10.2.2).

10.2.33. The Deficit employee cost has been calculated under the assumption that no Select employees would join AIAL, post the Deemed Deputation Period. However, it is possible that some of the Select employees may choose to accept the offers made by AIAL in future. Therefore, this expense would be trued up at the time of tariff determination for the Fourth Control Period, based on the actual percentage of employees who have accepted the offers of AIAL.

10.2.34. The Authority proposes to consider the actual expenses as submitted by AIAL for FY 2022 and revise the Y-o-Y increase in Payroll costs from 15.2% to 6% for the remaining (4) tariff years of the Third Control Period, as approved by the Authority for other similar airports. Based on its examination of the growth rate in average salary expenses at other PPP airports such as DIAL, MIAL, BIAL and GHIAL, the Authority is of the view that 6% is reasonable estimate for the growth of average salary.

10.2.35. Based on the above statements, the following table shows the employee expenses of the Select employees as proposed by the Authority for TCP.

Table 185: Employee expenses of Select employees as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024**	FY 2025	FY 2026	Total
No. of Select Employees (A)	173	173	173			
Growth - Salary (%)		*6.0%*	*6.0%*	*6.0%*	*6.0%*	
Average Salary (B) (INR Cr.)	0.24*	0.25	0.26	0.28	0.30	
Select Employee Expense (C = A × B) (in INR Cr.)	40.67*	43.11	27.72	-	-	111.50
Aero Ratio - AAI Employees (%) (D)	99.30%	99.30%	100.00%	100.00%	100.00%	
Aero Select Employee Expense (E = C × D) (in INR Cr.)	40.39	42.81	27.72	-	-	110.91
Deficit Employees:						
No. of Deficit Employees (F)	-	-	104	104	104	

Particulars	FY 2022	FY 2023	FY 2024**	FY 2025	FY 2026	Total
Deficit Employee Expense (G = F × B × D) (in INR Cr.)	-	-	10.79	29.06	30.81	70.66
Aero AAI Employee Expense (E + G) (in INR Cr.)	40.39	42.81	38.51	29.06	30.81	181.57

**As per actuals submitted by AIAL, vide email dated 08th September 2022*

***Note: The deemed deputation period ends on 07th November 2023. Hence, for FY 2024, appropriate adjustment has been carried out with respect to the number of Select employees. From FY 2024 till FY 2026, 60% of 173 employees = 104, has been considered*

b) Employee expenses – AIAL

10.2.36. The Airport Operator has submitted the following regarding the salary cost per employee per annum and increase in the total employee headcount.

- **Salary cost per employee per annum**: As per the MYTP submission, the Airport Operator has submitted a projected weighted average salary of INR 0.20 Cr. per annum for FY 2022. However, as per the actuals submitted by AIAL, vide email dated 08th September 2022, the average salary of the AIAL employees is INR 0.19 Cr. The Authority proposes to consider the employee expenses of AIAL for FY 2022 based on the actuals.

  The Authority examined the average salary submitted by AIAL for FY 2023 and finds the same to be reasonable. It is noted that AIAL projected an increase of 15.2% on the average salary year-on-year (Y-o-Y), starting from FY 2024, in the Third Control Period. However, the Authority proposes to consider a growth rate of 6% for the remaining (3) tariff years of the Third Control Period, starting from FY 2024, in line with the approach followed for the AAI employees.

- **Increase in Employee Headcount:** As per the submission of AIAL vide email dated 23rd April 2022, it is observed that the AO has projected an increase in employee headcount of AIAL employees from 122 as on 31st March 2021 to 455 as at the end of the TCP. (Refer Table 258 in Annexure 6 of Chapter 17 for the detailed breakup of the proposed employee headcount for the various departments as submitted by AIAL for TCP).

  The Authority notes that in FY 2024, AIAL has proposed to increase the employee strength for carrying out new functions mainly towards departments relating to Security, Airside management, ARFF etc considering the expansion of T1 and T2 in FY 2024 and that the deemed deputation period of the Select Employees deputed by AAI expires during FY 2024.

  In the FY 2020, SVPIA handled a total passenger traffic of 11.43 Million. The aeronautical employee strength of AAI at the time was 162. Based on the traffic projections, there is increase of approximately 74% in passenger traffic from FY 2020 to FY 2026. Whereas, based on the employee strength projected by AIAL, there is an increase of approximately 173% (this is also due to the creation of new departments such as Airside management which were not present prior to COD and hiring of ILBS screeners) in the aeronautical employee strength during the same period. AIAL being a private player, is expected to bring in operational efficiencies. Further, in its submissions AIAL has also submitted that it plans to additionally seek the services of outsourced manpower for certain activities. In light of this, the employee headcount requirement projected by AIAL appears to be unreasonably high. Hence, the Authority proposes to make certain adjustments and reclassifications (Refer Table 259 in Annexure 6 of Chapter 17 for the same). Accordingly, the employee ratio of AIAL was recomputed for TCP (For the detailed calculation of the employee ratio of AIAL, refer Table 260 in Annexure 6 of Chapter 17).

10.2.37. Further, the Authority notes that the headcount summary of AIAL (Refer Table 260) has been computed considering the assumption that no Select employees would join AIAL, post the Deemed Deputation Period. However, it is possible that some of the Select employees may choose to accept the offers made by AIAL in future. Hence, appropriate rationalisation will be carried out with regard to the headcount of AIAL at the time of True up as part of tariff determination for the Fourth Control period.

10.2.38. Based on the above statements, the following table shows the employee expenses of the AIAL employees as proposed by the Authority for TCP.

Table 186: Employee expenses of AIAL employees as proposed by the Authority for TCP

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
No. of Executive Employees (as per AIAL) (A)	100	130	180	180	200	
No. of Non-executive Employees (as per AIAL) (B)	70	170	220	220	250	
Total Employees (C = A + B)	170	300	400	400	450	
Growth - Salary (%)			*6.0%*	*6.0%*	*6.0%*	
Average Salary of total employees (in INR Cr.) (D)	0.19*					
Average Salary of Executive Employees (in INR Cr.) (E)		0.22**	0.23	0.25	0.26	
Average Salary of Non-executive Employees (in INR Cr.) (F)		0.06**	0.06	0.07	0.07	
Executive Employees expenses (INR Cr.) (G = A × E)		28.60	41.98	44.49	52.40	
Non-executive Employees expenses (INR Cr.) (H = B × F)		10.20	13.99	14.83	17.87	
Total cost (in INR Cr.) (I = G + H)		38.80	55.97	59.33	70.27	
Weighted avg salary cost (INR Cr.) (J = I ÷ C)	0.19*	0.13	0.14	0.15	0.16	
Total Employee Strength as per the Authority (in No.) (K)	157.00	243.00	363.21	383.74	428.00	
Total Employee Expense as per the Authority (in INR Cr.) (L = J × K)	29.22	31.43	50.82	56.92	66.83	235.21
Aero Ratio (%) (M)	95.74%	95.21%	96.54%	96.77%	97.07%	
Aero AIAL Employee Expense as per the Authority (in INR Cr.) (L × M)	27.97	29.92	49.06	55.08	64.87	226.91

**As per actuals submitted by AIAL, vide email dated 08th September 2022*

***As per MYTP submission of AIAL*

c) Utility expenses

i. Electricity cost:

10.2.39. As per the MYTP submission, the projected utility expenses of AIAL comprises of only electricity cost. AIAL, vide email dated 15th September 2022, confirmed the same regarding the actual utility expenses amounting to INR 16.54 Cr for FY 2022. Further, vide email dated 26th September 2022, AIAL submitted the total units of electricity consumed for the period of five months from April to August of FY 2023.

10.2.40. The Airport Operator has projected the electricity costs, after netting off the recoveries made from the Concessionaires (which is assumed to be 7.00% of the total electricity cost). The Authority notes that the power recovery percentage is significantly lower than that of comparable airports. The Authority is of the view that with the gradual increase in the non-aeronautical operations, the Airport Operator should increase the power recovery from the Concessionaires. In case the power recoveries do not increase, the Authority proposes to consider power recoveries at a notional rate of 25% while truing up of the Third Control Period.

10.2.41. In its MYTP submission, AIAL has proposed an escalation rate of 30% for FY 2023 and FY 2024 due to the expansion of the Terminal area. AIAL has also projected an inflationary growth rate 5.2% year-on-year towards utility expenses.

10.2.42. The Authority proposes to consider the actuals for FY 2022 as submitted by AIAL. For FY 2023, the Authority proposes to consider the actual units consumed for the first five months and extrapolate the same for the remaining months. Further, the Authority is of the view that there would be an increase in the electricity expenses post expansion of the terminal area, as observed in the case of other airports. Therefore, the Authority proposes to consider an additional increase of 19.83% in electricity expenses only in FY 2024, as the operations in the extended terminal area will commence in FY 2024 and also allow inflationary effect from FY 2024 to FY 2026 (The inflation rates are mentioned in Table 171).

ii. Water and diesel consumption charges

10.2.43. As mentioned in Para 10.2.6, the water and the diesel consumption charges have been included under utility expenses and deducted from other operating expenses and R&M expenses respectively. AIAL, vide email dated 10th October 2022, was requested to clarify if the water and the diesel consumption charges have been projected with the growth rates similar to that of the other operating expenses and R&M expenses respectively. AIAL, vide email dated 11th October 2022, confirmed the same. The growth rates proposed by AIAL for water charges is 15.2% Y-o-Y for TCP (except for FY 2023) and an additional increase of 19.83% in FY 2024 on account of expansion of Terminal area. For FY 2023, the AO has claimed an increase of 35.2% (30% based on estimate and 5.20% due to inflationary effect). The growth rates proposed by AIAL for diesel consumption charges is 15.2% Y-o-Y for TCP.

10.2.44. The Authority proposes to consider the actuals for FY 2022 as submitted by AIAL for these expense items. Further, the Authority is of the view that there would be an increase in these expense items due to the expansion of the terminal area, as observed in the case of other airports. Therefore, the Authority proposes to consider an additional increase of 19.83% in these expense items only in FY 2024, as the operations in the extended terminal area will commence in FY 2024 and also allow inflationary effect from FY 2023 to FY 2026 (The inflation rates are mentioned in Table 171).

10.2.45. Based on the above statements, the following table shows the utility expenses of AIAL as proposed by the Authority for TCP.

Table 187: Utility expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Electricity cost:						
Growth - Terminal Area (%)			*19.83%*	-	-	
Total units consumed (in Mn) (A)	19.01	27.73	33.23	33.23	33.23	146.43
Units recovered from concessionaires*** (B) (in Mn)	1.33	1.62	2.33	2.33	2.33	9.93
Billable Units (C = A – B) (in Mn)	17.68	26.11	30.90	30.90	30.90	136.51
Growth - Inflation (%)			*5.10%*	*5.10%*	*5.10%*	

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Per Unit Rate (D) (in INR)	9.35*	9.44**	9.92	10.43	10.96	
Aero electricity expenses (E = C × D) (INR Cr.)	16.54*	24.66**	30.67	32.23	33.88	137.97
Water charges:						
Growth - Inflation (%)		*11.10%*	*5.10%*	*5.10%*	*5.10%*	
Growth - Terminal Area (%)		-	*19.83%*	-	-	
Total water expense (F) (in INR Cr.)	0.22*	0.24	0.31	0.32	0.34	1.43
Revised Gross block ratio (G) (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero water expense (H = F × G) (INR Cr.)	0.21	0.22	0.28	0.30	0.31	1.32
Diesel Consumption charges:						
Growth - Inflation (%)		*11.10%*	*5.10%*	*5.10%*	*5.10%*	
Growth - Terminal Area (%)		-	*19.83%*	-	-	
Total diesel expense (I) (in INR Cr.)	0.55*	0.61	0.76	0.80	0.84	3.57
Revised Gross block ratio (J) (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero diesel expense (K = I × J) (INR Cr.)	0.52	0.55	0.71	0.75	0.78	3.30
Total utility expenses (E + H + K) (INR Cr.)	17.26	25.43	31.66	33.28	34.96	142.60

Note: For electricity expenses, growth rate due to Terminal area expansion has been applied on total units consumed, whereas the inflation rates have been applied on the per unit rate.

**As per actuals submitted by AIAL, vide email dated 08th September 2022 and 15th September 2022*

***This figure has been extrapolated on the basis of the actuals submitted by AIAL for a period of 5 months, vide email dated 26th September 2022.*

****From FY 2024 till FY 2026, 7% has been assumed as the recovery rate from the Concessionaires. For FY 2023, the figure has been extrapolated on the basis of the actuals submitted by AIAL for a period of 5 months.*

d) IT expenses

10.2.46. The Authority notes that AIAL has claimed an increase of 15.2% Y-o-Y and an additional increase of 20% in FY 2024 due to the proposed increase in the Terminal Building area.

10.2.47. The Authority proposes to consider the actual expense incurred by AIAL for FY 2022. The Authority on its review of the other similar airports, is of the opinion that expansion of Terminal Building area will result in proportionate increase in this expense and hence, proposes to consider the additional increase of 19.83% for FY 2024 claimed by the AO and also allow inflationary effect (The inflation rates are mentioned in Table 171) for FY 2023-2026.

10.2.48. Based on the above statements, the following table shows the IT expenses of AIAL as proposed by the Authority for TCP.

Table 188: IT expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Inflation (%)		*11.10%*	*5.10%*	*5.10%*	*5.10%*	
Growth - Terminal Area (%)	-	-	*19.83%*	-	-	
Total IT Expense (in INR Cr.)	4.19*	4.66	5.82	6.11	6.43	27.20
Revised Terminal area Ratio (%)	90.00%	90.00%	90.00%	90.00%	90.00%	
Aero IT Expense (in INR Cr.)	3.77	4.19	5.23	5.50	5.78	24.48

**As per the actuals submitted by AIAL, vide email dated 08th September 2022*

e) Rates and taxes

10.2.49. The Authority notes that the actual tax expenses incurred in FY 2022 is INR 3.06 Cr. AIAL, vide email dated 23rd September 2022, submitted a summary on property tax as shown in the following table.

Table 189: Summary of Property Tax Payment as submitted by AIAL for FY 2022 and FY 2023

Particulars (in INR Cr.)	FY 2022	FY 2023
Property Tax Invoice from Cantonment Board (CB) (A)	0.93	3.17
Differential cost as stated by Cantonment Board for FY 2022 that is to be paid in FY 2023 (B)	-	2.24
Total property tax invoice from Cantonment Board (C = A + B)	0.93	5.41
Property Tax Invoice from Ahmedabad Municipal Corporation (AMC) (D)	2.13	5.28
Total (C + D)	**3.06**	**10.69**

10.2.50. Further, AIAL stated – "*Property Tax Invoice from Cantonment Board (CB): For FY 22-23, CB has determined tax amount as Rs. 3.17 Cr increased from Rs. 93.47 lakhs due to:*

- *Correction by CB in rates from Rs. 298.7 / sqm to Rs. 872.5 / sqm (considering airport under 'Highly commercial' category)*
- *Increase in Built up area based on survey by CB from 40130 sqm to 46209 sqm (earlier taxes for 40130 sqm were being charged).*
- *Further, CB has asked to pay the differential cost of Rs. 2.24 Cr for FY 21-22 also. Thus, the amount of tax paid in FY 22-23 comes to Rs. 5.41 Cr.*

Property Tax Invoice from Ahmedabad Municipal Corporation (AMC): In FY 21-22, AIAL had paid Rs. 2.13 Cr. For FY 22-23, AMC has raised invoices for approx. Rs. 5.28 Cr. Major increase is due to:

- *Change in "Occupier" category increasing the factor from 1 to 2*
- *Change in categorization as Govt. building to "No"*

Thus, the amount of tax paid / payable in FY 22-23 comes to Rs. 5.28 Cr. For FY 22-23, we had projected Rs. 4 Cr which has now increased to Rs. 10.69 Crs. The cost will be Rs. 8.45 Cr (on normalized basis after eliminating arrears) from FY 23-24 onwards."

10.2.51. The Authority proposes to consider the actual expense as submitted by AIAL for FY 2022 and FY 2023 (Refer table 189). From FY 2024 onwards, the growth rates as mentioned in Para 10.2.53 will be considered on the base amount of INR 8.45 Cr. (INR 10.69 Cr. – INR 2.24 Cr. i.e., exclusive of the differential cost of INR 2.24 Cr. incurred in FY 2023).

10.2.52. The Authority notes that AIAL has claimed an increase of 5.2% Y-o-Y and an additional increase of 19.83% in FY 2024 due to the proposed increase in the Terminal Building area.

10.2.53. The Authority on its review of the other similar airports, is of the opinion that expansion of Terminal Building area will result in proportionate increase in this expense. Hence, the Authority proposes to consider the additional increase of 19.83% for FY 2024 claimed by the AO and also allow inflationary effect for FY 2024 to FY 2026 (The inflation rates are mentioned in Table 171).

10.2.54. Based on the above statements, the following table shows the rates and taxes of AIAL as proposed by the Authority for TCP.

Table 190: Rates and taxes of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Inflation (%)			*5.10%*	*5.10%*	*5.10%*	
Growth - Terminal Area (%)	-	-	*19.83%*	-	-	
Property Tax (A) (in INR Cr.)	0.93	3.17	3.96	4.16	4.37	16.60
Differential Cost (B) (in INR Cr.)	-	2.24	-	-	-	2.24
Total property tax invoice from Cantonment Board (in INR Cr.) (C = A + B)	0.93	5.41	3.96	4.16	4.37	18.84
Municipal Corporation (D) (in INR Cr.)	2.13	5.28	6.60	6.93	7.29	28.23
Total Rates and Taxes (E = C + D) (in INR Cr.)	3.06*	10.69*	10.56	11.09	11.66	47.06
Revised Gross block Ratio (F) (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero Rates and Taxes (E × F) (in INR Cr.)	2.87	9.66	9.80	10.38	10.72	43.43

**As per the actuals submitted by AIAL, vide email dated 23rd September 2022*

f) Security expenses

10.2.55. As mentioned in Para 10.2.9, this expense comprises of "Outsourced security cost." The actual security expenses incurred by AIAL in FY 2022 is INR 5.99 Cr.

10.2.56. As per the MYTP submission, the Authority notes that AIAL has proposed for the deployment of Private Security Agency (PSA) for non-core aviation security function at the Airport and also projected a 50% increase in security expenses for the same in FY 2023. For further analysis, vide email dated 06th September 2022, AIAL was requested to share the purpose, the role and the deployment of these employees at the airport. AIAL, vide email dated 9th September 2022, stated the following, "*The deployment of Private Security Agency (PSA) is as per BCAS Avsec Circular 03/ 2021 dated 11 May 2021 (attached) to be undertaken by CISF. The number of PSA at each airport is as per BCAS Office Memorandum dated 09 June 2022. At the time of filing of MYTP in first week of Feb-2022, there was limited clarity on the matter about who will bear this cost. However subsequently a clarification received from Ministry of Civil Aviation that all the expenses relating to this BCAS circular are to be charged to NASFT. Therefore, this expenses will not be borne by Airport operator. Amount of Rs. 3 Crs provisionsed for the said expense (out of total security expense of Rs. 9.30 Crs) from FY23 onwards can be withdrawn now*."

10.2.57. In view of the above, the Authority has excluded the cost proposed towards PSA from the security expenses for TCP.

10.2.58. The Authority notes that for security expenses (excluding PSA), AIAL has claimed an increase of 15.2% Y-o-Y and an additional increase of 19.83% in FY 2024 due to the proposed increase in the Terminal Building area.

10.2.59. The Authority proposes to consider the actual amount incurred by AIAL in FY 2022. Further, the Authority on its review of the other similar airports, is of the opinion that expansion of Terminal Building area will result in proportionate increase in this expense and hence, proposes to consider the additional increase of 19.83% for FY 2024 claimed by the AO and also allow inflationary effect (The inflation rates are mentioned in Table 171) for FY 2023-2026.

10.2.60. Based on the above statements, the security expenses of AIAL as proposed by the Authority for TCP is shown in the following table.

Table 191: Security expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Inflation (%)		*11.10%*	*5.10%*	*5.10%*	*5.10%*	
Growth - Terminal Area (%)	-	-	*19.83%*	-	-	
Security services (A) (in INR Cr.)	3.54	3.93	4.91	5.16	5.42	22.95
ILBS Screeners from AAICLAS (B) (in INR Cr.)	2.17	2.41	3.01	3.17	3.33	14.09
Others (C) (in INR Cr.)	0.28	0.32	0.39	0.41	0.44	1.84
Aero % for Security services (D)	50%	50%	50%	50%	50%	
Aero % for ILBS Screeners from AAICLAS (E)	100%	100%	100%	100%	100%	
Gross block ratio for Others (F) (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero Security Expenses (A × D + B × E + C × F) (in INR Cr.)	4.20	4.66	5.83	6.13	6.44	27.27

g) Security-others

10.2.61. In its MYTP submission, AIAL has proposed to implement Counter Drone System amounting of INR 69.17 Cr, based on the directive of Bureau of Civil Aviation Security (BCAS), which had directed the Indian Airports to implement Counter drone technology/solution for Surveillance, detection and Neutralization of drones/ UAVs vide AVSEC Circular no 02/2020 dated 11th February 2020 and vide addendum dated 09th February 2021 to the said circular.

10.2.62. However, the Authority notes that the above-mentioned Circular has been subsequently withdrawn by BCAS vide Order No. CAS-6(11)/2018/ Div-I/RPA/ (Part2)/ 180940 dated 23rd February 2022. Therefore, the Authority proposes to exclude this expense during the Third Control Period and considering the same based on actuals at the time of true up in case a revised Circular issued by the BCAS mandating the requirement for the implementation of Counter Drone System.

h) Corporate expenses

10.2.63. The Airport Operator has claimed Corporate Cost Allocation of INR 13.94 Cr. (Refer table 186 for the breakup of the same) towards Corporate Support Services received from the Holding Companies, namely, AEL and AAHL for FY 2022.

10.2.64. AIAL has projected an 15.2% increase Y-o-Y during the Third Control Period except for FY 2023. For FY 2023, AIAL has projected an increase of 55.2% (50% based on estimate and 5.2% inflationary increase).

10.2.65. The Authority observes from the Note provided by the AO (refer Annexure 4 of Chapter 17 for the Note on Corporate cost allocation study report), that it has engaged an independent consultant, to conduct a Study on Corporate Cost allocation.

10.2.66. AIAL, vide email dated 21st August 2022, was requested to share the detailed breakup of this expense to which they shared the following table, vide email dated 23rd August 2022.

Table 192: Breakup of Corporate allocation cost as submitted by AIAL for FY 2022

Particulars (INR Cr.)	Department	Allocation Key (Basis)	Admin cost	Salary cost	Total
AEL	Finance, Tax and Internal Audit	Ratio of Debt raised for a SPV to total Debt raised for Adani Group, Ratio of Turnover of a SPV to Total Group Turnover and Ratio of Full Time Equivalents (FTE) allocated to a SPV to total FTEs	0.13	0.27	0.40
	HR and Admin	Ratio of Number of Employees of a SPV to Total Adani Group Employees	1.02	2.07	3.09
	CMD Office and Support Staff	Ratio of a SPV PBT to Group PBT and Airport budgeted expenditure to Total budgeted expenditure	0.87	1.77	2.65
	IT	Ratio of Number of IT users in a SPV to total Group users	0.48	0.97	1.45
	Legal	Ratio of Legal Budget of a SPV to Total Legal Budget of all airports	0.02	0.04	0.07
	Procurement	Ratio of Turnover of a SPV to Total Group Turnover	0.01	0.02	0.03
	Land & Estate	Ratio of a SPV PBT to Group PBT	0.01	0.03	0.04
	Total (A)		**2.55**	**5.17**	**7.72**
AAHL	Human Resources and Admin	Ratio of Number of Employees of a SPV to Total Adani Group Employees	0.35	1.39	1.74
	Finance	Ratio of Debt raised for a SPV to total Debt raised for Airport Group	0.14	0.54	0.68
	Operations (Airline Marketing, Operation, Security, HSE, Regulatory)	Ratio of Per Pax Revenue of SPV to total Per Pax Revenue	0.13	0.53	0.66
	Information Technology	Ratio of Number of IT users in a SPV to total IT users in all airports	0.11	0.44	0.54
	Inhouse Legal Team	Ratio of Legal Budget of a SPV to Total Legal Budget of all airports	0.01	0.03	0.04
	Cargo Development	Ratio of Per Pax Revenue of a SPV to total Per Pax Revenue of all airports	0.02	0.07	0.08
	CEO Office	Ratio of Per Pax Revenue of SPV to total Per Pax Revenue	0.49	1.98	2.47
	Total (B)		**1.24**	**4.98**	**6.22**
Total (A + B)			**3.79**	**10.15**	**13.94**

10.2.67. The Authority considers the apportionment of costs of AEL and AAHL to AIAL to be reasonable. This is also in line with the approach followed in the Study on efficient O&M expenses for SVPIA (summary of the Study is provided in Annexure 2 and the study is attached as appendix 2).

10.2.68. The Authority on review of the above, observes that the corporate costs include cost towards the inhouse legal team. However, the Authority has already allowed the employee expenses towards the inhouse legal team of AIAL and therefore, is of the view that providing additional expenses towards legal department at the corporate level would result in redundancy. Hence, the Authority has excluded the same from aeronautical O&M expenses.

10.2.69. Based on the above, the Authority proposes not to consider an amount of INR 0.11 Cr. claimed by Airport Operator towards such inhouse legal team and allow the remaining amount of INR 13.83 Cr towards Corporate Costs for FY 2022.

10.2.70. AIAL, vide email dated 09th September 2022, was requested to share the basis of the estimate of increasing this cost by 50% in FY 2023, to which AIAL responded vide email dated 13th September 2022, that "*Referring to our earlier submissions on Corporate Cost Allocation which indicated below: In FY21-22 with the acquisition of Mumbai & Navi Airport and achievement of CoD for Jaipur, Guwahati, and Thiruvananthapuram Airports, AAHL felt need to devise more robust allocation methodology and has hired an independent consultant to undertake a study on Corporate Cost Allocation who have opined that consolidation of support services have benefits like: - a) Leveraging on best practices b) Centralized monitoring and control c) Efficiencies and economies of scale. With the above objectives, detailed review of each role was conducted and various roles within functions were centralized at holding company. Second, FY21-22 was first full year of operations for Airport companies and also Holding Companies. In FY21-22, the companies were under the ramp-up stage. Hence the cost of FY21-22 is not fully reflective of annualised cost. Therefore, there is requirement to give necessary impact in FY22-23 to project normalised annualised cost. In Q1 FY2022-23, the corporate cost incurred in Rs. 4.90 Crs which is line with full year cost projected of Rs.18.62 Crs*"

10.2.71. While the Authority notes that AIAL was in a ramp-up stage, in FY 2022, the airports of Jaipur, Guwahati, and Thiruvananthapuram were under the operations of Adani for halfway through FY 2022. Therefore, in the subsequent years, the higher portion of the cost is expected to be allocated to these newly acquired airports. Hence, the Authority does not feel the need to consider this estimate of 50% in FY 2023, at this stage. However, if the actual costs are higher than the amount considered by the Authority for the Third Control Period, the same will be trued up during the tariff determination in the Fourth Control Period subject to reasonableness and cost efficiency.

10.2.72. Further, the Authority observes that the salary cost constitutes the major portion of the corporate allocation cost of INR 13.94 Cr. and hence, proposes to adjust the increase claimed by the Airport Operator by considering 6% Y-o-Y for all the 4 FYs, starting from FY 2023, which is in line with the increase proposed for Manpower expenses of AAI and AIAL employees.

10.2.73. Based on the above statements, the following table shows the corporate expenses of AIAL as proposed by the Authority for TCP.

Table 193: Corporate expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Salary (%)		*6.00%*	*6.00%*	*6.00%*	*6.00%*	
Total Corporate Cost (A) (in INR Cr.)	13.83*	14.66	15.54	16.48	17.46	77.98
Employee Ratio of AIAL as proposed by the Authority (B) (%)	95.74%	95.21%	96.54%	96.77%	97.07%	
Aero Corporate Cost (A × B) (in INR Cr.)	13.24	13.96	15.01	15.94	16.95	75.11

**As per the actuals submitted by AIAL, post exclusion of the legal expenses as stated in Para 10.2.69*

i) Administrative & General expenses

10.2.74. The Authority notes that AIAL has incurred an amount of INR 9.56 Cr. in FY 2022 towards Administrative and General expenses.

10.2.75. As per the MYTP submission, AIAL has projected a 15.2% increase Y-o-Y during the Third Control Period except for FY 2023. For FY 2023, AIAL has projected an increase of 55.2% (50% based on estimate and 5.2% inflationary increase).

10.2.76. AIAL, vide email dated 09th September 2022, was requested to share the basis of the estimate of increasing this cost by 50% in FY 2023, to which AIAL responded vide email dated 13th September 2022, stating the following – "*ATM and Passengers are increasing by 40% and 86% in FY22-23 respectively. In FY22-23 the employee numbers are increasing from 170 to 300 (growth of 76%). Manpower growth over the control period will be from 122 in FY20-21 to 450 in FY25-26 (CAGR of 5 year of 30. In order to take care of admin requirements for the growing manpower 50% increase in FY22-23 has been considered, which is lower when compared to passenger and manpower growth. In subsequent years the cost increase has been pegged at 15% YoY after factoring the efficiencies (even though traffic is increasing by 20% YoY from FY24 to FY26)."*

10.2.77. The administrative expenses consist of multiple expense items, all of which would not be correlated with the growth in employee strength and may have other growth drivers. It would be difficult to predict the growth rate of individual items at this stage. The Authority proposes to consider increase in Collection charges for UDF in line with the growth in Passenger traffic proposed for the TCP for AIAL, as per Table 76. For the remaining expenses, the Authority proposes to allow inflationary effect (The inflation rates are mentioned in Table 171) for FY 2023-2026. This is in line with the approach followed for other similar airports. For FY 2022, the Authority proposes to consider the actual amount as submitted by AIAL.

10.2.78. Based on the above statements, the following table shows the administrative and general expenses of AIAL as proposed by the Authority for TCP.

Table 194: Administrative and General expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Traffic (%)		*101.91%*	*23.75%*	*19.66%*	*17.10%*	
UDF Collection Charges (A) (in INR Cr.)	1.20*	2.42	2.99	3.58	4.19	14.38
Growth - Inflation (%)		*11.10%*	*5.10%*	*5.10%*	*5.10%*	
Others (B) (in INR Cr.)	8.36*	9.29	9.76	10.26	10.78	48.45
Revised Gross block ratio - Others (%) (C)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero – others (D = B × C) (INR Cr.)	7.85	8.39	9.06	9.60	9.91	44.81
Aero administrative and general Expenses (A + D) (INR Cr.)	9.05	10.81	12.05	13.18	14.11	59.19

**As per the actuals submitted by AIAL*

j) Insurance expenses

10.2.79. The Authority examined the expense claimed by the Airport Operator towards Insurance and notes the following.

- **Insurance on Opening Net block of asset**s: The Airport Operator has claimed a projected amount of INR 2.40 Cr. in FY 2022 and an increase of 15.2% Y-o-Y for insurance expenses on the Opening Net block of Assets. The Authority proposes to consider the actual expense of INR 1.63 Cr. for FY 2022. Further, the Authority proposes to consider the inflationary effect (The inflation rates are mentioned in Table 171) for FY 2023-2026.

- **Insurance on New Capital Expenditure:** As per MYTP submission, AIAL has claimed insurance expenses for new assets on the basis of 0.10% of the new additions to the gross block which are based on market rates. The Authority reviewed the same and proposes to consider the expense at the same rate of 0.10% on the revised cumulative value of new aeronautical assets capitalized from FY 2023-2026 (Refer Table 164 for the capital additions proposed by the Authority for TCP).

10.2.80. Based on the above statements, the following table shows the insurance expenses of AIAL as proposed by the Authority for TCP.

Table 195: Insurance expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Inflation (%)		*11.10%*	*5.10%*	*5.10%*	*5.10%*	
Initial Asset Base (A) (in INR Cr.)	1.63*	1.81	1.91	2.00	2.11	9.46
Revised Gross block Ratio (B) (%)	93.89%	93.89%	93.89%	93.89%	93.89%	
Aero Initial Asset Base (C = A × B) (in INR Cr.)	1.53	1.70	1.79	1.88	1.98	8.88
Cumulative Aero CAPEX (in INR Cr.) (D)		1,519.43	2,828.07	3,489.14	7,577.30	
On New Aero CAPEX (E = 0.10% × D) (in INR Cr.)	-	1.52	2.83	3.49	7.58	15.43
Total Aero Insurance Expense (C + E) (in INR Cr.)	1.53	3.22	4.62	5.37	9.56	24.31

**As per the actuals submitted by AIAL, vide email dated 08th September 2022*

k) R&M expenses

10.2.81. The Authority examined the expenses towards Repairs and Maintenance consisting of contracts related to civil, electrical, water management etc and noted the following:

- AIAL has incurred an amount of INR 33.96 Cr. for FY 2022 under R&M expenses.
- **Repairs and Maintenance on Opening Net block of Assets**: The Airport Operator has claimed a projected amount of INR 40 Cr. in FY 2022 towards Repairs and Maintenance for Opening Net block of Assets and an increase of 15.2% for the last four (4) tariff years of TCP.
- **Repairs and Maintenance on New Capital Expenditure:** Repairs and maintenance expenses that are to be incurred by AIAL for new assets have been calculated as 1% of the opening gross block of new assets for each tariff year of TCP.
- The Authority notes that amount claimed by the Airport Operator in each FY towards aeronautical Repairs and Maintenance (post bifurcation in the revised gross block ratio) is higher than 6% of the Opening Net block of Aeronautical Assets for the first two (2) tariff years of the Third Control Period and lower than 6% of the Opening RAB (Net block of Assets) for the last 3 tariff years, i.e., FY 2024, FY 2025 and FY 2026.
- The Authority is of the view that AIAL is a brownfield airport, wherein capital additions have been newly proposed for the Third Control Period. As the newly constructed/ installed assets are covered under warranty clauses, they may need only minimum repairs and maintenance. The Authority, therefore, proposes to restrict the aeronautical repairs and maintenance expenses claimed by the Airport Operator to 6% of the Opening Net block of aeronautical assets.
- Therefore, the Authority proposes to rationalise the repairs and maintenance expenses claimed by the Airport Operator to 6% of the Opening Net block of Aeronautical Assets for FY 2022 and FY 2023 and consider the amount claimed by the Airport Operator towards repairs and maintenance (post bifurcation in the revised gross block ratio) for FY 2024, FY 2025 and FY 2026.

Table 196: Adjustment to the R&M expenses as proposed by the Authority for TCP

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Total Repairs and Maintenance expenses as per AIAL	33.41*	47.35	73.90	95.44	117.31	367.41
Revised Gross block ratio (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero R&M expenses post bifurcation in the revised gross block ratio (A)	31.37	42.80	68.59	89.29	107.85	339.89
As proposed by the Authority						
Opening RAB of AIAL (Refer table 164)	330.42	385.72	1,850.04	3,058.67	3,582.71	
6% of Opening RAB of AIAL (B)	19.83	23.14	111.00	183.52	214.96	552.45
Allowable R&M expenses as per the Authority (C = minimum of A, B)	19.83	23.14	68.59	89.29	107.85	308.70

**Note: As per the actuals submitted by AIAL for FY 2022, vide email dated 8th September 2022, post exclusion of diesel charges amounting to INR 0.55 Cr., as explained in Para 10.2.6.*

l) Other Operating expenses

10.2.82. The AO has incurred an amount of INR 15.40 Cr. towards Housekeeping & upkeeping, Horticulture and Hire charges in FY 2022 and claimed an increase of 15.2% Y-o-Y for TCP (except for FY 2023) and an additional increase of 19.83% in FY 2024 on account of expansion of Terminal area. For FY 2023, the AO has claimed an increase of 35.2% (30% based on estimate and 5.20% due to inflationary effect).

10.2.83. AIAL, vide email dated 09th September 2022, was requested to share the relevant documents pertaining to this expense item. The Authority notes that AIAL, vide email dated 13th September 2022, had shared the same.

10.2.84. AIAL, vide email dated 10th October 2022, was requested to share the details regarding the bidding process involved in obtaining the abovementioned contracts. AIAL, vide email dated 11th October 2022, stated that – "*AIAL ensures all procurements are done in adherence to the approved procurement policy (approved procurement policy is available on the company website at the link: https://www.adani.com/svpia-ahmedabad-airport/-/media/37A55F28181C483B939902F9BFCABC4D.ashx). AIAL always adheres to the best practices and processes for procurement and ensures transparent process is followed in all the transactions*.".

10.2.85. AIAL, vide email dated 09th September 2022, was requested to share the basis of the 30% growth estimate for FY 2023. AIAL, vide email dated 13th September 2022, stated that "*During FY22-23, we have planned various environment related initiatives and activities like ELMS Training Software, Food Safety Audit by 3rd Party, Software for Breath Analyzer selections (as per DGCA Audit), Environment Monitoring (Noise, Air & emissions and Sewage discharge), Structural Stability Audit & Third party inspection, Event Expenses like Aviation Safety Day & National Safety Day , External Safety Audit, Fee to PCB, Environment Information Display Board, Conversion of CO2 type fire extinguishers to lower GWP, Social - Health & Well-being to achieve goals of: UNSDG 3 – Good Health and Well-being. The overall estimates for these Environment related initiatives is projected as Rs. 2.5 Crs. During FY21-22 which was the first year of operations there were new activities added like customer facilitation services, loader services, GA Terminal management, Thermal Screener etc. These activities are performed by engagement of a manpower agency. These activities were added during the year FY21-22 and hence for providing annualized impact necessary increase in FY22-23 to be provided. Based on above, the cost for FY22-23 will be more than 50% of FY21-22. However, we have kept the growth to 30% after factoring in necessary efficiencies."*

10.2.86. The Authority, on review of the activities as mentioned in the above para, is of the view that these activities are already included under their relevant heads like R&M, Administrative and General expenses etc, and appropriate growth rates have already been proposed for the same. Hence, allowing an additional increase of 30% towards other expenses would result in redundancy. Therefore, at this stage, the Authority proposes to not consider this additional increase of 30% in FY 2023, and consider the growth rates as mentioned in the next para.

10.2.87. The Authority proposes to consider the actuals as submitted by AIAL for FY 2022. Further, the Authority proposes to consider the inflationary effect (The inflation rates are mentioned in Table 171) for FY 2023-26, instead of 15.2% increase Y-o-Y claimed by the Airport Operator. With respect to the additional increase of 19.83% claimed by the AO for the expansion of the terminal area, in FY 2024, the Authority proposes to consider this increase in line with that allowed by it for other similar airports.

10.2.88. Based on the above statements, the Authority proposes the operating expenses of AIAL for TCP, as shown in the following table.

Table 197: Other operating expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Inflation (%)		*11.10%*	*5.10%*	*5.10%*	*5.10%*	
Growth - Terminal Area (%)	-	-	*19.83%*	-	-	
Housekeeping Expense (A) (in INR Cr.)	9.91*	11.01	13.75	14.45	15.19	64.32
Revised terminal Aero Ratio - Housekeeping (%) (B)	90%	90%	90%	90%	90%	
Aero Housekeeping Expense (C = A × B) (in INR Cr.)	8.92	9.91	12.38	13.01	13.67	57.89
Horticulture Expense (D) (in INR Cr.)	2.29*	2.54	3.17	3.34	3.51	14.84
Aero Ratio - Horticulture (E) (%)	50%	50%	50%	50%	50%	
Aero Horticulture Expense (F = D × E) (in INR Cr.)	1.14	1.27	1.59	1.67	1.75	7.42
Manpower Hiring (G) (in INR Cr.)	2.98*	3.31	4.14	4.35	4.57	19.34
Gross block Ratio – Manpower (H) (%)	93.89%	90.38%	92.82%	93.55%	91.93%	
Aero Manpower Hiring Expense (I = G × H) (in INR Cr.)	2.80	2.99	3.84	4.07	4.20	17.90
Total Aero Others Expenses (C + F + I) (in INR Cr.)	12.86	14.17	17.80	18.74	19.63	83.20

**As per the actuals submitted by AIAL. For manpower hiring charges, water charges amounting to INR 0.22 Cr. have been excluded, as discussed in Para 10.2.6*

m) Runway recarpeting expenses

10.2.89. In its MYTP submission, the Airport Operator has claimed an amount of INR 406.77 Cr. projected towards expenditure on runway recarpeting works, starting from FY 2023 and based on the AERA Order No. 35 / 2017-18 dated 12th January 2018.

10.2.90. The Authority notes that the AO was of the view that the Pavement Classification Number (PCN) value of the runway would not have increased substantially on implementing the runway recarpeting work. However, it is to be noted that on carrying out the said work, AIAL, vide email dated 29th June 2022, has stated that "*The previous PCN values for the runway was 83/94 for different composition. Based on latest PCN assessment post runway recarpeting, the same has improved to 100*." Due to an increase in the PCN value, AIAL has proposed to capitalise the cost incurred towards runway recarpeting works and include the same under capital expenditure (CAPEX). Accordingly, the Authority examined the same under CAPEX (Refer Para 7.3.40 to Para 7.3.43).

10.2.91. The Authority further notes that under capital expenditure project proposed by AIAL, "Minor projects-Runway and Taxiway", AIAL had carried out a pre-monsoon work amounting to INR 2.5 Cr, whose purpose as stated by AIAL is, "There are certain patches in the Airside which were not proper and thus before on-set of monsoon, we had executed small works on Airside considering safety issues." The Authority proposes to consider this as a repair and maintenance expense and allow it under O&M expenses.

10.2.92. Therefore, the Authority proposes to allow the runway recarpeting work as CAPEX (except pre-monsoon work) and exclude the same from the O&M expenses for the Third Control Period.

n) Financing Charges and Others

10.2.93. In its MYTP submission, AIAL has stated that "*Financing charges includes debt charges and processing fees payable to lenders. Under this, AIAL is required to pay 1.5% of the debt amount plus GST to lenders.*"

10.2.94. AIAL, vide email dated 12th September 2022, was requested to share the breakup of this expense for FY 2022, to which they listed the following table, vide email dated 14th September 2022.

Table 198: Breakup of finance charges as incurred by AIAL for FY 2022

Particulars (in INR Cr.)	FY 2022
Working Capital interest and other interest	12.37
Bank Charges for Performance BG	2.47
Other Finance charges	1.67
Total	**16.51**

10.2.95. The Authority notes that the AO has included interest expenses on additional loans to meet cash requirements as part of O&M expenses. However, such interest expenses cannot be part of O&M expenses since the AO is already provided return on debt portion of assets as part of the FRoR. Therefore, the Authority proposes to consider only bank charges on performance BG and interest on working capital. Further, the Authority has recomputed the same based on the revisions in the other regulatory building blocks and proposes to consider the finance charges as shown in the following table for TCP.

Table 199: Finance charges of AIAL as proposed by the Authority for TCP

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Interest on Working Capital Loan (A)	11.61	6.43	13.31	16.36	20.96	68.68
PBG Charges (B)	2.47	2.47	2.47	2.47	2.47	12.35
Other Finance Charges (C)	1.57	2.51	11.61	13.37	12.62	41.67
Aero Finance Charges (A + B + C)	15.65*	11.41	27.39	32.20	36.05	122.70

**As per the actuals submitted by AIAL, post bifurcation in their respective allocation ratios.*

o) Cargo related expenses

10.2.96. Clause 19.4.1. of the Concession Agreement stipulates the Airport Operator's obligations towards upgrading, developing, operating and maintaining the Cargo facilities in accordance with the provisions of the Concession Agreement (refer to paragraph 17.3.3 of Annexure 3 of Chapter 17 of this Consultation Paper).

10.2.97. In its MYTP submission, the Airport Operator has claimed cargo operating expenditure of INR 146.25 Cr. towards insourced salary cost, cargo O&M expenses and customs cost recovery for TCP. Vide email dated 06th August 2022, AIAL submitted that the domestic cargo operations had already

commenced in FY 2022 and international operations were started from May 2022 onwards. AIAL has also proposed the construction of Integrated Cargo Terminal (ICT) project which was planned to be completed by mid-2023.

10.2.98. The Airport Operator has projected the insourced salary and customs cost recovery based on the manpower required to efficiently handle the cargo operations and the cargo O&M expenses based on the volume of cargo tonnage processed from the cargo facility. The Airport Operator has also claimed an inflationary increase of 5.2% Y-o-Y for all the expenses in the last four (4) tariff years of the Third Control Period and an additional 10% real increase Y-o-Y for the insourced salary cost.

10.2.99. AIAL, vide email dated 09th September 2022, was requested to share the breakup of the actual cargo operating expenses for FY 2022. AIAL, vide email dated 13th September 2022, shared the following table.

Table 200: Breakup of cargo operating expenses as submitted by AIAL for FY 2022

Particulars (in INR Cr.)	FY 2022
Insourced salary	1.71
O&M Expenses	2.63
Customs Cost Recovery	-
Total	**4.34**

Note: As per actuals, the international cargo operations started in May 2022. Hence, there was no Customs Cost recovery in FY 2022

10.2.100. As per the MYTP submission, AIAL, apart from the salary cost of their own employees, has projected reimbursement of salary cost of Customs officials who will be handling the international cargo operations, under the head 'Customs cost recovery'. The Authority notes that the Airport Operator has estimated the salary cost of the Customs officials as per Para 7 of the Circular issued by the Department of Revenue, Ministry of Finance vide Circular No. 02/2021-Customs dated 19th January 2021. However, since international cargo operations commenced in May 2022, the actual amount for custom cost recovery for FY 2022 is zero. AIAL, vide email dated 5th October 2022, was requested to confirm if AIAL would be eligible for the exemption of the custom cost recovery. AIAL, vide email dated 6th October 2022, stated that – "*the custom cost waiver is applicable in case international volume is achieved at 12,000 tonnes for Air Cargo complex. Secondly, eligibility to apply for exemption, once the Air Cargo complex demonstrate the same volume in the preceding two years. In case of AIAL, the volume more than 12,000 tonnes are projected in FY24 and FY25. Hence AIAL will have eligibility to apply for such waiver only during FY 26*." However, as per the cargo traffic projection proposed by the Authority (Refer table 76), AIAL would be eligible to claim waiver for both FY 2025 and FY 2026. Therefore, the Authority proposes to consider the custom cost recovery as zero in FY 2025 and FY 2026. For FY 2023, the Authority proposes to consider the amount of INR 0.93 Cr, as submitted by AIAL, vide email dated 6th October 2022. For FY 2024, the Authority proposes to consider the growth rate of 6%, in line with that allowed for Manpower expense of AAI and Airport Operator.

10.2.101. With regard to the insourced salary, vide email dated 15th September 2022, AIAL was requested to clarify if the insourced salary expense was also inadvertently counted under employee expenses of AIAL (Refer Table 174). The AO, vide email dated 21st September 2022, confirmed that there is no double counting.

10.2.102. AIAL, vide email dated 21st September 2022, also stated – "*We would like to inform that employees deployed for Cargo (Insourced Salary) would be 4 (till FY 25-26). As against cost of Rs. 4.35 Cr submitted as Cargo (Insourced Salary) for FY22-23, the revised estimate is as below: FY 22-23 - 3 Headcount - Rs. 0.9 Cr FY 23-24 - 4 Headcount - Rs. 1.2 Cr (this will be increased with the rate of inflation & real increase as provided in MYTP)*".

10.2.103. From the above submission of AIAL, the Authority further notes that the insourced salary in FY 2023 is INR 0.90 Cr as against the MYTP submission of INR 4.35 Cr. The Authority understands that this reduction is due to optimization in headcount for certain departments (Refer the Note on Corporate Cost Allocation attached as Annexure 4). Therefore, the Authority proposes to consider the insourced salary expenses as submitted by AIAL for FY 2022 and FY 2023. For the remaining three (3) tariff years, the growth rates as discussed in Para 10.2.106 will be considered.

10.2.104. As per the MYTP submission, it was observed that AIAL has taken a rate of INR 2600 per ton for projecting the cargo O&M expenses. AIAL, vide email dated 09th September 2022, AIAL was requested to share the relevant documents for the same. AIAL, vide email dated 13th September 2022, AIAL shared a Letter of Award (LoA) that was signed with Rajputana Smart Solutions Limited (Agreement No – PROC/AAIAL/21-22/275 dated 01st December 2021. The O&M fees per ton mentioned as per the LoA is shown below.

Table 201: Cargo O&M Fees as per LoA submitted by AIAL

Particulars	Year 1*	Year 2**
Cargo O&M fees (INR per ton)	2589	2848

*Note: *Year 1 - 1st January 2022 till 31st December 2022*
***Year 2 - 1st January 2023 till 31st December 2023*

10.2.105. AIAL, vide email dated 04th October 2022, was requested to share the details of the bidding process involved in awarding the abovementioned mandate. AIAL, vide email dated 07th October 2022, shared various documents regarding the same including the RFP document, dated 13th October 2021, and it is confirmed that the AO has adopted a two-stage competitive bidding process for selection of the bidder for provisions of Cargo Handling O&M Services and execution of the Cargo O&M Services Agreement.

10.2.106. The Authority proposes to consider the actuals as submitted by AIAL for FY 2022 for custom cost recovery and cargo O&M expenses. The Authority further proposes to consider the insourced salary expenses as submitted by AIAL for FY 2022 and FY 2023. However, the Authority proposes to revise the increase in insourced salary cost to 6% Y-o-Y, in line with that allowed for Manpower expense of AAI and Airport Operator. For cargo O&M expenses, the Authority proposes to consider the cargo O&M fees as per the LoA (Refer table 201) for FY 2023, growth in cargo traffic (Refer table 76) and the inflationary effect (The inflation rates are mentioned in Table 171) for the remaining tariff years in the Third Control period.

10.2.107. Based on the above statements, the following table shows the cargo operating expenses of AIAL as proposed by the Authority for TCP.

Table 202: Cargo expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Insourced Salary:						
Growth - Salary (%)			*6.00%*	*6.00%*	*6.00%*	
Average Salary (A) (in INR Cr.)		0.30	0.32	0.34	0.36	
No. of Employees as submitted by AIAL (B)		3	4	4	4	
Insourced salary (C = A × B) (in INR Cr.)	1.7*	0.90*	1.27	1.35	1.43	6.66
O&M Expenses:						
Growth - Inflation (%)			*5.10%*	*5.10%*	*5.10%*	
Rate as per LoA (in INR ton)		2,589	2,848			

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Rate for FY (D) (in INR ton)		2,654***	2,789	2,931	3,081	
Cargo Traffic (E) (in MT) (Refer table 76)	63,444	71,224	84,900	95,859	103,684	419,111
O&M expenses (F = D × E) (in INR Cr.)	2.63*	18.90	23.68	28.10	31.94	105.25
Customs Cost Recovery:						
Growth - Salary (%)			*6.00%*			
Custom Cost Recovery (G) (in INR Cr.)	-	0.93**	0.99	-	-	1.92
Total Cargo Expenses (C + F + G) (in INR Cr.)	4.34*	20.74	25.94	29.45	33.37	113.84

**As per the actuals submitted by AIAL, vide email dated 8th September 2022, 21st September 2022*

***As per the submission of AIAL, vide email dated 06th October 2022*

****Weighted average figure of the rates as mentioned in the LoA.*

p) Fuel Operating Expenses

10.2.108. Clause 19.3. of the Concession Agreement stipulates the Airport Operator's obligations towards providing aircraft fuelling services (refer to paragraph 17.3.6 of Annexure 3 of Chapter 17 of this Consultation Paper).

10.2.109. The Airport Operator has submitted the following assumptions regarding Fuel facility Operating expenses:

- As per the MYTP submission, the Airport Operator has projected that the Fuel farm facility operations will commence in FY 2023 and continue for the remaining three (3) tariff years of the Third Control Period.
- As per the submission of AIAL, vide email dated 16th May 2022, it was stated – "*Considering the estimated uptake of 6 KL per departing ATM, the Airport was having (pre-COVID) demand of approx. 700 KL per day i.e., approx. 5,000 KL storage demand based on 7 days requirement. With the expected increase in ATM by 60% from 85,000 ATM in FY19-20 (pre-COVID) to 137,000 ATM in FY25-26, the demand for storage facility is likely to increase from 5,000 KL to approx. 8,000 KL. In view of this, AIAL is developing a new greenfield integrated fuel farm of 8,000 KL capacity along with provision of hydrant system*."
- The Airport Operator has submitted that they planned to outsource the Fuel facility operations to a third-party vendor on a volume linked fee basis (with minimum monthly guarantee). Further, as per the MYTP submission, the fixed O&M expenses and variable O&M expenses in FY 2023 amounts to INR 11.69 Cr. and INR 270 per KL respectively. AIAL, vide email dated 09th September 2022, was requested to share the relevant documents for the same. AIAL, vide email dated 13th September 2022, shared a LoA that was signed with Sabarmati Infrastructure Services Limited, dated 03rd February 2022. The commercial agreement as per the LoA is shown in the following table.

Table 203: Details regarding fixed and variable O&M expenses submitted by AIAL as per LoA

Particulars	Unit	Quantity	Rate (INR)	Amount (INR Cr.)
Fixed amount for upto 130,000 KL per year	Month	12	9740000.00	11.69
Fee beyond 130,000 KL	Per KL		270	

- The Airport Operator has also claimed an inflationary increase of 5.2% Y-o-Y for the fuel O&M expenses in the last three (3) tariff years of the Third Control Period.
- As per the MYTP submission, AIAL has proposed an amount of INR 2.33 Cr. for FY 2023 under bowser rental.
- AIAL, vide email dated 9th September 2022, was requested to share the relevant documents for the bowser rental. AIAL, vide email dated 13th September 2022, shared a LoA that was signed with Reliance BP Mobility Limited, dated 18th April 2022. The annual charges as per the LoA is shown in the following table.

Table 204: Leasing charges for the refuelers as per the LoA submitted by AIAL with Reliance BP Mobility Limited

Particulars	Quantity (No.)	Rate per month (INR)	Duration (Month)	Amount (INR Cr.)
16 KL	5	130,000.00	12	0.78
27 KL	2	210,000.00	12	0.50
Total	7			1.28
Painting and rebranding charges (on handing over) – one time charge	7	100,000.00	1	0.07
Total (excluding GST)				1.35
GST @18%				0.24
Total (including GST)				1.60

10.2.110. Further, vide email dated 26th September 2022, AIAL shared a LoA that was signed with Indian Oil Corporation Limited (IOCL), dated 19th September 2022. The annual charges as per the LoA is shown in the following table.

Table 205: Leasing charges for the refuelers as per the LoA submitted by AIAL with IOCL

Refueler Capacity	Quantity	Rent/unit (INR/day)	Total amount (INR Cr.)
AR 561	16 KL	2862	0.10
AR 520			
AR 390			
AR 507	27 KL	5523	0.20
AR 505	27 KL	5523	0.20
AR 501			
AR 513	45 KL	9881	0.36
Total			**1.28**

10.2.111. AIAL, vide email dated 04th October 2022, was requested to share the details of the bidding process involved in awarding the abovementioned mandates. AIAL, vide email dated 07th October 2022, shared various documents regarding the same including the RFP document, dated 18th December 2021, and confirmed that the AO has adopted a competitive bidding process for selection of the bidder for provisions of fuel farm operations.

10.2.112. Further, AIAL, vide email dated 10th October 2022, was requested to clarify if the bowsers are taken over along with the existing facilities of the Oil Marketing Companies, to which AIAL, responded vide email dated 11th October 2022 - "*there are no bowsers being taken over along with existing facilities of OMCs. The existing bowsers of OMCs are being taken on rental only till the time AIAL procured bowsers are delivered*."

10.2.113. The Authority examined the previous paragraphs and summarised its view as stated below.

- The Authority proposes to consider the fixed O&M expenses and variable O&M expenses as submitted by AIAL for FY 2023. From FY 2024 till FY 2026, the Authority proposes to consider

the growth in the fuel throughput with respect to the ATM traffic projections as per Table 76. As for bowser tanks, the Authority proposes to consider the actual amount of INR 2.76 Cr. in FY 2023 (as per the LoA submission of AIAL) as against INR 2.33 Cr. proposed by the AO.

- Additionally, the Authority proposes to consider the inflationary effect (The inflation rates are mentioned in Table 171) for all the 3 FYs, starting from FY 2024 for fixed O&M expenses and variable O&M expenses in the Third Control Period.
- The Authority notes that AIAL has submitted that the fuel farm operations are expected to commence in October 2022. Since, almost six months of FY 2022 have already passed, the Authority proposes to consider 50% of the fixed O&M expenses and variable O&M expenses for FY 2023.
- The Authority further notes that for bowser rental, AIAL has planned to lease all bowsers in the first six months of fuel farm operations. Gradually, AIAL will start inducting their own bowsers and return the rented bowsers over the next 6 months. Therefore, the Authority has proposed to consider bowser rental expense for a period of 6 months in FY 2023 and 3 months in FY 2024, in the TCP.

10.2.114. Based on the above statements, the following table shows the fuel operating expenses of AIAL as proposed by the Authority for TCP.

Table 206: Fuel expenses of AIAL as proposed by the Authority for TCP

Particulars	FY 2022*	FY 2023	FY 2024	FY 2025	FY 2026	Total
Fuel O&M Expenses:						
Growth - ATM Traffic (%)			*21.95%*	*18.14%*	*15.68%*	
Fuel Throughput (A) (in KL)		173,800	211,941	250,377	289,641	9,25,759.29
Fixed Fuel Throughput (B) (in KL)		1,30,000	1,30,000	1,30,000	1,30,000	5,20,000
Variable Fuel Throughput (C = A – B) (in KL)		43,800	81,941	120,377	159,641	4,05,759.29
Growth - Inflation (%)			*5.10%*	*5.10%*	*5.10%*	
Fixed fuel expense (D) (INR Cr.)	-	11.69	12.29	12.91	13.57	50.46
Rate (E) (in INR)		270	284	298	313	
Variable (F = C × E) (in INR Cr.)	-	1.18	2.33	3.59	5.00	12.10
Fuel O&M Expenses (G = D + F) (in INR Cr.)		6.44**	14.61	16.50	18.58	
Bowser Rental (H) (INR Cr.)***	-	1.38	0.69	-	-	2.07
Fuel Farm Expenses (G + H) (INR Cr.)	-	7.82	15.30	16.50	18.58	58.20

**As per the actuals submitted by AIAL, vide email dated 8th September 2022*

***As explained in Para 10.2.113, 50% of the total O&M expenses has been considered*

****Adjusted for 6 months in FY 2023 and 3 months in FY 2024, as explained in Para 10.2.113*

Summary of revision of expenses of AIAL as per the Authority for the Third Control Period

10.2.115. The summary of the growth rates proposed by the Authority for aeronautical operating expenses. cargo operating expenses and fuel operating expenses for TCP, as examined in the previous paragraphs, are shown in the following table.

Table 207: Growth rates in O&M expenses proposed by the Authority for TCP

Particulars (in %)	FY 2023	FY 2024	FY 2025	FY 2026
Aeronautical Operating expenses				
Manpower expenses - AAI employees	6.00%	6.00%	6.00%	6.00%
Manpower expenses - Adani employees	50.46%	6.00%	6.00%	6.00%
Utility expenses	11.10%	24.93%	5.10%	5.10%
IT expenses	11.10%	24.93%	5.10%	5.10%
Rates & taxes	11.10%	24.93%	5.10%	5.10%
Security expenses	11.10%	24.93%	5.10%	5.10%
Security others	-	-	-	-
Corporate Expenses	6.00%	6.00%	6.00%	6.00%
Administrative Expenses – Collection charges on UDF	101.91%	23.75%	19.66%	17.10%
Administrative Expenses - Others	11.10%	5.10%	5.10%	5.10%
Insurance - Initial Asset Base	11.10%	5.10%	5.10%	5.10%
R&M - Initial Asset Base	-	-	-	-
Others	11.10%	24.93%	5.10%	5.10%
Cargo related expenses				
Insourced salary	-	-	6.00%	6.00%
O&M Expenses	11.10%	5.10%	5.10%	5.10%
Customs Cost Recovery	-	6.00%	-	-
Fuel farm Expenses				
O&M Expenses	-	5.10%	5.10%	5.10%
Bowser Rental	-	-	-	-

Note: For FY 2022, the actuals submitted by AIAL have been considered.
The growth rates as mentioned in the table consists of inflation rates (refer Table 171) and growth rate of 19.83% in FY 2024 due to terminal area expansion.

10.2.116. After incorporating the observations made by the Authority, the revised aeronautical O&M expenses including Fuel and Cargo Operating Expenses of AIAL have been presented in the tables below:

Table 208: Aeronautical O&M expenses proposed by the Authority for the TCP

Particulars (in INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical Operating Expenses:							
Manpower expenses - AAI employees	Table 185	40.39	42.81	38.51	29.06	30.81	181.57
Manpower expenses - AIAL employees	Table 186	27.97	29.92	49.06	55.08	64.87	226.91
Utility expenses	Table 187	17.26	25.43	31.66	33.28	34.96	142.60
IT expenses	Table 188	3.77	4.19	5.23	5.50	5.78	24.48
Rates & taxes	Table 190	2.87	9.66	9.80	10.38	10.72	43.43
Security expenses	Table 191	4.20	4.66	5.83	6.13	6.44	27.27

Particulars (in INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Security others	Para 10.2.62	-	-	-	-	-	-
Corporate Allocation	Table 193	13.24	13.96	15.01	15.94	16.95	75.11
Administrative Expenses - Collection charges on UDF	Table 194	1.20	2.42	2.99	3.58	4.19	14.38
Administrative Expenses - Others		8.36	9.29	9.76	10.26	10.78	48.45
Insurance	Table 195	1.53	3.22	4.62	5.37	9.56	24.31
R&M	Table 196	19.83	23.14	68.59	89.29	107.85	308.70
Others	Table 197	12.86	14.17	17.80	18.74	19.63	83.20
Minor projects-Runway and Taxiway (Pre monsoon work)	Para 10.2.91	2.50	-	-	-	-	2.50
Financing Charges and Others	Table 199	15.65	11.41	27.39	32.20	36.05	122.70
Aeronautical Operating Expenses (A)		**171.64**	**194.29**	**286.26**	**314.82**	**358.60**	**1,325.60**
Cargo related expenses:							
Insourced salary	Table 202	1.71	0.90	1.27	1.35	1.43	6.66
O&M Expenses		2.63	18.90	23.68	28.10	31.94	105.25
Customs Cost Recovery		-	0.93	0.99	-	-	1.92
Cargo related expenses (B)		**4.34**	**20.74**	**25.94**	**29.45**	**33.37**	**113.84**
Fuel farm Expenses:							
O&M Expenses	Table 206	-	6.44	14.61	16.50	18.58	56.13
Bowser Rental		-	1.38	0.69	-	-	2.07
Fuel farm Expenses (C)		**-**	**7.82**	**15.30**	**16.50**	**18.58**	**58.20**
Total O&M expenses (A + B + C)		**175.98**	**222.84**	**327.50**	**360.77**	**410.54**	**1,497.63**

10.2.117. As can be seen above, the O&M expenses proposed by the Authority for TCP is INR 1,497.63 Cr. compared to INR 2,385.78 Cr. submitted by the AO. The difference is majorly due to the following changes, adjustments, revisions and rationalisation carried out by the Authority:

- Allocation of the expenses into aeronautical and non-aeronautical.
- Consideration of actual expenses for FY 2022
- Headcount rationalisation
- Revision in growth rates of various expenses
- Reclassification of runway recarpeting expenses from OPEX to CAPEX. This led to the reduction in the proposed O&M expenses by INR 406.77 Cr.
- Exclusion of Counter Drone System amounting to INR 69.17 Cr. (Refer Para 10.2.62).

10.2.118. The Authority expects AO to bring in efficiencies in the incurrence of O&M expenses for the benefit of airport users and in line with AERA Act, AERA Guidelines and ICAO Principles.

10.3. Authority's proposal regarding O&M expenses for the Third Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to O&M expenses for the Third Control Period:

10.3.1. To consider total aeronautical O&M Expenses including aeronautical operating expenses, fuel operating expenses and cargo operating expenses for the Third Control Period for AIAL as per Para 10.2.116 (Table 208).

10.3.2. To consider the actual total aeronautical O&M expenses incurred by the Airport Operator during the Third Control Period subject to reasonableness and efficiency, at the time of True up in the Fourth Control Period.

11. NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

11.1. AIAL's submission of Non-aeronautical Revenue for the Third Control Period

11.1.1. The Airport Operator had submitted that it outsourced all non-aeronautical businesses (mentioned below) to the Master Concessionaire, Adani Airport Holdings Limited, vide Master Services Agreement executed on 18th May 2021. As per the Agreement, the scope of the Master Concessionaire is to develop, operate, maintain, manage the non-aeronautical businesses at SVPIA, in accordance with best-in-class standards and good industry practices, and at par with facilities at comparable airports. The non-aeronautical businesses that are outsourced to the Master Concessionaire are:

Table 209: Non-aeronautical businesses outsourced to the Master Concessionaire

Particulars	Sub heads
Passenger traffic related business	Duty free stores
	Food and beverages outlets
	Retail outlets
	Lounges
	Advertising, sponsorship and promotion opportunities
	Car parks and ground transportation facilities
	Airport hotels and transit hotels
	Foreign exchange services
	Left luggage, lost and found, excess baggage
	Messenger services
	Porter service
	Special assistance services
	Vending machines
	Meet and assist services
	Various passenger amenities, including but not limited to, foreign exchange, SIM card, child-care room, kids play areas, car rental and hotel reservation counters, digital wallet tie-ups, ATMs, spas, and entertainment areas
	Airport village comprising of various retail, food and beverage, entertainment and amenities options;
ATM related business	Flight catering services
Non-traffic related business	Preferred partners association for including but not limited to pouring rights, services in air (Wi-Fi, Bluetooth, aroma etc.), music and video rights, mobile wallet, payment gateway and other
	Business centre
	City side development
	Freight consolidators/forwarders or agents
	Provision of land and space for various stakeholders at Airport
	Any other services as may be mutually agreed or permitted pursuant to applicable law.

11.1.2. For each year during the term of the Agreement, Master Concessionaire will pay to the AO an amount which is higher of the following:

- Minimum Guarantee amount of INR 33 Crores per annum; or

- Amount arrived by multiplying the revenue share percentage i.e., 10% as quoted by Master Concessionaire with Gross Revenue in that year.

11.1.3. The above-mentioned "Minimum Guarantee" amount will remain unchanged for first five years and will increase by 50% of Consumer Price Index (CPI) thereafter.

11.1.4. The following table summarizes the non-aeronautical revenue as submitted by AIAL for the Third Control Period.

Table 210: Non-aeronautical Revenue submitted by AIAL for TCP

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Master Concessioner	27.48	33.00	33.00	33.00	33.00	159.48
Others	3.60	0.63	0.66	0.70	0.73	6.33
Total Non-Aero Revenue	31.08	33.63	33.66	33.70	33.73	165.81

11.2. Authority's examination regarding Non-aeronautical Revenue for the Third Control Period

11.2.1. AIAL vide email dated 06th September 2022 was requested to share the financials as per the actuals for FY 2022. The following table shows the actual revenue received against the various components of non-aeronautical revenue for FY 2022, as submitted by AIAL, vide email dated 09th September 2022.

Table 211: Non-aeronautical Revenue submitted by AIAL as per actuals for FY 2022

Particulars (in INR Cr.)	FY 2022
Food & beverages	0.84
Ground handling	
Retail	0.32
Duty free	0.14
Services/ATM/ Forex	1.34
Transit hotel	
Advertising	0.52
Car parking	1.34
Lounge	0.06
Building rent	(1.45) *
Other income	0.53
Master Concessioner	27.50
Total Non-Aeronautical Revenue	**31.14**

** Note: As per the clarifications received from AIAL, vide email dated 14th September 2022, Building rent is negative as there was reversal of revenues for space provided to MET Department of INR 3.64 Cr. since COD due to incorrect billing done*.

11.2.2. As per the MYTP submission, the AO has projected an amount of INR 31.08 Cr for FY 2022 whereas the non-aeronautical revenue as per actuals is INR 31.14 Cr, both of which are comparable.

11.2.3. The AO was requested to share the breakup of "Building rent" and "other income" as incurred in FY 2022, vide email dated 12th September 2022. AIAL responded with the following table, vide email dated 14th September 2022.

Table 212: Breakup of "other income" as submitted by AIAL for FY 2022

Particulars (INR Cr.)	FY 2022
Profit on sale of Current Investments	0.02
Interest Income on Bank Deposits	0.39
Income from Sale of Scrap	0.12
Notional Interest Income on SD (Ind AS)	0.01*
Total	**0.53**

**Not considered for ARR computation*

11.2.4. The Authority infers the classification of the "other income" items under non-aeronautical revenue, as submitted by AIAL, to be appropriate.

11.2.5. AIAL, vide email dated 21st September 2022, had submitted the breakup of "building rent" as shown in the following table.

Table 213: Breakup of " building rent" as submitted by AIAL for FY 2022

Particulars (in INR Cr.)	FY 2022
Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia	1.05
Rental from Govt Agencies (Coast Guard, Income Tax, India Post, Gujarat Tourism etc)	0.6
Rentals from various other agencies	0.54
Reversal of Rental Income from Indian Meteorological Department	(3.64)
Total	**(1.45)**

11.2.6. The Authority notes that space rentals from airlines have been included as part of the non-aeronautical revenue. However, space rentals from agencies providing aeronautical services should be treated as aeronautical revenue. Hence, the Authority proposes to consider "Space rentals from Airlines in the terminal like SpiceJet, Indigo, TATA SIA, Emirates, Qatar, Go Airlines, Emirates, Air Arabia, Singapore Airlines, Air Asia" as aeronautical revenue. This is in line with the approach followed in the true-up of non-aeronautical revenue in SCP (Refer Para 5.8.4).

11.2.7. The Authority reviewed the Master Services Agreement entered into by the Airport Operator with the Master Concessionaire - Adani Airport Holdings Limited with respect to scope of services outsourced to the Master Concessionaire and the revenue sharing arrangement.

11.2.8. The Authority notes that the AO undertook the process for selection and appointment of Master Concessionaire through a global competitive bidding process. The criteria for selection of Master Concessionaire seems restrictive. The Authority may examine this issue in detail and comment, if required, in the final Tariff Order.

11.2.9. The non-aeronautical revenue projected by the Airport Operator for the Third Control Period is only INR 165.81 Cr. (Refer Table 210) which is substantially lower than the actual non-aeronautical revenue earned by AAI for the pre-COD period (FY 2016-17 till COD) which was INR 329.40 Cr (Refer table 38). It is further observed that even at a per PAX level, the projected non-aeronautical revenue earned

by AIAL in the Third Control Period (INR 24.35) is lower than that of AAI in FY 2020 (Pre-COVID year) (INR 88.70) by approximately 73%.

11.2.10. The Authority is not convinced that the revenue from Master Services Agreement is remaining constant for the entire Control Period, while all the other costs are increasing across the Third Control Period. Further, the modification of T1 and T2 (19.83% increase in terminal area) and commissioning of NITB Phase 1 (224.30% increase in terminal area) would result in considerable increase in terminal area, thus adding more space for non-aeronautical services.

Further, it is the responsibility of the AO to ensure that in the Third Control Period they achieve NAR higher than what was achieved in the SCP. In this context, there was no obligation on the AO to accept the bid of Master Concessionaire offering such low revenue share.

11.2.11. The Authority takes cognizance of the fact that non-aeronautical revenues have been projected for the Third Control Period by the Airport Operator, after taking into consideration the pandemic and economic conditions on traffic which will reduce the consumer spending at airports. However, the Authority feels that the gradual increase in non-aeronautical operations (by increasing the non-aeronautical area within the Terminal Building from the existing approximately 5% to 10%), will lead to increase in the non-aeronautical revenue.

11.2.12. Considering the positive outlook provided by the Expert Agencies, the Authority is of the view that the domestic and international passenger traffic will revert to pre-COVID levels by FY 2023 and FY 2024 respectively. Further, the traffic is expected to progressively increase during the Third Control Period (Refer Chapter 6 for the same).

11.2.13. With the steady increase in passenger traffic and extension of existing Terminal Building area, the Authority foresees an increase in passenger related non-aeronautical revenue across the Third Control Period. Further, the Authority expects that the Airport Operator may bring in efficiencies in non-aeronautical operations as being followed by other Public-Private Partnership (PPP) airports wherein the proportion of non-aeronautical revenue projected by the AO is equal or comparable to the quantum of O&M expenses. However, for AIAL, the projection of non-aeronautical revenue is substantially lower than the projected O&M expenses. Further, this will impact the interest of the airport users as only 30% of the non-aeronautical revenue is used for cross subsidization. The Authority feels that with the progressive increase in the passenger traffic, the AO should make efforts to generate non-aeronautical revenue higher than that earned by AAI during the pre-COD period.

11.2.14. Based on the above considerations, the Authority has estimated the total Non-aeronautical Revenue for the Third Control Period for AIAL as follows.

- The Authority has considered the actual revenue earned by the AO for FY 2022, as this FY has already passed.
- The non-aeronautical revenue earned by AAI in FY 2020, which is a pre-COVID year, is considered as the base for estimating the non-aeronautical revenue for AIAL in the Third Control Period. Therefore, the non-aeronautical revenue earned by AAI for FY 2020 i.e., INR 101.41 Cr. (Refer table 38) has been assumed for FY 2023 for AIAL, as the domestic traffic is expected to reach the pre-COVID level of FY 2020 by FY 2023 and international traffic's recovery to Pre-Covid level in FY 2023 and FY 2024 is ~84% and ~118% respectively (as explained in Chapter 6).

- For FY 2024 till FY 2026, the Authority proposes to increase the various components of non-aeronautical revenue with respect to the growth rates as shown in the following table.

Table 214: Growth rates proposed by the Authority for the various components of NAR in TCP

Particulars	Sub heads
Traffic growth rate (Refer table 76)	Food & beverages outlets
	Hoarding & Display
	Car Parking
International traffic growth rate (Refer table 76)	Duty Free Shops
Inflation (Refer table 171) and growth rate of 19.83%* due to terminal area expansion	Other Trading Concessions
	Rent & Space
	Miscellaneous

**Note: Additional increase of 19.83% is only in FY 2024, as the operations in the extended terminal area will commence in FY 2024*

11.2.15. The non-aeronautical revenue derived by the Authority based on the above factors has been shown in the following table.

Table 215: Total non-aeronautical revenue estimated by the Authority for the Third Control Period

Particulars (in INR Cr.)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Growth - Traffic (%)			*23.75%*	*19.66%*	*17.10%*	
Food & beverages outlets		1.16	1.44	1.72	2.02	
Hoarding & Display		20.24	25.04	29.97	35.09	
Car Parking		14.74	18.24	21.83	25.56	
Subtotal (A)		36.14	44.73	53.52	62.67	
Growth - International Traffic (%)			*39.50%*	*24.50%*	*19.50%*	
Duty free shops (B)		6.12	*8.54*	*10.63*	*12.71*	
Growth - Inflation (%)			*5.10%*	*5.10%*	*5.10%*	
Growth - Terminal Area (%)			*19.83%*	-	-	
Other trading concessions		42.41	52.98	55.68	58.52	
Rent and Space		11.98	14.97	15.73	16.54	
Miscellaneous		4.75	5.94	6.24	6.56	
Subtotal (C)		59.14	73.89	77.66	81.62	
Total non-aeronautical revenue (A + B + C)	**30.08***	**101.41**	**127.15**	**141.81**	**156.99**	**557.45**

**Note: As per actuals submitted by AIAL (Refer table 211). This is exclusive of "Space rentals from Airlines" and "Notional Interest Income on SD (Ind AS)"*

11.2.16. The Authority is of the view that the non-aeronautical revenue projected by the AO for the Third Control Period is significantly lower as compared to that of other PPP airports (DIAL, MIAL, BIAL, GHIAL, CIAL), wherein the non-aeronautical revenue projected by such PPP airports either equalize or are higher or constitute at least 50% of the total O&M expenses projected by them for the respective Control Period. However, for AIAL, the Authority notes that the non-aeronautical revenue projected by the AO for the Third Control Period is only INR 165.81 Cr. (approximately 7% of Operational expenses) whereas the projected O&M expenses submitted by the AO is INR 2385.78 Cr.

11.2.17. The Authority is of the view that the AO should take efforts to substantially increase non-aeronautical revenue for the Third Control Period, in line with the other PPP airports. Otherwise, the Authority may propose for a notional increase in the non-aeronautical revenue for the Third Control Period, based on

such revenue in other PPP airports as mentioned in the above para, while determining tariff for the Fourth Control Period, in the interest of the airport users.

11.3. Authority's proposal relating to Non-aeronautical Revenue for the Third Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to non-aeronautical revenue for the Third Control Period:

11.3.1. To consider non-aeronautical revenue for the Third Control Period for AIAL as per Para 11.2.15 (Table 215).

11.3.2. To consider the non-aeronautical revenue for the current Control Period, as explained in Para 11.2.14, at the time of determination of tariff for the next Control Period.

12. TAXATION FOR THE THIRD CONTROL PERIOD

12.1. AIAL's submission of Taxation for the Third Control Period

12.1.1. The AO has submitted that the computation of income tax on aeronautical income has been made on the prevailing Income Tax laws and rules. Further, the aeronautical segment has been treated as a standalone entity with its own tax computations. Therefore, this may not necessarily reflect the overall tax computation of AIAL as a whole.

12.1.2. While calculating aeronautical tax, AIAL has considered the following exclusions:

- Non-aeronautical operating costs and/or depreciation
- Concession Fee is not considered as expense

12.1.3. The following table summarizes the income tax projections that have been calculated as per the above assumptions for AIAL.

Table 216: Taxation submitted by AIAL for the Third Control Period

Particulars (INR Cr.)	Formula	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical revenue	A	116.50	902.25	1198.84	1496.26	1822.66	5536.50
Aeronautical O&M expenses	B	-191.93	-408.18	-482.41	-520.94	-589.89	-2193.35
Aeronautical depreciation	C	-40.99	-89.96	-175.30	-244.54	-407.96	-958.74
Earnings before interest and tax (EBIT)	D = A+B+C	-116.42	404.12	541.13	730.77	824.81	2384.41
30% of NAR	E	9.33	10.09	10.10	10.11	10.12	49.74
Interest cost	F	-51.74	-125.13	-223.59	-326.09	-568.95	-1295.51
Interest on Working capital	G	-0.20	-4.87	-10.63	-14.82	-18.35	-48.88
Financing charges	H	-5.76	-92.08	-2.24	-2.35	-2.30	-104.74
Aero PBT (Profit before Tax)	I = Sum(D:H)	-164.80	192.12	314.77	397.61	245.32	985.02
Depreciation & amortization	J	40.99	89.96	175.30	244.54	407.96	958.74
Taxable income before tax depreciation	K = I + J	-123.81	282.08	490.06	642.15	653.28	1943.76
Tax Depreciation	L	-52.26	-211.36	-338.30	-434.20	-947.88	-1983.99
Taxable income	M = K + L	-176.07	70.71	151.77	207.96	-294.60	-40.23
Business losses	N = Min(K,0)	123.81	0.00	0.00	0.00	0.00	123.81
Amount of tax profits available for set-off	O = M + N	-52.26	70.71	151.77	207.96	-294.60	83.58
Set off of brought forward tax losses against normal tax liabilities from FY 2020 till FY 2026	P	0.00	-70.71	-79.50	0.00	0.00	-150.21
Taxable income after set-off of business losses	Q = O + P	-52.26	0.00	72.27	207.96	-294.60	-66.63
Carry-forward unabsorbed depreciation	R	-26.30	-78.56	-78.56	-6.29	0.00	-189.72
Taxable income under normal tax provisions	S = Q + R	-78.56	-78.56	-6.29	201.66	-294.60	-256.35
Tax rate to be used	T	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax expenses	S x T	**0.00**	**0.00**	**0.00**	**-50.76**	**0.00**	**-50.76**

12.2. Authority's examination of Taxation for the Third Control Period

12.2.1. The Authority notes that AIAL has considered 30% Non-aeronautical Revenue in the estimation of aeronautical PBT, which was then used in the computation of aeronautical taxes. The fact that a part of Non-aeronautical Revenue is used for cross subsidization as per the Hybrid Till mechanism, does not change the nature of such revenue to aeronautical. Further, the cross subsidization as per the Hybrid till mechanism is done in order to reduce tariff pressure on passengers and to incentivize the AO to make effective investments in non-aeronautical generating sources.

12.2.2. Therefore, the Authority is of the view that:

- 30% Non-Aeronautical Revenue should not be treated as a subsidy for the AO as the AO has already earned it from non-aeronautical services and is meant as a cross subsidy to the airport user.
- The consideration of 30% Non-Aeronautical Revenue as part of revenue from aeronautical services would result in an unfair enrichment to the AO, effectively reducing the cross-subsidy benefit to the airport user from the present 30% non-aeronautical income.

12.2.3. Therefore, the Authority proposes to consider only aeronautical revenue and expenses in the calculation of aeronautical PBT.

12.2.4. The Authority has also considered the Fees payable to Independent Engineer for the purpose of determining ARR for the Third Control Period (Refer Table 220) and for computing aeronautical taxes.

12.2.5. The Authority has recomputed taxes of AIAL based on the changes proposed to the other building blocks and based on the proposal discussed above on exclusion of Non-aeronautical Revenue.

12.2.6. Further, as the Authority has considered the prior period losses in the computation of true up of AAI for the pre-COD period, the same has been excluded in the computation of taxes of the AO for the Third Control Period for AIAL.

12.2.7. AIAL, vide email dated 19th September 2022, was requested to share details regarding the fees payable to the Independent Engineer. AIAL, vide email dated 20th September 2022, shared a LoA for the same. The Authority notes that as per Clause 24.3.1 (Refer para 17.3.9 of Annexure 3 of Chapter 17), this expense will be considered as passthrough in the determination of the aeronautical charges.

12.2.8. The following table summarizes the aeronautical taxes proposed by the Authority for the Third Control Period.

Table 217: Taxation proposed to be considered as per the Authority for the Third Control Period

Aeronautical Tax (INR Cr.)	Formula	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical Revenue*	A	125.82	618.01	803.81	1,010.88	1,244.13	3,802.66
O&M expenses	B	175.98	222.84	327.50	360.77	410.54	1,497.63
Fees payable to Independent Engineer	C	3.41	3.41	3.41	3.41	3.41	17.03
Depreciation**	D	3.55	82.05	220.25	295.78	497.71	1,099.34
PBT	F = A-B-C-D	(57.11)	309.72	252.66	350.92	332.47	1,188.66
Set off of prior period losses		-	(57.11)	-	-	-	
Taxable income	G	(57.11)	252.61	252.66	350.92	332.47	
Tax rate	H	25.17%	25.17%	25.17%	25.17%	25.17%	

Aeronautical Tax (INR Cr.)	Formula	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Aeronautical Tax	G × H	-	63.58	63.59	88.33	83.68	299.19

** Aero revenue is computed based on ARR; this is subject to revision based on tariff rate card which is to be submitted by the AO. For FY 2022, actual revenue has been considered.*

***Computed using WDV method considering useful lives as per IT Act*

12.3. Authority's proposal regarding Taxation for the Third Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to taxation for the Third Control Period:

12.3.1. To consider the Taxation for the Third Control Period for AIAL as per Para 12.2.8 (Table 217).

12.3.2. To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

13. QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD

13.1. AIAL's submission regarding Quality of Service

13.1.1. The AO has submitted that it will abide by the Airport Service Quality (ASQ) performance indicators mentioned in Annexure I to Schedule H in the Concession Agreement.

Clause 23.7.1 of the CA states that:

"The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council International (ACI) or any substitute thereof, conducted every quarter and shall ensure that the Airport achieves and maintains a rating of at least 4.5 (four point five) out of 5.0 (five) and/ or shall appear within top 20 (twenty) percentile of all airports, in its category in the World in such survey within 5 (five) years from the COD and maintain the same throughout the rest of the Concession Period."

Clause 23.7.2 of the CA states that:

"*The Concessionaire shall, within 21 days of the end of each calendar quarter, provide to the Authority a written report on the results of the user survey of ASQ for the immediately preceding quarter, together with its analysis of the results and the action, if any, that it proposes to take for improvement in User satisfaction*."

13.1.2. The AO has further submitted that adherence and maintenance of these standards will require creation of significant infrastructure, ramp-up of human resource and increase in operations and maintenance costs and that the AO has considered the cost implications, while preparing future projections as part of its MYTP submission.

13.2. Authority's examination regarding Quality of Service for the Third Control Period

13.2.1. The Authority notes that:

- As per section 13 (1) (d) of the AERA Act, 2008, the Authority shall *"monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf."*
- As per section 13(1)(a)(ii), the Authority is required to determine the tariff for Aeronautical services taking into consideration *"the service provided, its quality and other relevant factors."*

13.2.2. The Authority noted from AAI's website that the ACI ASQ survey results for AIAL for the FY 2017 to 2020 have been in the range of 4.69 to 4.93 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.71.

Table 218: ASQ rating for AIAL for FY 2017-2022

Financial Year	ASQ rating
2017	4.69
2018	4.77
2019	4.86
2020	4.93
2021 – Q1 and Q2	ASQ was not conducted due to lockdown on account of COVID-19 pandemic
2021 – Q3	4.99
2021– Q4	4.99
2022 – Q1	4.99

Financial Year	ASQ rating
2022 – Q2	4.99

13.2.3. The Authority notes that the ASQ rating awarded to AIAL is higher than the average rating of the AAI airports for the FY 2017 to 2020.

13.2.4. The Authority notes that as per the Concession Agreement, the AO is required to maintain an ASQ rating of at least 4.5 out of 5. The Authority further notes that the AO has achieved ASQ rating of 4.99 in the third and fourth quarter of FY 2021 and the first and the second quarter of FY 2022.

13.2.5. Based on the above factors, the Authority does not propose any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by AIAL.

13.2.6. The Airport Operator should ensure that service quality conforms to the performance standards as indicated in the Concession Agreement over the Third Control Period.

13.3. Authority's proposal relating to Quality of Service for the Third Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to quality of service for the Third Control Period:

13.3.1. To not consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service of AIAL.

14. AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

14.1. AIAL's submission of ARR for the Third Control Period

14.1.1. The AO has submitted the ARR and Yield per Passenger (YPP) for the Third Control Period as per the regulatory building blocks discussed.

14.1.2. The summary of ARR and YPP have been presented in the table below.

Table 219: ARR submitted by AIAL for TCP

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Average RAB (INR Cr.)	342.78	1,135.33	2,490.98	3,606.69	6,656.52	
FRoR	14.76 %	14.76 %	14.76 %	14.76 %	14.76 %	
Add: FRoR return on average RAB (INR Cr.)	50.58	167.53	367.57	532.20	982.24	2,100.12
Add: Operating expenses (INR Cr.)	213.28	519.51	502.85	538.55	611.60	2,385.78
Add: Depreciation (INR Cr.)	40.99	89.96	175.30	244.54	407.96	958.74
Add: Amortisation of land (INR Cr.)	-	-	-	-	-	-
Add: Taxes (in INR Cr.)	-	-	-	50.76	-	50.76
Add: True-up for next CP* (in INR Cr.)	60.67					60.67
Less: Non – Aero (INR Cr.)	(9.33)	(10.09)	(10.10)	(10.11)	(10.12)	(49.74)
ARR – Aero (INR Cr.)	356.19	766.90	1,035.62	1,355.94	1,991.68	5,506.32
PV Factor as on 01st April 2021	1.00	0.87	0.76	0.66	0.58	
PV of ARR (INR Cr.)	356.19	668.29	786.41	897.25	1,148.46	3,856.60
Total PAX (Millions)						68.58
Yield per pax (INR)						562.35

**Note: Difference of INR 2.41 Cr. from MYTP submission is due to inclusion of bank and other finance charges and cargo related expenses. (The same has been discussed in Para 5.7.1 to Para 5.7.6).*

14.2. Authority's examination of ARR for the Third Control Period

14.2.1. The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. With respect to each element of the regulatory building blocks considered by AO in computation of ARR and Yield in the table above, the Authority proposes to consider the regulatory building blocks as discussed in the above chapters.

14.2.2. The Authority has included the fees payable to the Independent Engineer in the determination of ARR (shown in the table below), in accordance with Clause 24.3.1 of the Concession Agreement (Refer Para 17.3.9 of Annexure 3 in Chapter 17 for the same).

14.2.3. The Authority notes that the AO has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period. Whereas the existing traffic base is not sufficient for the complete recovery of ARR in the current Control Period and this would require a significant increase in tariff, which in the present times is likely to adversely impact the recovery of air traffic. Further, a significant increase in aeronautical tariff, is also attributable to the fact that the new Aeronautical tariff proposed by the Authority may be implemented only by the end of the current Financial Year, thereby resulting in only lesser tariff years being available for recovery of the ARR.

14.2.4. In this regard, the Authority would like to draw reference to the guiding principles issued by the International Civil Aviation Organization (ICAO) on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies "*that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users*." The said policy document also emphasizes on balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States. This should be applied particularly during periods of economic difficulty. Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner.

14.2.5. This may also be read in conjunction with the objectives of the National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/masses. As per para 12 (c) of the NCAP, "*In case the tariff in one particular year or contractual period turns out to be excessive, the Airport Operator and the Regulator will explore ways to keep the tariff reasonable and spread the excess amount over the future*." The above has also been conveyed by AERA vide its Order No. 14/2016-17 dated 12th January 2017.

14.2.6. Further, as per Schedule B of the Concession Agreement with AAI, the AO is expected to ensure that the *"organization of the spaces and structural design of the terminal should be modular thereby allowing flexibility and ease of expansion"*. It can be noted from the Figure 1 and Table 76 that at the end of the Third Control Period, the combined passenger handling capacity of the Terminal buildings would be 36.8 MPPA against the requirement of 19.85 MPPA. Therefore, there would be considerable capital hangover due to the creation of such excess capacity at the end of the Third Control Period.

14.2.7. Based on the above considerations, the Authority has proposed to carry forward some portion of the ARR to the next Control Period in the harmonious interest of all the Stakeholders' chain including the Airport Operator.

14.2.8. The following tables shows the proposed ARR and YPP as per the Authority.

Table 220: ARR proposed to be considered by the Authority for the Third Control Period

Particulars (INR Cr.)	Refer	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Average RAB (A)	Table 164	358.07	1,117.88	2,454.35	3,320.69	5,518.82	
FRoR (B)	Para 8.3.4	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on RAB (C = A × B)		43.73	136.53	299.76	405.58	674.05	1,559.65
Depreciation (D)	Table 162	28.54	55.32	103.69	137.04	215.93	540.52
Operational expenses (E)	Table 208	175.98	222.84	327.50	360.77	410.54	1,497.63
Independent Engineer's fees (F)		3.41	3.41	3.41	3.41	3.41	17.03
Tax (G)	Table 217	-	63.58	63.59	88.33	83.68	299.19
ARR (H = sum of C to G)		251.66	481.68	797.96	995.12	1,387.61	3,914.03
Non-aero Revenue (NAR)	Table 215	30.08	101.41	127.15	141.81	156.99	557.45
Less: 30% NAR (I)		9.03	30.42	38.15	42.54	47.10	167.23
PV of under-recovery of AAI as on 31st March 2022 (i)		(7.54)					
PV of under-recovery of AIAL as on 31st March 2022 (ii)		(39.68)					
Sum of PV of under-recovery of AAI and AIAL as on 31st March 2022 (J = i + ii)		(47.22)					
Net ARR (K = H - I - J)		289.85	451.26	759.81	952.57	1,340.51	3,794.01
Present Value Factor (L)		1.00	0.89	0.79	0.71	0.63	
PV of ARR as on 31st March 2022 (K × L)		289.85	402.14	603.41	674.16	845.45	2,815.02
Sum of Present value ARR (M)							2,815.02
Total traffic (in Million) (N)	Table 76						68.10
YPP on Total traffic (in INR) (M ÷ N) × 10							413.36
Departing passengers (in Million) (O = 50% × N)							34.05
Yield per Departing passengers (in INR) (M ÷ O) × 10							826.73

14.2.9. The Authority notes that it is necessary to have the individual year wise tariff card laying down the different aeronautical charges and the workings for the aeronautical revenues, in order to have a constructive stakeholders' discussion and hence AIAL is directed to submit the detailed Annual Tariff Proposals in line with the ARR and Yield arrived at by the Authority on or before 31st October 2022 which will be put up for Stakeholders' Consultation.

14.3. Authority's proposal regarding Aggregate Revenue Requirement (ARR) for the Third Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to ARR for the Third Control Period:

14.3.1. To consider the ARR and YPP for the Third Control Period for AIAL in accordance with Para 14.2.8 (Table 220).

14.3.2. To direct AIAL to submit the Annual Tariff Proposal (Tariff Rate Card) on or before 31st October 2022, which will be put up for Stakeholders' Consultation.

15. SUMMARY OF AUTHORITY'S PROPOSALS

The summary of the Authority's proposals with respect to tariff determination for the Third Control Period is given below:

Chapter 4: True up of AAI for the period from FY 2017 to COD

4.15.1. To consider the Passenger traffic and ATM as detailed in Para 4.4.3 (Table 8) for true up of the Second Control Period (Pre-COD).

4.15.2. To consider capital additions and aeronautical allocation of assets as suggested by the Study on Allocation of Assets for SVPIA for the Second Control Period till COD (summary of the Study is provided in Annexure 1 and the study is attached as appendix 1).

4.15.3. To consider RAB for AAI as detailed in Para 4.5.12 (Table 14) for true up of the Second Control Period Pre- COD).

4.15.4. To consider Deemed Initial RAB for AIAL as detailed in Para 4.5.20 (Table 16).

4.15.5. To recompute Depreciation considering the revised allocation of assets as detailed in Para 4.6.7 (Table 22) for true up of AAI for the Second Control Period (Pre COD).

4.15.6. To consider FRoR as detailed in Para 4.7.7 (Table 25) for true up of the Second Control Period (Pre-COD).

4.15.7. To not consider return on the cost of land for true up of the Second Control Period (Pre-COD).

4.15.8. To consider O&M expenses and their allocation as suggested by the study on efficient O&M expenses for SVPIA (summary of the Study is provided in Annexure 2 and the study is attached as appendix 2) and as detailed in Para 4.9.10 (Table 32) for true up of Second Control Period (pre-COD).

4.15.9. To consider Non-aeronautical Revenue as detailed in Para 4.10.9 (Table 38) for true up of the Second Control Period (Pre-COD).

4.15.10. To consider Aeronautical Revenue as detailed in Para 4.11.6 (Table 42) for true up of the Second Control Period (Pre-COD).

4.15.11. To consider Aeronautical Tax as detailed in Para 4.12.8 (Table 46) for true up of the Second Control Period (Pre-COD).

4.15.12. To consider the under recovery of INR 7.54 Cr (as on 31st March 2022) for true up of AAI for the Second Control Period (pre-COD) as detailed in Para 4.13.1 (Table 47) and readjust the same in the ARR for the Third Control Period.

Chapter 5: True up of Airport Operator for the period from COD till 31st March 2021

5.12.1. To consider capital additions and aeronautical allocation of assets as suggested by the Study on Allocation of Assets for SVPIA for the Second Control Period till COD (summary of the Study is provided in Annexure 1 and the study attached as Appendix 1).

5.12.2. To consider RAB as detailed in Para 5.4.6 (Table 53) for true up of AIAL for the Second Control Period (post-COD).

5.12.3. To recompute Depreciation considering the revised allocation of assets as detailed in Para 5.5.3 (Table 55) for true up of AIAL for the Second Control Period (post-COD).

5.12.4. To consider FRoR as detailed in Para 5.6.5 (Table 57) for true up of AIAL for the Second Control Period (post-COD).

5.12.5. To consider O&M expenses and their allocation as suggested by the Study on efficient O&M expenses for SVPIA (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2), as detailed in Para 5.7.9 (Table 60).

5.12.6. To consider Non-aeronautical Revenue as detailed in Para 5.8.6 (Table 64) for true up of AIAL for the Second Control Period (Post-COD).

5.12.7. To consider Aeronautical revenue as detailed in Para 5.9.4 (Table 66) for true up of AIAL for the Second Control Period (Post-COD).

5.12.8. To consider Aeronautical Tax as detailed in Para 5.10.2 for true up of AIAL for the Second Control Period (Post-COD).

5.12.9. To consider ARR as detailed in Para 5.11.1 (Table 67) for true up of the Second Control Period and to consider under recovery of INR 39.68 Cr. (as on 31st March 2022) for true up of the Airport Operator for the Second Control Period from COD till 31st March 2021 and readjust the same in the ARR for the Third Control Period.

Chapter 6: Traffic for the Third Control Period

6.3.1. To consider the ATM, Passenger traffic and Cargo traffic for the Third Control Period for SVPIA as detailed in Para 6.2.17 (Table 76)

6.3.2. To true up the traffic volume (ATM, Passengers and Cargo) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

Chapter 7: Regulatory Asset Base (RAB) and Depreciation for the Third Control Period

7.10.1. To consider the revised Terminal Area Ratio as 90 : 10 (aeronautical : non-aeronautical) in line with the IMG norms and as approved for other similar airports as mentioned in Para 7.5.3.

7.10.2. To not allow Financing Allowance on capital additions but allow IDC during the Third Control Period as mentioned in Para 7.3.178 and Para 7.3.179.

7.10.3. To consider the capitalisation of aeronautical capital expenditure for the Third Control Period as given in Para 7.5.8 (Table 157).

7.10.4. To reduce (adjust) 1% of the project cost from the ARR in case any particular capital project is not completed / capitalised as per the approved capitalisation schedule, as mentioned in Para 7.3.185 (Table 155). The same will be examined during the true up of the Third Control Period, at the time of determination of tariff for the Fourth Control Period.

7.10.5. To true up the Aeronautical Capital Expenditure based on actuals, cost efficiency and reasonableness at the time of determination of tariff for Fourth Control Period.

7.10.6. To adopt Aeronautical Depreciation as per Para 7.7.6 (Table 162) for the Third Control Period.

7.10.7. To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalisation during the tariff determination of the Fourth Control Period.

7.10.8. To consider average RAB for the Third Control Period for SVPIA as per Para 7.9.1 (Table 164).

7.10.9. To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods And Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the Fourth Control Period (as explained in Para 7.3.182).

7.10.10. To commission an independent study to assess the efficiency and reasonableness of the capital expenditure incurred and asset allocation carried out by AIAL and to take corrective action as necessary at the time of determination of tariffs for the Fourth Control Period (Refer Para 7.5.9).

7.10.11. To true up the RAB based on actuals at the time of tariff determination for the Fourth Control Period.

Chapter 8: Fair Rate of Return (FRoR) for the Third Control Period

8.3.1. To consider the Cost of Equity at 15.18% as per CAPM formula.

8.3.2. To consider the notional debt to equity (gearing) ratio of 48 : 52 in line with target gearing ratio being considered in case of other PPP airports.

8.3.3. To consider cost of debt of 9% and true up the cost of debt for the Third Control Period, based on the efficiency and reasonableness at the time of determination of tariffs for the Fourth Control Period.

8.3.4. To consider FRoR of 12.21% for the Third Control Period based on above mentioned Cost of Equity, Cost of Debt and Gearing ratio.

Chapter 9: Inflation for the Third Control Period

9.3.1. To consider WPI inflation as 12.97% in FY 2022 based on actuals, and 11.1% in FY 2023 and 5.1% from FY 2024 till FY 2026 based on mean WPI forecasts as given in the 78th round of survey of professional forecasters on macroeconomic indicators of RBI.

Chapter 10: Operation and Maintenance Expenditure for the Third Control Period

10.3.1. To consider total aeronautical O&M Expenses including aeronautical operating expenses, fuel operating expenses and cargo operating expenses for the Third Control Period for AIAL as per Para 10.2.116 (Table 208).

10.3.2. To consider the actual total aeronautical O&M expenses incurred by the Airport Operator during the Third Control Period subject to reasonableness and efficiency, at the time of True up in the Fourth Control Period.

Chapter 11: Non-aeronautical Revenue for the Third Control Period

11.3.1. To consider non-aeronautical revenue for the Third Control Period for AIAL as per Para 11.2.15 (Table 215).

11.3.2. To consider the non-aeronautical revenue for the current Control Period, as explained in Para 11.2.14, at the time of determination of tariff for the next Control Period.

Chapter 12: Taxation for the Third Control Period

12.3.1. To consider the Taxation for the Third Control Period for AIAL as per Para 12.2.8 (Table 217).

12.3.2. To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

Chapter 13: Quality of Service for the Third Control Period

13.3.1. To not consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service of AIAL

Chapter 14: Aggregate Revenue Requirement (ARR) for the Third Control Period

14.3.1. To consider the ARR and YPP for the Third Control Period for AIAL in accordance with Para 14.2.8 (Table 220).

14.3.2. To direct AIAL to submit the Annual Tariff Proposal (Tariff Rate Card) on or before 31st October 2022, which will be put up for Stakeholders' Consultation.

16. STAKEHOLDERS' CONSUTLATION TIMELINE

16.1.1. In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 15 – Summary of the Authority's proposals read with the relevant discussion in the other chapters of the Paper is hereby put forth for Stakeholders' Consultation.

16.1.2. For removal of doubts, it is clarified and explained 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.

16.1.3. The Authority welcomes written evidence-based feedback, comments and suggestions from Stakeholders on the proposals made in this Consultation Paper, latest by 21st November 2022.

Secretary,
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport New Delhi -110003
Tel: 011-24695044-47, Fax: 011-24695048

(Chairperson)

17. ANNEXURES

17.1. Annexure 1 – Summary of Study on Allocation for SVPIA for the Second Control Period

17.1.1. Background

RAB is one of the fundamental elements in the process of tariff determination. The return to be provided on the RAB forms a considerable portion of the Aggregate Revenue Requirement (ARR) for an airport operator. Airports require capital intensive investments. To safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return is provided solely on the assets related to the core operations (i.e., aeronautical services/ activities) of the airport. Any consideration of assets, which are not directly related to the provision of aeronautical services, may have a significant impact on the ARR and would result in increased charges for the users. Given this and shared till approach, the allocation of assets into aeronautical and non-aeronautical components becomes an important part of the tariff determination process.

RAB is a dynamic building block that evolves continuously on account of capitalisation of new assets, replacement of obsolete assets at end of useful life, sales or transfer of assets to other entities, changes in various asset allocation ratios, and depreciation.

The allocation of an asset towards RAB also depends on the type of asset (building & civil works, plant & machinery, equipment, etc.), the usage (provision of various services – aeronautical, non-aeronautical, common or ANS) of the asset and its ownership (airport operator, concessionaire or subsidiary). Based on these factors, the rationale for allocation of each asset into the appropriate category needs to be determined diligently.

To this end, AERA has decided to conduct a study on asset allocation/ segregation between aeronautical and non-aeronautical assets for true-up of the SCP and to help determine the Deemed Initial RAB (as on COD).

17.1.2. Classification of assets

The Study intends to allocate the total assets of the airport into the following:

- Aeronautical Assets: All assets that are exclusively used for the provision of aeronautical services/ activities have been classified as ‘Aeronautical Assets’. Such assets would include runway(s), taxiways, drainage and culverts, aprons, etc.
- Non-Aeronautical Assets: All assets that are exclusively used for the provision of non-aeronautical services / activities have been classified as ‘Non-Aeronautical Assets’. Such assets would include duty free, car parking, commercial projects etc.
- ANS Assets: Assets that are used for the provision of Air Navigation Services have been classified as ‘ANS Assets’. These services are managed separately by AAI and the tariffs for the same are not regulated by the Authority. Therefore, such assets have been excluded from aeronautical assets.
- Common Assets: All assets that cannot be directly allocated to either Aeronautical Assets, Non-aeronautical Assets or ANS Assets have been classified as ‘Common Assets’. Such assets, as the name suggests, get utilised commonly for aeronautical, non-aeronautical or ANS activities. They would include terminal building, select terminal equipment, office equipment etc.

17.1.3. **Summary of Reclassifications till COD**

Terminal buildings and related assets:

- Details of asset: Civil, mechanical, plumbing, electrical, furniture, repair, replacement and modification works of terminal buildings and assets commonly utilised for the terminal buildings.
- Allocation proposed by AAI: Though at a broad level AAI has classified such assets as Common, certain assets were classified as Aeronautical.
- Issue: The allocation of terminal building and related assets should be based on the terminal area usage ratio (between the area towards aeronautical and non-aeronautical activities). However, some line items in this segment were found to be classified as Aeronautical by AAI. Accordingly, such items have been reclassified as Common.
- Allocation proposed by the Study: Common
- Impact: Reclassifying these assets from Aeronautical to Common reduces the aeronautical capital additions to the extent of INR 0.58 Cr.

Offices and office equipment:

- Details of asset: Assets including improvements to office complexes, video conferencing systems, cash counting machines and other equipment.
- Allocation proposed by AAI: Though at a broad level AAI has classified such assets as Common, certain assets were classified as Aeronautical.
- Issue: Certain office equipment that would get utilised for the overall operations of the airport were classified as 100% aeronautical. Such assets were reclassified as common as they benefit all activities at the airport.
- Allocation proposed by the Study: Common
- Impact: Reclassifying these assets from Aeronautical to Common reduces the aeronautical capital additions to the extent of INR 0.23 Cr.

Procurement of Computer, Printer and Photocopiers:

- Details of asset: Assets purchased commonly for the airport and for ANS
- Allocation proposed by AAI: Common
- Issue: Certain assets such as computers and printers were purchased and issued to the airport and ANS. The assets have been bifurcated between aeronautical and ANS assets in the ratio of the actual number of units that were issued to the airport and ANS. However, the assets that are being used for the airport operations were not further bifurcated between aeronautical and non-aeronautical.
- Allocation proposed by the Study: Common
- Impact: Bifurcating the assets issued for the airport between aeronautical and non-aeronautical reduces the aeronautical capital additions to the extent of INR 0.01 Cr.

Guest House:

- Details of asset: Procurement of furniture for Guest House

- Allocation proposed by AAI: Aeronautical
- Issue: Since the Guest House is not an aeronautical activity and its use is chargeable, the assets related to the same cannot be considered Aeronautical. Therefore, this asset has been reclassified as Non-aeronautical.
- Allocation proposed by the Study: Non-aeronautical
- Impact: Reclassifying this asset from Aeronautical to Non-aeronautical reduces the aeronautical capital additions to the extent of INR 0.03 Cr.

Car Parking:

- Details of asset: Development of additional parking area
- Allocation proposed by AAI: Aeronautical
- Issue: Car parking is a non-aeronautical activity that is chargeable to users. Therefore, the works and assets related to the same should be classified as Non-aeronautical. Accordingly, this asset has been reclassified as Non-aeronautical in the absence of any additional information to justify the original classification.
- Allocation proposed by the Study: Non-aeronautical
- Impact: Reclassifying this asset from Aeronautical to Non-aeronautical reduces the aeronautical capital additions to the extent of INR 0.26 Cr.

Advanced Surface Movement Guidance and Control System (ASMGCS):

- Details of asset: Assets related to ASMGCS
- Allocation proposed by AAI: Aeronautical
- Issue: As per the submissions of AAI, the construction of the ASMGCS tower was classified as ANS and excluded from aeronautical capital additions. However, the electrical work, frangible mast and furniture for ASMGS was classified as aeronautical. Since these assets are associated with ASMGCS, there is no reason to apply a different treatment for these assets, unless a valid justification is provided by AAI for such treatment. Therefore, in the absence of a valid justification for the original classification of the ASMGCS related assets, the same have been reclassified to ANS and has been excluded from aeronautical capital additions.
- Allocation proposed by the Study: ANS (Excluded from RAB)
- Impact: Reclassifying these assets from Aeronautical to ANS and thereby excluding it from RAB reduces the aeronautical capital additions to the extent of INR 1.57 Cr.

Runway Visual Range (RVR):

- Details of asset: Assets related to RVR
- Allocation proposed by AAI: Aeronautical
- Issue: As per the submissions of AAI, the installation of RVR instrument and the electrical works for RVR were classified as aeronautical. However, Schedule Q of the Concession Agreement between AAI and AIAL (Clause 4.1.6) states that, "AAI shall at its cost and expense, procure aviation meteorological facilities and services from Indian Meteorological Department, GOI for

provision of the AAI Services". RVR is operated by the Indian Meteorological Department (IMD) and as stated in the Concession Agreement, it is the responsibility of AAI to procure these facilities and services from IMD for the provision of ANS. Therefore, the RVR related assets have been reclassified to ANS and has been excluded from aeronautical capital additions.

- Allocation proposed by the Study: ANS (Excluded from RAB)
- Impact: Reclassifying these assets from Aeronautical to ANS and thereby excluding it from RAB reduces the aeronautical capital additions to the extent of INR 0.10 Cr.

17.1.4. **Impact of revised terminal allocation ratio**

The Authority had at the time of determination of tariffs for the Second Control Period decided to adopt the Terminal Area Ratio as 92.5 : 7.5 (aeronautical : non-aeronautical) to encourage the growth of non-aeronautical revenues which would cross-subsidise aeronautical charges. However, AAI is yet to achieve such allocation as directed by the Authority. Further it can be observed that in its computations AAI has considered only the specific areas allocated to commercial activities as non-aeronautical. The common areas have not been identified and further bifurcated between aeronautical and non-aeronautical. Therefore, in light of the above, the Terminal Area Ratio has been revised to 92.5 : 7.5 (aeronautical : non-aeronautical) in line with the Authority's decision in Order No. 14/2018-19.

The impact of the Study due to revision of Terminal Area Ratio is a reduction of INR 0.36 Cr. in aeronautical capital additions by AAI in SCP (till COD).

17.1.5. **Summary of adjustments to RAB till COD**

The following table summarises the total proposed adjustments for the aeronautical additions submitted by AAI till COD.

Table 221: Adjustments made by the Study to aeronautical capital additions in SCP by AAI (until COD)

Fixed Asset Adjustment	INR Cr.
Aeronautical Additions in Second Control Period as per AAI (A)	**142.83**
Adjustments to aeronautical additions as per the Study	
Terminal buildings and related assets (B)	(0.58)
Offices and office equipment (C)	(0.23)
Procurement of computer, printers and photocopiers (D)	(0.01)
Guest House (E)	(0.03)
Car Parking (F)	(0.26)
ASMGCS (G)	(1.57)
RVR (H)	(0.10)
Reclassification of assets (I = B + C + D + E + F + G + H)	**(2.78)**
Impact of revision of Terminal Area Ratio (J)	(0.36)
Total adjustments to aeronautical capital additions for the Second Control Period (until COD) (K = I + J)	**(3.14)**

Fixed Asset Adjustment	INR Cr.
Revised additions to Aeronautical Gross Block in SCP (until COD) (A + K)	**139.69**

The break-up of the revised aeronautical capital additions given above, across the Second Control Period till COD is as follows.

Table 222: Revised aeronautical capital additions in SCP (until COD) as per the Study

Aeronautical capital additions in SCP (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (until COD)	Total
As per AAI (A)	30.46	14.36	33.74	62.16	2.12	142.83
Revised as per the Study (B)	28.38	14.14	33.37	61.75	2.06	139.69
Difference (A – B)	2.09	0.21	0.37	0.41	0.06	3.14

As detailed above, the aeronautical capital addition by AAI in the SCP (till COD) was determined by the Study to be INR 139.69 Cr. as against INR 142.83 Cr. as per the submission of AAI.

17.1.6. Summary of Reclassifications post-COD

Asset allocation assessment and reclassification for assets commissioned by AIAL in SCP (post-COD) as per the Study

The Study examined the individual asset items capitalised by AIAL and classified them suitably based on the information regarding the assets shared by the Airport Operator. The summary of the reclassification of these assets is given below.

Table 223: Classification of assets capitalised by AIAL in SCP as per the Study

Asset group	# of assets	Value capitalised (INR Cr.)	Classification	Aero Ratio (%)	Aeronautical addition (INR Cr.)
Apron and runway work	2	32.74	Aeronautical	100%	32.74
Safety & Security related assets	3	2.56	Aeronautical	100%	2.56
Terminal equipment	6	0.70	Common	92.5%	0.65
Office Equipment	52	2.87	Common	92.5%	2.66
Office Software	8	1.51	Common	92.5%	1.40
Furniture	12	0.37	Common	92.5%	0.34
Advertising	1	0.77	Non-aero	0%	-
Car Parking asset	1	0.01	Non-aero	0%	-
Visitor Lounge	1	0.08	Non-aero	0%	-
Total	**86**	**41.61**			**40.34**
Difference *(Refer Exhibit 3 of Study)*					**1.27**

Normative assessment of capital expenditure

For an asset item named "Domestic Apron, Link Taxi Track Extension", the Study compared the actual costs incurred against the inflation adjusted normative benchmarks prescribed by AERA as per Order No. 07/2016-17 dated 13th June 2016. The inflation rates and normative costs considered by the Study are as follows:

Table 224: Rate of inflation and normative costs for Apron considered by the Study

Financial Year	2016	2017	2018	2019	2020	2021
WPI Inflation[10]	Base year	1.73%	2.96%	4.26%	1.68%	1.20%
Normative cost	4700.00	4781.31	4922.84	5132.55	5218.78	5281.40

Based on the above, the cost incurred towards "Domestic Apron, Link Taxi Track Extension" after excluding GST, appears to be within the normative limits prescribed by AERA. The comparison is given below:

Table 225: Normative adjustment to cost of apron as per the Study

Particulars	Formula	As per AAI	As per Normative Limits
Area of apron (SQM)	A	61426	61246
Cost Incurred (INR Cr.)	B	32.65	
Cost excluding GST (INR Cr.)	C = B × 100 ÷ 118	27.67	
Cost per SQM (INR)	C ÷ A	4517.50	5281.40
Costs considered (INR Cr.)		32.65	

Based on the above, the Authority has considered the cost towards "Domestic Apron, Link Taxi Track Extension" as submitted by the AIAL.

Pre-COD expenses capitalised as intangible assets

Along with the assets, AIAL has also capitalised an amount of INR 25.55 Cr. as an intangible asset. The asset is a notional item, the value of which constitutes certain pre-COD expenses incurred by AIAL, AEL and AAHL in the process of winning the concession rights to the airport and until the COD was achieved.

Clause 5.1.1 of the Concession Agreement or any other clauses in the Concession does not specifically provide for intangible asset, or expenditure which constitutes salary and consulting costs incurred prior to COD, to be included in the RAB. Accordingly, the intangible asset has been excluded from the aeronautical capital additions considered for the Second Control Period.

Financing Allowance

The capitalisation proposed by AIAL for the SCP includes financing allowance of INR 0.97 Cr. on the average WIP in FY 2021 (post-COD). However, as per AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28th February 2011, financing allowance is not applicable to assets/projects which have been acquired/initiated and commissioned within the same Tariff Year. Since all the assets of AIAL submitted as part of capital additions in FY 2021 (post-COD) were acquired in FY 2021 itself, there arises no need for the provision of financing allowance on these assets.

Therefore, no financing allowance has been considered on the assets capitalised by AIAL in FY 2021.

17.1.7. Summary of adjustments to RAB post-COD

Based on the revisions, the adjustments made by the Study to aeronautical capital additions proposed by AIAL for the Second Control Period (post-COD) are as follows:

Table 226: Adjustments made by the Study to aeronautical capital additions in SCP (post-COD) by AIAL

Fixed Asset Adjustment	INR Cr.
Additions to RAB in Second Control Period as per AIAL (A)	**68.12**

10 https://eaindustry.nic.in/Key_Economic_Indicators/Price_Statistics.pdf

Fixed Asset Adjustment	INR Cr.
Asset adjustments made by the Study:	
Classification of assets into Aero, Non-aero and Common (B)	(1.27)
	66.85
Exclusion of pre-COD expenses capitalised as intangible assets (C)	(25.55)
	41.30
Exclusion of financing allowance on assets commissioned in FY 2021 (D)	(0.97)
	40.34
Total adjustments to capital additions for the Second Control Period (post-COD) (E = B + C + D)	**(27.78)**
Additions to RAB in SCP (post-COD) till 31st March 2021 as per the Study (F = A + E)	**40.34**
Additions to Aeronautical Gross Block in SCP (post-COD) as per AIAL (G = A × 97.7%)	66.55
Impact of the Study on aeronautical capital additions by AIAL (F – G)	(26.22)

As can be seen above, post classification of assets, normative adjustments to cost of apron extension, exclusion of intangible asset (pre-COD expenses) and exclusion of Financing Allowance, the aeronautical capital additions in the Second Control Period (post-COD) as per the Study is INR 40.34 Cr.

17.2. Annexure 2 – Summary of Study on Efficient Operations and Maintenance Expenses for SVPIA

17.2.1. Background

Establishing efficient Operation and Maintenance expenses and their reasonableness is pivotal to the effective execution of tariff determination for aeronautical services. Across airports in India, the O&M expenditure has consistently been increasing, driven by investments in expanding, modernizing and improving operational efficiency of the airports.

Assessment of Operation and Maintenance expense requires examination of financial information submitted by the airport operator, and independent examination of the baseline operating expense levels, expense reduction, efficiency initiatives and conduct of benchmarking exercises.

The Authority had commissioned a study to determine efficient Operations and Maintenance expenses for SVPIA in the Second Control Period.

17.2.2. Allocation of O&M expenses

The principle for segregation of costs followed by the study is as follows:

- **Aeronautical:** The expenses which are incurred for operation and maintenance of Aeronautical assets have been categorised as Aeronautical expenses.
- **Non-Aeronautical:** Expenses which are incurred for operation and maintenance of Non-Aeronautical assets have been categorised as Non-Aeronautical expenses.
- **Common:** Expenses primarily incurred for provision of Aeronautical services but are also used for provision of Non-Aeronautical services and expenses which are used for general corporate purposes including legal, administration and management affairs. Common expenses have been further apportioned into Aeronautical and Non-Aeronautical using an appropriate ratio.
- **Air Navigation Services (ANS):** Expenses which are incurred for the operation and maintenance of ANS Assets have been classified as Air Navigation Services.

17.2.3. Impact due to the revision in terminal area ratio and employee ratio till COD

The recomputation of the terminal area ratio has led to the reduction of INR 0.58 Cr in the aeronautical O&M expenses as per the Study and the recomputation of employee ratio has led to the reduction of INR 11.60 Cr in the aeronautical O&M expenses as per the Study.

17.2.4. Summary of segregation of expenses proposed by the Study till COD

The summary of reallocation of expenses and their impact as per the Study is given below.

Table 227: Basis for allocation of expenses as revised by the Study

Expense Category	Expense Sub-Category / Description	Expenses classification as per		Impact (INR Cr.)
		AAI	Study	
Manpower expenses	Salary, wages & bonus	Common (Employee Ratio)	Common (Employee Ratio)	
	Retirement benefits	Aeronautical	95 :5 (aero : non aero)	0.86
A&G Expenses	Rent; Communication Expense; Travelling and Conveyance; Advertisement; Printing and Stationary	Common (Employee Ratio)	Common (Employee Ratio)*	

Expense Category	Expense Sub-Category / Description	Expenses classification as per		Impact (INR Cr.)
		AAI	Study	
	Collection Charges – UDF	Aeronautical	Aeronautical	-
	Consumption Of electrical spares , Arbitration expenses and Legal Fee	Aeronautical	Common (Gross block)	0.16
	Municipal Taxes	Aeronautical	Reclassified	1.38
	Int./Penalties-Government	Common (Employee Ratio)	Common (Excluded)	2.68
	CSR-Capex	Common (Employee Ratio)	Common (Average aero PBT)	-
	Fuel expenses and office consumables	Aeronautical	Common (Employee Ratio)	0.05
	Other consumables	Aeronautical	Common (Terminal ratio)	0.07
R&M Expenses	R&M costs for buildings, Plant & Machinery and Roads, and culverts	Aeronautical	Aeronautical	-
	Buildings, common equipment power back-up systems, special repairs	Aeronautical	Common (Gross block)	5.07
	Communication and navigation equipment	Aeronautical	Common (Excluded)	0.20
	Vehicles, offices and residential buildings	Aeronautical	Common (Employee Ratio)	0.49
CHQ/RHQ Expenses	CHQ/RHQ expenses allocated to SVPIA	Common (95%)	Reallocated	154.17
Utility Expenses	Power, fuel and DG set charges	Common (Electricity Ratio)	Common (Electricity Ratio)	-
	Water Charges	Common (Employee Ratio)	Common (Gross block)	0.06
Total	**Impact of reallocation of expenses**			**165.72**

17.2.5. **Rationalisation of allowable expenses based on benchmarking by the Study**

The Study has considered the rationalisation of R&M expenses based on 6% of the opening RAB of AAI, in the absence of sufficient justification for the significant deviation.

The adjustments as mentioned in the above paras are shown in the following table:

Table 228: Rationalisation of R&M expense of AAI based on benchmarking as per the Study

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
R&M expense (A)	20.84	24.06	32.07	27.51	11.45	115.92
Opening RAB of AAI (B)	293.75	299.09	288.39	295.62	328.92	
6% of the opening RAB of AAI as per the Study (C = 6% * B)	17.62	17.95	17.30	17.74	19.74	90.35
As per the Study						
Rationalized R&M expenses (D = Minimum of A, C)	17.62	17.95	17.30	17.74	11.45	82.06
Rationalized R&M expenses inclusive of runway recarpeting expense	24.39	24.71	24.07	24.50	18.22	115.88
Impact due to capping of R&M expenses (A - D)	3.21	6.11	14.76	9.77	-	33.86

17.2.6. Efficient O&M expenses till COD

The aeronautical expenses of AAI as per the Study after taking into account the revision of ratios, re-allocation of expenses and the rationalisation of R&M expenses is shown in the following table.

Table 229: Aeronautical expenses for AAI for SCP till COD as per the Study

Particulars (INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Till COD)	Total
Employee Benefit	21.69	29.00	35.74	38.14	15.22	139.79
Administrative & Other Expenses	8.90	13.33	15.84	24.53	24.96	87.55
CHQ/RHQ	34.26	39.80	23.39	36.76	36.72	170.92
Repairs & Maintenance	24.39	24.71	24.07	24.50	18.22	115.88
Utility Expenses	18.47	19.89	20.30	20.77	10.04	89.47
Miscellaneous & Other Outflows	0.62	1.49	0.13	0.47	0.39	3.09
Total	108.32	128.23	119.46	145.16	105.55	606.72

As can be seen in the table above, the aeronautical O&M expenses for AAI in SCP till COD was determined to be INR 606.72 Cr. as against INR 818.48 Cr. submitted by AAI. There was an impact of INR 211.76 Cr. due to the revisions made by the Study.

17.2.7. Summary of segregation of expenses proposed by the Study post COD

The total impact on various heads under O&M expenses as a result of the proposed reallocation are shown below.

Table 230: Summary of adjustment made by the Study to the O&M expenses submission of AIAL

Expense Category (INR Cr)	Expense Sub-Category / Description	Expenses classification as per		Impact
		AIAL	Study	
Manpower expenses	Payroll expenditure – AAI employees	Aeronautical	Common (Employee ratio of 98.67%)	0.16
	Payroll expenditure – AIAL employees	Common (Department wise cost of 97%)	Common (Employee ratio of 93.22%)	3.63
A&G Expenses	Professional and Consultancy Charges	Common (Gross Block Ratio of (97.7%)	Common (Gross Block Ratio of 93.66%)	0.08
	Office Expenses			0.03
	Consumption of Stores & Spares			0.03
	Travelling and Conveyance			0.02
	Foreign Exchange Loss (net)			0.00
	Payment to Auditors			0.00
	Insurance			0.04
	Rates and taxes	Common (Terminal Area Ratio of 94.9%)		0.02
R&M Expenses	R&M expenses related to Annual Repairs and Maintenance of Civil Works for Cargo Buildings, CISF Barrack, Services Order for Job Work for Passenger Baggage Trolley (PBT) Retrieval services etc.	Common (Terminal Area Ratio (94.9%))	Aeronautical	(0.18)

Expense Category (INR Cr)	Expense Sub-Category / Description	Expenses classification as per		Impact
		AIAL	Study	
	R&M expenses related to Operation & Maintenance of E&M Installations of Terminal Building, Sub-Station, Service Order for AMC T-1 Building & Power House		Common (Terminal Area Ratio of 92.5%)	0.08
	R&M expenses related to Annual repairs and maintenance of Civil works for Terminal-2, MT building, Adjoining Areas, misc work etc		Common (Gross Block Ratio of 93.66%)	0.05
CHQ/RHQ Expenses	Corporate support services	Common (Gross Block Ratio of (97.7%)	Common (Employee ratio of 93.22%)	0.73
Utility Expenses		Aero (net of recoveries)	Aero (net of recoveries)	-
Other outflow expenses	Outsource Manpower Cost for Airport Operations- Security Services from - M/s Modern Veer	Common (Terminal Area Ratio of 94.9%)	Common (Ratio of 31.25%, i.e., aero : total employees of security dept.)	0.90
	Outsource Manpower Cost for Airport Operations- Security Services from - M/s G4S Solutions		Non-aero	0.98
	Outsource Manpower Cost- ILBS, Cargo and manpower		100% Aero	(0.13)
	Horticulture Expenses		Common (Terminal Area Ratio of 92.5%)	0.01
	Housekeeping Expenses-MESS and Service Order		Common (Terminal Area Ratio of 92.5%)	0.10
	Housekeeping Expenses- Appointment of Contractor for landside cleaning work at Ahmedabad Airport		Non-aero	1.02
	IT expenses	Common (Gross Block Ratio of (97.7%)	Common (Terminal Area Ratio of 92.5%)	0.09
	Security expenses		Aeronautical	(0.03)
	Cargo expenses	Aeronautical	Aeronautical	-
	Bank and other finance charges- Expenses for providing Performance Bank Guarantee	Aeronautical	Aeronautical	-
	Bank and other finance charges- Bank Processing Charges and other bank charges	Aeronautical	Common (Gross Block Ratio of 93.66%)	0.04
Total				**7.68**

As per the submission of AIAL, the aeronautical total expenses as per AIAL is INR 71.11 Cr. Certain reclassifications and revisions have been carried out in the Study as can be seen from the table above as a result of which the aeronautical total expenses as per the Study is INR 63.44 Cr. This led to an overall reduction of INR 7.68 Cr in the total expenses. The breakup of the expenses is provided below.

Table 231: Aeronautical expenses for AIAL for SCP post-COD as reallocated by the Study

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Payroll expenditure – AAI employees	11.97
Payroll expenditure – AIAL employees	9.95
A&G expense	5.78
CSS expense	6.25
Utilities	6.31
R&M expenditure	10.42
Other outflows	12.76
Total	**63.44**

The overall impact as a result of the proposed reallocation and rationalisation of the O&M expenses by the Study is shown below.

Table 232: Overall impact on O&M expenses of AIAL as per the Study

Particulars (INR Cr.)	FY 2021 (till COD)
Total aeronautical expenses as per AIAL (A)	71.11
Total impact of reallocation (B)	7.68
Aeronautical O&M Expenses post reclassification as per the Study (C = A – B)	63.44
Impact due to rationalisation of R&M expenses (D)	3.23
Aeronautical O&M Expenses as per the Study (C-D)	60.21
Total impact of Study (B + D)	**10.91**

As can be seen in the table above, the aeronautical O&M expenses for AIAL in SCP post-COD was determined to be INR 60.21 Cr. as against INR 71.11 Cr. submitted by AIAL. There was an impact of INR 10.91 Cr. due to the revisions made by the Study.

17.2.8. Efficient O&M expenses post COD

The aeronautical expenses of AIAL as per the Study after taking into account the revision of ratios, re-allocation of expenses and the rationalisation of R&M expenses is shown in the following table.

Table 233: Breakup of O&M expenses of AIAL as per the Study

FY ending March 31 (INR Cr.)	AIAL 2020-21 (post-COD)
Payroll expenditure – AAI employees	11.97
Payroll expenditure – AIAL employees	9.95
A&G expense	5.78
CSS expense	6.25
Utilities	6.31
R&M expenditure	7.19
Other outflows	12.76
Total	**60.21**

17.3. Annexure 3 – Clauses of the Concession Agreement entered between AAI and AIAL

17.3.1. The Airports Authority of India (AAI) entered into a Concession Agreement with Ahmedabad International Airport Limited (Airport Operator) on 14th February 2020 for the Operation, Development, Maintenance and Management of Sardar Vallabhbhai Patel International Airport for a period of 50 years from the Commercial Operation Date (COD) i.e., 07th November 2020 in accordance with the terms and conditions mentioned in the Concession Agreement.

17.3.2. The relevant Clause of the Concession Agreement may be read as under:

- *Clause 3.1.1 – "Subject to and in accordance with the provisions of this Agreement, Applicable Laws and the Applicable Permits, the Authority hereby grants to the Concessionaire, the concession set forth herein including the exclusive right, lease and authority to operate, manage and develop the Airport ("Concession") for a period of 50 (fifty) years commencing from the COD, and the Concessionaire hereby accepts the Concession and agrees to implement the Project subject to and in accordance with the terms and conditions set forth herein"*
- *Clause 3.1.12 – "Subject to and in accordance with the provisions of this Agreement, the Authority, Applicable Laws and the Applicable Permits, the Concession hereby granted shall oblige or entitle (as the case may be) the Concessionaire to:*
  - *(b) the Right of Way, access and lease to the Site for the purpose of and to the extent conferred by the provisions of this Agreement.*
  - *(c) finance the development and expansion of the Airport.*
  - *(d) operate, maintain and manage the Airport and regulate the use thereof by third parties.*
  - *(e) demand, collect and appropriate Fee from Users liable for payment of Fee for using the Airport or any part thereof and refuse entry of any such User if the Fee due is not paid.*
  - *(f) perform and fulfil all of the Concessionaire' s obligations under and in accordance with this Agreement.*
  - *(g) save as otherwise expressly provided in this Agreement, bear and pay all costs, expenses, Taxes and charges in connection with or incidental to the performance of the obligations of the Concessionaire under this Agreement; and*
  - *(h) neither assign, transfer or create any lien or encumbrance on this Agreement, or the Concession hereby granted or on the whole or any part of the Airport nor transfer, or part possession thereof, save and except as expressly permitted by this Agreement or the Substitution Agreement.*
- *Clause 27.1.1 – "Subject to Clause 27.3, the Concessionaire agrees to pay to the Authority, during the Concession Period, a monthly concession fee calculated as follows (the "**Monthly Concession Fee**"):*

$$\text{Per Passenger Fee for International Passengers} \times \text{International Passenger Throughput for that month} + \text{Per Passenger Fee for Domestic Passengers} \times \text{Domestic Passenger Throughput for that month}$$

Where:

***"Per Passenger Fee for Domestic Passengers"** means Rs. 177 (Rupees One Hundred and Seventy Seven), as may be revised pursuant to Clause 27.3;*

***"Per Passenger Fee for International Passengers"** means 2 (two) times the Per Passenger Fee for Domestic Passengers;*

*"**Domestic Passenger Throughput**" for any month shall mean the total domestic Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time;*

*"**International Passenger Throughput**" for any month shall mean the total international Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time;*

Provided further that, in the first and that last month of the Concession Period, the International Passenger Throughput and Domestic Passenger Throughput shall be prorated by the number of the days in such months as reckoned with respect to the COD or Transfer Date, as relevant."

- *Clause 27.1.2 – "The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same."*
- *Clause 20.1.1 – "The Concessionaire acknowledges and agrees that only the Designated GOI Agencies are authorised to undertake the following services ("**Reserved Services**") at the Airport:*

  (a) CNS/ATM Services;

  (b) security services;

  (c) meteorological services;

  (d) mandatory health services;

  (e) customs control;

  (f) immigration services;

  (g) quarantine services;

  (h) any other services, as may be notified by GOI;

  Provided that, subject to the Applicable Laws and the Applicable Permits, nothing in this Agreement shall restrict the Authority from requiring the Concessionaire to undertake any or all of the Reserved Services on such terms and conditions as may be mutually agreed between the Parties."

17.3.3. Clause 19.4.1. of the Concession Agreement relating to obligations of the Airport Operator towards cargo facilities is reproduced below:

- *Clause 19.4.1 (a) – "The Concessionaire shall upgrade, develop, operate and maintain the Cargo Facilities in accordance with the provisions of this Agreement, Applicable Laws, Applicable Permits, relevant ICAO Documents and Annexes and Good industry Practice."*
- *Clause 19.4.1 (b) – "Notwithstanding anything to the contrary provided in this Clause 19.4 and Clause 23.5, it is clarified that, where Cargo Facilities have been earmarked for AAICLAS in Schedule A (i) the Concessionaire will not be responsible for operations, development, maintenance and management thereof, nor shall the Concessionaire be bound by the obligations set out elsewhere in this Clause 19.4; and (ii) AAICLAS shall be granted access to the airside by the Concessionaire free of cost."*

- *Clause 19.4.1 (c) – "It is further clarified that, where Cargo Facilities have been earmarked for AAICLAS in Schedule A, there shall be no restriction on the upgradation and/ or development of Cargo Facilities by the Concessionaire, including on grounds of quantum of cargo volumes at the Airport, business potential or impact of such additional facilities on Cargo Facilities earmarked for AAICLAS."*

17.3.4. As per Annexure IV of Schedule A to the Concession Agreement, under Carved Out Assets and Areas, It is clarified that the Site and Project Assets shall not include the following:

Table 234: Assets not included under Site and Project Assets

Assets	Acres (Approx.)
Cargo Complex	17.50
1. Land requirement for CNS ATM, & staff quarters (16 acres) 2. Admin Block (1 acres) 3. ATC tower (2.5 acres) 4. Existing school (3 acres)	22.50
Land allotted / to be allotted to IAF	34
Total	**74**

17.3.5. Clause 19.2 relating to Airport Operator's obligation towards Ground Handling Services is given below:

- *Clause 19.2 – "The Concessionaire shall provide or cause to be provided as per Applicable Laws and Good Industry Practice, at its own cost and expense, the infrastructure required for operation of the ground handling services required at the Airport for and in respect of the Users, like aircrafts, passengers and cargo, which shall include ramp handling, traffic handling, aircraft handling, aircraft cleaning, loading and unloading ("Ground Handling Services"). Such infrastructure shall include luggage conveyor belts, computer terminals, information technology backbone and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice.*

17.3.6. Clause 19.3 relating to Airport Operator's obligation towards Aircraft Fueling Services is given below:

- *Clause 19.3 – "The Concessionaire shall provide, or cause to be provided the infrastructure required for operation of fueling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good lndustry Practice."*

17.3.7. Clause 28.11.1 relating to Airport Operator's obligation towards revision of aeronautical charges is given below:

- *Clause 28.11.1 – "The Concessionaire shall seek revision of Aeronautical Charges by the Regulator as per applicable Regulatory Framework for the next applicable Control Period: Notwithstanding the above, the Concessionaire shall have not less than 365 (three hundred and sixty five) days from the COD to seek such revision of the Aeronautical Charges.".*

17.3.8. Clause 23.7.1 relating to Airport Operator's obligation towards participation in the user survey of ASQ undertaken by ACI is given below:

- *Clause 23.7.1 – "The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council International (ACI) or any substitute thereof, conducted every quarter and shall*

ensure that the Airport achieves and maintains a rating of at least 4.5 (four point five) out of 5.0 (five) and/ or shall appear within top 20 (twenty) percentile of all airports, in its category in the World in such survey within 5 (five) years from the COD and maintain the same throughout the rest of the Concession Period."

17.3.9. Clause 24.1 relating to the Independent Engineer's appointment, duties & functions and remuneration are stated below:

- *Clause 24.1.1 – "The Authority (AAI) and the Concessionaire shall appoint a consulting engineering firm substantially in accordance with the selection criteria set forth in Schedule K, to be the independent consultant under this Agreement ("Independent Engineer"). The Independent Engineer shall be appointed in accordance with the provisions of Schedule K."*
- *Clause 24.1.2 – "The appointment of the Independent Engineer shall be made within 90 (ninety) days of the date of execution of this Agreement, and such appointment shall be valid for a period of 3 (three) years. On the expiry or termination of the said appointment, the Authority shall appoint an Independent Engineer for a further term of3 (three) years in accordance with the provisions of Schedule K, and such procedure shall be repeated after expiry of each appointment."*
- *Clause 24.2.1 – "The Independent Engineer shall discharge its duties and functions substantially in accordance with the terms of reference set forth in Schedule L.*
- *Clause 24.3.1 – "The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator."*

17.3.10. The Schedule B of Annex 1 the Concession Agreement which states the description and requirements of various project facilities to be provided at the Airport is given below.

Annex I

(Schedule B)

DESCRIPTION OF ASSETS / PROJECT FACILITIES

The objective of this Schedule is to provide the broad description and requirements of various Project Facilities to be provided at Airport. The Concessionaire shall operate, manage and develop Project Facilities in accordance with the provisions of this Agreement.

1. Assets:

a. Aerodrome control services

b. Airfield

c. Airfield Ground lighting

d. Runways

e. Apron and Road Lighting

f. Taxiways including Rapid Exit Taxiways

g. Aircraft rescue and firefighting (ARFF)

h. Airside and landside access roads and forecourts including traffic signals, signage and monitoring

i. Security Check Points

j. Common hydrant infrastructure for aircraft fuelling services by authorised providers

k. Apron area

l. Apron control and allocation of aircraft stands

m. Manoeuvring Areas

n. Airfield Signage and Airfield Markings

o. Bird scaring

p. Cargo Terminal

q. Into the Plane services for Aircraft Refuelling

r. Airport Operations Control Center

s. Associated facilities to be constructed and operated on the Site such as sewage collection and recycling / water treatment / storm water planning

t. Ground Service Equipment (GSE) Maintenance Building and parking area

u. General aviation services (other than those used for commercial air transport services ferrying passengers or cargo or a combination of both)

v. Hangars

w. Flight Catering Services

x. Vehicle parking

y. Airport Maintenance Building (MRO)

z. Airport Maintenance Building Hangar (MRO Hangar)

aa. Police Station and Customs Building

The capacity of assets will be as per the perspective plan, as updated by the Concessionaire as part of the Master Plan in compliance with ICAO Documents and Annexes, DGCA Civil Aviation Requirements and Good Industry Practice.

2. Description of Terminal Building

The guiding principles for planning and design of the Terminal Building are provided below. The Concessionaire shall develop an integrated terminal building, which is efficiently planned, flexible for phase-wise development, sustainable and economical.

Efficiency

The organization of the terminal should be straightforward and efficient with clear way finding. Passenger and baggage circulation should be organized so that departing and arriving passengers as well as domestic and international passengers do not mingle at any point on the airside of the building. The terminal building show allow for direct and efficient means of passenger and baggage flow for all passengers arriving and departing at the airport.

The distribution of domestic and international gates should ideally be organized to allow swing capabilities and maintain equidistant travel path from the terminal processing area. The terminal building should have integrated landscaping.

Flexibility

The organization of the spaces and structural design of the terminal should be modular thereby allowing flexibility and ease of expansion. The terminal processor should allow for phase-wise development of key functions such as baggage claim halls and processing areas.

Sustainability

Sustainable strategies should be integrated into the planning and architecture of the terminal. Renewable energy production, such as, solar panels should be explored. Landscaping along with green strategies, such as rain water harvesting should be employed. It should have minimum GRIHA -4 rating.

Economy

The new integrated terminal should be constructed using cost effective and environmental friendly technology. It should employ the use of local materials and resources.

Facilities

The Passenger Terminal Building must incorporate mandatorily the following facilities:

a. Arrivals concourses and meeting areas

b. In Line minimum CT X-Ray based Baggage systems including outbound and reclaim

c. Departure concourse with conventional and self-service check-in desks with Common User Passenger Processing System (CUPPS) compatible systems and Common User Self Service (CUSS).

d. Check-in concourses and Self Baggage Drop System.

e. Cleaning, heating, lighting and air conditioning public areas

f. Customs and immigration halls

g. Exclusion Room

h. Emergency services

i. Facilities for the disabled and other special needs people

j. Fire service

k. Flight information and public-address systems

l. Foul and surface water drainage

m. Guidance systems and marshalling

n. Information desks

o. Inter-terminal transit systems

p. Lifts, escalators and passenger conveyors

q. Loading bridges

r. Lost property

s. Passenger and hand baggage search

t. Policing and general security, including CCTC systems and related security equipment

u. Prayer Rooms

v. Signage

w. Toilets and nursing mother's rooms

x. Waste and refuse treatment and disposal

y. X-Ray service for carry on and checked-in luggage

z. VIP / special lounges / ceremonial lounge / Martyrs platform.

aa. Airline lounges

bb. Refreshment facilities at the Terminal Building;

aa. Facilities for tour operators and travel agents;

bb. Facilities for hiring of taxies and transportation;

cc. Banks and foreign exchange facilities;

dd. Public access telephones;

ee. Tree plantation and landscaping

ff. Porter service

gg. Postal Services

hh. Airport offices

Finishes and other layout elements of the terminal building shall include, at a minimum:

i. Air conditioning throughout appropriate areas in the terminal building;

ii. Comfort rooms with optimal layout through the terminal and finishes that emphasize use of water saving devices, etc.

iii. Escalators with optimal layout through the terminal;

iv. Elevators with optimal layout through the terminal;

v. Public seating areas with appropriate capacity;

vi. Public flight information display system with screens and flat panel boards in sufficient numbers throughout the Passenger Terminals; and

vii. Signage which are informational, directional and emergency related.

The airport ICT system should comprise:

i. Data communications networks including wireless;

ii. Airport information management systems, including Airport Operational Data Base (AODB);

iii. Baggage reconciliation systems;

iv. Airport and airline systems, with ability to integrate new Information and Communication Technologies (ICTs)

v. Information kiosks;

vi. Public address systems; and

vii. Close Circuit Television (CCTV) security system to monitor the Airport

viii. Automatic Tray Retrieval System

The Concessionaire shall provide and maintain a safe and efficient airport Baggage Handling System including:

i. In-Line Baggage Screening System providing 100% (one hundred percent) security screening of all hold baggage for all domestic and international operations, meeting minimum

requirements of ICAO Annex 17 SARPs and requirements of the relevant Government Instrumentality responsible for providing or overseeing security at the Airport, subject to space constraints, if any, in the terminal;

ii. Handling of check-in and arriving, transfer and outsized baggage;

iii. Baggage claim facilities; and

iv. Handling and storage of lost baggage.

It is clarified that, where an In-Line Baggage Screening System does not exist currently at the Airport, the Concessionaire shall be entitled but not obligated to provide such system in the existing Terminal Building. It is further clarified that, in the event of the construction of a new Terminal Building, an In-Line Baggage Screening System shall be provided for in respect thereto.

The capacity of the Terminal Building will be as per the perspective plan, as updated by the Concessionaire as part of the Master Plan in compliance with ICAO Documents and Annexes, DGCA Civil Aviation Requirements and Good Industry Practice.

3 Specifications and Standards

All assets (including Terminal Building(s)) shall be in conformity with the Specifications and Standards specified in Schedule C.

17.3.11. The Schedule U of the Concession Agreement which pertains to the list of capital expenditure projects as proposed by AAI is given below.

SCHEDULE U

LIST OF WORKS PROPOSED BY THE AUTHORITY

In case of composite work / project for which AA&ES has already been sanctioned but, the some of the packages are yet to be awarded

Rs. In Lakhs

Sr. No.	Name of the main project/Scheme	Total A/A & E/S Value	Name of the sub-package / work under sanctioned project, et to be taken up	Estimated value of work/ sub-package	Status of Tender invitation	Likely date of award of work	Likely completion period of work	Remarks
1	Construction of New Control Tower cum Technical Block and staff canteen i.c. electrical works at C.A. Ahmedabad	16647.00	-	16647.00	Tenders to be invited	30.06.2019	18 Months	A/A & E/S amounting to Rs. 166.47 Cr. accorded by AAI Board on 20.06.2018.
2	Extension of existing parallel taxi-track towards 23 end of runway. (Construction of part parallel taxi along with angular Taxiway at S.V.P.I. Airport, Ahmedabad. (Civil + Electrical))	11827.00		11827.00	Tenders to be invited	30.04.2018	18 Months	A/A & E/S accorded on 30.10.2018 by AAI Board.
3	Composite rate contract for minor capital works in Residential area including CISF barracks at SVPI Airport, Ahmedabad (2018-19).	150.00	-	150.00	Bid received Work to be awarded	28-11-2018	30.06.2019	Bid received Work to be awarded
4	Provision of Immigration counters for Terminal-2 at S.V.P.I. Airport, Ahmedabad.	23.90	-	23.90	Bid received Work to be awarded	15-12-2018	-	Bid received. Work to be awarded
5	Composite rate contract for minor capital works in Operational area and Terminal buildings at SVPI Airport, Ahmedabad (2018-19).	350.00	-	-	-	-	-	Planning Stage
6	Shifting of GAGAN INRES Building at S.V.P.I. Airport, Ahmedabad. (Civil Works.)	23.28	-	103.81 (CIVIL & ELECTRICAL)	To be invited	01-03-2019	31-08-2019	T/S Stage

A 3 **List of works that are in planning stage and the works can be deferred and AA&ES not issued**

Rs. In Lakhs

S.No	Name of work/ scheme planned	Line Estimate (Cost) of work	Status of obtaining AA & ES	Whether the work is essential for operational requirement	If so, the Date of commencement to be specified for meeting operational requirement	Completion Period to be specified for the work
1	Construction of New Domestic Terminal Building	131900.00	Planning Stage	-	-	-

4 **List of other works/ projects for which AA&ES has already been sanctioned but, the work is not yet awarded**

Rs. In Lakhs

Sr. No.	Name of project / Scheme	Total A/A & E/S Value	Status of detailed estimate/ technical sanction	Probable date of inviting tender	Likely date of award of work	Likely date of completion	Remarks (Reasons for not inviting tender yet.)
1	Construction of New Control Tower cum Technical Block and staff canteen i.c. electrical works at C.A. Ahmedabad	16647.00	-	-	-	-	A/A & E/S amounting to Rs. 166.47 Cr. accorded by AAI Board on 20.06.2018.
2	Composite rate contract for minor capital works in Residential area including CISF barracks at SVPI Airport, Ahmedabad (2018-19).	150.00	Dt. 29/06/2018 Rs. 155.00 lacs	Tender process completed	30.11.2018	31.12.2019	Work yet to be awarded
3	Extension of existing parallel taxi-track towards 23 end of runway. (Construction of part parallel taxi along with angular Taxiway at S.V.P.I. Airport, Ahmedabad. (Civil + Electrical))	11827.00	-	-	-	-	A/A & E/S amounting to Rs. 118.27 Cr. accorded by AAI Board on 30.10.2018.

5 **List of works that are in planning stage and the works cannot be deferred for operational reasons, but AA&ES not issued**

Rs. In Lakhs

S.No	Name of work/ scheme planned	Line Estimate (Cost) of work	Status of obtaining AA & ES	Whether the work is essential for operational requirement	If so, the Date of commencement to be specified for meeting operational requirement	Completion Period to be specified for the work
1	Proposed modification in Domestic T-1 at Ahmedabad Airport (Civil & Elect works)	9037.35	Planning Stage	Yes	-	-
2	Composite rate contract for minor capital works in Operational area and Terminal buildings at SVPI Airport, Ahmedabad (2018-19).	350.00	Planning Stage	Yes	-	-
3	Construction of cargo and courier terminal by demolishing old International Terminal T-3 (For construction of New Domestic terminal Building)	5000.00	Planning Stage	Yes	-	-

Indicative CAPEX to be listed out based on available land with AAI:

Sl. No.	Name of Work/ Scheme	Trigger Point	Date of Start	Date of completion	Remarks
1	Construction of New Control Tower Cum Technical Block and staff canteen i.e. electrical works at C.A. Ahmedabad	Immediate	30.06.2019	31.12.2020	Est cost Rs. 166.50 Cr.
2	Extension of existing parallel taxi-track towards 23 end of runway. {construction of part parallel taxi along with angular Taxiway at S.V.P.I. Airport, Ahmedabad. (Civil + Electrical)}	Immediate	30.04.2019	31.10.2020	Est cost Rs. 118.3 Cr.
3	Composite rate contract for minor capital works in Residential area including CISF barracks at SVPI Airport, Ahmedabad (2018-19).	Immediate	30.11.2018	30.06.2019	Est cost Rs. 1.50 Cr.
4	Provision of Immigration counters for Terminal-2 at S.V.P.I. Airport, Ahmedabad.	Immediate	15.12.2018	31.03.2019	Est cost Rs. 0.24 Cr.
5	Conmposite rate contract for minor capital works in Operational area and Terminal buildings at SVPI Airport, Ahmedabad (2018-19).	Immediate	30.03.2019	30.09.2019	Est cost Rs. 3.50 Cr.
6	Shifting of GAGAN INRES Building at S.V.P.I. Airport, Ahmedabad. (Civil Workds).	Immediate	01.03.2019	31.08.2019	Est cost Rs. 1.04 Cr.
7	Construction of New Domestic Terminal Building	Immediate	31.12.2019	30.06.2022	Est cost Rs. 1319.0 Cr.
8	Proposed modification in Domestic T-1 at Ahmedabad Airport (Civil & Electric Works)	Immediate	31.10.2019	30.04.2021	Est cost Rs. 90.40 Cr.
9	Construction of cargo and courier terminal by demolishing old International Terminal T-3 (For construction of New Domestic Terminal Building)	Immediate	30.09.2019	31.05.2020	Est cost Rs. 50.00 Cr.

17.3.12. The Schedule L of the Concession Agreement which pertains to the roles and responsibility of the Independent Engineer is given below:

SCHEDULE L

TERMS OF REFERENCE FOR INDEPENDENT ENGINEER

(See Clause 24.2)

1 Scope

1.1 These Terms of Reference for the Independent Engineer ("**TOR**") are being specified pursuant to the Concession Agreement dated [●] ("**Agreement**"), which has been entered into between the Authority and [●] ("**Concessionaire**") for the Airport in city of ***[insert name of city where airport is located]*** in the State of ***[insert name of state where the airport is located]***, and a copy of which is annexed hereto and marked as Annex A to form part of this TOR.

1.2 This TOR shall apply to operations, management and development of the Airport.

2 Definitions and Interpretation

2.1 The words and expressions beginning with or in capital letters used in this TOR and not defined herein but defined in the Agreement shall have, unless repugnant to the context, the meaning respectively assigned to them in the Agreement.

2.2 References to Articles, Clauses and Schedules in this TOR shall, except where the context otherwise requires, be deemed to be references to the Articles, Clauses and Schedules of the Agreement, and references to Paragraphs shall be deemed to be references to Paragraphs of this TOR.

2.3 The rules of interpretation stated in Clauses 1.2, 1.3 and 1.4 of the Agreement shall apply, *mutatis mutandis*, to this TOR.

3 Role and functions of the Independent Engineer

3.1 The role and functions of the Independent Engineer shall include the following:

(a) review of the designs, drawings, and documents as set forth in Paragraph 4;

(b) review, inspection and monitoring of Construction Works as set forth in Paragraph 4;

(c) reviewing and witnessing the Tests on completion of construction and assisting the Authority in issuing Completion Certificate/ provisional certificate as set forth in Paragraph 4;

(d) review, inspection and monitoring of O&M as set forth in Paragraph 5;

(e) review, inspection and monitoring of Divestment Requirements as set forth in Paragraph 6;

(f) determining, as required under the Agreement, the costs of any works or services and/or their reasonableness;

(g) determining, as required under the Agreement, the period or any extension thereof, for performing any duty or obligation;

(h) assisting the Parties in resolution of Disputes as set forth in Paragraph 8;

(i) undertaking all other duties and functions in accordance with the Agreement; and

(j) assisting the Concessionaire in determining the Scheduled Completion Dates and Phase Milestones.

3.2 The Independent Engineer shall discharge its duties in a fair, impartial and efficient manner, consistent with the highest standards of professional integrity and Good Industry Practice.

4 Development Period

4.1 During the Development Period, the Independent Engineer shall undertake a detailed review of the designs and drawings to be furnished by the Concessionaire along with the supporting data, including the geo-technical and hydrological investigations, characteristics of materials from borrow areas and quarry sites, topographical surveys and traffic surveys. The Independent Engineer shall complete such review and send its comments/observations to the Authority and the Concessionaire within 15 (fifteen) days of receipt of such Development Plan and Drawings. In particular, such comments shall specify the conformity or otherwise of , Development Plan and such Drawings with the Scope of the Project and Specifications and Standards.

4.2 The brief scope of Independent Engineer at this stage includes, but not limited to, the following:

4.2.1 Review of all design, Drawings, specifications and procurement documents:

(a) design basis;

(b) comments on the design, Drawings, quantities and cost shall be submitted to Authority;

(c) all design and specifications shall be reviewed as per the development standards and requirements;

(d) to verify the list of items and quantities of all items in the bill of quantities of various procurement documents submitted by the Concessionaire and propose modification to the same, if necessary, along with financial implication.

4.2.2 Review of award of works and commercial contracts by the Concessionaire:

(a) contract document shall be reviewed for technical (design, construction, completion and commissioning) and commercial conditions;

(b) review and comment on capability of contractors;

(c) review the procedure of tendering and award of contract adopted by the Concessionaire.

4.3 The Independent Engineer shall review any modified drawings or supporting documents sent to it by the Authority and furnish its comments within 7 (seven) days of receiving such drawings or documents to the Authority.

4.4 The Independent Engineer shall review the drawings in accordance with Schedule I and furnish its comments thereon to the Authority and the Concessionaire within 7 (seven) days of receiving such Drawings.

4.5 The Independent Engineer shall review the detailed design, construction methodology, quality assurance procedures and the procurement, engineering and construction time schedule sent to it by the Authority, which is prepared by the Concessionaire and furnish its comments within 15 (fifteen) days of receipt thereof.

4.6 Upon reference by the Authority, the Independent Engineer shall review and comment on the EPC Contract or any other contract for construction of the relevant Phase of Airport, and furnish its comments within 7 (seven) days from receipt of such reference from the Authority.

4.7 The Independent Engineer shall review the progress reports furnished by the Concessionaire with respect to the following and send its comments thereon to the Authority within 7 (seven) days of receipt of such report:

(a) compliance with Development Plan, Drawings, Specifications and Standards;

(b) ensure that the reports prepared by the Concessionaire has been in line with all the requirements of Development Plan and the Agreement;

(c) review and assessment of quantities of works and time lines for completion of the same;

(d) review and verify all the development works mentioned in the report physically on the ground with respect to the requirements as per the Specifications and Standards;

(e) review and provide its comments on quality of the works and identify any work or part of work required to be rectified before completion of the work; and

(f) review and adopt a project controls perspective, adequacy of resources that integrates cost and schedule, projecting potential trends (both negative and positive) and claims which may affect the approved construction cost.

4.8 The Independent Engineer shall inspect the Construction Works once every month, preferably after receipt of the monthly progress report from the Concessionaire, but before the 20th (twentieth) day of each month in any case, and make out a report of such inspection ("**Inspection Report**") setting forth an overview of the status, progress, quality and safety of construction, including the work methodology adopted, the materials used and their sources, and conformity of Construction Works with the Scope of the Project and the Specifications and Standards. In a separate section of the Inspection Report, the Independent Engineer shall describe in reasonable detail the lapses, defects or deficiencies observed by it in the construction of the Airport. The Independent Engineer shall send a copy of its Inspection Report to the Authority and the Concessionaire within 7 (seven) days of the inspection.

4.9 The Independent Engineer may inspect the Airport more than once in a month if any lapses, defects or deficiencies require such inspections.

4.10 For determining that the Construction Works conform to Specifications and Standards, the Independent Engineer shall require the Concessionaire to carry out, or cause to be carried out, tests on a sample basis, to be specified by the Independent Engineer in accordance with Good Industry Practice for quality assurance. For purposes of this Paragraph 4.10, the tests specified in the relevant manuals specified by the Authority in relation to structures, buildings and equipment ("**Quality Control Manuals**") or any modification/ substitution thereof shall be deemed to be tests conforming to Good Industry Practice for quality assurance. The Independent Engineer shall issue necessary directions to the Concessionaire for ensuring that the tests are conducted in a fair and efficient manner, and shall monitor and review the results thereof.

4.11 The sample size of the tests, to be specified by the Independent Engineer under Paragraph 4.10, shall comprise 10% (ten percent) of the quantity or number of tests prescribed for each category or type of tests in the Quality Control Manuals, provided that the Independent Engineer may, for reasons to be recorded in writing, increase the aforesaid sample size by up to 10% (ten percent) for certain categories or types of tests.

4.12 The timing of tests referred to in Paragraph 4.10, and the criteria for acceptance/ rejection of their results shall be determined by the Independent Engineer in accordance with the Quality Control Manuals. The tests shall be undertaken on a random sample basis and shall be in addition to, and independent of, the tests that may be carried out by the Concessionaire for its own quality assurance in accordance with Good Industry Practice.

4.13 In the event, the Concessionaire carries out any remedial works for removal or rectification of any defects or deficiencies, the Independent Engineer shall require the Concessionaire to carry out, or cause to be carried out, tests to determine that such remedial works have brought the Construction Works into conformity with the Specifications and Standards, and the provisions of this Paragraph 4 shall apply to such tests.

4.14 In the event that the Concessionaire fails to achieve any of the Phase Milestones, the Independent Engineer shall undertake a review of the progress of construction and identify potential delays, if any. If the Independent Engineer shall determine that completion of the Airport is not feasible within the time specified in the Agreement, it shall, through the Authority, require the Concessionaire to indicate within 15 (fifteen) days, the steps proposed to be taken to expedite the progress, and the period within which Completion shall be achieved. Upon receipt of such a report from the Authority, the Independent Engineer shall review the same and send its comments to the Authority forthwith.

4.15 If at any time during the Development Period, the Independent Engineer determines that the Concessionaire has not made adequate arrangements for the safety of workers and Users in the zone of construction, or that any work is being carried out in a manner that threatens the safety of the workers and the Users, it shall make a recommendation to the Authority forthwith, identifying the whole or part of the Construction Works that should be suspended for ensuring safety in respect thereof.

4.16 In the event that the Concessionaire carries out any remedial measures to secure the safety of suspended works and Users, the Authority may, by notice in writing, require the Independent Engineer to inspect such works, and within 3 (three) days of receiving such notice, the Independent Engineer shall inspect the suspended works and make a report to the Authority forthwith, recommending whether or not such suspension may be revoked by the Authority.

4.17 If suspension of Construction Works is for reasons not attributable to the Concessionaire, the Independent Engineer shall recommend the extension of dates set forth in the Phase Completion Schedule for Phase I and also for subsequent Phases, to which the Concessionaire is reasonably entitled, and shall notify the Authority of the same.

4.18 The Independent Engineer shall witness all the Tests being undertaken by the Concessionaire and based on the outcome of the Tests specified in Schedule G, submit a report on Completion or Provisional Completion, as the case may be. For carrying out its functions under this Paragraph 4.18 and all matters incidental thereto, the Independent Engineer shall act under and in accordance with the provisions of Article 14 and Schedule G.

4.19 Upon reference from the Authority, the Independent Engineer shall make a fair and reasonable assessment of the costs of providing information, works and services as set forth in Article 17 and certify the reasonableness of such costs for payment by the Authority to the Concessionaire.

5 Concession Period

5.1 In respect of the drawings, documents and reports received by the Independent Engineer for its review and comments during the Concession Period, the provisions of Paragraph 4 shall apply, *mutatis mutandis*.

5.2 The Independent Engineer shall review the annual maintenance programme furnished by the Concessionaire and send its comments thereon to the Authority and the Concessionaire within 15 (fifteen) days of receipt of the maintenance programme.

5.3 The Independent Engineer shall review the monthly and quarterly status report furnished by the Concessionaire and send its comments thereon to the Authority and the Concessionaire within

7 (seven) days of receipt of such report.

5.4 The Independent Engineer shall inspect the Airport, once every month, preferably after receipt of the monthly and quarterly status report from the Concessionaire, but before the 20th (twentieth) day of each month in any case, and make out an O&M inspection report setting forth an overview of the status, quality and safety of O&M including its conformity with the Key Performance Indicators, maintenance requirements and safety requirements. In a separate section of the O&M inspection report, the Independent Engineer shall describe in reasonable detail the lapses, defects or deficiencies observed by it in O&M of the Airport. The Independent Engineer shall send a copy of its O&M inspection report to the Authority and the Concessionaire within 7 (seven) days of the inspection.

5.5 The Independent Engineer may inspect the Airport more than once in a month, if any lapses, defects or deficiencies require such inspections.

5.6 The Independent Engineer shall in its O&M inspection report specify the tests, if any, that the Concessionaire shall carry out, or cause to be carried out, for the purpose of determining that the Airport is in conformity with the maintenance requirements. It shall monitor and review the results of such tests and the remedial measures, if any, taken by the Concessionaire in this behalf.

5.7 In respect of any defect or deficiency referred to in Paragraph 3 of Schedule I, the Independent Engineer shall, in conformity with Good Industry Practice, specify the permissible limit of deviation or deterioration with reference to the Specifications and Standards and shall also specify the time limit for repair or rectification of any deviation or deterioration beyond the permissible limit.

5.8 The Independent Engineer shall determine if any delay has occurred in completion of repair or remedial works in accordance with the Agreement, and shall also determine the Damages, if any, payable for such delay.

5.9 The Independent Engineer shall examine the request of the Concessionaire for closure of the Airport for undertaking maintenance/repair thereof, keeping in view the need to minimise disruption in traffic and the time required for completing such maintenance/ repair in accordance with Good Industry Practice.

5.10 In the event that the Concessionaire notifies the Authority and the Independent Engineer of any modifications that it proposes to make to the Airport, the Independent Engineer shall review the same and send its comments to the Authority and the Concessionaire within 15 (fifteen) days of receiving the proposal.

5.11 The Independent Engineer shall, at least once every month, conduct an audit of the systems installed by the Concessionaire, to check its accuracy.

5.12 The Independent Engineer shall at the end of the Concession Period (including, extension, if any) provide assistance on transfer of the Project Assets from the Concessionaire to the Authority and assist the Authority in undertaking all necessary activities required for issuance of Vesting Certificate to the Concessionaire in accordance with the terms of the Agreement.

6 Termination

6.1 At any time, not earlier than 90 (ninety) days prior to Termination, but not later than 15 (fifteen) days prior to such Termination, the Independent Engineer shall, in the presence of a representative of the Concessionaire, inspect the Airport for determining compliance by the Concessionaire with the Divestment Requirements set forth in Article 36 and, if required, cause tests to be carried out at the Concessionaire's cost for determining such compliance. If the Independent Engineer determines that the status of the Airport is such that its repair and rectification would require a larger amount than the sum set forth in Clause 37.2, it shall

recommend retention of the required amount in the Escrow Account and the period of retention thereof.

6.2 The Independent Engineer shall inspect the Airport once in every 15 (fifteen) days during a period of 90 (ninety) days after Termination for determining the liability of the Concessionaire under Article 37, in respect of the defects or deficiencies specified therein. If any such defect or deficiency is found by the Independent Engineer, it shall make a report in reasonable detail and send it forthwith to the Authority and the Concessionaire.

7. Determination of costs and time

7.1 The Independent Engineer shall determine the costs, and/or their reasonableness, that are required to be determined by it under the Agreement.

7.2 The Independent Engineer shall determine the period, or any extension thereof, that is required to be determined by it under the Agreement.

8. Assistance in Dispute resolution

8.1 When called upon by either Party in the event of any Dispute, the Independent Engineer shall mediate and assist the Parties in arriving at an amicable settlement.

8.2 In the event of any disagreement between the Parties regarding the meaning, scope and nature of Good Industry Practice, as set forth in any provision of the Agreement, the Independent Engineer shall specify such meaning, scope and nature by issuing a reasoned written statement relying on good industry practice and authentic literature.

9. Other duties and functions

The Independent Engineer shall perform all other duties and functions specified in the Agreement.

10. Miscellaneous

10.1 The Independent Engineer shall notify its programme of inspection to the Authority and to the Concessionaire, who may, in their discretion, depute their respective representatives to be present during the inspection.

10.2 The Independent Engineer shall retain at least 1 (one) copy each of all drawings and documents received by it, including 'as-built' Drawings, and keep them in its safe custody.

10.3 Upon completion of its assignment hereunder, the Independent Engineer shall duly classify and list all drawings, documents, results of tests and other relevant records, and hand them over to the Authority or such other person as the Authority may specify, and obtain written receipt thereof. 2 (two) copies of the said documents shall also be furnished in their editable digital format or in such other medium or manner as may be acceptable to the Authority.

10.4 Wherever no period has been specified for delivery of services by the Independent Engineer, the Independent Engineer shall act with the efficiency and urgency necessary for discharging its functions in accordance with Good Industry Practice.

17.3.13. Clause 2.3 relating to Airport Operator's obligation towards Reserved Services at the Airport is given below:

- *Clause 2.3.1 – The GOI shall, throughout the Term, provide, or cause to be provided, at the Airport, the following services ("Reserved Services"):*
    - *a) Customs Control;*
    - *b) Immigration Services;*
    - *c) Plant Quarantine Services;*
    - *d) Animal Quarantine Services;*
    - *e) Health Services;*

f) Meteorological Services; and

g) Security Services.

- *Clause 2.3.2 – The Concessionaire shall at all times ensure to provide the Designated GOI Agencies with (a) such access and facilities at the Airport, and (b) the space requirements, as may be required by any or all of them to perform the Reserved Services at the Airport".*

17.3.14. The Schedule T of the Concession Agreement which pertains to the different types of pre-existing contracts at the Airport, along with contract for additional work that has already been awarded is given below:

SCHEDULE T

EXISTING CONTRACTS

The revenue contracts at the Airport are indicated as follows:

S.No.	Name of Facility/ License/Space/sapce Allotted / Awarded	Party name / Address	Period of the contract in year / month		Regular Contract/Adhoc or extension
			From	To	
01	Advertising Rights	**M/s. TDI Internation Ltd.** 42,Rani Jhansi Road New Delhi - 110 055	28.02.2019	27.02.2020	Regular Contract
02	Repeater Station	**M/s. Bharti Airtel Ltd.,** SCM Department, 2nd Floor, M/s. Bharati Airtel Ltd. SCM Department,Zodiac Square,2nd Floor, S.G.Road,Zodiac Square,Opp. Gurudwara,Ahmedabad- 380 054.	01.01.2014	Till date	Extension
03	Repeater Station	**M/s. Reliance Jio Infocomm Ltd.** FF 101 Saffron,Panchvati 5 Rasta, Nr. Bank of Baroda,Ahmedabad PIN - 38006.	22.11.2016	Till date	Extension
04	Repeater Station	**M/s. Bharat Sanchar Nigam Limited,** D.E.(CMTS Plg.) ATD., Building,Gulbai Tekra, Ahmedabad-380009	01.01.2008	Till date	Extension
05	Car Rental Service (T-1)	**M/s. Akbar Travels of india,** Domesti Building (T-1) S.V.P.International Airport, AHMEDABAD380 003.	16.11.2010	Till date	Extension
06	Snack bar (outside-T-2 Dep. arera)	**M/s. Saptagiri Retaurant** L-73/285 Mahipal Pur Extn, New Delhi - 110 037.	16.10.2018	15.10.2019	Regular Contract
07	Tea/Coffee vending machine (T-2)	**M/s. Saptagiri Retaurant** - AS ABOVE----	07.03.2014	Till date	Extension
08	Snack Bar (outside T-1)	**M/s. Saptagiri Retaurant** - AS ABOVE----	01.10.2014	Till date	Extension
09	Branded Snack Bar (SHA T-1)	**M/s. Saptagiri Retaurant** - AS ABOVE----	01.01.2018	Till date	Extension
10	Celluar Facility (T-1)	**M/s. Vodafone Idea Limited**, Vodafone House, Building A, Corporate Pralhadnagar off.,S.G.Hignway, Ahmedabad- 380051	15.05.2015	Till date	Extension
11	Repeater Station	**M/s. Vodafone Idea Limited** --AS ABOVE --	01.01.2014	Till date	Extension
12	Restaurant Cum staff Canteen	**M/s.RBA Hospitality Pvt.Ltd.,** C-19 - Jay Yogiraj Society, Nr-Sardarnagar Police Station, Sardarnagar,Ahmedabad-382475.(Guj.)	15.07.2014	Till date	Extension
13	Branded Snack Bar (SHA-T-2)	**M/s.RBA Hospitality Pvt.Ltd.** ---AS ABOVE ---	25.06.2018	24.06.2019	Regular Contract

Page **283**

Additional works already awarded:

Sl. No.	Name of Work/Scheme	Contractor Name/ Address	Estimated Cost or Work	Awarded Value (in Lakhs)	Date of Start	Stipuilated date of Completion	Likely Physical progress up till 30th June 2019 (in % age)	Likely Financial Progress up till 30th June 2019
1	Renovation of toilets in T-1 (New Name: Modification and renovation of toilets in Ter-1 at SVPI Airport, Ahmedabad. (Civil Work)	M/s K. B. Patel Procon Pvt. Ltd. B/165, Sakar-7, Nr. Nehru Bridge Corner, Ashram Road, Ahmedabad-380007.	382.60	221.48	16.03.2018	15.03.2019	100%	250.00
2	Construction of Domestic Apron including link Taxi Track, extension of International Apron, Turning Pad at Runway 23, Construction of balance primeter road and allied works (Civil & Electrical) at S.V.P.I. Airport, Ahmedabad (Civil & Electrical)	M/s M. S. Khurana Engineering Ltd., (Enginners & Infrastructure Developers), 2nd Floor, "MSK" Passport Office to Panjrapole Road, Ambawadi, Ahmedabad - 380015 Gujarat, India	6363.00	4572.99	07.04.2018	06.12.2019	60%	1500.00
3	Relocation of Localizer and Glidepath Building at S.V.P.I. airport, Ahmedabad.	M/s. Saumya Construction, "Shantikunj" 2nd Floor, Near Dhanlaxmi Comples, Opp. Thakkar Nagar BRTS Bus Stand, N.H. 8, Thakkarnagar, Ahmedabad - 382350	187.57	144.89	18.02.2018	17.08.2018 30.11.2018	100%	200.00

List of capital work-in-progress/ works already awarded –

Sl. No.	Name of Work/Scheme	Contractor Name/ Address	Estimated Cost or Work	Awarded Value (in Lakhs)	Date of Start	Stipulated date of Completion	Likely Physical progress up till 30th June 2019 (in % age)	Likely Financial Progress up till 30th June 2019
1.00	Integration & upgradation of Arrival & departure AC Plant of Terminal -1	M/s Zamil Air Conditioners India Pvt. Ltd., A-403, 4th Floor, Safal Pegasus, 100 ft Road, Ahmedabad-380015	234.05	199.81	01.04.18	30.11.18	100%	199.81
2.00	Modification of existing Departure Baggage handling system to accommodate CTX based ILBS system at International Terminal, Ahmedabad Airport. SH: Supply of Baggage Handling System. (FOB portion)	M/s. Pteris Global Limited, Singapore	SGD 12,04,914	602.46	24.06.18	15.02.19	100%	602.46
3.00	Modification of existing Departure Baggage handiling system to accommodate CTX based ILBS system at International Terminal, Ahmedabad Airport. SH: Installtion, Testing and Commissioning of Baggage Handling System. (INR portion)	M/s. Three D Integrated Solution Ltd., 1109, Tower A-1, Spaze itech park, Sector-49, Sohna Road, Gurgaon-122002	122.36	122.36	24.06.18	15.02.19	100%	122.36
4.00	Modification of existing Departure Baggage Handling System to accommodate CTX based ILBS system at Ahmedabad Airport (Domestic Terminal)	M/s Vandelande, Industries Pvt Ltd, Unit 702, Pentagon P-4, Magarpatta city, Hadapsar, Pune-411028	191.43	191.43	10.06.18	20.01.19	100%	191.43
5.00	Renovation of toilets in T-1 at SVPI Airport, Ahmedabad, (Electrical works)	M/s Taral Electricals, 212 Binani Complex, Baranpura, Opp. Torrent Power Office, Naranpura, Ahmedabad	64.62	59.38	30.07.18	30.6.19	100%	59.38
6.00	Improvement of lighting/energy saving by replacement of conventional light fitting with LED fitting.	M/s Energy Efficiency Services Limited. 4th Floor, Sewa Bhawan, R.K. Puram, New Delhi.	144.71	144.71	23.07.18	22.11.18	100%	144.71

7.00	Installation of DVOR/ILS equipments under replacement plan at Ahmedabad Airport. SH 2: Electrical works for ILS shifting.	M/s Yash Energy Pvt. Ltd. 408, Hash Bisuness Centre, Near Ankur School Fatehpura, Paldi, Ahmedabad- 380007	40.84	34.57	15.06.18	12.12.18	100%	34.57
8.00	Miscellaneous Electrical Works in SVPI airport, Ahmedabad (2018-19) SH: Internal & External Electrical Works	M/s Shree Sai Electricals and Instrumentation, Shop no.2, 3rd Floor, Time Squre Building, Adajah, Surat - 395009	16.64	14.21	26.10.18	25.07.19	100%	14.21
			Total	6308.29				

17.3.15. Clause 2 of Schedule B relating to development philosophy with respect to planning for facilities for future demand and Airport Operator's obligation towards them is given below:

SCHEDULE B

DEVELOPMENT OF THE AIRPORT

(See Clause 2.1)

1. Development of the Airport

The planning approach to be used to facilitate the achievement of a well-developed Airport should be to establish airside, terminal development and other facility requirements on the basis of forecasted future traffic for various Phases. Facility requirements should be the outcome of the application of technical and service level standards to the relevant forecast data throughout the planning period to ensure that sufficient facilities are available to accommodate the forecast traffic volumes from the COD of the Airport till the end of the Concession Period

The most important systems that affect overall airport capacity and level of service to users are the Runway/ taxiway system and the passenger Terminal Building (and the domestic and international split), as well as the number of apron stands and contact gates. The development of the Airport in Phases shall be as per provisions mentioned in Schedule A.

In addition, regular investments are needed to periodically maintain and upgrade the facilities, replace equipment and meet other requirements in order to ensure the Airport infrastructure caters to the projected traffic meeting the service level standards prescribed in this Agreement.

2. Development Philosophy

The purpose of any planning effort is to determine the facilities required to support a forecast demand, with the near-term planning being used as means of identifying the initial development required. However, it is also imperative the planning efforts do not initiate development that precludes or significantly complicates the ability to develop latter stages of the Airport. Additionally, the planning effort must result in a scheme that remains flexible while also definitely establishing a coordinated plan for the incremental growth of specific elements of the Airport.

Sustainability

Environmental conservation is an important element of consideration for all work proposed for the Site. The Master Plan shall consider this from various lenses, considering overall site sustainability with respect to how the project is situated on the Site, how it impacts the area in and around the Site boundaries, for example through transportation to and lighting of the Site.

- **Water**: How is water demand managed, and how is water treated on the site?

  Sustainable, site-wide water strategies must first promote demand reduction, through management of water demand for building use, irrigation, and fire safety. Building demands should be managed by provision of water efficient fixtures, namely sinks and toilets. Irrigation requirements should be minimized by use of native species that are drought tolerant. Strategies should be pursued that promote the collection of graywater and storm-water for non-potable uses, including irrigation and aircraft washing.

- **Energy**: How is energy provided on or delivered to the site in sustainable ways, and how efficiently do building systems that require energy to operate?

  The ultimate EPI (Energy Performance Index) of the airport shall be less than the industry average as amended time to time.

  A large part of the energy required to operate the buildings on site is required for the conveyance systems, equipment, special systems (such as baggage handling), and

Page 169

17.3.16. The relevant clauses of the concession agreement with regard to the Deemed Initial RAB are given below:

- *Clause 28.11.3 (a) - It is agreed by the Parties that the Concessionaire shall be liable to pay to the Auth*ority an amount *equivalent to the investments made by the Authority in the Aeronautical Assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment (**"Deemed Initial RAB"**).*

- *Clause 28.11.3 (*b) – *The estimated depreciated value of investments made by the Authority in the Aeronautical Assets at the Airport as on March 31, 2018, is Rs. 271,00,00,000 (Rupees Two Hundred and Seventy-One Crores) **("Estimated Deemed Initial RAB")**. It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.*

17.4. Annexure 4 – Note on Corporate Cost allocation as submitted by AIAL

Corporate Allocation

i. Ahmedabad International Airport Limited (AIAL) is a group company of Adani Group. Adani Enterprises Limited (AEL) holds 51% shareholding in AIAL directly and 49% shareholding indirectly through Adani Airport Holdings Limited (AAHL).

ii. AEL is a flagship company for Adani Group which has promoted various businesses like Power, Renewable, Ports, Logistics, Airports, Data Center, Défense etc.

iii. AAHL is a special purposes holding company incorporated with an aim to promote Airport and airport related activities. As on date AAHL has portfolio of 8 Airports i.e. Mangaluru, Lucknow, Ahmedabad, Guwahati, Jaipur, Thiruvanthapuram, Mumbai and Navi Mumbai.

iv. AEL and AAHL have developed various capabilities, infrastructure and processes in various areas ("Corporate Support Services").

a. AEL has consolidated various strategic functions/activities like corporate finance, legal, central procurement, green initiative, ESG, Information technology, taxation, management assurance, internal audit, shared service for financial transactions. human resource management. AEL also includes various strategic and leadership functions like Chairman office, Group CFO office, Corporate Communication and Branding etc. AEL provides support on these functions to all group companies including but not limited to Power, Renewable, Ports, Logistics, Airports, Data Center, Défense etc.

b. AAHL houses a team of specialised subject matter expert in Aviation sector having domain knowledge and expertise in Airports Operation, Airside Management, Master Planning, Designing, Airport Development, Airport Regulatory, Human Resources, Transition Management, Hospitality, Customer management, Finance Management, Legal expertise, Cargo Development and Management, Airline Marketing, Retail, Commercial, Space Leasing, Non-Aeronautical etc.

v. These capabilities, infrastructure, and processes (retained under AEL and AAHL) are very much important for sustainable operations of any business including Airports.

vi. The cost is incurred by AEL and AAHL on overall basis to provide these services and support to various group companies (including Airports) by AEL and to various Airport companies in case of AAHL respectively. The major composition of these costs includes salaries and administrative cost related.

vii. These costs (except shareholders services and non-Aeronautical services) are recovered by AEL and AAHL through appropriate allocation method/keys. AEL and AAHL do not allocate the costs which are related to shareholders services (activities performed by AEL / AAHL for their own benefits like consolidation of accounts, secretarial etc.) and Non-Aeronautical services.

viii. The cost is allocated on cost-to-cost basis "without any mark-up". As on date Adani Group has portfolio of 8 Airports. In case these services are to be maintained by each Airport on standalone basis then the summation of cost incurred by each Airport will be much higher than the consolidated cost incurred by AEL and AAHL to maintain these services.

ix. Corporate cost allocation has various benefits like: -

1. Leveraging on best practices
2. Centralized monitoring and control
3. Efficiencies and economies of scale

x. It has been a common practice across all the industries operated by big business houses including private Airport entities and AAI, whereby cost allocation process is prevalent. The similar corporate cost allocation practice is used by aviation companies For e.g., GMR Infrastructure Limited (GIL) and GMR airports Limited (GAL) provides services to DIAL and GHIAL and their costs are allocated based on suitable drivers. Similar practice is followed by AAI as well in allocating its Central Head Quarters (CHQ) / Regional Head Quarters (RHQ) costs to various airports.

xi. For FY20-21 i. e. from COD 07th Nov 2020 to 31st March 2021, it was first year of operations, Corporate cost of AAHL was bifurcated amongst Mangalore, Lucknow and Ahmedabad in proportion to the revenues earned by each of these Airports, which is also in line with the practice adopted by AAI to allocate its CHQ/RHQ costs to its Airports.

Below is the breakup of corporate cost allocation (Allocated in the ratio of revenue earned by Mangalore, Lucknow and Ahmedabad) from AAHL to AIAL from COD i.e. 07th Nov 2020 to 31st March 2021

Particulars	Amount (Rs. In Crs)
Admin	1.77
Personal Cost	5.38
Total	**7.14**

xii. However in FY21-22 with the acquisition of Mumbai & Navi Airport and achievement of COD for Jaipur, Guwahati, and Thiruvanthapuram Airports, AAHL felt need to devise more robust allocation methodology and has hired an independent consultant to undertake a study on Corporate Cost Allocation who have opined that consolidation of support services have benefits like: -

a) Leveraging on best practices

b) Centralized monitoring and control

c) Efficiencies and economies of scale

The independent consultant also opined that such corporate cost allocation practice is adopted by various large corporates including Aviation companies in India and overseas. Further the independent consultant has advised that, non-allocation of shareholders cost, non-allocation of non-aeronautical services at AAHL, recovery at cost to cost without mark-up and allocation based on various drivers, are suggested approach for allocation methodology.

Based on the above suggestions, allocation keys for FY21-22 onwards have been revised and given effect accordingly.

17.5. Annexure 5 – Details regarding capital expenditure for the Third Control Period

17.5.1. Minor Projects - Terminal Building

Table 235: Cost towards Minor Projects – Terminal Building as proposed by the Authority

S. No.	Asset Description	Amount (INR Cr.)		
		by AO	Considered in TCP	Deferred/ To be trued up
1	Conversion of Existing Ceremonial Lounge into GA Terminal	11.56	9.40	2.16
2	Waterproofing work at T1, T3 & T4	0.60	0.21	0.39
3	Light Motion Sensor 300 Nos	0.05	0.01	0.03
4	Terminal -2 Roof modification to avoid leakage waterproofing issues	10.00	8.31	1.69
	Adjusted total base cost	**22.21**	**17.94**	**4.27**

17.5.2. Minor Projects - Runway & Taxiway

Table 236: Cost towards Minor Projects – Runway & Taxiway as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Development of RESA for RWY	Aero	2.60	-	2.60
2	Demolition of Existing Pavement	Aero	0.34	-	0.34
3	Demolition of existing Bomb cooling pit	Aero	0.01	-	0.01
4	Bomb Cooling Pit and associated Boundary wall works (South of Runway) incld. additional Road, Electrical & Watch Tower Works in BCP Area	Aero	1.80	-	1.80
5	GSE Staging - (Rigid Pavement)	Aero	14.56	-	14.56
6	Demolition of Existing Boundary wall	Aero	0.02	-	0.02
7	Into Plane Facility Building	Aero	0.24	-	0.24
8	Access & Circulation Area/ Site Development	Aero	0.38	-	0.38
9	Runway Recarpeting	Aero	2.50	-	2.50
10	Airside Signages	Aero	1.83	0.15	1.68
	Adjusted total base cost		**21.67**	**0.15**	**21.53**
	Aero (A)			0.15	
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			**0.15**	

17.5.3. Minor Projects - Roads

Table 237: Cost towards Minor Projects – Roads as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Landside signages	Common	0.40	0.15	0.25
2	Recarpeting of landside roads	Common	6.96	3.31	3.65
3	Perimeter road recarpeting & widening at few areas	Aero	10.60	10.60	-
	Adjusted total base cost		**17.96**	**14.06**	**3.90**
	Aero (A)			10.60	

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
	Common (B)			3.46	
	Non-aero			-	
	Aero base cost (A + B × Terminal Building Ratio)			**13.71**	
	Aero cost including indexation			**16.01**	

17.5.4. Minor Projects - Boundary wall

Table 238: Cost towards Minor Projects – Boundary wall as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Landside Boundary Wall / Landside Airport Compound Wall (New Construction on North side)	Common	0.49	0.49	-
2	Perimeter wall height extension, repair & Monkey Fencing removal & reinstallation	Aero	3.00	-	3.00
3	Boundary Wall Protection, Watch tower	Aero	0.80	-	0.80
	Adjusted total base cost		**4.29**	**0.49**	**3.80**
	Aero (A)			-	
	Common (B)			0.49	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			**0.44**	

17.5.5. IT Equipment

Table 239: Cost towards IT Equipment as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	IOT (Internet of things) system for passenger process mapping	Aero	2.00	-	2.00
2	Smart Door for AOCC	Aero	0.03	-	0.03
3	IT equipment upgradation in Apron Control/AOCC	Aero	2.00	-	2.00
4	CRM Software	Common	0.06	-	0.06
5	IT Infrastructure Development	Common	0.80	0.08	0.76
6	Asset Management- Software for T2	Common	0.25	-	0.25
7	Incident Management- Software for T2	Common	0.25	-	0.25
8	Server and Storage Tech Refresh	Common	1.00	-	1.00
9	Network Switch and Cabling Tec Refresh	Common	1.50	-	1.50
10	Readers for biometric AEP	Common	0.39	-	0.39
11	OFC network CCTV, Other building connectivity's	Aero	0.70	-	0.70
12	Switches and hardware	Common	1.20	-	1.20
13	IT Infra & DC	Common	4.49	-	4.49
14	Innovation & Technology Lab	Common	0.90	-	0.90
15	Technology Change / Upgradation of Systems	Common	2.50	2.50	-
16	Strategic Projects	Common	3.50	0.75	3.23
17	BU Growth	Common	4.32	4.32	2.02
18	Asset Level Technology Refresh	Common	3.65	1.79	2.54

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
	Adjusted total base cost		**29.54**	**9.43**	**20.11**
	Aero (A)			-	
	Common (B)			9.43	
	Non-aero			-	
	Aero base cost (A + B × Terminal Building Ratio)			**8.49**	
	Aero cost including indexation			**9.70**	

17.5.6. Security Equipment

Table 240: Cost towards Security Equipment as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Birds scaring / wildlife prevention equipment's	Aero	2.0	0.06	1.94
2	Aerodrome Safeguarding Equipment	Aero	0.2	0.10	0.05
3	O2, Explosive, Toxic analyser , Confined space air blower with duct , Vapor proof light	Common	0.2	-	0.20
4	Life enhancement of 5 Nos CFT	Aero	2.5	2.50	-
5	Optical Fiber cable from IAPP camera to ACR	Aero	0.5	-	0.50
6	Upgradation of Airside access gates/ crash gates	Aero	1.6	-	1.60
7	BDDS Equipment's (Set)	Aero	9.0	-	9.00
8	Guard Tour System	Aero	0.1	-	0.05
9	Video Management System license software	Aero	0.6	0.15	0.49
10	QRT Vehicle	Aero	1.0	0.56	0.44
11	RT Sets	Aero	1.2	-	1.20
12	Artificial Intelligence for cameras for T2	Aero	0.5	-	0.50
13	Counter Drone System	Aero	0.3	-	0.25
14	Forceable entry prevention (Crash Barriers/bollards/Tyre killers	Aero	0.3	-	0.25
15	Intrusion detection system	Aero		-	-
16	Key Management System	Aero	0.1	-	0.05
17	CCTV Cameras	Aero	3.8	3.80	-
18	CISF Kitchen Equipment	Aero	0.3	0.21	0.06
19	HHMD / DFMD	Aero	0.8	0.75	-
	Adjusted total base cost		**24.71**	**8.13**	**16.58**
	Aero (A)			8.13	
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			**8.13**	

17.5.7. Minor Projects - Plant and Machinery

Table 241: Cost towards Minor Projects – Plant and Machinery as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Demolition of Existing Boundary wall	Aero	0.01	0.01	-

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
2	Fuel Station (Petrol Pump)	Aero	0.42	-	0.42
3	Access & Circulation Area/ Site Development	Aero	0.40	0.40	-
4	Triturator	Aero	5.00	-	5.00
5	Circulation for Triturator	Aero	0.18	0.18	-
6	Passenger Chairs	Common	0.90	-	0.90
7	Baggage repacking area, provision of Weighing scales	Aero	0.10	-	0.10
8	Passenger Baggage trolleys	Aero	2.20	-	2.20
9	Thermal screening infrastructure	Aero	1.00	-	1.00
10	Dustbin	Common	0.60	-	0.60
11	AEDs	Aero	0.20	-	0.20
12	Prams	Aero	0.10	-	0.10
13	Q Managers	Aero	1.00	-	1.00
14	Baggage Tub (200 per year, Total – 1000)	Aero	0.25	-	0.25
15	Environment Management	Aero	1.50	-	1.50
16	Airside Safety Budget	Aero	1.20	-	1.20
17	PU flooring for BBA/BMA	Aero	1.00	-	1.00
18	Domestic/aerial Fire Tender with ladder	Aero	1.00	-	1.00
19	Portable Fire equipment's, Mobile DG lights, various cutting tools,	Aero	0.30	-	0.30
20	ALCMS replacement	Aero	0.16	0.16	-
21	Replacement of CCRs & electrical panels of CCR's	Aero	0.72	0.18	0.54
22	Sun control film on PBB glass	Aero	0.48	-	0.48
23	Harmonic filter for electrical panels	Common	1.80	-	1.80
24	Bob cat for airside works	Aero	0.30	-	0.30
25	Water cooler at Airside	Aero	0.03	-	0.03
26	Percolation Well 8 Nos	Aero	0.32	-	0.32
27	Replacement of PAPI cables	Aero	0.50	0.50	-
28	Oil water separator	Aero		-	-
29	Aircraft toilet waste disposal	Aero	0.10	-	0.10
30	T1 & T2 Apron HPSV & Halogen light replacement with LED Lighting	Aero	0.53	0.53	-
31	8 Nos PBB Interior development & Rectification at T1 & T2	Aero	0.50	-	0.50
32	Safety Hoop 6 Nos for PBB	Aero	0.06	-	0.06
33	UPS for PBB 4 Nos, 10 KVA	Aero	0.12	0.12	-
34	Airside Electrical Panel, lighting poles bollard, other assets protection	Aero	0.60	0.08	0.52
35	Dual power supply for M-LAT	Aero	0.25	0.25	-
36	ASKA Light for ARFF	Aero	0.10	0.10	-
37	Portable 25 KVA DG Set	Aero	0.08	-	0.08
38	Replacement of Terminal -1 old chillers with Energy Efficient chillers – 2 Nos	Common	1.62	-	1.62
39	Automated chemical doing system with at Terminal 1 & Terminal -2 cooling tower plant	Common	0.20	-	0.20
40	Tube cleaning system at Terminal -2 chillers	Common	0.35	-	0.35
41	Paver blocks at T1, & T2 Substation to avoid water ponding, pest infestation improving safety	Common	0.30	-	0.30
42	Side stream filters in cooling towers	Common	0.50	-	0.50

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
43	Old AHU's coil & Fan replacement by new coil	Common	3.00	-	3.00
44	Fire Detection & Protection system at buildings & Substation	Common		-	-
45	Pre-paid Energy & Water Meters	Common		-	-
46	Air purifiers	Common	0.20	-	0.20
47	Replacement of ATC Lift & T-1 Departure lift	Common	0.60	0.10	0.50
48	Replacement / modification of T1, T2 LT panels and providing metering arrangement for select areas i.r.o. of O&M	Common	2.20	-	2.20
49	Replacement of LT Panel in ATC block	Aero	0.30	-	0.30
50	Energy efficient pumping system for T-1 & T2 , STP	Common	0.40	-	0.40
51	BMS & Energy management system for Terminals	Common	1.00	-	1.00
52	CCTV for Plant rooms, store, STP	Aero	0.45	-	0.45
53	Airside cable pit rectification, levelling and covers	Aero	0.90	0.12	0.78
54	AVDGS upgrade & replacement	Aero	0.70	-	0.70
55	Water metering	Common	0.30	-	0.30
56	Building Fire Fighting system improvements (Electrical panels temperature sensor in panels, fire hydrant & fire extinguisher in few locations)	Aero	0.50	0.28	0.22
57	UPS for Emergency lighting	Aero	0.38	-	0.38
58	Prepaid energy meter for concessionaries, offices	Non Aero	0.30	-	0.30
59	Old Split AC replacement, GHG Compatible	Common	0.90	0.42	0.48
60	Landside & Airside FRP Drain Covers	Common	0.60	-	0.60
61	Modification of T-1 landside drain for addressing monsoon	Non Aero	0.50	-	0.50
62	Mobile Auto prime Pumps (for dewatering) & Sump pit	Common	0.60	0.26	0.34
63	Child barrier for BHS 55 Nos Counters safety	Aero	0.08	-	0.08
64	PRM Alarm for washroom	Aero	0.02	-	0.02
65	Washroom Exhaust improvement (Blowers)	Common	0.20	-	0.20
66	Urinal Sensors	Aero	0.03	-	0.03
67	SS Fender	Common	0.10	0.08	0.02
68	HVLS Fans for T1 & T2	Common	0.50	0.18	0.32
69	Photometric testing workshop equipment	Aero	0.50	-	0.50
70	Mobile photometric testing equipment for AGL	Aero	0.75	-	0.75
71	Torque calibration equipment along with software, DGPS (Differential GPS) for AGL	Aero	0.35	-	0.35
72	Building management systems (BMS) System at Terminal -2 (Energy, Water, Air)	Aero		-	-
73	CCR old 140 KVA UPS replacement 2Nos 250 KVA along with accessories	Aero	0.96	0.96	-
74	Cooling Tower replacement	Common	1.30	0.18	1.12
75	Radar AC replacement	Aero	0.50	-	0.50
76	Redundant water supply line for Terminal -2	Common	0.30	-	0.30
77	Portable 5 KVA DG Set	Aero	0.01	-	0.01
78	Friction Tester	Aero	1.40	-	1.40
79	Rubber Deposit Removal Vehicle	Aero	6.40	5.33	1.07
80	Mechanical Runway Sweeper	Aero	3.00	3.00	-
81	DG Exhaust Scrubber	Common	1.70	-	1.70

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
82	T-1 Smart Street light Pole	Common	0.25	-	0.25
83	DG & Panel Replacement	Common	1.00	-	1.00
84	Electrical Charging stations at Landside & Terminal side	Non Aero	1.30	0.02	1.28
85	Water Treatment plant	Common	0.40	-	0.40
86	Electrostatic filter for AHU's to handle pandemic, killing germs	Common	0.50	-	0.50
87	APFC Panels	Common	0.30	-	0.30
	Adjusted total base cost		**62.65**	**13.43**	**49.22**
	Aero (A)			12.19	
	Common (B)			1.22	
	Non-aero				
	Aero base cost (A + B × Terminal Building Ratio)			**13.28**	
	Aero cost including indexation			**14.57**	

17.5.8. Minor Projects - Other buildings

Table 242: Cost towards Minor Projects – Other buildings as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	CCR Building	Aero	4.88	-	4.88
2	Access & Circulation Area/ Site Development	Aero	1.28	1.28	-
3	New Airside Gates - 2	Aero	1.82	1.82	-
4	New Airside Gates - 1	Aero	1.82	1.82	-
5	SMR Facilities (New CONSTRUCTION)	Aero	0.23	0.23	-
6	Access & Circulation Area/ Site Development	Aero	0.02	0.02	-
7	Hazardous Waste Storage	Aero	0.33	-	0.33
8	Circulation for Hazardous Waste Storage	Aero	0.05	0.05	-
9	Rainwater Harvesting Ponds (RWH 1 & 2)	Common	0.76	-	0.76
10	Airside Cafeteria	Non Aero	0.40	-	0.40
11	Airside Toilet Facility	Aero	0.30	-	0.30
12	New Airside washroom & Few CNS equipment canopies as per operations requirement	Aero	0.35	0.35	-
13	Watchtowers 6 Nos for CISF & Porta Toilets 6 Nos	Aero	0.27	-	0.27
14	Porta Cabins Sentry post CISF	Aero	0.05	-	0.05
15	Office development	Common	2.50	-	2.50
16	Airline Office development	Aero	1.20	0.97	0.23
17	Stores Infrastructure Development	Aero	0.20	-	0.20
18	Scrap Yard	Non Aero	0.25	-	0.25
19	ATC refurbishment	Aero	0.75	0.75	-
20	Utility rooms refurbishment	Common	0.50	-	0.50
21	ASTI	Aero	4.00	1.82	2.18
	Adjusted total base cost		**21.96**	**9.10**	**12.86**
	Aero (A)			9.10	
	Common (B)			-	

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
	Non-aero			-	
	Aero base cost (A + B × Terminal Building Ratio)			**9.10**	
	Aero cost including indexation			**10.05**	

17.5.9. Minor Projects - Vehicles

Table 243: Cost towards Minor Projects – Vehicles as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Airside Operation Vehicles	Aero	0.30	0.30	-
2	Vehicle recovery Van	Aero	0.15	0.10	0.04
3	Follow ME Vehicle	Aero	0.70	-	0.70
4	Ambulances	Aero	1.05	0.38	0.67
5	Mini Road Roller	Common	0.10	-	0.10
	Adjusted total base cost		**2.30**	**0.79**	**1.51**
	Aero (A)			0.79	
	Common (B)			-	
	Non-aero			-	
	Aero base cost (A + B × Terminal Building Ratio)			**0.79**	
	Aero cost including indexation			**0.89**	

17.5.10. Minor Projects - Cargo Equipment

Table 244: Cost towards Cargo Equipment as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	**Cargo Equipment and Cargo Screening System & IT System**	Aero			
1.1	Movable Equipment for ICT (Refer table 246)	Aero	9.33		
1.2	MHE Equipment (Refer table 245)	Aero	67.50		
1.3	IT System, Equipment Dom+Intl+Exp	Aero	3.36		
1.4	Ancillary Services	Aero	26.40		
	Total		**106.59**	**53.30**	**53.30**

Table 245: Cost towards Cargo Equipment- MHE Equipment list as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	**Civil-PEB-Electrical-FFS (Related to Equipment installation)**	Aero	18.84		
2	**PCHS (Pallet container handling system)** 100 locations for storing ULD(Pallet/Container), 2 Elevated Transfer Vehicle, Integrated Workstation with integrated weighing bridges for pallet and container etc.	Aero	30.65		

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
3	SRS (Stacking and Retrieval system) 3000 Locations, 5 heights , 5 stackers	Aero	9.00		
4	**Handling Equipment** In line cargo conveyor with auto weighing, dimension measurement, barcode reading and piece counting. Flexible conveyors for loading/ unloadinig.	Aero	3.00		
5	**IT Infrastructure (MHS Related)**	Aero	6.01		
	Total Amount Including Taxes but excluding contingency	Aero	**67.50**	**33.75**	**33.75**

Table 246: Cost towards Cargo Equipment- Movable Equipment for ICT list as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	10 Feet Pallet Dolly	Aero	0.20		
2	10 Ton Weighing Scale	Aero	0.02		
3	2 Ton Weighing Scale	Aero	0.02		
4	3 Ton Battery operated Forklift with additional battery & Charger	Aero	0.51		
5	5T battery operated forklift with one additional battery and charger	Aero	1.00		
6	5 Ton Weighing Scale	Aero	0.02		
7	Battery operated Tractor with additional battery and charger	Aero	0.70		
8	Bulk Trolley	Aero	-		
9	Cattle Cages	Aero	-		
10	Dock Levellers	Aero	0.20		
11	Hand Pallet Trucks (HPT)	Aero	0.05		
12	Industrial Fans	Aero	0.04		
13	Warehouse rack storage locations	Aero	0.11		
14	Slave Pallets 10 ft	Aero	0.48		
15	Truck Ramps	Aero	0.00		
16	Warehouse Pallets - Plastic - 1mX1m	Aero	0.19		
17	Radio Sets & Repeaters	Aero	-		
18	ETD	Aero	0.35		
19	XIBS (100x100 DV)	Aero	-		
20	XIBS (145x180 DV)	Aero	3.00		
21	HHMD (Handheld Metal Detector)	Aero	-		
22	DFMD (Door Frame Metal Detector)	Aero	0.02		
23	Other misc. (binoculars / thermal cameras, temporary tyre killers etc)	Aero	-		
24	Traffic Signages, Cones, Chains and equipment for Traffic Management	Aero	-		
25	Tyre Killers at city side (subject to clearance from local authorities)	Aero	-		
26	Security Cabins	Aero	-		
27	Boom Barriers with Accessories and Application (Set of 1 In / Out Barriers)	Aero	0.05		
28	Under Vehicle Scanner & ANPR	Aero	0.60		

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
29	Dome Camera with Switching and Accessories	Aero	0.30		
30	PTZ Camera Outdoors with Switching and Accessories	Aero	0.08		
31	Poles - 8 Mtrs	Aero	0.03		
32	Software Licence/ camera	Aero	0.05		
33	Base Licence	Aero	-		
34	Access Control licenses	Aero	-		
35	Flap Barriers with smart card access control single lane	Aero	-		
36	Access Control Controllers / door	Aero	0.02		
37	Card based Readers and Accessories/ door	Aero	0.04		
38	Indoor Intrusion detection system / Per sensor (PIR)	Aero	0.00		
39	Intrusion Detection Panel with Junction box, Power Supply, Software licence and accessories	Aero	0.01		
40	Intrusion Panel Repeater Unit	Aero	0.00		
41	Biometric Attendance Devices for initial period for Adani employees / Device	Aero	-		
42	Servers (1 Management, 1 Archival, 1 FO Archival) - Common Infra at Airport Terminal	Aero	-		
43	Storage - Set 2	Aero	0.05		
44	Chair	Aero	-		
45	LED TV	Aero	0.02		
46	Meeting Room Chairs	Aero	-		
47	Tables	Aero	-		
48	Desktops	Aero	-		
49	Handheld Devices	Aero	1.12		
50	Printer	Aero	0.05		
51	Duty Mobile	Aero	-		
52	Document Scanner	Aero	-		
53	Phones - Station In charge	Aero	-		
54	Barcode Printer	Aero	-		
55	Radio Sets	Aero	-		
	Adjusted total base cost		**9.33**	**4.66**	**4.66**
	Aero (A)			**4.66**	
	Common (B)			**-**	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			**4.66**	

17.5.11. **Minor Projects - Cargo Building**

Table 247: Cost towards Minor Projects – Cargo Building as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	MT Workshop	Aero	12.6	7.96	4.66
	Adjusted total base cost		**12.6**	**7.96**	**4.66**
	Aero (A)			7.96	

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			**7.96**	

17.5.12. Minor Projects - Misc. Cargo Equipment

Table 248: Cost towards Minor Projects – Misc. Cargo Equipment as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	T3 Renovation	Aero	2.1	2.1	-
2	MS Azure (IT)	Aero	0.1	0.1	-
3	Equipment Carry Forward	Aero	4.0	4.0	-
	Adjusted total base cost		**6.17**	**6.17**	**-**
	Aero (A)			6.17	
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			**6.17**	

17.5.13. Minor Projects - Fuel Farm

Table 249: Cost towards Minor Projects – Fuel Farm as proposed by the Authority

S. No.	Asset Description	Type	Amount (INR Cr.)		
			by AO	Considered in TCP	Deferred/ To be trued up
1	Product (dead stock)	Aero	2.80	2.80	-
	Adjusted total base cost		**2.80**	**2.80**	**-**
	Aero (A)			2.80	
	Common (B)			-	
	Non-aero			-	
	Aero cost (A + B × Terminal Building Ratio)			**2.80**	

17.5.14. T1&T2 refurbishment- BOQ Details

Table 250: Summarized BOQ - T1 Refurbishment Works as proposed by the Airport Operator

S. No.	Asset Description	Total (INR Cr.)
1	Demolition Works	0.85
2	Barricading works	5.51
3	Doors and Windows	0.89
5	False Ceiling	2.70
6-A	Connecting Bridge	-
7	Flooring	3.39
8	Furniture	2.19
9	Gir Forest Area Structure Addition	8.92
10	Glass Partition	1.88
12	PEB Structure for BHS and BRH Area	7.39
12-A	Structural glazing and Doors for BRH	0.95
13	Services	-
a)	Electrical	12.18
b)	FFTG	3.19
c)	HVAC	22.61
d)	ICT	9.18
e)	Plumbing	0.70
14	SS Railing	0.35
15	Structure Addition & Modifications	3.38
16	Toilets	2.82
16-A	Plumbing & Sanitaryware	1.76
18	Wall Finish	9.67
	Total Amount (In Rupees)	**100.51**

Table 251: Summarized BOQ – T2 Refurbishment Works as proposed by the Airport Operator

S. No.	Asset Description	Total (INR Cr.)
1	Temporary Barricading	7.88
2	Demolition Works	1.70
3	BOQ_ Door Works	1.82
4	False Ceiling Works	15.43
5	FAÇADE & GATE Works	-
5.1	Bus Gate Façade	0.81
5.2	Departure Gate Façade	1.53
5.3	FF gate Façade	1.09
5.4	Service Vestibule Façade	1.28
5.5	Façade- International Immigration Area	0.90
5.6	Façade- T2 Connecting Bridge	3.38
5.7	Façade and Vestibule-Additional Quantities	0.49
6	Flooring Works	7.10
7	SS Railing Works	0.76

S. No.	Asset Description	Total (INR Cr.)
8	Immigration Expansion Block	7.22
8.1	Departures-New Building (Additional Quantities)	23.54
9	FLB Work (Revised BOQ)	29.46
10	GLASS PARTITION Works	6.23
11	PLUMBING Works (Revised BOQ)	1.84
11.1	Plumbing Works- Sanitary Installations	2.36
11.2	Plumbing Works- Sanitary Installations (Additional Quantities)	0.50
12	Wall finish Works	12.37
13	Structural Addition & Modifications Works - R1	1.70
14	BOQ_Furniture Works	4.30
14.1	Furniture Works (Additional Quantities)	0.68
15	Terminal Plantation	0.65
16	Toilet Block (New and renovation work)	6.12
16.1	Toilet Block (New)- Additional Quantities	0.97
	MEP	
17	Fire Protection Works (Revised Quantities)	7.36
18	ELECTRICAL WORKS (Revised Quantities)	19.03
19	Bill Of Quantity HVAC Works (Revised Quantities)	41.53
20	AMD T2 - Schedule of Escalator	1.93
20.1	AICMC for 7 Years including 2 years DLP	2.32
21	AMD T2 - Schedule of Elevators	1.18
21.1	AICMC for 7 Years including 2 years DLP	2.32
22	ICT Works (Revised BOQ)	21.81
23	BHS	36.03
24	SECURITY SYSTEM (Revised Quantities)	7.90
24.1	AICMC for 7 Years including 2 years DLP	0.98
25	PBB (passenger Boarding Bridge)	19.60
25.1	AICMC & O&M for 7 Years including 2 years DLP	14.18
26	VDGS (Visual Docking Guidance System)	2.20
26.1	AICMC & O&M for 7 Years including 2 years DLP	3.80
	Total Contract Value	**324.28**

17.5.15. **Bifurcation of expenses towards modification of existing terminals between Aero and Non-aero**

Table 252: Bifurcation of expenses towards modification of existing terminals

Particulars (INR Cr.)	Refer	Cost as per the Authority (INR Cr.)		
		Total	% Aero	Aero
A.4 Expansion and modification of existing terminal buildings				
T1 & T2 Refurbishment Works*	Table 92	588.31	90%	529.48
Artworks	Table 92	22.73	90%	20.46
Passenger amenities at landside	Para 7.5.4	164.47	50%	82.24
Total		**775.51**	81.52%	**632.17**
Total including indexation		**844.37**	81.52%	**688.31**

17.5.16. Break-up of awarded portion of cost towards Passenger Amenities at Landside

Table 253: Break-up of awarded portion of cost towards Passenger Amenities at Landside

Particulars	Amount (INR Cr.)
Forecourt	79.47
Façade	14.14
PEB	18.19
Plumbing	4.70
HVAC	4.63
EFS	1.24
Electrical	5.65
Total	**128.01**
Total including GST and BOCW* CESS	**152.33****

**Building and Other Construction Workers Welfare (BOCW)*

***awarded portion only*

17.5.17. List of projects dropped by the Airport Operator in due course post submission of MYTP

Table 254: List of Projects dropped by the Airport Operator

S. No.	Normative Cost Calculation	Amount (INR Cr.)
A.6	**Minor Works – Terminal Buildings**	**75.09**
	Terminal work	75.09
B.6	**Minor Works – Runway & Taxiway**	**2.60**
	Development of balance portion of RESA for Runway 05 & 23 End	2.60
F.9	**T1 Utility Complex**	**88.00**
	Relocation of Torrent Power Station / Construction of New Power Station	88.00
G.2	**Security Equipment**	**0.02**
	Intrusion detection system	0.02
G.4	**Minor Projects – Plant & Machinery**	**2.45**
	Oil water separator	0.05
	Fire Detection & Protection system at buildings & Substation	0.80
	Pre-paid Energy & Water Meters	0.60
	Building management systems (BMS) System at Terminal -2 (Energy, Water, Air)	1.00
	Solar Panels	**29.23**
	Total	**197.39**

17.5.18. Details of LoA for MMTH Road Project

adani

Service Order

Ref No.: PROC/AIAL/22-23/126
Date : 06th July 2022

To,
M/s. AIC Infrastructures Private Limited,
B-7, Vimal Apts, Juhu Lane,
Andheri (West),
Mumbai – 400058 (India)

Kind Attn.: Mr. Kritarth Raja (Managing Director)

Subject: Apron & Landside Civil Works at Sardar Vallabhbhai Patel International Airport, Ahmedabad ("Airport")

Reference: a) Our RFP for the subject works published on dt. 18.02.2022.
b) Your final offer for subject works dated 01.04.2022.

Dear Sir,

We are pleased to issue this Service Order (SO) for subject works as per the terms and conditions mentioned below:

1) The total value of the Service Order (SO) is **Rs. 76,64,73,355/- [Rupees Seventy-six Crore Sixty-four Lac Seventy-three Thousand Three Hundred and Fifty-five Only]** including all taxes and duties but excluding Goods & Service Tax (GST) and BOCW cess, which shall be paid as extra by Employer to Contractor as applicable on submission of requisite documents.

2) Time period will be as follows:
Commencement Date : 01.04.2022

Completion Date : All works shall be completed for
- Package-1 & 2 - (Civil works for Aprons for Terminal T1&T2) in **6 months** from the Commencement date
- Package-3 - (Civil work for landside development) in **7 months** from the Commencement date

3) The currency or currencies in which payments are made to the Contractor under this Contract shall be **Indian Rupees**.
4) The Contract shall be interpreted, construed, and governed by the Laws of India. Subject to Determinations, Claims, Disputes and Arbitration, the courts situated at **Ahmedabad**, in the State of Gujarat, India shall have exclusive jurisdiction in all matters relating to the Contract.
5) All other terms and Contract Conditions & Technical specifications shall be as per the documents annexed herewith.

Please acknowledge and send us one copy duly signed and stamped on each page as a token of unconditional acceptance of this SO.

Thanking you,

Yours faithfully,
For, Ahmedabad International Airport Ltd.,

Hitarth Mankodi
Hitarth.Mankodi (Jul 6, 2022 18:27 GMT+5.5)

Authorized Signatory

Received and unconditionally accepted,
For, AIC Infrastructures Pvt. Ltd.,

Authorized Signatory

AIC INFRASTRUCTURES PVT. LTD. MUMBAI 400 058.

Enclosures:
1. Annexure – I – Price Schedule
2. Annexure – II – Special Conditions of Contract
3. Annexure – III – General Conditions of Contract

Sr. No.	Description	Amount
1	**T1 Apron**	**3,78,87,321**
1.1	Earth work	29,82,055
1.2	Pavement work	1,00,01,006
1.3	Paint marking work	5,36,800
1.4	Pipe culvert - Utility duct	17,02,128
1.5	Road Signage	70,000
1.6	Road side Drain(Open drain)	1,17,91,889
1.7	Utility Duct	41,52,502
1.8	IT work	23,34,250
1.9	Electrical works	33,86,337
1.10	Demolition and dismantling	9,30,354
2	**T2 Apron**	**25,96,74,778**
2.1	Earth work	2,36,33,866
2.2	Pavement work	13,43,04,222
2.3	Paint marking work	26,01,403
2.4	IT system	39,42,133
2.5	AGL Civil	15,09,930
2.6	AGL Electrical	15,19,077
2.7	Electrical work	1,83,54,462
2.8	Utility duct/Duct Bank	3,22,71,172
2.9	Demolition	1,87,94,273
2.10	Extra Items - Provisioning of Road, new Steel gate & MS pipes, Sentry post	13,11,110
2.11	Additional Items	2,14,33,130
3	**Landside**	**46,89,11,256**
3.1	Civil Works	35,76,75,557
3.2	Drain Work	3,73,46,585
3.3	Electrical	3,86,27,483
3.4	Parking_Electrical	2,01,50,802
3.5	ICT	1,51,10,829
	Basic Amount including all taxes and duties and excluding GST and BOCW	**76,64,73,355**

Nikunj Adani
Nikunj Adani (Jul 6, 2022 17:44 GMT+5.5)

Annexure - 1 - Priced BOQ | Apron and Landside Works at AMD | Page 1 of 41

17.5.19. Executive Summary of NATS Study

adani | Ahmedabad Sardar Vallabhbhai Patel International Airport

NATS

Executive Summary

This study was commissioned by Adani to provide an independent high-level review of the infrastructure and forecast demand contained in the Ahmedabad Airport Master Plan.

The airport master plan sets out ambitious targets to grow to 18M passengers annually in 2026 (Master Plan Phase 1), 28M passengers annually in 2030 (Master Plan Phase 2) and 40M passengers annually in 2040.

Desktop analysis was carried out to review the runway, stand, taxiway, and airspace infrastructure provided by the Master Plan phases and compare against forecast demand.

The main findings are summarised in the table below:

	Phase 1 - 2026	Phase 2 - 2030	2040
Adani Forecast demand, annual passengers	18M	28M	42M
Adani Forecast demand, annual movements	123k	184k	318k
Runway capacity			Limited to 36 movements per hour unless A-D-A separations are reduced
Stand capacity		Demand for overnight stands is likely to approach capacity	Demand for overnight stands is likely to exceed capacity
Taxiway infrastructure	Runway 23 operations will be challenging as demand approaches 2030 levels		The taxiway infrastructure is likely to become constrained as traffic levels increase
Airspace infrastructure		5NM minimum radar separation may limit airspace capacity	5NM minimum radar separation may limit airspace capacity

Table 1: Summary of Airport Capacity

The table below provides a qualitative estimate of peak theoretical capacity based on analysis in this report and benchmarking with other busy single runway airports.

	Annual Passengers	Annual Movements	Average Daily Demand	Peak Hourly Demand
Ahmedabad (Theoretical Peak Capacity)	34M	220K	603	36

Table 2: Ahmedabad Theoretical Peak Capacity

This study makes several recommendations to support the enhancement of the airport's capacity.

17.5.20. **Detailed cost estimates for additional cable and associated accessories provided by AIAL**

Estimated Cost for the for additional cables and other associated accessories					
Sr. No.	**Item Description**	**Qty**		**Rate (In Lakh Rs.)**	**Amount (In Lakh Rs.)**
For 66 KV Substation					
1	Cable for 66 KV and 33 KV Single core copper cable (within Substation)	1	Job	30	30
2	66 KV Cable from Torrent Substation to RSS Substation (7 x .85)	6000	Mtrs	0.2	1,200
3	Cable Joint & Termination	24	Nos.	4	96
4	Statutory Charges/ Service Charges	1	Job	22.5	23
For 33 KV Substation					
1	Cable for 33 KV Single core & 11 KV single core copper cable (within Substation)	1	Job	50	50
2	33 KV Cable	1500	Mtrs	0.06	90
3	Cable Joint & Termination	1	Job	50	50
4	Other Services (Cap Bank, Earthing, Lightning arrestor) etc.	1	Job	90	90
5	Statutory Charges/ Service Charges	1	Job	15	15
	Total				**1,644**

17.5.21. **Detailed cost estimates for STP, Storage Tanks and Pumphouse work provided by AIAL**

Table 255: Detailed BOQ for STP, Storage Tanks and Pumphouse work submitted by the Airport Operator

S. No.	Description of Item	Unit	Rate (INR)	Quantity	Amount (INR Cr.)
1	**Fresh Water tank with Pump House**				
1.1	Water storage Tank	KL	23,400	17,750	41.54
1.2	Pump House	Sqm	28,300	388	1.10
1.3	Hydro pneumatic Water Supply System	LPM	1,800	2,833	0.51
2	**STP & Storage Tanks, Pump House associated Buildings**				
2.1	Demolition for Roadways				
2.1.1	Demolition of Flexible Pavement	Sqm	730	595.0	0.04
2.2	Demolition of Existing Structure	Sqm	3,300	696.0	0.23
2.3	Demolition of Existing Boundary wall	Rmt	2,100	135.0	0.03
2.4	2.0 MLD STP	MLD	59,000,000	2.0	11.80
2.5	Recycled Water storage Tank	KL	23,400	3,600	8.42
2.6	Hydro pneumatic Water Supply System	LPM	1,800	2,083	0.37
2.7	Pump House	Sqm	28,300	112	0.32
2.8	Solid Waste Facility	Sqm	25,900	5,626	14.57
2.9	Access & Circulation Area/ Site Development for Solid Waste Facility	Sqm	4,400	1,000	0.44
	Total				**79.37**

17.5.22. **Letter from the Superintendent of Stamps, Gandhinagar, along with proof of payment copy**

Office of The Superintendent of Stamps
Stamp & Registration Bhavan,
KH – 5 Circle, Sector – 14,
Gandhinagar-382016 Gujarat
Phone Fax & No : 079- 23288265

નં.સ્ટેમ્પ/અશન/૩૫/૨૦૨૦/૫૬૭૮ તા.૫/૦૨/૨૦૨૨

પ્રતિ,
ડિરેકટરશ્રી,
અદાણી અમદાવાદ ઈન્ટરનેશનલ એરપોર્ટ લીમીટેડ,
અદાણી કોર્પોરેટ હાઉસ, શાંતીગ્રામ, એસ.જી. હાઈવે,
અમદાવાદ–૩૮૨ ૪૨૧.

વિષયઃ–ગુજરાત સ્ટેમ્પ અધિ.–૧૯૫૮ ની ક–૩૧ હેઠળ સ્ટેમ્પ ડયુટીના અભિપ્રાય બાબત.

સંદર્ભઃ– આપની તા.૧૮/૦૮/૨૦ ની અરજી સાથે રજુ કરેલ ' કન્સેશન એગ્રીમેન્ટ' નો લેખ

ઉપરોકત વિષય પરત્વે જણાવવાનું કે, આપશ્રીએ ઉકત સંદર્ભદર્શિત અરજીથી અત્રેની કચેરી ખાતે ' કન્સેશન એગ્રીમેન્ટ ' નો લેખ ગુજરાત સ્ટેમ્પ અધિનિયમ–૧૯૫૮ ની કલમ–૩૧ હેઠળ સ્ટેમ્પ ડયુટીના અભિપ્રાય અર્થે રજુ કરેલ. જેમાં અરજી સાથે રજુ કરેલા લેખની વિગતો વંચાણે લેતાં સદર કન્સેશન એગ્રીમેન્ટ એરપોર્ટ ઓથોરીટી ઓફ ઈન્ડીયા અને અદાણી અમદાવાદ ઈન્ટરનેશનલ એરપોર્ટ લીમીટેડ વચ્ચે થયેલ છે. જેમાં સદર કન્સેશન એગ્રીમેન્ટ તા. ૧૪/૦૨/૨૦૨૦ નાં રોજ કરવામાં આવેલ છે.

આપશ્રીએ રજુ કરેલ લેખની વિગતો વંચાણે લેતાં લેખ Operations, Management and Development માટે કન્સેશન એગ્રીમેન્ટ કરવામાં આવે છે. તેમજ તેના ડેવલોપમેન્ટની જવાબદારી પણ સ્વીકારવામાં આવે છે.

સદરહું પ્રકરણે લેખમાં બે વ્યવહાર અ.નં. (૧) ડેવલોપમેન્ટ એગ્રીમેન્ટ અને અ.નં. (૨) કન્સેશન એટલે કે ભાડાપટ્ટો સમાયેલ છે. આમ, પ્રકરણે રજુ થયેલ લેખમાં બે અલગ–અલગ વ્યવહાર બનતા હોઈ, સદરહું પ્રકરણે કલમ–૫ ની જોગવાઈ મુજબ દરેક અલગ–અલગ વ્યવહાર માટે ડયુટી ગણી કુલ ડયુટી વસુલ લેવાની થાય.

Office of The Superintendent of Stamps
Stamp & Registration Bhavan,
Kha – 5 Circle, Sector – 14,
Gandhinagar – 382016 Gujarat
Phone Fax & No.: 079 – 23288265

No. Stamp/ashan/35/2020/5942 dt. 06/02/2022

To,

The Director,
Adani Ahmedabad International Airport Limited,
Adani Corporate House, Shanti Gram, S.G. Highway,
Ahmedabad – 382421.

Subject: - Seeking Advice for Stamp Duty Under Gujarat Stamp Act – 1958 Section A-31 (Ka-31).

Reference: - An application dated 18/08/20 submitted by you for content 'Concession Agreement'.

It is to inform that an application dated 18/08/20 which has been submitted by you for Seeking Advice on Stamp Duty Under Gujarat Stamp Act – 1958 Section – 31, in respect of content Concession Agreement. On study of the content, it reveals that Concession Agreement has been made between Airport Authority of India and Adani Ahmedabad International Airport Limited. This Concession Agreement has been made on the day of dt. 14/02/202.

On study of the content, it reveals that Concession Agreement has been made for Operation, Management and Development. And taken responsibility for development.

In this content, two dealings have been inclusive i.e. A.NO. (1) Development Agreement and A. NO. (2) Concession means Lease. In this context, since, two different dealings are involved, under Section 5, duties for two different dealings are to be levied accordingly.

As per Gujarat Stamp Act – 1958 under Article – 45 (g) (Ja) for construction of any immoveable property or development or sale or transfer (by any how) known in the name of anybody or given to

developer, duty will be levied Rs. 3 and paisa 50 on bazar value of Rs. 100. As such, total stamp duty to be levied at the tune of Rs. 2,32,65,193/- (Rupees two crore thirty-two lacs sixty-five thousand one hundred ninety-three only) at the calculation of rate Rs. 3.50 of total bazar value of Rs. 66,47,19,800/- in respect of developing land.

Taking in the account content of the matter and affidavit submitted by the applicant, the concession agreement has been made between Airport Authority of India. As per agreement Rs. 2,77,41,00,000/- has been paid to Airport Authority of India by them. Except that no amount has to be paid. Hence, the amount to the tune of Rs. 277,41,00,000/- would be as per provision of Article – 30 (b) (kha) of Schedule – 1 of Gujarat Stamp Act 1958,

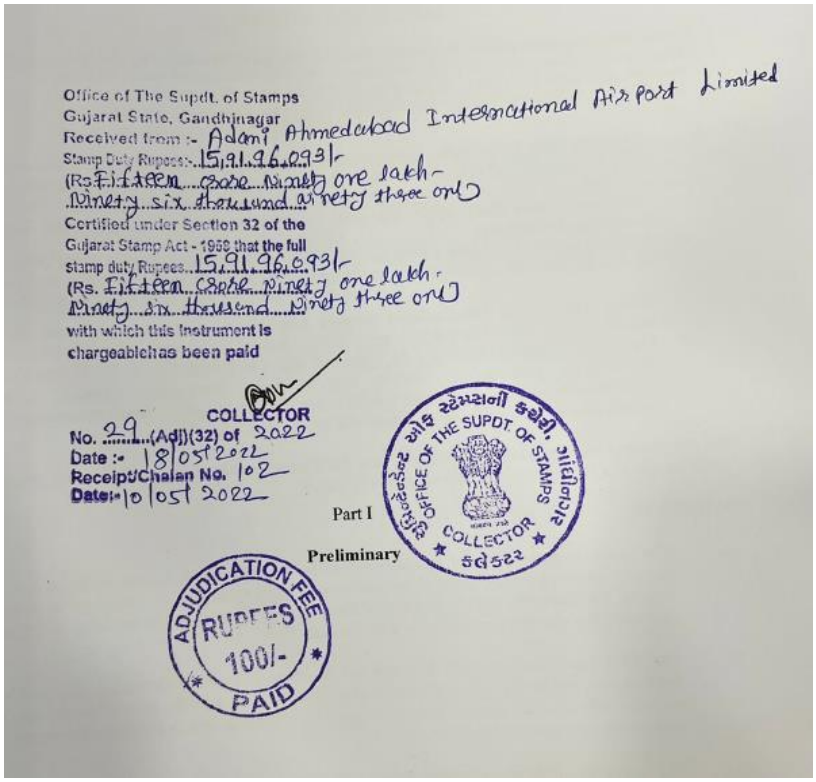
As per Article – 30 (b) (kha), amount of premium of stamp duty would be levied Rs. 13,59,30,900/- (Rupees thirteen crore fifty-nine lacs thirty thousand nine hundred only) taking in calculation of amount Rs. 277,41,00,000/- on transfer letter of ownership.

As such overall amount would be Rs. 15,91,96,093/- (Rupees fifteen crore ninety-one lacs ninety-six thousand ninety-three only) taking in the account of Rs. 2,32,65,193/- as per Article – 45 (g) (Ja), bazar value of transfer of developing land and Rs. 13,59,30,900/- as per Article – 30 (b) (kha), premium amount of concession agreement, that is concession agreement 4.90% as per Article – 20 (a) (ka), as decided.

(1) Rs. 100/- as Judiciary Decision Fee has been received by this office

Sig.
Collector
And
Additional Supt. Of Stamps
Gujarat State, Gandhinagar

Note: - Above amount may be sent by Cheque/Demand draft/Pay order in the name of Collector and Additional Supt. Of Stamps Gujarat State, Gandhinagar for certifying the content.


Office of The Supdt. of Stamps
Gujarat State, Gandhinagar
Received from :- Adani Ahmedabad International Airport Limited
Stamp Duty Rupees:- 15,91,96,093/-
(Rs. Fifteen crore ninety one lakh- Ninety six thousand ninety three only)
Certified under Section 32 of the Gujarat Stamp Act - 1958 that the full stamp duty Rupees 15,91,96,093/-
(Rs. Fifteen crore Ninety one lakh- Ninety six thousand Ninety three only)
with which this instrument is chargeablehas been paid
COLLECTOR
No. 29 (Adj)(32) of 2022
Date :- 18/05/2022
Receipt/Chalan No. 102
Date:- 10/05/2022
Part I
Preliminary
OFFICE OF THE SUPDT. OF STAMPS COLLECTOR
ADJUDICATION FEE RUPEES 100/- PAID

17.5.23. Adjusted normative cost towards main pavement for Hangars as proposed by the Authority

Table 256: Adjusted normative cost towards main pavement for Hangars as proposed by the Authority

Particulars (in INR Cr.)	Amount
Normative Cost (Refer table 98)	5,972.47
AGL*	895.87
Drains*	895.87
Airside Operational Constraints**	388.21
Subtotal (A)	8,152.42
GST@18% (B)	1,467.44
Total (A + B)	9,619.86

**Based on AO's submission*

***Revised from 15% as per AO's submission to 5%*

17.6. Annexure 6 – Details regarding O&M Expenses for the Third Control Period

The table below shows the detailed breakup of the proposed employee headcount for the Select employees as submitted by AIAL for TCP vide email dated 23rd April 2022.

Table 257: Employee ratio of the Select employees as per AIAL as on 31st March 2022

Department	Classification	As on 31st March 2022 (in No.)
Security	Aero	1
Information Technology	Common	1
Terminal and Operation	Aero	21
Non-Aero Commercial	Non-Aero	1
Human Resources and Admin	Common	23
Finance	Common	6
Engineering & Maintenance	Aero	37
Fire Fighters	Aero	83
	Total	**173**
	Aero	**142**
	Non-Aero	**1**
	Common	**30**
	Total	**173**
Allocation of Common		
Aero%	99.30%	
Non-Aero%	0.70%	
Total after adding allocation of common		
Aero	171.8	
Non-Aero	1.2	
Total	173.000	
Aero%	99.30%	
Non-Aero%	0.70%	

The table below shows the detailed breakup of the proposed employee headcount of the AIAL employees for the various departments as submitted by AIAL for TCP vide email dated 23rd April 2022.

Table 258: Detailed headcount summary as per the submission of AIAL for TCP

Department	FY 22	FY 23	FY 24	FY 25	FY 26	Justification as per AO
Chief Airport Office (CAO office)	2	2	3	3	3	As per Concession Agreement, Clause 6.5.3. AAI employees with designation over DGM and above have been transferred out by AAI and they are not associated with the Airport after 3 months from CoD. Accordingly, Airport Director and all HoDs have been transferred out and are not working at Mangaluru Airport CAO stands for Chief Airport Officer. He is responsible for overall operations and management of the Airport. Department is akin to erstwhile Office of Airport Director. He is supported by relevant staff for analysis, reviews, KPI management, regular review, action taken follow-ups, stakeholder management etc.
Air Cargo	2	3	3	3	3	AIAL is handling it's own cargo facility as the AAICLAS facility has been carved out. Accordingly, inhouse manpower for monitoring of operations is considered.
Environment & Sustainability	1	1	2	2	2	As per Clause 18.1.1 (o) of CA, AIAL is expected to protect and conserve the environment. Also there is requirement to get the Environment Audit done as per clause 18.13. Accordingly, the manpower requirement has been considered.
Horticulture	1	1	2	2	2	As part of environmental sustainability measures to develop SVPIA as a green airport, statutory requirements of tree transplantation/plantation and to create natural ambience befitting a landmark international airport, the manpower requirement has been considered.
Techno Commercial (Procurement department)	3	8	11	11	11	AAI do not have any local purchase department at site. All the procurement at AAI are done centrally through tendering process. Techno commercial function is responsible for procurement of various requirement of user department, management of contract, RFP issue, onboarding of vendor, etc.
Corporate communication	1	2	2	2	2	As per Clause 18.1.1 (q) of CA, AIAL is required to have public relation officer who will interface with various stakeholders. The same has been considered to fulfill the mandated requirement.
Corporate Affairs	0	1	1	1	1	Position required to interact with various state government, local municipalities, utility boards, local police, land department etc. on day to day basis.

Department	FY 22	FY 23	FY 24	FY 25	FY 26	Justification as per AO
Security	6	13	20	20	22	Currently there is no person deputed for carrying out Security function at the Airport. At present AAI was only performing pass section function with an outsourced support. However there are various activities which need to be performed by AIAL like CISF Documentation, Airport Security Program, Kerb Side Management, Traffic Management, Airport Operator Security Control Room, Tout Management, Security System Maintenance, Encroachment outside and perimeter area, Intelligence and Vigilance Gathering, Avsec Training and Compliances, Landside Operations, BCAS Compliance requirements. AIAL will be carrying out functions with a combination of On roll and outsourced employees. Sovereign agencies and security set up of the airport operator have clearly defined mandates. NACASP 2018 vide Para4.2.2(xxii) stipulates that the Airport Operator is responsible for implementation of security controls at the airports through the CSO. The Asset CSO is bestowed with all the powers to implement security controls at the airport level and overall coordination with other agencies at the airport(Para5.2.1(ii)ofNCASPrefers). AIAL has assumed employees onrolls is a composition of CSO, Pass Section, Avsec Audit and Compliances, Loss Prevention and Automation, landside operations and others. Other operations like Kerb side, Tout Management, Traffic Management, Encroachment Prevention, Security System Maintenance etc. are expected to be mix of in-house and outsourced. Further there is New Integrated Passenger Terminal is expected to get operationalise in FY25-26.
Legal	1	3	4	4	4	AAI does not have legal positions at the Airport. Composition includes 1 HoD and 3 department supporting staff.
Safety	1	3	4	4	4	As per Concession Agreement clause 18.15.4, AIAL is expected to create Airport Safety Management Unit (ASMU) and designate one of its officers to be in-charge of the ASMU. Composition includes Aviation Safety Expert and its associates.

Department	FY 22	FY 23	FY 24	FY 25	FY 26	Justification as per AO
Quality	2	5	6	6	6	Under clause 23.1 of concession Agreement, AIAL is obligated to monitor and measure quality of service on the parameters prescribed in the Concession Agreement. Further as per Concession Agreement, AIAL is expected to maintain relevant ISO certification and other quality certifications for all the facilities controlled and managed by AIAL. Composition includes Quality Expert and its associates.
Customer Engagement	0	1	3	3	4	AIAL is expected to perform ASQ rating and take customer feedback on the various facilities, improvement areas at the Airport. Composition includes 1 HoD and 3 its associates.
Information Technology	1	5	6	6	8	AAI does not have Information technoloy team to support the IT functioning of the Airport. IT is a backbone of the Aviation and all the critical systems need to be running with zero downtime. Critical systems includes AODB, FIDS, PDAs, SAP, Business Analystics, Integation with ATC, VGDS, Radio Sets, Desktops, Laptops, Billing Softwares, Document Management System, Access Control System etc. Composition includes 1 HoD, Support staff.
Airside Management	16	48	50	50	60	As per Clause 18.1.1 (d), (f) and (g), AIAL is resposible to maintain and operate Airside including Runway, Taxiways, Apron, Approach Areas etc. Also it is mentioned in the CNS-ATM Agreement about the airside obligations to be performed by AIAL. AIAL is responsible to establish Apron Management Service, Airside safety, aerodrome safeguarding and aeronautical information services. Previously some of these services were performed by ANS team of AAI and some of the services were not done at all. Post CoD all these functions are to be performed by AIAL. Further these activities are strictly regulated by DGCA as part of legal framework of Aerodrome Operating License under CAR section 4, series F part 1. Lastly as a part of capex expansion plan, there are new Airside facilities need to be made like Part Parallel Taxi Track, New Apron, RESA, Taxiway C, Apron Expansion, Utilities etc. There

Department	FY 22	FY 23	FY 24	FY 25	FY 26	Justification as per AO
						will be requirement for additional manpower to operate these facilities. The composition includes In Charge Airside, Duty Managers, Duty Officers, Airside Executive, Airside Ground Maintenance, Aerdrome Licencing, Aerodrome Safeguarding, Wildlife Hazard Management, Environment Sustainability Further there is New Integrated Passenger Terminal is expected to get operationalise in FY25-26.
Regulatory	1	1	2	2	2	New position to support in regulatory filing with AERA.
Terminal and Operation	28	35	35	35	45	AIAL is expected to maintain and improve quality of service to passengers. In that connection, AIAL will deploy various positions of Terminal Managers, Duty Managers, Shift Incharge, Protocol services. Two terminal T1 and T2 will have increase in area by 20% as per Master Plan Further there is New Integrated Passenger Terminal is expected to get operationalise in FY25-26.
Non-Aero Commercial	6	9	10	10	10	AIAL is expected to deploy various strategies/innovations to monitor the Non-Aeronautical Income and development of city side area. There is likelihood of increase in Manpower over time.
Human Resources and Admin	2	6	8	8	8	AIAL is expected to consolidate and automate various positions/functions and will employ limited staff which will be comprising of HoD, HR Operations, Talent Acquisition, Compliances and Admin purposes.
Finance	2	8	9	9	10	Composition includes 1 HoD, and support staff for various functions under finance and accounts

Department	FY 22	FY 23	FY 24	FY 25	FY 26	Justification as per AO
Engineering & Maintenance	1	17	20	20	30	Currently AAI has approx. 10-12 people each in Civil, Technical and Engineering sections. AIAL is expected to outsource some of the non-core activities. Second there will be increase in Terminal Area by 20%, Increase in Airside Facilities, Increase in landside facilities, Utilities etc, there will be requirement of more manpower in Engineering and Maintenance department to cater to these increased facilities. Considering all the above factor, AIAL is expected to consolidate the function and will have only 20 people on-roll. Further there is New Integrated Passenger Terminal is expected to get operationalise in FY25-26.
Aviation Rescue and Fire Fighting (ARFF)	0	4	8	8	8	There is no deficiency of Fire Fighters at the AMD. The deficiency is in Fire Control room and Ambulance staff which will be outsourced. Keeping in view the importance of ARFF activities in the Airport, there is requirement of additional position to fill like Head of Department, Station In Charge, Fire Prevention, Training Cell, Shift Managers etc.
Fire Fighters	0	0	85	85	85	
ILBS / Screeners	84	125	125	125	125	New department / positions
Total	**161**	**301**	**419**	**419**	**455**	
Aero	145	258	365	365	397	
Non-aero	6	9	10	10	10	
Common	10	34	44	44	48	
Total	**161**	**301**	**419**	**419**	**455**	
Allocation of Common						
Aero%	96%	97%	97%	97%	98%	
Non-Aero%	4%	3%	3%	3%	2%	
Total after allocation of Common						
Aero	154.6	290.9	407.8	407.8	443.8	
Non-aero	6.4	10.1	11.2	11.2	11.2	
Total	**161**	**301**	**419**	**419**	**455**	
Aero%	**96%**	**97%**	**97%**	**97%**	**98%**	
Non-Aero%	**4%**	**3%**	**3%**	**3%**	**2%**	

Source: Clarifications received from AIAL

The summary of reclassification of departments of AIAL as proposed by the Authority for TCP is shown in the following table.

Table 259: Summary of reclassification of departments of AIAL as proposed by the Authority for TCP

Department	Classification as per AIAL	Classification as proposed by the Authority	Remarks as per the Authority
Chief Airport Office (CAO office)	Aero	Common	AIAL with regard to this department has stated that "*He is responsible for overall operations and management of the Airport."* The duties of the CAO is not limited to the aeronautical activities at the airport but extends to the commercial activities as well. Hence, the Authority has proposed to reclassify this department as Common.
Air Cargo	Aero	Aero	
Environment & Sustainability	Aero	Aero	
Horticulture	Aero	Common	AIAL has not provided the location-wise break-up of these expenses. Given that an improvement in sense of place provides commercial advantages through enhanced spending by passengers, the Authority proposes to consider this department as common. This allocation is also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper).
Techno Commercial (Procurement department)	Common	Common	
Corporate communication	Common	Common	
Corporate Affairs	Common	Common	
Security	Aero	No. of employees considered as Aero in TCP for each year: FY 2022: 6 FY 2023: 12 FY 2024: 15 FY 2025: 15 FY 2026: 15 No of excluded employees in TCP for each year: FY 2022: 0 FY 2023: 1 FY 2024: 5 FY 2025: 5 FY 2026: 7	The Authority is of the view that the Security related matters are primarily managed by Central Industrial Security Force (CISF). AIAL has also mentioned that this function will be carried out with a mix of on-roll employees and outsourced employees. Additionally, it can be observed from the above table that the responsibilities of the Security department pertains primarily to the land side. Hence, the Authority proposes to consider 6 employees for FY 2022 (as submitted by AIAL). For FY 2023, the Authority proposes to consider 12 employees in this department and for FY 2024 till FY 2026, the Authority proposes to consider 15 employees in this department.
Legal	Common	Common	
Safety	Aero	Aero	

Department	Classification as per AIAL	Classification as proposed by the Authority	Remarks as per the Authority
Quality	Aero	Common	Matters of Quality do not pertain purely to aeronautical activities, it would also involve ensuring customer satisfaction and experience across the airport including commercial activities. Hence, the Authority proposes to reclassify this department as Common. This allocation is also in line with the Study on Efficient Operation and Maintenance Expenses for SVPIA (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper).
Customer Engagement	Common	No. of employees considered as Aero in TCP for each year: FY 2022: 0 FY 2023: 1 FY 2024: 2 FY 2025: 2 FY 2026: 2 No of excluded employees in TCP for each year: FY 2022: 0 FY 2023: 0 FY 2024: 1 FY 2025: 1 FY 2026: 2	For FY 2022, the headcount in this department is zero. For FY 2023, the Authority proposes to consider the employee headcount of 1 as submitted by AIAL. However, the Authority proposes to consider the Employee Headcount at 2 for the last three (3) tariff years for Customer Engagement department as against 3 employees claimed by the AO in FY 2024 and FY 2025 and 4 employees claimed by the AO in FY 2026, as the Authority feels that this function relates to ASQ rating activity, which is performed only on a quarterly basis, that too through outsourced Consultancy Firms.
Information Technology	Common	Common	
Airside Management	Aero	No. of employees considered as Aero in TCP for each year: FY 2022: 12 FY 2023: 36 FY 2024: 39 FY 2025: 42 FY 2026: 45 No of excluded employees in TCP for each year: FY 2022: 4 FY 2023: 12 FY 2024: 11 FY 2025: 8 FY 2026: 15	The Authority notes that AIAL has proposed to deploy 16 employees in this department for FY 2022 which appears to be unreasonably high as the domestic PAX at SVPIA will return to Pre-COVID levels in FY 2023 and for international PAX and ATM, the same will happen in FY 2024. Hence, 75% of the employee headcount projected by the Airport Operator in FY 2022 and FY 2023. From FY 2024 till FY 2026, the Authority proposes to consider 39, 42 and 45 aero employees respectively, owing to the significant increase in ATM traffic post recovery.
Regulatory	Aero	Aero	
Terminal and Operation	Aero	Aero	
Non-Aero Commercial	Non-Aero	Non-Aero	

Department	Classification as per AIAL	Classification as proposed by the Authority	Remarks as per the Authority
Human Resources and Admin	Common	No. of employees considered as Common in TCP for each year: FY 2022: 2 FY 2023: 2 FY 2024: 8 FY 2025: 8 FY 2026: 8 No of excluded employees in TCP for each year: FY 2022: 0 FY 2023: 4 FY 2024: 0 FY 2025: 0 FY 2026: 0	The Authority observes that AIAL has proposed to deploy 2 employees and 6 employees in this department for FY 2022 and FY 2023 respectively. As per the Study on Efficient Operation and Maintenance Expenses for SVPIA (The summary of the study is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper), it is noted that the number of aeronautical employees considered in this department was 3 for the period from COD till 31st March 2021. Hence, the Authority is of the view that number of employees considered in this department for FY 2022 is reasonable. However, for FY 2023, the number of employees seems on the higher side considering that there are 23 AAI employees deployed in this department. Hence, the Authority proposes to consider the two employees (same as FY 2022) in this department for FY 2023. For the remaining three (3) tariff years of TCP, the Authority proposes to consider the number of employees as submitted by AIAL as the Deemed Deputation Period will end in FY 2024.
Finance	Common	Common	
Engineering & Maintenance	Aero	Common	For this department, the Authority notes that AIAL has stated that "*Increase in Airside Facilities, Increase in landside facilities, Utilities etc, there will be requirement of more manpower in Engineering and Maintenance department to cater to these increased facilities*." From this statement, it can be inferred that these employees will be in involved in non-aeronautical activities as well. Hence, the Authority has proposed to reclassify this department to Common.
Aviation Rescue and Fire Fighting (ARFF)	Aero	No. of employees considered as Aero in TCP for each year: FY 2023: 4 FY 2024: 5 FY 2025: 5 FY 2026: 5	For FY 2022, the headcount in this department is zero. The Authority notes that AO has projected 8 employees for ARFF department for the last three (3) tariff years and 4 employees in FY 2023 in the Third Control Period and as for FY 2022, the AO has proposed zero AIAL employee for this department. The

Department	Classification as per AIAL	Classification as proposed by the Authority	Remarks as per the Authority
		No of excluded employees in TCP for each year: FY 2023: 0 FY 2024: 3 FY 2025: 3 FY 2026: 3	Authority is of the view that the AO has already projected 85 employees for Firefighting for the last Three (3) tariff years. These employees are also involved in related activities. Hence, the Authority proposes to consider 5 employees for ARFF department for the last three (3) tariff years and for FY 2023, the Authority proposes to consider the employee headcount of 4 as submitted by AIAL.
Fire Fighters	Aero	Aero	
ILBS / Screeners	Aero	No. of employees considered as Aero in TCP for each year: FY 2022: 84 FY 2023: 84 FY 2024: 89 FY 2025: 107 FY 2026: 125 No of excluded employees in TCP for each year: FY 2022: 0 FY 2023: 41 FY 2024: 36 FY 2025: 18 FY 2026: 0	The Authority notes that AIAL has proposed to deploy 84 employees in FY 2022 and deploy 125 employees in this department from FY 2023 till FY 2026. The Authority proposes to consider the headcount as submitted by AIAL in FY 2022 and consider the same headcount of 84 in FY 2023 as well. However, from FY 2024 till 2026, the Authority proposes to rationalize the headcount such that number of employees increases with the traffic growth rate to reach 125 in FY 2026, which is the requirement of AIAL for TCP.

Based on the above reclassifications, the employee ratio of AIAL for TCP was recomputed as shown in the following table.

Table 260: Employee ratio proposed by the Authority for TCP

Department	Classification as proposed by the Authority	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Chief Airport Office (CAO office)	Common	2	2	3	3	3
Air Cargo	Aero	2	3	3	3	3
Environment & Sustainability	Aero	1	1	2	2	2
Horticulture	Common	1	1	2	2	2
Techno Commercial (Procurement department)	Common	3	8	11	11	11
Corporate communication	Common	1	2	2	2	2
Corporate Affairs	Common		1	1	1	1
Security	Aero	6	12	15	15	15
Legal	Common	1	3	4	4	4
Safety	Aero	1	3	4	4	4
Quality	Common	2	5	6	6	6
Customer Engagement	Common	-	1	2	2	2

Department	Classification as proposed by the Authority	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Information Technology	Common	1	5	6	6	8
Airside Management	Aero	12	36	39	42	45
Regulatory	Aero	1	1	2	2	2
Terminal and Operation	Aero	28	35	35	35	45
Non-Aero Commercial	Non-Aero	6	9	10	10	10
Human Resources and Admin	Common	2	2	8	8	8
Finance	Common	2	8	9	9	10
Engineering & Maintenance	Common	1	17	20	20	30
Aviation Rescue and Fire Fighting (ARFF)	Aero	-	4	5	5	5
Fire Fighters	Aero			85	85	85
ILBS / Screeners	Aero	84	84	89	107	125
	Total	157	243	363	384	428
	Aero (A)	135	179	279	300	331
	Non-Aero (B)	6	9	10	10	10
	Common (C)	16	55	74	74	87
	Total (A + B + C)	157	243	363	384	428
Allocation of Common						
	Aero [D = A ÷ (A + B))]	95.74%	95.21%	96.54%	96.77%	97.07%
	Non-Aero [E = B ÷ (A + B)]	4.26%	4.79%	3.46%	3.23%	2.93%
Total after adding allocation of common						
	Aero (F = A + D × C)	150.32	231.37	350.65	371.36	415.45
	Non-aero (G = B + E × C)	6.68	11.63	12.56	12.39	12.55
	Total (F + G)	157	243	363	384	428
	Aero% {F ÷ (F + G)}	**95.74%**	**95.21%**	**96.54%**	**96.77%**	**97.07%**
	Non-aero% {G ÷ (F + G)}	**4.26%**	**4.79%**	**3.46%**	**3.23%**	**2.93%**

17.7. Annexure 7 – Template for providing Stakeholders' comments

Stakeholder's Comments on Authority's proposals contained in this Consultation Paper may be furnished as per the following format:

Name of Stakeholder: _____

S. No.	Authority's Proposal under each Chapter	Stakeholders' Comments
1	Brief on SVPIA	
2	Tariff determination for SVPIA	
3	Framework for determination of tariff for SVPIA	
4	True up of AAI for the Second Control Period from FY 2017 till COD	
5	True up of the AO for SCP from COD till 31st March 2021	
6	Traffic Projections for the Third Control Period	
7	Regulatory Asset Base and Depreciation for the Third Control Period	
8	Fair Rate of Return for the Third Control Period	
9	Inflation for the Third Control Period	
10	Operations and Maintenance Expenses for the Third Control Period	
11	Non-aeronautical Revenue for the Third Control Period	
12	Taxation for the Third Control Period	
13	Quality of Service for the Third Control Period	
14	Aggregate Revenue Requirement for the Third Control Period	
15	Annual Tariff Proposal (Tariff Rate Card)	
16	Any other comment	

In case, Stakeholder is having 'Nil' comments on any of the Authority's proposals, the same may be mentioned as "No comments" against the particular Chapter.