File No. AERA/20010/MYTP/MAFFFL/FF/CP-III/2021-26

Order No. 20/2021-22

सत्यमेव जयते

Airports Economic Regulatory Authority of India

IN THE MATTER OF DETERMINATION OF FUEL INFRASTRUCTURE CHARGES FOR MUMBAI AVIATION FUEL FARM FACILITY PRIVATE LIMITED (MAFFFL) AT CSMI AIRPORT, MUMBAI FOR THE THIRD CONTROL PERIOD (01.04.2021 – 31.03.2026)

Date of Issue : **24th September, 2021**

AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003

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LIST OF ABBREVIATIONS

AAI	Airports Authority of India
AERA or the Authority	Airports Economic Regulatory Authority of India
Aero	Aeronautical
ARR	Aggregate Revenue Requirement
ATA	Air Travellers Association
ATM	Air Traffic Movement
ATP	Annual Tariff Proposal
BG	Bank Guarantee
BPCL	Bharat Petroleum Corporation Limited
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CGF	Cargo Facility, Ground Handling and Fuel Supply services
CGF Guidelines	Airports Economic Regulatory Authority of India [Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011 dated 10.01.2011
CSMIA	Chhatrapati Shivaji Maharaj International Airport, Mumbai
E&Y	Ernst & Young
FIC or Infrastructure charge	Fuel Infrastructure Charge
FRoR	Fair Rate of Return
FY	Financial Year
GoI	Government of India
HPCL	Hindustan Petroleum Corporation Limited
IATA	International Air Transport Association
ICDS	Income Computation and Disclosure Standards
IND AS	Indian Accounting Standards
INR or ₹	Indian Rupees
IOCL	Indian Oil Corporation Limited
IRR	Internal Rate of Return
ITP	Into Plane Services
JVC	Joint Venture Company
CoE	Cost of Equity
Licence Agreement	Licence Agreement between MAFFFL and MIAL entered into on 30th December 2014 till 02nd May 2036
MAFFFL/ Fuel Farm Operator	Mumbai Aviation Fuel Farm Facility Private Limited
MIAL	Mumbai International Airport Private Limited
MYTO	Multi Year Tariff Order
MYTP	Multi Year Tariff Proposal
O&M	Operation and Maintenance

OIL PSUs	IOCL, BPCL and HPCL
OPEX	Operating Expenses
P&L	Profit and Loss
p.a.	per annum
PAX	Passenger(s)
POL	Petrol, Oil & Lubricant
RAB	Regulatory Asset Base
SLM	Straight Line Method
Sq.m.	Square Metre
YPP	Yield Per Passenger

1. BACKGROUND

1.1. MAFFFL is a Joint Venture Company (JVC) floated by Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL) and Mumbai International Airport Private Limited (MIAL), each holding an equal ownership. Pursuant to License Agreement between MAFFFL and MIAL dated 30th December 2014 valid till 02nd May 2036.

1.2. MAFFFL was incorporated for the purpose of taking over and managing the aviation fuel facilities of the Oil PSUs, creating an integrated aviation fuel facility at that time for the Airport on an "*open access*" model.

1.3. In response to AERA letter dated 10.09.2020, MAFFFL submitted the MYTP for the 3rd Control Period to the Authority vide letter dated 14.01.2021 proposing a tariff of ₹1321/KL, as Fuel Infrastructure Charges (FIC) for the 3rd Control Period (FY 2021 to FY 2026).

1.4. Subsequently, the Authority vide letter dated 28.01.2021 requested additional details and clarifications on the MYTP. The additional details and the financial model were submitted by MAFFFL vide their letter/mail dated 15.02.2021.

1.5. As per MAFFFL submissions, during the 2nd Control Period all the Oil PSUs namely HPCL, BPCL and IOCL were operating from their respective facilities located at Sahar and Santa Cruz areas on the land provided by the Airport. The planned Integrated Fuel Farm Facility (built on an area of approximately 30,000 sqm. and having static storage capacity of 47,500 KL of ATF) is expected to operate from a single point (i.e., at the site of the existing facilities of IOCL and HPCL near the Domestic terminal 1A, Santa Cruz) so as to bring in efficiencies of integrated operations. It has been further stated that, the existing assets acquired from the Oil PSUs will be disposed-off once the Integrated Fuel Farm is operational.

1.6. The Authority asked for the confirmation whether 'open access' model of the facility has been implemented or not. MAFFFL vide their letter dated 15.02.2021 stated that all construction works related to the implementation of 'open access' model are completed. However, approval from statutory authorities is awaited for commissioning and the same is expected by September 2021.

1.7. MAFFFL has also submitted the audited accounts for the FY 2016-17 to 2019-20 as per the statuary requirement of AERA Act and Guidelines issued from time to time. MAFFFL also submitted initially the projected accounts for the FY 2020-21 and submitted the audited accounts for the year 2020-21 on 27.07.2021. The actual figures of FY 2020-21 were incorporated in the computations of various building blocks and the resultant ARR and excess recovery were updated. The Authority has considered these revised and audited financials in the tariff Order.

1.8. The depreciation rates for the purpose of the tariff determination exercise that have been considered are based on AERA's Order no. 35/2017-18 dated 12th January, 2018 as well as Amendment Order no. 35/2017-18 dated 9th April, 2018. The useful life of the assets as determined by AERA also forms the basis for the depreciation of assets of MAFFFL.

1.9. MAFFFL has also submitted the additional financial and non-financial information, clarifications and financial model in response to queries raised by AERA from time to time.

1.10. The Authority has reviewed the submissions made by MAFFFL with respect to various building blocks. Post analysis and discussion on various building blocks, the Authority issued Consultation Paper No. 05 / 2021-22 dated 28th May 2021 inviting comments from stakeholders on various Building Blocks as per the proposals of the Authority with following timelines.

- Date of issue of the Consultation Paper : 28.05.2021
- Date for submission of written comments by stakeholders: 28.06.2021
- Date for submission of counter comments : 08.07.2021

The Consultation Paper issued by the Authority on 28.05.2021 was published on the AERA website. The Authority on request of stakeholders extended the last date of submission of comments from 28.06.2021 to 05.07.2021 & counter comments from 08.07.2021 to 13.07.2021. Hence, sufficient opportunity was given to Stakeholders for submission of comments and counter comments. Thus, the consultation process was concluded with the receipt of counter comments from MAFFFL on Stakeholder's views on 12.07.2021.

1.11. The following Stakeholders submitted their comments on the Consultation Paper:

S. No.	Stakeholders
1.	M/s Mumbai International Airport Ltd. (MIAL)
2.	M/s Delhi Aviation Fuel Facility Private Limited (DAFFPL)
3.	M/s Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL)
4.	M/s Bharat Stars Services Private Limited (BSSPL)
5.	M/s Hindustan Petroleum Corporation Limited (HPCL)
6.	M/s Bharat Petroleum Corporation Limited (BPCL)
7.	M/s Indian Oil Corporation Limited (IOCL)
8.	M/s Reliance Industries Limited
9.	M/s Shell MRPL Aviation Fuels and Services Limited
10.	M/s Indian oil Skytanking Pvt Ltd (IOSPL)

1.12. The Authority examined the submission of MAFFFL and the comments of various stakeholders and after considering all the relevant aspects, has finalized this Tariff Order.

1.13. **Construct of the Tariff Order**:

1.13.1. The Tariff Order is structured under various chapters with the second chapter explaining the framework applied for determining the tariff for MAFFFL. The third chapter deals with the true up of various building blocks performance during the second control period. This starts with the submission of MAFFFL followed by Authority's analysis on various issues regarding the true up of the second control period as part of tariff determination for the third control period as brought out in the consultation paper. The comments of the stakeholders and the response of MAFFFL against the same, followed by the Authority's analysis and final decision have been brought out under each building block of tariff determination.

1.13.2. Chapters 4 to 9 bring out the submissions made by MAFFFL under various building blocks relating to the third control period i.e. RAB and Depreciation, Fuel throughput (Volume), Fair Rate of Return, Operating Expenses, Other Incomes, and Income tax. This is followed by the Authority's analysis on the each building block of consultation stage. These are followed by comments from various stakeholders along with the counter comments / response from MAFFFL followed by Authority's Analysis and final decision on the each building block.

1.13.3. Chapter 10 presents the revised Aggregate Revenue Requirement determined by the Authority after taking into account various changes and adjustments after considering the stakeholder comments and decision thereon.

1.13.4. Chapter 11 brings out the revised FIC rate determined and the resultant revenue projected for the third control period. Chapter 12 discusses the annual tariff proposal. This is followed by the summary of decisions (at chapter 13) and Order (at chapter 14). The tariff card for the third control period is given at Annexure-I.

Stakeholder's comment on Issues-pertaining to Open access model

1.14. **Reliance Industries Ltd comments on Open Access model.**

"Open Access Model not yet implemented despite many requests and meetings over the past 5 years. Tariff Determination should be done only on implementation of Open Access Model"

MAFFFL's response to Stakeholder's comments on Open Access model.

1.15. Construction of the facilities required for open access system are in advanced stages and shall be commissioned within the present quarter of FY 2021-22 (within 30th Sep 2021), barring unforeseen circumstances . However, we would like to state that the same has no bearing on determining the FIC as the facility does not change the cost structure of MAFFFL or the total volume handled.

Stakeholder's comment on miscellaneous issues

1.16. **Shell MRPL's comments on miscellaneous issues.**

"With respect to the Tariff Calculation, Shell would like to draw kind attention to the following":

(a) Risk of rising exchange rates i.e. Rs. Vs US$ may be captured and sensitivity analysis on the capex to be considered.

(b) Definition of the term "Major Airport" needs more explanation.

(c) Rather than linking the tariffs to just fuel uplift, passenger footfalls can be included as finally all the passenger are footing the bills.

(d) The battery limits of the term "open access" needs to be defined for clarity.

(e) The scenario of POL (Petrol, Oil & Lubricants) goods coming under GST can alter the working model. This needs to be captured and the definition of the "end user" needs to be clarified if GST gets implemented.

(f) Impact on MAFFFL volumes if the proposed Navi Mumbai airport goes onstream to be captured

MAFFFL's response to Stakeholder's comments on Miscellaneous issues.

1.17. **MAFFFL's response on the points raised by Shell MRPL are as under :**

(a) For our capex program, there are no material services yet to be received which involve foreign currency. So there is no impact of exchange rates on our capex.

(b) The definition of Major Airport is not applicable for this exercise.

(c) It is not clear how the number of passengers would have different relation to the ATM numbers considered in determination of FIC. Based on the past historical data, PAX and ATM numbers have moved in consonance at CSMIA.

(d) Prior to commissioning of open access system, MAFFFL will host the modalities, standard agreements etc. on its website sufficiently in advance for the benefit of prospective suppliers of ATF.

(e) The scenario of inclusion of POL products under GST is hypothetical at this stage. Services provided by MAFFFL are already under GST.

Authority's Analysis/response to Stakeholder's comments

1.18. **Open Access System**. The Authority reiterates its stand that open access model should be implemented at the earliest. However determination of tariff cannot be postponed indefinitely because of absence of open access model.

1.19. **Miscellaneous issues**. The Authority takes note of the point wise replies given by MAFFFL.

(a) The Authority observed that there is no service / material which involves Foreign Exchange, which is required by MAFFFL for their project.

(b) The Authority notes that the definition of Major Airport is clearly defined in the AERA Act of 2008 as amended from time to time.

(c) The Authority notes that the Fuel uplift is being done by the Aircrafts and the number of the Pax has no relevance in deciding the volume.

(d) The Authority notes that MAFFFL's clarification that it will host the modalities and standard agreements etc. on its website in advance prior to commissioning of open Access System.

(e) The tariff determined is 'net of taxes and levies'. The definition of the "end user" will be as per the tax laws.

(f) The rationale in projecting the volume is separately discussed in the relevant chapter.

1.20. In view of the above, it is seen that the issues raised do not affect the tariff determination as undertaken by the Authority.

2. METHODOLOGY FOR TARIFF CALCULATION

2.1. According to Section 2(a) of AERA Act, 2008 "aeronautical service" means any service provided-

(i) for navigation, surveillance and supportive communication thereto for air traffic management;

(ii) for the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at an airport;

(iii) for ground safety services at an airport;

(iv) for ground handling services relating to aircraft, passengers and cargo at an airport;

(v) for the cargo facility at an airport;

(vi) for supplying fuel to the aircraft at an airport; and

(vii) for a stake-holder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority.

2.2. As stipulated in the CGF Guidelines, the Authority follows a three stage process for determining its approach to the regulation of a Regulatory service:

2.2.1 Materiality Assessment;

2.2.2 Competition Assessment;

2.2.3 Assessment of reasonableness of the User Agreements between service providers and users of the Regulatory services.

2.3. Based on the Authority's review as described above where the Regulatory Service(s) provided are deemed:

2.3.1 not material', the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period

2.3.2 material but competitive', the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period

2.3.3 material and not competitive' but where the Authority is assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period

2.3.4 material and not competitive' and where the Authority is not assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) based on price cap approach for the duration of the Control Period.

2.4. The Materiality Index (MI) of Fuel Throughput at Mumbai airport is as under:

$$= \frac{Fuel\ Throughput\ in\ Kiloliters\ at\ Mumbai\ Airport}{Total\ Fuel\ Throughput\ in\ Kiloliters\ at\ all\ Major\ Airports}\ X100$$

Fuel Throughput at Mumbai Airport= $\frac{1482755}{8697575}$ X100 = 17.05%

2.5. Based on MAFFFL's submission, materiality index is more than 5% and, therefore, the service is deemed to be "material".

2.6. The CGF Guidelines provide that where a Regulatory Service is being provided at a major airport by two or more Service Provider(s), it shall be deemed "competitive" at that airport and if such service is provided by less than two Service Provider(s), it shall be deemed "not competitive". The Guidelines also provide that the Authority may in its discretion consider such other additional evidence regarding reasonableness of competition, as it may deem fit and the determination of number of Service Provider(s) at a major airport shall include the Airport Operator, if the Airport Operator is also providing Regulatory Service(s) at that major airport.

2.7. At present, the fuel farm services at CSMIA are being provided solely by MAFFFL. Hence, the service is deemed to be "not competitive".

2.8. The Authority has noted that as per the CGF Guidelines, based on the assessment of materiality and competition, when such Regulatory service is deemed "material and not competitive", the Authority shall then assess the reasonableness of existing User Agreement(s) and where the Authority is assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) for the service providers based on a light touch approach.

2.9. Regarding Reasonableness of User Agreement(s), the CGF Guidelines provide that the Authority shall consider the existing User Agreement(s) as reasonable provided that:

2.9.1. "(i) The service provider submits existing User Agreement(s) between the Service Provider and all the User(s) of the Regulatory Service(s), clearly indicating the tariff(s) that are agreed to between the Service Provider and the User(s) of the Regulatory Service(s), and

(ii) The User(s) of the Regulatory Service(s) have not raised any reasonable objections or concerns in regard to the existing User Agreement(s), which have not been appropriately addressed.

Provided that the Authority may in its discretion consider such other additional evidence regarding reasonableness of User Agreement(s), as it may deem fit."

2.10. The tariff for the 2nd Control Period was done under 'Price Cap' method. MAFFFL has submitted the Multi Year Tariff Proposal under 'Price Cap' method for the Third Control Period. The Authority noted that MAFFFL has not conducted user consultation for the capex proposed in the third control period. The Authority also noted that MAFFFL was set up essentially to provide common access to all suppliers of fuel and continues to remain to be a single service provider of infrastructure of fuel supply. Hence, the Authority decides to determine tariff for fuel supply service provided by MAFFFL at CSMIA under Price Cap method for the third Control Period. This is in line with the earlier decision of the Authority to resort to Price Cap method for tariff determination in case of MAFFFL.

2.11. Where the Regulatory Service is deemed 'material and not competitive' and where the Authority is not assured of the reasonableness of the existing User Agreement(s), the Authority shall calculate the Aggregate Revenue Requirement (ARR) on the basis of the following Regulatory Building Blocks:

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

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

Where 't' is the Tariff Year in the Control Period;

ARR_t is the Aggregate Revenue Requirement for year 't';

FRoR is the Fair Rate of Return for the Control Period;

RAB_t is the Regulatory Asset Base for the year 't';

D_t is the Depreciation corresponding to the RAB for the year 't';

O_t is the Operation and Maintenance Expenditure for the year 't', which includes all expenditures incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandate operating costs;

T_t is the corporate tax for the year 't' paid by the airport operator on the aeronautical profits; and

NAR_t is the revenue from services other than aeronautical services for the year 't'

2.12. The present value of total aeronautical revenue that is estimated to be realized each year during the Control Period at proposed tariff levels is compared with the present value of the ARR during the Control Period. In case the present value of estimated aeronautical revenue during the Control Period is lower than the present value of ARR, the Regulatory entity may opt to increase the proposed tariff. In case the present value of estimated aeronautical revenue is higher than the present value of the ARR then the Regulatory entity will have to reduce its proposed tariff.

2.13. The detailed submissions provided by MAFFFL in respect of the Regulatory Building Blocks have been discussed in the subsequent sections.

2.14. MAFFFL is in the sole business of providing infrastructure for storage and supply of fuel to the aircrafts and their entire activity comprises of aeronautical services. Therefore, the application of 'Single Till' methodology will be more appropriate and reasonable, to be adopted for tariff determination process of MAFFFL, Mumbai. Accordingly, the Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority on 'price cap approach' under 'single till' has been calculated.

2.15. **Stakeholder's comments on methodology of tariff determination**

2.15.1. **MAFFFL's comments on tariff determination,**

"MAFFFL was of the view that only 30% of interest income should be considered for cross-subsidy of aeronautical charges (FIC).

2.15.2. **MIAL's comments on tariff determination**.

"MIAL was of the view that in the Order for Second Control Period (30/2017-18 dt 18.12.2017) in table no. 16 it was shown as "Less : 30% of other Income and interest income" which shows Hybrid till was adopted. The same should have been adopted in the Third Control Period also.

2.15.3. **BPCL's comment on tariff determination**:

BPCL was of the view that "AERA has proposed 'Price Cap Approach' on 'Single Till' basis for determination of Fuel Infrastructure Charges to MAFFFL, however, the FIC charges proposed are much less than the calculations submitted by MAFFFL on 14.01.2021 and thus it is requested that the FIC workings are relooked at so that MAFFFL is able to provide satisfactory level of service and follow the required parameters of Safety and Quality."

2.16. **<u>MAFFFL's response to Stakeholder's comments on methodology of tariff determination</u>**

2.16.1. "With regard to stakeholder's comments on methodology of tariff determination, **MAFFFL** agrees with the views of MIAL and BPCL's. We request Authority to treat interest income as non-aeronautical revenue and determine the FIC charges under Price Cap Approach with Hybrid Till."

2.17. **<u>Authority's Analysis/response to Stakeholder's comments on issues pertaining to methodology of tariff determination</u>**

2.17.1. The Authority observed that Hon'ble TDSAT in their judgment dated 27.09.2019 in respect of DAFFPL observed, "*so far as determination of ARR allegedly on the basis of single till is concerned, the stand of the respondent is that the appellant has not disclosed that it carries on any non-Aeronautical service apart from the regulated service of Fuel Farms and therefore there can be no cross subsidization from any non-existent Non Aeronautical Revenue, in the name of hybrid till. In other words, the stand of the respondent is that in fact the appellant has no Non Aeronautical revenue because under the agreement it is entrusted to carry out only the Aeronautical service which has already been noted in detail. The stand of the appellant is that Hybrid till method should have been adopted by treating the rental income, being earned by the appellant as Non Aeronautical Revenue. This income is from renting out part of the Administrator Building allocated to the appellant under the Concession Agreement is only for rendering the Regulated Aeronautical Service Covered by the said agreement, and not for any other purpose. The Oil Companies are engaged in the same Aeronautical Service and therefore there is no basis for the appellant to claim any Non Aeronautical Revenue in view of the clear nature of the service under the Concession Agreement. On the facts we find no merit in this issue as raised by the appellant.*"

2.17.2. The Authority observes the comments of MIAL regarding "other income" and notes that in the Order for Second Control Period, in the table No 16, it was written as "Less 30% of other Income". However, no figure was considered in the calculations under the head other income for tariff determination purpose. Therefore, it cannot be claimed that the Authority adopted Hybrid Till for the Second Control Period.

2.17.3. Considering the above facts, the Authority decides to include the entire other income in the tariff determination for cross subsidizing the FIC..

2.18. **<u>Authority's Decision regarding Tariff setting principles for the 3rd Control Period</u>.**

Based on the material before it and its analysis, the Authority has decided the following.

2.18.1. The Authority decides to adopt "Price Cap Approach" on 'Single Till' basis for Tariff determination for MAFFFL for the 3rd Control Period.

3. TRUE UP FOR THE 2ND CONTROL PERIOD

The Authority in its Order no. 30/2017-18 dated 18th December 2017 relating to the 2nd Control Period, decided to True up each building blocks of the 2nd Control Period during the tariff determination for the 3rd Control Period. Accordingly, MAFFFL has submitted their calculations regarding the True up for the 2nd Control Period as under:

3.1 True-up for the 2nd Control Period (01.04.2016-31.03.2021) has been calculated as the difference between:

3.1.1 Permissible fuel revenue calculated based on actual fuel off take and financials; and

3.1.2 Actual fuel revenue received by MAFFFL for the 2nd Control Period

Table No.1 MAFFFL's submission for True up for 2nd Control Period

Particulars (in INR lakhs)	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	Total
Return on avg. RAB	3,676.10	3,289.17	3,317.45	3,960.24	5,209.88	19,452.84
Depreciation	3,811.80	2,901.13	2,559.21	2,768.33	2,464.11	14,504.58
Operating expenses	3,087.53	3,734.87	4,882.18	3,518.75	1,306.85	16,530.18
Taxes	1,536.10	2,180.56	2,051.25	1,091.64	-	6,859.55
Less : Interest income	(207.36)	(202.35)	(356.76)	(247.27)	(86.36)	-1,100.10
Less : Other income	(355.69)	(525.11)	(475.12)	(360.57)	(393.90)	-2,110.39
Less : CSR expenses	(9.53)	(41.37)	(97.88)	(128.23)	(135.40)	-412.41
Actual ARR : Based on RAB working	11,538.95	11,336.90	11,880.32	10,602.89	8,365.18	53,724.24
Discounted ARR	18,282.58	16,018.07	14,960.67	11,896.45	8,365.18	69,522.95
Discounted ARR for the Control Period	69,522.95					

3.2 MAFFFL earned revenue of INR 53,800.69 lakhs during the 2nd Control Period through FIC as under:

Table No.2 FIC Revenue during the 2nd Control Period – MAFFFL submission

Particulars (in INR lakhs)	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Actual Revenue	11,752.44	12,986.83	13,429.28	11,123.32	4,508.82
Total Revenue	53,800.69				

3.3 Correspondingly, MAFFFL had calculated a surplus of INR 1,347.77 lakhs for the 2nd Control Period as follows:

Table No.3 Calculation of Claw-back – MAFFFL submission

Particulars (in INR lakhs)	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	Total
Revenue based on recoverable rate*	11,873.88	12,935.71	12,849.62	10,639.86	4,313.17	52,612.2
Actual Revenue	11,752.44	12,986.83	13,429.28	11,123.32	4,508.82	53,800.6
Surplus (-)/ shortfall (+)	121.44	(51.12)	(579.66)	(483.46)	(195.65)	-1,188.4
Present value of surplus (-)/ shortfall (+)	192.51	(72.23)	(729.96)	(542.45)	(195.64)	-1,347.7
Over/(Under) Recovery for the 2nd Control Period	1,347.77					

**MAFFFL has worked out the recoverable rate by dividing the ARR trued up by the discounted value of volumes handled during the 2nd Control Period as per the financial model.*

3.4 The FRoR for the 2nd Control Period has been considered as per the Cost of Equity @ 14% as approved by AERA.

3.5 Finance Cost included long term borrowings as well as the total capitalization of interest cost.

3.6 Following are the deprecation rates used by MAFFFL to calculate the depreciation for key assets:

Table No.4 Depreciation rates – MAFFFL submission

S. No.	Asset Class	Depreciation rate for Existing Assets	Average depreciation rate for Integrated Fuel Farm Facility
1.	Buildings	14.26%	5.03%
2.	Roads	14.26%	5.03%
3.	Plant and Machinery	14.26%	5.03%
4.	Deadstock	0	0
5.	Furniture and Fittings	10%	3.89%
6.	Motor Vehicles	12.50%	9.26%
7.	Office Equipment	20%	17.54%
8.	Computers	33.34%	33.34%
9.	Electrical Installations	10%	4.11%

3.7 Initially, MAFFFL in their calculations subtracted income earned through interest on fixed deposits and earnings on liquid funds from the total revenue.

3.8 Adjustments were also made for other Incomes earned from sources other than operations. Refunds on property tax and excess provisions written back were excluded.

Authority's examination regarding True-up for the 2nd Control Period at CP stage:

3.9 The Authority observed that MAFFFL had calculated the excess recovery in the following manner:

a. Based on the Aggregate Revenue requirement recoverable as calculated (Refer Table No.1), the FIC rate recoverable to get the ARR has been calculated by dividing the ARR by the sum of discounted value of throughput volume.

b. The difference between the actual revenue (Refer Table No.2) and the revenue recoverable based on the recoverable rate has been calculated as per table no.3. The Net Present Value (NPV) of the difference has been worked out as the amount excess recovered during the 2nd Control Period, which works out to INR. 1347.77 lakhs.

c. The detailed calculations were not submitted by MAFFFL in their MYTP. Subsequently, MAFFFL submitted the financial model on 15.02.2021 after the clarifications were sought by the Authority.

The analysis and consideration of the Authority for True up of 2nd Control Period on each of the building blocks are as under:

A. Capital Expenditure

3.10 The capital expenditure considered by the Authority for the 2nd Control Period in the Order no.30/2017-18 dated 18th December 2017 for the integrated fuel farm facility is given below:

Table No. 5 – Capital Expenditure as approved by the Authority for the 2nd Control Period

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Building - RCC	212.00	1,894.00	1,822.00	-	-	3,928.00
Building Non-RCC	-	-	-	-	-	-
Roads	37.00	332.00	319.00	-	-	688.00
Lab Equipment	-	-	-	-	-	-
Plant & Machinery	385.00	3,331.00	3,275.00	-	-	6,991.00
Dead Stock	-	-	687.00	-	-	687.00
Storage Tanks	647.00	5,776.00	5,556.00	-	-	11,979.00
Pipelines	226.00	2,022.00	1,945.00	-	-	4,193.00
Electrical Installations	65.00	576.00	554.00	-	-	1,195.00
Total	1,572.00	13,932.00	14,157.00	-	-	29,661.00

3.11 As against the total capital expenditure of Rs.29,661.00 lakhs (excluding IDC) determined in the 2nd Control Period Order, the actual expenditure incurred during the 2nd Control Period is Rs. 22,036.54 lakhs. After inclusion of IDC and project expenses to the actual expenditure, the total capital expenditure is Rs. 30,719.92 lakhs (including IDC of Rs. 8,683.38 lakhs), the detail of which is given below.

Table No. 6 Actual Capital Expenditure incurred by MAFFFL during the 2nd Control Period

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Buildings	371.70	1,308.57	286.77	805.87	791.64	3,564.55
Roads	-	5.25	-	-	-	5.25
Plant & machineries	2,840.35	8,018.79	6,030.36	4,156.13	2,454.16	23,499.79
Deadstock	-	-	-	741.88	-	741.88
Furniture & fitting	4.38	0.20	-	-	-	4.58
Motor vehicles	77.91	14.78	-	-	-	92.69
Office equipment	15.43	0.30	-	0.85	-	16.58
Computers	0.85	6.79	-	1.83	-	9.47
Electric installations	504.38	576.27	429.02	1,048.26	227.20	2,785.13
Total	3,815.00	9,930.95	6,746.15	6,754.82	3,473.00	30,719.92
IDC	2,243.00	1,851.27	982.77	2,978.34	628.00	8,683.38
Total Capex Net of IDC	1572.00	8079.68	5763.38	3776.48	2845	22036.54

There was no stakeholders comments on Capital Expenditure for the second control period

B. Depreciation

3.12 The Authority proposed to recalculate the depreciation rates as per the Order no.35/2017-18.

Table No.7 Depreciation Rates Proposed to be considered for True up of 2nd Control Period by the Authority at consultation stage.

Sl. No	Asset Class	Useful life as per Order No. 35/2017-18	Depreciation Rate Applied as per Order no.35/17-18
1	Buildings	60	1.67%
2	Roads	05	20%
3	Plant & Machinery	15	6.67%
4	Dead stock	0	0
5	Furniture	10	10%
6	Motor vehicles	8	12.5%
7	Office Equipment	5	20%
8	Computers	3	33.33%
9	Electrical Installation	10	10%

3.13 MAFFFL had considered 10% as residual value of assets and has depreciated only 90% of the value of assets. This is in line with para 9.3.4 of CGF guidelines as stated below.

> *"the residual value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the original cost of the asset"*

3.14 The depreciation rate adopted in respect of Buildings varies much from the rates prescribed in Order no.35/2017-18 as well as Companies' Act 2013. Further Pipelines and Storage Tanks have a separate life span as per Companies' Act. The life of Plant and Machinery is 15 years as per Companies' Act and life Storage Tanks is 25 years and life of Pipelines is 30 years. However, MAFFFL had clubbed Pipelines and Storage Tanks in to Plant &Machinery.

3.15 The amount of depreciation considered by MAFFFL and the revised depreciation calculated by the Authority in accordance with the rates specified in the Order no.35/2017-18 are given below:

Table no.8 – Depreciation Amount as proposed for Truing up during the 2nd Control Period by the Authority at CP stage.

Particulars (Rs.In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
As submitted by MAFFFL in MYTP	3811.8	2901.13	2559.21	2768.33	2464.11	14504.58
As recalculated by the Authority	3389.13	2663.45	2453.52	2189.05	2496.41	13191.56

3.16 **Stakeholder's comments on issues pertaining to Depreciation – Second Control Period.**

3.16.1 **MAFFFL's comments on Depreciation for the Second Control Period**

MAFFFL was of the view that:

(a) In table no.7 few typographical errors are there which may be corrected.

(b) As per AERA Order no. 35/2017-18 dt 12.1.2018 the life of Buildings can be considered as 30/60 years for Tariff Determination. In view of round the clock multi shift operations the life of buildings may be considered as 30 years instead of 60 years.

3.16.2 **MIAL's comments on Depreciation for the Second Control Period**

MIAL was of the view that:

(a) MAFFFL has rightly considered the useful life of buildings up to May 2036 i.e. till the validity of its licence agreement with MIAL. MAFFFL is well within its rights to consider the lower useful life which is in line with its contractual / licence agreement. The higher useful life of 60 years considered by the Authority has resulted in lower depreciation and in reduced FIC for the TCP.

(b) MAFFFL has considered residual value of 10% for all its key assets. In fact the entire cost of such assets should have been allowed to depreciate over the concession period. Note no. 4 to Annexure-1 of Order no 35/2017-18 on determination of useful life of Airport Assets specifically mentions "where assets are developed/ constructed/ put to use, they should be depreciated over available lease period or the useful life prescribed, whichever is less".

3.16.3 **DAFFPL's comments on Depreciation for the Second Control Period**

DAFFPL was of the view that:

(a) The Authority has proposed that the depreciation rate adopted in respect of buildings to be taken as 60 years.

(b) At the end of concession period MAFFPL needs to transfer all the assets at Nil cost. Accordingly, the useful life of any asset of MAFFPL would be maximum up to the end of concession period. As per depreciation schedule of Companies Act 2013, depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Further, the useful life of an asset is the period over which an asset is expected to be available for use by an entity.

(c) Furthermore, it may also be noted that Authority in its Order No. 35/2017-18, in matter of determination of useful life of Airports Assets, the Authority has considered life of Building as 30 years or 60 years, as determined by the Operator. In MAFFPL's case, where MAFFPL have considered a shorter life, at least the shorter life, i.e., 30 years should have been considered by the Authority for 3rd Control period.

(d) Therefore, considering the depreciation rate as suggested by the Authority, the balance asset s will either be written off or will be completely charged off in the last control period in the form of tariff which will significantly impact the tariff in the last control period, and it may pinch the Users as well as the Operator, as they may have significant shortfall or over recovery depending upon the traffic situation in the last control period.

(e) View above, we request the Authority to review depreciation rates in this proposal and allow depreciation as per Companies Act (i.e. as per useful life or concession period, which-ever is earlier.

3.17 <u>MAFFFL's response to Stakeholder's comments on Depreciation for the Second Control Period</u>.

3.17.1 With regard to the stakeholders comment on Depreciation for the Second Control Period, MAFFFL is of the following view:

"We agree with the views of MIAL and DAFFPL.

3.18 <u>Authority's Analysis on Stakeholder's comments on Depreciation for the Second Control Period</u>.

- The Authority noted the typographical errors pointed out by MAFFFL in the Table No 7, which have since been corrected.
- The Authority notes that as per Order No 35/2017-18 dt 12.1.2018, the life of the buildings would be considered as 30 years or 60 years as evaluated by the Airport Operator. Since MAFFFL has requested to consider the life of buildings as 30 years because of 24 x 7 multi shift operations, it is decided to consider the life of buildings as 30 years.
- Based on the above decision the Authority has revised the depreciation considering the life of building as 30 years. The revised depreciation for the second control period is given below :

Table No.9 Revised Depreciation considered by the Authority.

Particulars (Rs in lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
As submitted by MAFFFL	3811.8	2901.13	2559.21	2768.33	2464.11	14504.58
As recalculated by the Authority	3453.13	2727.45	2529.52	2313.05	2631.41	13654.56

- As far as the comments of DAFFPL is concerned the Authority will consider the effect of transfer of Assets to the Airport Operator, in the relevant control period. This was also upheld by the Hon'ble TDSAT in their Order dated 27.09.2019 in respect of DAFFPL to the second control period.

C. Regulatory Asset Base (RAB)

3.19 The Regulatory Asset base recalculated after considering the revised depreciation for the 2nd Control Period is given below:

Table No.10 Regulatory Asset base proposed for True up for the 2nd Control Period at CP stage.

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Opening RAB-A	31,724.47	29,042.62	25,806.10	28,078.75	24,991.54	
Commissioned Assets -B	1,056.71	132.42	7,104.48	1,184.36	17,225.30	26,703.27
Depreciation -C	3389.13	2663.45	2453.52	2189.05	2496.41	13,191.56
Disposals -D	349.43	705.49	2,378.31	1,602.52	0	5,035.75
Closing RAB - E =(E+F-C-D)	29,042.62	25,806.10	28,078.75	25,471.54	39,720.43	
Average RAB -F = (A+E)/2)	30,383.55	27,424.36	26,942.43	26,775.15	32,355.99	1,43,881.46

3.20 The value of dead stock in the books of accounts is given below. This is treated as a non-depreciable asset in line with the decision taken during the tariff determination for the 2nd Control Period.

Table no. 11- Dead Stock as considered by the Authority during the 2nd Control Period at CP stage

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance	3876	3876	3876	3876	4617
Additions				741	
Closing Balance	3876	3876	3876	4617	4617

3.21 **Stakeholder's comments on RAB for the Second Control Period.**

3.21.1 **MAFFFL's comments on RAB for the Second Control Period**.

MAFFFL was of the view that:

(a) The Opening RAB of 2016-17 should be same as closing RAB of previous year 2015-16 as per the Second Control Period Order, which was Rs 31.987 lakhs. The Authority is requested to correct the same;

(b) The disposal value considered in the Table No 10 above is the Gross Assets Value instead of which the Net Asset Value/Written Down Value net of accumulated depreciation should have been considered. We request the Authority to consider the same;

(c) The figures for FY 2020-21 may be updated based on Audited financials of FY 2020-21;

(d) The Authority is requested to correct the opening RAB of 2020-21 which should be same as closing RAB of 2019-20.

3.22 Authority's Analysis/examination of Stakeholder's comments on RAB for the Second Control Period.

- The opening balance of RAB for second control period was adopted as Rs 31724.47 as given in the Financial Model submitted by MAFFFL. However, the same has been corrected as given in the Tariff Order for the Second Control Period.
- The disposals have been considered at the Net value as pointed out by MAFFFL.
- The data for FY 2020-21 has been updated as per audited financials.
- After giving effect to the above, the revised RAB for the second control period is given below:

Table No.12 Revised RAB considered by the Authority for the Second Control Period

Particulars (Rs.in lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Opening CWIP	704.03	3,462.31	13,260.84	12,902.51	18,472.97	
Capex during the year	3,815.00	9,930.95	6,746.15	6,754.82	3,473.00	30719.92
Commissioned Assets	1,056.71	132.42	7,104.48	1,184.36	4,867.97	14345.94
Closing CWIP	3462.32	13260.84	12902.51	18472.97	17078.00	
Opening RAB	31,987.00	29,302.48	26,083.18	28,881.13	26,638.24	
Commissioned Assets	1056.71	132.42	7104.48	1184.36	4867.97	14345.94
Depreciation	3453.13	2727.45	2529.52	2313.05	2631.41	13654.56
Disposals	288.10	624.27	1777.01	1114.20	84.66	3888.24
Closing RAB	29302.48	26083.18	28881.13	26638.24	28790.14	
Average RAB	30644.74	27692.83	27482.16	27759.69	27714.19	

C. Operating Expenses

3.23 The component wise details of Operating Expenses were not initially submitted by MAFFFL. The Authority sought additional details and certain clarifications vide its mail dated 28.01.2021 and MAFFFL's response thereon dated 15.02.2021. The details submitted were cross checked with the published accounts for the period FY 2016-17 to FY2019-20.The Employee Benefit Expenses and other expenses were tallying with the accounts. As per books of accounts, the licence fees/lease rent pertaining to the project site is accounted under CWIP as per Ind AS 116, whereas, as per AERA's tariff Order for the 2nd Control Period (Order no.30/2017-18) the licence fee/lease rent for the project site was considered under Operating Expenses. Accordingly, the entire licence fee/lease rent is proposed to be considered as operating expense. Since the treatment is in line with the decision of Authority in the 2nd Control Period.

3.24 Initially, MAFFFL has not considered CSR expenses as expenditure in the True up calculations for the 2nd Control Period. Subsequently, based on the judgment of TDSAT Order dated 16th December 2020 in respect of Bangalore Airport, MAFFFL has requested to consider the CSR Expenses of Rs. 412.41 lakhs in the tariff determination. The year wise expenses of Operating Expenses and CSR expenses are given below:

Table No.13 Operating Expenses proposed to be considered for True up of the 2nd Control Period by the Authority at CP Stage:

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Fuel Farm and ITP operating Expenses	2,116.48	2,642.24	3,273.28	2,234.89	621.46	**10,888.35**
Employee Benefit Expenses	164.21	215.38	292.25	231.52	262.71	**1,166.07**
Other Expenses	797.31	835.88	1,218.77	924.11	287.28	**4,063.35**
CSR Expenses	9.53	41.37	97.88	128.23	135.4	**412.41**
Lease rent	281.84	494.32	691.95	328.25	344.67	**2,141.03**
Total	**3,369.37**	**4,229.19**	**5,574.13**	**3,847.00**	**1,651.52**	**18,671.21**

3.25 The Authority noted that part of license fee was capitalized and treated as lease asset. Since, the lease rent is a recurring payment and is generally treated as part of Operating Expenses, the Authority, proposes to treat the entire lease rent as part of OPEX.

3.26 **Stakeholder's comments on Operating Expenses for the Second Control Period.**

3.26.1 **MAFFFL's comments on Operating Expenses for the Second Control Period**

MAFFFL was of the view that

(a) It is observed that the Authority has not followed Ind AS 116 for the computation of Lease Rent/ License fees,

As per Ind AS accounting standards Ind AS 116 is mandatory with effect from 01.04.2019 and the books of accounts of the company is being maintained considering Ind AS 116 from FY 2019-20 onwards in compliance of the Ind AS. As the Right of Use of Assets considered under Ind AS 116 are recognized as a Tangible Asset in the Balance sheet the same should form part of RAB and depreciation for ARR calculation. Hence, we request Authority to consider lease rent/license fees under Ind AS 116.

(b) While we request Authority to consider lease rent/ license fees under Ind AS 116 as the same is mandatory as per accounting standards. In case, the authority proposes to consider lease rent/License Fees as revenue expenses as proposed in the CP we request to consider the following in the "Fuel Farm. ITP operating expenses & lease Rent "and "Other expenses.

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Lease Rent	691.89	707.00	762.79	800.93	840.97	**3803.58**

(c) Additional loss on Disposals may be included due to the differences in salvage value and depreciation rates adopted.

3.27 Authority's Analysis/examination of Stakeholder's comments on Operating Expenses for the Second Control Period.

3.27.1 The Authority determines tariff under price cap mechanism whereby the tariff is determined based on actual cost / expenditure incurred in providing the service and reasonable returns / profit on amount invested in creation of the infrastructure. MAFFFL has valued and capitalized the cost of land base on Ind AS accounting guidelines and the land value has been depreciated and depreciation is charged as expenses which may be different from actual lease amount paid to the owner of the land. The Authority calculates the cost on actual cost paid to the land owner and not on book entry system under Ind AS. Accordingly the Authority has considered the lease amount under Operating Expenses.

3.27.2 MAFFFL has also requested the Authority to consider additional losses on sale of assets due to difference in the salvage value and depreciation rates which has been considered.

3.27.3 The lease amount included in the CP No 5/2021-22 dated 28.05.2021 was based on the information obtained from MAFFFL vide e-mail dated 5.5.2021. MAFFFL as part of its Stakeholder Comments submitted correct lease rent to be included due to non-consideration of Ind AS 116. Accordingly, the revised amount considered under Operating Expenses is given below.

Table No : 14 Details of licence fee/lease rent during the Second Control Period

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Capitalised (own Assets)	281.84	494.32	695.82	627.55	658.92	**2758.45**
Charged to P & L	247.84	358.51	662.10	559.52	58.23	**1916.42**
Licence fee/lease Rent considered due to Ind AS 116	0	0	0	168.53	724.70	**893.23**
Total Licence fee/lease Rent	**529.68**	**852.83**	**1357.92**	**1355.6**	**1441.85**	**5568.1**

The licence fee/lease rent amounting to Rs. 168.53 lakhs for FY 2019-20 and Rs. 724.70 lakhs for FY 2020-21 were included in the operating expenses.

3.27.4 The Operating expenses have been updated for FY 2020-21 as per the audited financials.

3.27.5 The revised Operating Expenses after considering the above factors is given in the table below:

Table No.15 Revised Operating Expenses considered by the Authority for true up of second control period.

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Fuel Farm & ITP Opex	2116.48	2642.24	3273.28	2234.89	746.97	**11013.86**
Employee Benefit Exp	164.21	215.38	292.25	231.52	260.32	**1163.68**
Other Expenses	850.68	924.71	1494.85	1091.31	454.84	**4816.39**
CSR	9.53	41.37	97.88	128.23	118.85	**395.86**
Lease rent due to Ind AS				168.53	724.7	**893.23**
Total	**3140.9**	**3823.7**	**5158.26**	**3854.48**	**2305.68**	**18283.02**

E. Income Tax

3.28 The year wise Income Tax claimed as a building block in the True up for the 2nd Control Period is give below. Since they are as per the audited accounts and being a statutory payment, it is proposed to accept the same as submitted. There is no income tax projected for the FY 2020-21, since it is likely to result in a loss making year due to COVID 19 Pandemic.

Table no. 16 Income Tax considered by the Authority for the True up of 2nd Control Period.

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Income Tax	1536.10	2180.56	2051.25	1091.64	-	**6859.55**

3.29 During the stakeholder consultation process, the Authority has received no comments/ views from stakeholders in response to proposal of Authority in the Consultation Paper No 03/2020-21 with respect to income tax for the second control period.

F. Other Income

3.30 Since the tariff determination exercise for MAFFFL is being done on a 'Single Till' basis, the entire other income will be considered for subsidizing the FIC tariff. The other income as submitted was examined in detail by the Authority. The income from ITP revenue and some write back of expenditure provisions were not included by MAFFFL. It is proposed to include the ITP revenue, since the entire expenditure including the share of Airport Operator i.e. 5% in the ITP revenue has been considered in the OPEX.

Excess provision of Rs.12.00 lakhs in FY 2018-19 relates to BG commission for the year FY 2017-18. This was included by MAFFFL after clarifications. The year wise detail of other income to be considered for the True up is given below:

Table no. 17 – Other Income proposed to be considered for True up of the 2nd Control Period by the Authority at CP stage.

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Interest Income	207.36	202.35	356.76	247.27	86.36	**1,100.10**
ITP Revenue	196.83	222.52	281.27	240.92	103	**1,044.54**
Other Income	355.69	525.11	475.12	372.57	393.9	**2,122.39**
Total	759.88	949.98	1,113.15	860.76	583.26	**4,267.03**

3.31 There was no comment on other income except consideration of 30% of other income in Tariff Determination by MAFFFL. The Authority decides to consider the entire income under single Till vide decision recorded under Para 2.18.1. Further after updating the data for FY 2020-21 on the basis of audited financials, the revised other income considered for tariff determination is given below:

Table no. 18 – Other Income considered by the Authority for True up of the 2nd Control Period.

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Interest Income	207.36	202.35	356.76	247.27	89.64	**1103.38**
ITP Revenue	196.83	222.52	281.27	240.92	100.33	**1041.87**
Other Income	355.69	525.11	475.12	372.57	350.92	**2079.41**
Total	**759.88**	**949.98**	**1,113.15**	**860.76**	**540.89**	**4224.66**

G. Fair Rate of Return (FRoR)

3.32 MAFFFL has adopted a rate of return of 14% on equity which is in line with the rate adopted by the Authority in its calculations for determination of tariff for the 2nd Control Period. The interest rate has been taken as 8.95% up to FY 2019-20 and 8.5% for the year 2020-21. The adjusted WACC for the 2nd Control Period for the True up is worked out below:

Table No.19 – FRoR considered by Authority for True up of the 2nd Control Period.

Particulars (Rs. In lakhs)	2016-17	2017-18	2018-19	2019-20	2020-21
Equity	17244	20648	26727	32735	34171
Debt	16884	14827	14165	13183	12162
Total	34128	35475	40892	45918	46333
Equity %	50.53%	58.20%	65.36%	71.29%	73.75%
Debt %	49.47%	41.80%	34.64%	28.80%	26.25%
WACC					
Equity	7.07%	8.15%	9.15%	9.98%	10.33%
Debt	4.43%	3.74%	3.10%	2.57%	2.23%
Total	11.50%	11.89%	12.25%	12.55%	12.56%

3.33 The Authority has adopted an average rate of FRoR for computation of discounting factor for True up of 2nd Control Period.

3.34 There was no comment by any stakeholders on FRoR specifically for the Second Control period. The User comments regarding consideration of higher cost of equity has been discussed in the third control period. Therefore, the FRoR calculated at CP stage is being considered for true up of second control period.

H. Aggregate Revenue Requirement

3.35 Based on the analysis of various building blocks of tariff determination as discussed above the ARR arrived at for True up of second control period is given below:

Table no. 20 ARR considered by the Authority for True up of the 2nd Control Period

Particulars (Rs. In lakhs)	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**	**Total**
Average RAB (A) ***(Refer Table 12)***	30,644.74	27,692.83	27,482.16	27,759.69	27,714.19	**1,41,293.60**
FRoR (B) ***(Refer Table 19)***	11.50%	11.89%	12.25%	12.55%	12.56%	
Return on RAB (C=A*B)	3524.65	3292.49	3366.75	3483.88	3479.88	**17147.65**
Depreciation (D) ***(Refer Table 9)***	3453.13	2727.45	2529.52	2313.05	2631.41	**13654.56**
O&M (E) ***(Refer Table 15)***	3,140.90	3,823.70	5,158.26	3,854.48	2,305.68	**18283.02**
Income Tax (F) ***(Refer Table 16)***	1536.10	2180.56	2051.25	1091.64	0.00	**6859.55**
Total Gross ARR (G= C+D+E+F)	11,654.78	12,024.20	13,105.78	10,743.05	8,416.97	**55,944.78**
Other Income (H) ***(Refer Table 18)***	759.88	949.98	1,113.15	860.76	540.89	**4224.66**
Net ARR (I=G-H)	10,894.90	11,074.22	11,992.63	9,882.29	7,876.08	**51,720.12**
Discounting Factor	1.7741	1.5819	1.4106	1.2578	1.1215	
NPV of ARR	19,329.12	17,518.80	16,916.40	12,429.49	8,832.99	**75,026.79**
FIC Revenue	11,752.44	12,986.83	13,429.00	11,123.00	4,548.71	**53,839.98**
NPV of Actual Recov	20,850.53	20,544.44	18,942.49	13,989.99	5,101.36	**79,428.81**
Excess/Shortfall	-1521.41	-3025.64	-2026.09	-1560.50	3731.63	**-4402.02**

3.36 The excess recovery (claw back) to be adjusted out of 3rd Control Period is Rs. 4402.02 lakhs. The excess recovery could be much more but for the effect of COVID-19 pandemic in the year 2020-21.

3.37 The claw back for the second control period at the Consultation stage was Rs 3841.69 lakhs. Due to the changes incorporated based on stakeholder comments the following changes were made in the calculations which resulted in the claw back of Rs. 4402.02 lakhs. The details of changes carried out are:

3.37.1 Life of buildings considered as 30 years instead of 60 years.

3.37.2 Disposal of assets in the consultation stage was considered at gross value. Now this has been corrected and considered net of depreciation.

3.37.3 Additional loss on disposal of assets due to difference in the salvage value and depreciation rates between books of accounts and AERA guidelines (Salvage value as per accounting policy is 5% whereas the value considered by MAFFFL while preparing MYTP is 10%).

3.37.4 Licence fee/lease rent considered in operating costs were reduced from Rs. 2141.03 lakhs to Rs. 893.23 lakhs

3.37.5 The financial results for FY 2020-21 were updated.

3.38 <u>Authority's decisions regarding True up for the 2nd Control Period</u>

Based on the material before it and based on its analysis, the Authority decides the following regarding True up for the 2nd Control Period:

3.38.1 The Authority decides to consider the depreciation for the 2nd Control Period as per Table no.9;

3.38.2 The Authority decides to True up the Regulatory Asset Base as per Table no.12;

3.38.3 The Authority decides to consider the Operational Expenses including CSR for True up of 2nd Control Period as per Table no.15;

3.38.4 The Authority decides to consider Income Tax for the 2nd Control Period as per Table no. 16;

3.38.5 The Authority decides to True up the FRoR for the 2nd Control Period as per Table no.19;

3.38.6 The Authority decides to True up other income as per Table No 18;

3.38.7 The Authority decides to True up the Aggregate Revenue Requirement of MAFFFL for the 2nd Control Period as per Table no.20 and also decides to consider the claw back of Rs. 4402.02 lakhs for adjustment in the third Control Period.

4. FUEL THROUGHPUT (VOLUMES) FOR THIRD CONTROL PERIOD

MAFFFL, Mumbai's submission on Fuel Throughput for the Third Control Period as part of MYTP.

4.1 MAFFFL has projected the following fuel offtake volumes for the 3rd Control Period:

Table no. 21 Projected Fuel volumes by MAFFFL as part of MYTP Submission for 3rd Control Period

In (TKL)	FY 2019-20	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Yearly Volume	1483	840	916	1364	1556	1616	6292

Authority's examination of Projected Volumes at CP Stage

4.2 The yearly volumes projected by MAFFFL are based on the Study conducted by M/s Deloitte in November 2020 for MAFFFL to assess the fuel offtake considering the COVID 19 pandemic impact. However, based on the study, the growth rate adopted for recovery from the post COVID 19 pandemic to pre- COVID 19 pandemic levels appears to be less in volume.

The Authority kept in view its recent Tariff Order issued for 3rd Control Period in respect of Mumbai Airport (MIAL) with regard to the domestic/international ATM mix considered for projections in the said Order. Accordingly, a comparison of the volumetric projections submitted by MAFFFL and those proposed to be considered by the Authority for the 3rd Control Period is given in table below.

Table no. 22 - Comparison of Projections made by MAFFFL and Proposed by Authority for the 3rd Control Period at CP stage

Particulars (in TKL)	FY 2019-20 (Base Year)*	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
As projected by MAFFFL	1483*	840	916	1364	1556	1616
As a % of Base Year	100%	57%	62%	92%	105%	109%
Volume Proposed by Authority		771	1483	1616	1780	1854
As a % of Base Year		52%	100%	109%	120%	125%

4.3 The Authority has considered FY 2019-20 as Base Year (pre-Covid year) to project the Fuel Throughput Volume for MAFFFL for 3rd Control Period. Since, the economy is already witnessing the 2nd wave of COVID 19 pandemic concurrently, the Authority, has attempted to factor the same for the purpose of volumetric projections, and, accordingly, proposes to consider volumes for 1st tariff year FY 2021-22 @ 52% of the base year FY 2019-20 projections by MAFFFL (Refer Table 21). Based on the above assumptions, the revised fuel offtake of MAFFFL for the 3rd Control Period is proposed to be considered as given in table below:

Table no.23 – Fuel Throughput proposed to be considered by the Authority for the 3rd Control Period at CP stage

In (TKL)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Yearly Volume	771	1483	1616	1780	1854	7504

4.4 As a measure of sanity check the Authority notes that the volumetric projections by MAFFFL for FY 2019-20 also tallies with the sum of the actual Fuel Throughput volumes of the two ITP Operators at Mumbai airport viz. M/s IOSPL & M/s BSSPL. The Authority may consider a different mix of growth rate for domestic / international volumes at the Order stage based on the inputs to be received from the Stakeholders during the consultation process.

4.5 Stakeholder's comments on Fuel Throughput (Volume) for the Third Control Period

4.5.1 MAFFFL's comments on Fuel Throughput (Volume) for the Third Control Period

MAFFFL was of the following views:

4.5.1.1 We wish to submit that various factors having a bearing on the Fuel Throughput (Volume) have not been given due weightage by Authority while arriving at the projected volumes for 3rd control period. The same are explained in brief, along with volume projections worked out by us, for Authority's consideration, as follows:

4.5.1.2 Contribution to fuel volumes:

- Domestic: 74.09% of ATMs contribute to 33.17% of ATF Volumes.
- International 25.91% of ATMs contribute to 66.83% of ATF Volumes Hence, 2/3rd of ATF come from international traffic and only 1/3rd from domestic traffic volumes.

4.5.1.3 In our considered view and as projected by various agencies (please refer 5 1. 7: extract of Airports Council International (ACI) World. sixth assessment analysis in the Annexure to Volume Projections), we expect recovery of ATM / PAX for domestic by FY-2023 and International by FY-2024.

4.5.1.4 Due to various reasons including stricter restrictions imposed by Maharashtra, ATMs in Mumbai have recovered in 2020-21 to 40% of 2019-20 as compared to 47% to 49% for the other three major airports namely Delhi, Bengaluru and Hyderabad. The trend is continuing in 2021-22, when restrictions at Mumbai / Maharashtra are much stricter compared to other states like Delhi, Telangana & Karnataka and hence recovery in ATMs is much lower in Mumbai as compared to the other major airports , In the 1" quarter of FY 21-22. MAFFFL has achieved only 153 TKL ATF volume. Which is only 19.8% of the AERA's projection for 2021-22 and pro-rated 41.3% of volumes achieved in 2019-20. We expect Mumbai to lag the recovery in other major airports by at least one year. However, we have not taken this factor into consideration in our volume projections.

4.5.1.5 The volume growth should be considered at 2% for the balance period beyond FY-23 and FY24 considering factors specific to Mumbai detailed as under:

- ATF volume growth on international sector is expected to be tapered as most of the old generation aircrafts on long-haul flights are replaced by new ones which are 15% more fuel efficient.

- ATF volume growth on domestic sector is also expected to be tapered due to the following reasons:

    - Most of the old generation aircrafts are being replaced by new ones which are 15% more fuel efficient.

    - Declared policy of GOI for opening up of air space and rationalization of routes.

- The Business and Work related travel has made a shift and shall have impact on ATM/PAX and ATF volume numbers as most organizations have adopted to electronic platforms and are preferring meetings through virtual mode.

4.5.1.6 We are still in the midst of Second wave of Covid -19 and further waves are feared due to the newer and more deadly variants of coronavirus emerging regularly in India as well as other countries. Full adverse impact on Aviation Sector due to the ongoing pandemic is difficult to comprehend at this stage. However. international traffic is likely to continue to be hit harder as such waves come at different times at different countries and flight restrict ions are imposed even if one among a pair of countries is affected. Based on the above factors. the following ATF volume projections of MAFFFL for CSMIA are submitted for 3rd control period for consideration of Authority:

In (TKL)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Yearly Volume	771	1193	1436	1508	1522	6430

4.5.2 **MIAL's comments on Fuel Throughput (Volume) for the Third Control Period**

MIAL was of the following views:

4.5.2.1 Volumes considered by the Authority for the TCP are on a higher side, which need to be reconsidered due to following reasons:

- Due to serious situation of Covid-19 with strict restrictions in Maharashtra, passengers have been reluctant in travelling to/ from Maharashtra. Besides most of the organizations are conducting virtual business meetings leading to decline in business/work related travel.

- Recovery of ATMs at CSMIA Mumbai in FY21 was dismally low being only 38% of FY20. With International operations slated not to start till 31st July, 2021, situation is not expected to improve in FY22 also. It is worth noting that oil throughput per ATM in case of international operations is much more than domestic operations.

4.5.3 **<u>DAFFPL's comments on Fuel Throughput (Volume) for the Third Control Period</u>**

DAFFPL was of the following views :

4.5.3.1 Typically, the fuel offtake is more by International ATM traffic, as compared to Domestic ATM traffic. Currently we are witnessing unprecedented time due of COVID outbreak and expect the International ATM traffic to recover to pre COVID levels beyond FY2025, due ongoing restriction laid by various Governments on travel, and which is very unlikely to change that easily in the years to come.

4.5.3.2 Further, considering the 2nd wave of COVID and anticipation of a 3rd wave considering daily changing variants of COVID virus, the fuel offtake should also move in the same effect and pre COVID levels should be achieved beyond FY2025, instead of FY2023 as considered by the Authority.

4.5.3.3 We request the Authority to reconsider the volume provided by the Operator as part of their submission.

4.5.4 **<u>BSSPL's comment on Fuel Throughput (Volume) for the Third Control Period</u>**

BSSPL was of the following view:

"It appears that the Authority has taken an optimistic view that the ATMs shall start recovery by year 2021-22, and fully recover by year 2022-23 in respect of domestic and international traffic. However, in view of the surge in the COVID-19 pandemic with new variants affecting population across the globe, the extent of effectiveness of vaccines still under study and considering that a third wave is likely to hit, which may be worse than the first and second one, such and optimistic view may be misplaced. Moreover, it cannot be ignored that travel and movement restrictions did provide impetus to new-age communication technology which will considerably reduce business travel in the post Covid scenario."

4.5.5 **<u>HPCL's comments on Fuel Throughput (Volume) for the Third Control Period</u>**

HPCL was of the following view:

"It is necessary that the Fuel Infrastructure Charges (FIC) is fixed with volumes which take into effect the present volumes at the Mumbai airport and the long term effects of Covid epidemic on the future growth in air traffic. FIC tariffs are a "Pass Through" in the pricing mechanism for HPCL."

4.5.6 **<u>BPCL's comments on Fuel Throughput (Volume) for the Third Control Period</u>**

BPCL was of the following view:

"BPCL have already witnessed the devastating impact of the second wave of Covid-19 and further waves are feared due to the newer and more deadly variants of coronavirus emerging, hence both Domestic and International traffic is not likely to reach Pre-Covid numbers. Further since 2/3rd of ATF volumes at CSMI, Mumbai come from International traffic and the International Traffic particularly is likely to continue to be hit even more harder as such waves come at different times at different countries and flight restrictions are imposed even if one among a pair of countries is affected the overall ATF volumes will continue to be much lower than projected in the 3rd Control Period."

4.5.7 **IOCL's comments on Fuel Throughput (Volume) for the Third Control Period**

IOCL was of the following views:

4.5.7.1 Due to the continuing pandemic situation in the country and reduction in both domestic and international flight operations, the ATF volume has come down by around 60% at Mumbai Airport. This low ATF volume trend is expected to continue for another 2-3 years and are also affecting the financial condition of the companies. It is very important for the Fuel Farm operator or any operator for that matter to be economically viable to provide the required service levels meeting the requirements of all stakeholders.

4.5.7.2 Hence, AERA may take a balanced view in matter of determination of Fuel Infrastructure Charges for M/s Mumbai Aviation Fuel Farm Facility Pvt Ltd (MAFFFL) at CSMI Airport, Mumbai for the 3rd control period (01.04.2021 to 31.03.2026) considering the reduced ATF volume at Mumbai Airport, which is expected to continue for some more years. Further, it is requested that any increase in tariff should be on prospective basis, as it would not be possible to recover past dues from the airlines.

4.5.8 **IOSPL's comments on Fuel Throughput (Volume) for the Third Control Period**

IOSPL was of the following view:

4.5.8.1 The earlier studies conduct by various agencies had not envisaged the second wave of the pandemic and next waves that are being predicted.

4.5.8.2 The vaccination program within India has not reached its targeted levels due to various constraints and would thus pose serious challenges in recovery of passenger traffic, particularly with state governments imposing travel restrictions which are in variance apart from creating a high level of uncertainty. Due to high number of COVID-19 cases in Maharashtra, the State Government has imposed stricter restrictions as compared to other states and Mumbai has been the worst hit. Such situations impede the revival of the sector.

4.5.8.3 The uncertainties that loom large in the current circumstances.

4.5.8.4 India's opposing stand to vaccine passport could also delay the resumption of long haul international scheduled services.

4.5.8.5 There are two ITP Service providers at Mumbai Airport namely IOSPL and BSSPL. The total ITP Volumes of both ITP Service providers equal to the Fuel Farm volumes with the exception of some minor operational losses at the Fuel Farm. However, if we total the volumes proposed by the authority for IOSPL and BSSPL, large discrepancies are observed between the total of IOSPL and BSSPL volumes compared with the volumes forecasted for MAFFPL. Such discrepancies appear to be a typographical error and should be corrected.

4.5.8.6 At the current trend, the recovery in ATF Volume and ATMs at CSMIA for the period Apr-Jun 2021 is expected to be 43% and 42% only. It is very unlikely that 52% as proposed by the Authority for the year FY 2021-22 would be achieved. The recovery of ATF Volume and ATMs for domestic is expected by FY 2022-23 and International by FY 2023-24. By prorating our share of volume of approximately 60% at the airport, our projections for recovery in throughput volume for the Third Control Period would be –

Base Year FY 2019-20 1483 TKL	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Volume (TKL)	667	1186	1483	1572	1631
As % of Base year	45%	80%	95%	104%	106%

4.6 MAFFFL's response to stakeholder's comments on Fuel Throughput (Volume) for the Third Control Period

4.6.1 With regard to stakeholders comment on Fuel Throughput (Volume) for the Third Control Period, MAFFFL agrees with the views expressed by MIAL, DAFFPL, BSSPL, IOCL, and IOSPL.

4.6.1.1 The Authority is requested to take a balanced view as reiterated by our stakeholders.

4.7 Authority's Analysis/examination of Stakeholder's comments, on Fuel Throughput (Volume) for the Third Control Period.

4.7.1 The Authority noted the comments received from MIAL, DAFFPL, BSSPL, IOCL and IOSPL on the revision of the Fuel throughput forecast for the 3rd Control Period.

4.7.2 The Authority further noted that due to adverse impact of the second wave of the COVID-19 on aviation sector, and, also based on the views of industry bodies/agencies such as IATA, ACI etc., there will be substantial delay in recovery of the aviation sector to pre COVID-19 level (i.e. equal to traffic level of FY 2019-20).

4.7.3 In the Authority's opinion, the impact of COVID-19 pandemic on the global aviation market is still prevalent and is expected to continue till the end of FY 21-22. However, with the gradual revival of the economy, increase in the uptake of the vaccines, measures taken by the GoI to make the air travel safe along with easing of air travel by various countries, the aviation industry is expected to recover at a better pace in the next few years.

4.7.4 Considering the positive outlook of the GDP growth predicted by the GoI and relatively better revival of the domestic aviation market, the Authority is of the view that domestic traffic will revert to pre-Covid levels (i.e. FY 2019-20) by FY 2022-23.

4.7.5 The Authority also realized that the international traffic demand has remained subdued due to travel restrictions imposed by other countries on Indian travellers. Therefore, the Authority is of the view that international traffic will likely revert to pre COVID-19 levels (i.e. FY 2019-20) by FY 2023-24.

4.7.6 In view of the above, the Authority decides to revise the fuel throughput projections for the 3rd control period as made in the Consultation Paper. The revised fuel throughput projections are given in Table 24 as under:

Table 24 Revised Projections of Fuel Throughput (Volume) by the Authority for 3rd Control Period

In (TKL)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Yearly Volume	741	1483	1616	1780	1854	7474
As a % of FY 209-20	50%	100%	109%	120%	125%	

4.8 Authority's decision regarding Fuel Throughput (Volume) for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following regarding Fuel Throughput (Volume) for the 3rd Control Period:

4.8.1 The Authority decides to consider the projected Fuel Throughput (Volume) for determination of tariff for the 3rd Control Period as per Table no. 24;

4.8.2 The Authority also decides to True up the Fuel Throughput (Volume) on actual basis during the tariff determination exercise for the next Control Period.

5. REGULATORY ASSET BASE (RAB) AND DEPRECIATION OF THIRD CONTROL PERIOD

MAFFFL, Mumbai's submissions on Capital Expenditure for the Third Control Period as part of MYTP.

5.1 Capital Expenditure.

5.1.1 As stated in clause 9.2 of the CGF Guidelines in Direction 04/2010-11, RAB assets shall be all fixed assets proposed by the Service Provide(s), after providing for such exclusions therefrom or inclusions therein as may be determined by the Authority.

5.1.2 The Capital Expenditure for the 3rd Control Period that MAFFFL expects to incur is given in the table below:

Table no.25 – Capital Expenditure – MAFFFL submission for 3rd Control Period

Particulars (in INR lakhs)	**FY 21-22**	**FY 22-23**	**FY 23-24**	**FY 24-25**	**FY 25-26**
Building	1327.58	165.21	CAPEX Proposed - 'Nil'		
Roads	14.57	1.32			
Plant & Machinery	9681.48	1012.98			
Deadstock	273.84	46.16			
Furniture & Fittings	0.14	0.01			
Vehicles	1.28	0.12			
Office equipment's	0.23	0.02			
Computers	0.28	0.03			
Electrical Installation	2072.70	239.38			
Total	**13372.11**	**1465.23**			

5.1.3 The Capital Expenditure projections made by MAFFFL as part of its MYTP submission are for the balance construction activity of the integrated fuel farm facility at Santacruz with a storage capacity of ATF 47,500 KL in 5 aboveground tanks and connecting this facility to Terminal T2 hydrant infrastructure via 2 pipelines. Of these 5 fuel tanks, 3 fuel tanks have been commissioned and 2 fuel tanks to be completed by December 2021. The above mentioned proposed capital expenditure is in line with the Original Master Plan submitted in the Mott Macdonald report. It is to be noted that the projected capital expenditure for the 3rd Control Period is associated with the same project that was approved by the Authority in its Order No.30/2017-18. The capital expenditure approved for the entire project of purchasing assets from Oil PSUs and cost of construction of the New Integrated Fuel Farm Facility is Rs.75453.00 Lakhs as submitted by MAFFFL and the total capex for entire project is within the approved amount.

5.1.4 MAFFFL has submitted that in the 2nd Control Period unanticipated delays were caused in completion of the construction of integrated Fuel Fam facility. Following are the reasons cited by MAFFFL for such delays in the 2nd Control Period:

5.1.4.1 Considerable time was spent in grant of all major statutory approvals which were in place only by March 2017, all major construction activities could start only after receipt of the statutory approvals.

5.1.4.2 Several man days were lost on account of heavy rainfall which resulted in halting construction activity in its entirety.

5.1.4.3 VIP movements caused some disruptions which resulted in access being closed to Fuel Farm and certain areas of the Mumbai Airport.

5.1.4.4 The Integrated Fuel Farm project is a brown-field project which is being constructed at the same premises where the existing operational plant exists. Therefore, the construction activity is undertaken in phases as the existing operations of the Mumbai Airport could not be hampered,

5.1.4.5 MAFFFL has already commissioned three tanks which were capitalized on 31st March 2019.

5.1.4.6 The restrictions imposed by State/Central Governments to arrest the spread of COVID 19 pandemic have further delayed the project.

5.1.5 By virtue of the Transfer Deed, the existing fuel farm facilities of oil PSUs (IOCL, BPCL and HPCL) were transferred to MAFFFL. The facility comprises of storage tanks, pumps, plant and machinery, pipeline, building and deadstock. MAFFFL as part of their MYTP submission, apprised the Authority that deadstock is the minimum level of ATF which is always required to be held in the storage tank and pipelines in order to keep the facilities operational and is required throughout the life of the facility. There is no quantity variation in this stock during the course of the business unless a particular facility is demolished. Hence deadstock cannot be disposed of at any given point in time.

5.1.6 The existing deadstock taken over from Oil PSUs, therefore, will be used in the two new tank, connector pipeline, plant piping & filter vessels which are part of integrated fuel farm facility in the third Control Period.

5.1.7 After consuming the existing deadstock, any additional deadstock required will be procured as per the need in the third Control Period.

5.1.8 Following is the summary of the CWIP and RAB during the 3rd Control Period:

Table no.26 – CWIP and RAB for TCP – MAFFFL Submission as part of MYTP

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Opening CWIP	4,721.22	1,465.48	-	-	-
Capex during the period	10,116.38	-	-	-	-
Commissioned assets	(13,372.11)	(1,465.48)	-	-	-
Closing CWIP	1,465.48	-	-	-	-
Opening RAB	42,247.87	51,699.78	49,890.80	46,618.76	43,346.81
Commissioned Assets	13,372.11	1,465.48		-	-

Depreciation	(3,181.60)	(3,274.46)	(3,272.04)	(3,271.95)	(3,271.78)
Disposals	(738.60)	-	-	-	-
Closing RAB	51,699.78	49,890.80	46,618.76	43,346.81	40,075.02

Authority's examination regarding Capital Expenditure at CP stage.

5.1.9 The Authority notes that the details of capital expenditure to be incurred year-wise as given at Table no.16 of CP as part of MYTP submission of MFFFL is incorrect. It is observed that instead of capital expenditure to be incurred, the likely capitalization expected during the 3rd Control Period has been given in the Table No.17 of CP.

5.1.10 The Authority proposes that in the event of any delay in execution of capital expenditure as planned for 3rd Control Period, it will consider reduction in the RAB by 1% of the cost of the delayed part of thc work, in the True up during tariff determination for the next Control Period.

5.1.11 The Authority also notes that the proposed capital expenditure for the 3rd Control Period is Rs.7625.15 lakhs (excluding IDC). This works out to bc Rs.10124.69 lakhs including IDC of Rs.2499.54 lakhs as detailed in Table no.18 of CP. MAFFFL has planned the entire expenditure to be spent in FY 2021-22 as per Para 4.1.3 of CP . It is also noted that the entire capital expenditure proposed is a part of Integrated Fuel Farm Facility approved in the 2nd Control Period. Accordingly, the revised capital expenditure for the 3rd Control Period is given below:

Table no.27 Capital Expenditure proposed to be considered for the 3rd Control Period by the Authority at CP stage.

Particulars (in INR lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Building	648.78	Capex – 'Nil'				**648.78**
Roads	10.05					**10.05**
Plant & Machinery	7643.10					**7643.10**
Dead Stock	320.00					**320.00**
Furniture	0.10					**0.10**
Vehicles	0.88					**0.88**
Office Equipment's	0.16					**0.16**
Computers	0.20					**0.20**
Electrical Installation	1501.42					**1,501.42**
Total	**10124.69**					**10124.69**

5.2 Stakeholder's comments on Capital Expenditure for the Third Control Period.

5.2.1 MAFFFL's comment on Capital Expenditure for the Third Control Period

MAFFFL was of the following view:

5.2.1.1 The Authority has proposed to rework the RAB of MAFFFL for the third Control Period, by reducing the RAB by 1% of the delayed cost of the projects, if MAFFFL fails to commission and capitalize the projects by March 2022. It is in our interest to complete the project within the committed time schedule as there will be a loss of return as well as depreciation in case of delayed completion and capitalization. We are confident of commissioning and capitalizing the project by March2022. However, there could be delays due to reasons beyond our control especially due to covid-19 pandemic and other unforeseen events. Any delay in commissioning and capitalizing the project implies denial of return on such asset and depreciation. Imposition of 1% penalty by reducing the RAB of the delayed cost at the projects is therefore a very harsh step and not in accordance with the AERA Act.

5.2.2 **MIAL's comments on Capital Expenditure for the Third Control Period**

MIAL was of the following view:

5.2.2.1 Authority has proposed to levy a penalty through reduction in RAB by 1% of the cost of the delayed capex, during true up process for the next control period, if MAFFFL delays the execution of the capex proposed during TCP. Such a proposal is unreasonable especially when all infrastructure companies are facing severe challenges / restrictions in mobilizing resources (vendors/manpower) in executing projects in these pandemic times possibility of delay cannot be ruled out in these unprecedented times, due to any subsequent wave(s) and new variant(s) of Covid-19.

5.2.2.2 Excess collection during TCP, if any, due to higher tariff based on capex which would not be completed in time, anyway shall be clawed back along with carrying cost. Proposal of the Authority to levy such additional penalty is surely not justified MAFFFL cannot be penalized twice.

5.2.3 **DAFFPL's comments on Capital Expenditure for the Third Control Period**

DAFFPL was of the following views:

5.2.3.1 The Authority has proposed to rework the RAB of the Operator for the third Control Period, by reducing the RAB by 1% of the delayed cost of the projects if the Operator fails to commission and capitalize the projects by March 2022.

5.2.3.2 A penalty of 1%is penalizing the Operator which is in addition to loss of return and depreciation. It is beneficial for the Operator to complete the project as per schedule to start monetizing, though delays occur due to various un-certainties like shortage of manpower, funds, and internal accruals especially due to the covid-19 pandemic where the situation is beyond anyone's control.

5.2.3.3 We request the Authority to reconsider this proposal.

5.2.4 **BSSPL's comments on Capital Expenditure for the Third Control Period**

BSSPL was of the following view:

5.2.4.1 "BSSPL is of the view that in the Country is facing unprecedented Pandemic situation and given that several more waves of COVID are likely to hit the human population, there is no visibility of the future. Hence, imposing penalties for not incurring capex as projected on account of reasons not within one's control may not be a viable solution, particularly when considering that any delay in commissioning and capitalizing the project, implies denial of return on such asset".

5.2.5 **IOSL's comments on RAB for the Third Control Period**

IOSL was of the following view :

5.2.5.1 IOSL's response: Clause 9.2.6.(c) on Rolling Forward RAB has a provision for incentivising timely investment as a form of encouragement. However, the guideline is silent about levying penalty for delay in planned investments. Furthermore, the pandemic has presented unprecedented circumstances with restrictions being imposed from time to- time basis emerging situations and these are beyond the control of MAFFFL. There also looms large uncertainties in the future in respect to the recovery of sector and that too at a pace which cannot be determined currently.

5.2.5.2 Lastly this is applicable where the service is 'material but not competitive' and where the Authority is not assured of the reasonableness of the exiting user agreements. In case of MAFFFL the service though 'material but not competitive 'satisfy the reasonableness of the existing user agreements criteria.

5.2.5.3 Thus, the above proposal is against the guideline, punitive in nature and is unfair.

5.3 MAFFFL's, response to Stakeholder's, comments on to Capital Expenditure for the third control period.

5.3.1 We agree with the views of BSSPL. The same has been reiterated by other stake holders as well.

5.3.2 Authority is requested to consider the same.

5.4 Authority's Analysis/examination of Stakeholder's, comments on Capital Expenditure for the third control period.

5.4.1 The Authority noted the comments of the Stakeholders on the proposed 1% re-adjustment in case of delay in implementing the proposed CAPEX schedule. The stakeholders have cited the impact of the COVID-19 pandemic and the related uncertainties which may affect completion of the CAPEX schedules. In this regard, the Authority is of the view that the situation is likely to improve in view of the various measures implemented by the government including the availability of vaccine. The re-adjustment in the ARR/Target Revenue is to protect the interest of the stakeholders who are paying for services provided by MAFFFL, Mumbai, and, is also an encouragement for MAFFFL, Mumbai to commission/capitalize the proposed assets as per the approved CAPEX schedule.

5.4.2 Further, in case there is a delay in commissioning/capitalizing of the assets proposed for the 3rd Control Period due to any reason beyond the control of MAFFFL, Mumbai, and, is properly justified, same would be considered by the Authority while truing up the actual cost at the time of Tariff determination exercise for the next control period. It is also stated that AERA expects that capitalization plan given by the service provider is adhered to, and, expects them to deliver the capitalization as per the plan.

5.4.3 The Authority also noted that the Hon'ble TDSAT Judgement dated 16.12.2020 of "Bangalore International Airport Ltd. (BIAL) Vs. Airports Economic Regulatory Authority of India" with regard to the Authority's decision to impose 1% penalty (re-adjustment) by way of reduction of the value of the Terminal II building from ARR.

5.4.4 The Authority, in order to ensure that MAFFFL adheres to the Capital Expenditure plan, proposes to reduce 1% of the non-capitalized CAPEX from ARR / Target Revenue, as re-adjustment, in case any particular CAPEX is not completed as per the Capitalization schedule, in the True-up exercise for the 3rd Control Period during determination of tariff for the Next Control Period.

5.4.5 Due to updation of capital expenditure data relating to FY 2020-21 on the basis of audited financials, the revised capital expenditure for the third control period will be as per the table given below:

Table no.28 Capital Expenditure considered by the Authority for the 3rd Control Period.

Particulars (in INR lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Building	618.57	Capex – 'Nil'				618.57
Roads	10.05					10.05
Plant & Machinery	7287.23					7287.23
Dead Stock	320.00					320.00
Furniture	0.10					0.10
Vehicles	0.88					0.88
Office Equipments	0.16					0.16
Computers	0.20					0.20
Electrical Installation	1431.51					1431.51
Total	**9668.70**					**9668.70**

5.5 Depreciation

5.5.1 Following are the depreciation rates assumed for the 3rd Control Period (in %) by MAFFFL:

Table no. 29 Depreciation Rates as part of MAFFEL MYTP Submission for Third Control Period

Particulars	Useful life (# years)	Residual value	Depreciation Rates
Buildings - RCC	20	10.00%	5.03%
Roads	20	10.00%	5.03%
Plant and Machinery	20	10.00%	5.03%
Furniture	10	10.00%	10.00%
Vehicles	8	10.00%	12.50%
Office Equipment	5	10.00%	20.00%
Computers	3	10.00%	33.33%
Electrical Installations	10	10.00%	10.00%
Deadstock	-	-	-

5.5.2 Depreciation has been considered as per the provisions of the CGF guidelines in Direction No.4/2010-11 wherein the residual value of the asset is considered as 10% and depreciation is allowed up to 90% of the original cost of the asset.

5.6 Authority's examination regarding Depreciation at CP stage.

5.6.1 The depreciation rate adopted by MAFFFL in certain assets is not in line with the rates prescribed in the Companies' Act or the rates laid down in the Order no.35/2017-18 of the Authority. The Companies' Act lays down a residual value of 5% and directions under CGF guidelines mandates a residual value of 10%. The Order no.35/2017-18 does not specify any residual value and entire asset value is to be depreciated.

5.6.2 MAFFFL had adopted a residual value of 10% in line with the CGF guidelines. The rates of depreciation adopted for Building, Plant & Machinery, and, Roads are different. The Companies' Act also prescribes separate life for Storage Tanks as well as for Pipelines. MAFFFL has merged these items in "Plant & Machinery." The useful life adopted by MAFFFL and prescribed by Companies' Act / AERA Guidelines are given below.

Table no.30 Comparison of Useful Life of Assets for 3rd Control Period

Particulars	Useful life MAFFFL (years)	Useful life as per Order No. 35/2017-18 (Years)
Building	20	60
Roads	20	10
Plant & Machinery	20	15
Furniture	10	10
Vehicles	8	8
Office Equipment's	5	5
Computers	3	3
Electrical Installations	10	10

5.6.3 The adjusted depreciation taking into account the useful life of assets as per Order No. 35/2017-18 for the 3rd Control Period proposed by the Authority is given below:

Table no. 31 Depreciation Amount proposed to be considered by the Authority for 3rd Control Period at CP stage.

Particulars (Rs. In lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
As per MAFFFL	3,181.60	3,274.46	3,272.04	3,271.95	3,271.78	16,271.83
Revised Depreciation as per AERA	3,449.39	3,540.10	3,534.54	3,529.42	3,504.02	17,557.47

5.7 Stakeholder's comments on Depreciation for Third Control Period.

5.7.1 MAFFFL's comments on Depreciation for the Third Control Period

MAFFFL was of the following views :

5.7.1.1 The Authority has proposed that the depreciation rate adopted in respect of buildings to be taken as per Companies' Act 2013, which is 60 years.

5.7.1.2 As per AERA's Order no. 35/2017-18 dated 12th January, 2018 as well as Amendment Order no. 35/2017-18 dated 9th April. 2018. life of utility buildings for the purpose of the tariff determination exercise can be considered as 30/60 years as evaluated by the Airport operator. In our case. the fuel farm facility is operational in 3 shifts 24x7. In view of round the clock multi shift operation, we request Authority to consider the useful life of buildings as 30 years.

5.8 Authority's analysis/examination of stakeholders comments on depreciation.

5.8.1 The Authority notes that as per order No 35/2017-18 dt 12.1.2018, the life of the buildings would be considered as 30 years or 60 years as evaluated by the airport operator. Since MAFFFL has requested to consider the life of buildings as 30 years because of 24 x 7 multi shift operations, it is decided to consider the same

5.8.2 The Authority decides to True up the depreciation considered based on 'actuals' at the time of tariff determination for the Next Control Period.

5.8.3 The revised depreciation considering the life of buildings as 30 years is given below:

Table no. 32 Depreciation Amount considered by the Authority for 3rd Control Period.

Particulars (Rs. In lakhs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Depreciation at CP stage	3449.39	3540.1	3534.54	3529.42	3504.02	17557.47
Additional Depreciation	120.38	123.55	123.36	123.18	122.29	612.76
Revised Depreciation	3569.77	3663.65	3657.9	3652.6	3626.31	18170.23

5.9 Regulatory Asset Base (RAB).

5.9.1 The revised Regulatory Asset Base after taking into account the Capital Expenditure and Depreciation at CP stage is given below :

Table no. 33 RAB proposed to be considered by the Authority for 3rd Control Period at CP stage

Particulars (Rs. In lakhs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB (A)	39,240.43	47,692.56	45,397.70	41,383.16	37,373.74	
Capitalization of Assets during the Year (B)	13,120.12	1,725.24				14,845.36
Depreciation (C)	3449.39	3540.1	3534.54	3529.42	3504.02	17557.47
Disposals (D)	738.6					738.6
Closing RAB E= (A+B-C-D)	48,172.56	45,877.70	41,863.16	37,853.74	33,869.72	
Average RAB F = (A+E)/2	43,706.50	46,785.13	43,630.43	39,618.45	35,621.73	

5.10 Stakeholder's comments on RAB for Third Control Period.

5.10.1 Closing RAB of FY 2020-21 should be the Opening RAB of FY 2021-22, which is not the same in the consultation paper published by Authority. Opening RAB of each year is not matching with the Closing RAB of previous year. Authority is requested to correct the same.

5.10.2 As Authority has considered disposals for calculating the RAB, Loss on disposal of assets should also be considered in ARR (in table 37 of CP) by the same logic. However, presently Authority has not considered Loss on disposal in the ARR calculation. We request authority to consider both "disposal of assets" for calculating RAB as well as "loss on disposal of assets" for calculating ARR. Alternately, if loss on disposal is not considered in ARR, we request Authority to remove disposal figure from above table no 22 of CP and consider both at the time of True up of 3rd control period.

5.10.3 The actual capitalisation for FY 2020- 21 was Rs.48,67 crores, as against the projected capitalisation of Rs.172.25 crores. The carry forward amount of Rs. 123.57 crores has been considered for capitalisation along with figure of Rs. 131.20 crores for FY 2021-22 and the total capitalisation for FY 2021-22 is now considered as Rs. 254 .77 crores (Rs. 131.20 crores + Rs 123 .57 crores).

5.11 Authority's analysis/examination of stakeholders comments on RAB.

5.11.1 The closing balance of second control period (FY 2020-21) has been taken as the opening balance for the third control period (FY 2021-22).

5.11.2 Considering the uncertainties in the disposal of assets, it has been decided to consider disposal of assets and loss on disposal of assets on actual basis in the true up during the tariff determination for the next (Fourth) control period.

5.11.3 The audited financial results for 2020-21 has been updated and the balance capitalisation carried forward to the third control period.

5.11.4 After giving effect to the above issues, the revised depreciation and RAB are given below:

Table no. 34 RAB considered by the Authority for third Control Period.

Particulars (Rs.in lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Opening CWIP (A)	17,533.98	1,725.24	-	-	-	
Capex during the year (B)	9,668.70	-	-	-	-	9,668.70
Total C=(A+B)	27,202.68					
Commissioned Assets (D)	25,477.44	1,725.24	-	-	-	27,202.68
Closing CWIP E=(C-D)	1,725.24	-	-	-	-	
Opening RAB(F)	28,790.14	50,697.81	48,759.40	45,101.50	41,448.90	
Commissioned Assets (D)	25,477.44	1,725.24	-	-	-	27,202.68
Depreciation (G)	3,569.77	3,663.65	3,657.90	3,652.60	3,626.31	18,170.23
Disposals (H)	-	-	-	-		
Closing RAB I=(F+D-G-H)	50,697.81	48,759.40	45,101.50	41,448.90	37,822.59	
Average RAB J=(F+I / 2)	39,743.98	49,728.61	46,930.45	43,275.20	39,635.75	

5.12 Authority's decisions regarding RAB for the third control period.

5.12.1 Based on the material before it and based on its analysis, the Authority decides the following regarding RAB and Depreciation for the 3rd Control Period:

5.12.1.1 The Authority decides to consider capital expenditure of MAFFFL for the 3rd control period as per Table No 28.

5.12.1.2 The Authority decides to consider the revised depreciation for the third control period as Table no. 32.

5.12.1.3 The Authority decides to consider the Regulatory Asset Base of MAFFFL for the third Control Period as Table no.34.

5.12.1.4 The Authority, in order to ensure that MAFFFL adheres to the Capital Expenditure plan, proposes to reduce 1% of the non-capitalized CAPEX from ARR / Target Revenue, as re-adjustment, in case any particular CAPEX is not completed as per the Capitalization schedule, in the True-up exercise for the 3rd Control Period during determination of tariff for the Next Control Period.

5.12.1.5 The Authority decides to True up Depreciation and RAB during the tariff determination exercise for the next Control Period.

6. FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

MAFFFL, Mumbai's submission on fair Rate of Return (FRoR) for the Third Control Period as part of MYTP.

MAFFFL, Mumbai has considered Fair Rate of Return (FRoR) for the 3rd Control Period which based on the proposed capital structure, funding mechanism and FRoR along with the computation as detailed in the subsequent paras as given below:

Table no.35 Fair Rate of Return – MAFFFL submission as part of MYTP for 3rd Control Period

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Debt	15,189.02	7,080.05	4,447.53	1,810.68	-
Equity	35,242.70	38,209.51	46,311.64	56,491.92	67,331.09
Debt + Equity	50,431.73	45,289.56	50,759.17	58,302.60	67,331.20
Cost of debt	8.50%	8.50%	8.50%	8.50%	8.50%
Cost of equity	16.00%	16.00%	16.00%	16.00%	16.00%
FRoR	15.00%	15.00%	15.00%	15.00%	15.00%

6.1 Cost of Equity

6.1.1 As per clause AI.5.2.3, of the CGF guidelines in accordance with the Direction No.4/2010 11, the "Service Provider(s) shall submit its assessment of Cost of Equity based on the Capital Asset Pricing model (CAPM)"

The CAPM model states that:

$R_e = R_f + ß\,(R_m - R_f)$

Where,

R_e is the cost of equity;

R_f is the risk-free rate;

ß is the market volatility; and

R_m is the market risk

6.1.2 The risk-free rate and market risk rates can be obtained based on Government Bonds and 5-year CAGR of Sensex. However, since there is no listed Fueling Service Provider in India, a suitable 'beta' value for MAFFFL's operations cannot be arrived at. However, the Return on Equity for MAFFFL would be based on the high-risk levels that the business is operating with:

6.1.3 Fuel is a dangerous good. Hence, fuel storage and handling involves various security and safety procedures as well as several risk aversion systems;

6.1.4 Providing an essential service (into dangerous goods) at a vulnerable area (high risk area) such as an airport possesses an additional risk;

6.1.5 Since MAFFFL depends on airport operator for utilities and other complementary services, any failure by the airport operator in providing the same would directly impact MAFFFL's operations;

6.1.6 Varying State policies and taxes results in changing prices of ATF, across countries as well, thereby creating more volatility and risk;

6.1.7 Execution of an Integrated Fuel Farm project at a brownfield airport will require more precautions and clearances from regulatory bodies. This is likely to result in hindrance in project execution;

6.1.8 With Navi Mumbai Airport development under consideration, there is a risk of lower recovery due to significant traffic risks;

6.1.9 Due to the higher levels of risk involved in MAFFFL's operations, business conditions, and environment, MAFFFL proposes a 16% Cost of Equity rate to be considered for the 3rd Control Period.

6.2 Cost of Debt

6.2.1 HDFC Bank has been shortlisted as the lender by way of a limited tender. The Rupee term loan from HDFC Bank comprised of two separate facilities – RTL-1 and RTL-2. The purpose of RTL1 is to finance the acquisition cost of the existing assets from Oil PSUs and MIAL and the purpose of RTL-2 is to finance the cost of the Integrated Fuel Farm Facility. While RTL-2 has been repaid, a principal outstanding of Rs.103.14 crores of RTL-1 is outstanding as on 31st December 2020.

6.2.2 In addition to RTL-1, HDFC Bank has sanctioned a new Capex loan of Rs.101.00 crores (out of which Rs.30.00 crores has been availed till 31st December 2020)

6.3 Debt-Equity Ratio

6.3.1 MAFFFL has considered the debt-equity ratio 60:40 as per the decision of its board. In Order to maintain a debt-equity ratio of 60:40, MAFFFL projected an equity infusion of Rs.7.69 crores in FY 2021-22.

Authority's examination regarding Fair Rate of Return at CP stage.

6.4 Cost of Equity

6.4.1 MAFFFL has considered cost of equity at 16% for the 3rd Control Period on the ground that the Fuel Farm Infrastructure deals with dangerous goods in a vulnerable area, dependence on airport operator, many clearances and precautions required as per regulations, and, the business risk posed by Navi Mumbai Airport.

6.4.2 The Authority also notes that there is no change in the risk position since almost all these factors were already known and considered. In fact Fuel Farm Facility is 'monopolistic' in nature and is an essential service for the smooth running of the airport. Therefore, it is proposed to maintain the Cost of Equity at 14% as considered in the 2nd Control Period tariff determination.

6.5 Cost of Debt

6.5.1 MAFFFL has adopted a rate of 8.50% as cost of debt for the entire 3rd Control Period. It is seen that the interest rate for RTL-1 was 8.2% and the cost of new loan was 7.5%. Considering the same, the revised Cost of Debt calculated by the Authority for the 3rd Control Period is given below:

Table no.36 Revised Cost of Debt proposed to be considered by the Authority for the 3rd Control Period

Particulars (Rs. In lakhs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Opening Debt	12345.09	15459.42	7713.90	4447.53	1810.69
Closing Debt	15459.42	7713.90	4447.53	1810.69	0
Average Debt	13907.25	11586.66	6080.72	3129.11	905.35
Interest cost	994.52	1075.16	496.48	253.23	66.66
Cost of Debt	7.15%	9.28%	8.16%	8.09%	7.36%

6.5.2 After considering the revised Cost of Debt, the Authority proposes to revise the FRoR for 3rd Control Period as per calculations as given below:

Table no.37 Revised FRoR considered by the Authority for the 3rd Control Period

Particulars (Rs. In lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26
Equity	35,242.70	38,209.51	46,311.64	56,491.92	67,331.09
Debt	15,459.42	7,713.90	4,447.53	1,810.69	-
Total	50,702.12	45,923.41	50,759.17	58,302.61	67,331.09
Equity %	0.70	0.83	0.91	0.97	1.00
Debt %	0.30	0.17	0.09	0.03	0.00
FRoR					
Equity	9.73%	11.65%	12.78%	13.57%	14.00%
Debt	2.18%	1.56%	0.71%	0.25%	0.00
Total	11.91%	13.21%	13.49%	13.82%	14.00%

6.5.3 The Authority calculated the Average FRoR @ 13.28% for 3rd Control Period for calculating the Discount Factor.

6.6 Stakeholder's comments on FRoR for the Third Control Period.

6.6.1 MAFFFL's comments on FRoR for the Third Control Period

MAFFFL was of the following views :

6.6.1.1 The Authority has proposed MAFFFL to maintain cost of equity at 14%. For MIAL, the Authority has considered cost of equity at 15.13% in their tariff Order for 3''' control period (Order no. 64/2020-21) for DIAL, the same has been considered at 15.41%. MAFFFL developed (or is developing), owns and operates the fuel farm and fuel hydrant system at Mumbai airport. These facilities are also airport infrastructure, similar to any other infrastructure developed (or being developed), owned and operated by the airport operator. As major investments are involved in developing such infrastructure, MAFFFL also has high fixed costs as an airport operator would have. Hence MAFFFL is also subject to all the usual risks an airport operator is subjected to. In addition, MAFFFL is a much smaller company compared to MIAL or DIAL, and also has a single source of revenue (FIC which is totally depending on fuel volumes) unlike airport operators who are much larger companies with more diversified revenue streams. Moreover, as MAFFFL is dealing with hydrocarbons, we are subjected to tighter regulations by statutory bodies like PESO etc. and carry a higher risk associated with handling of hydrocarbons.

6.6.1.2 In view of the above, we request Authority to at least consider the cost of equity as 15.13%, which is approved for MIAL and is lower than that approved for DIAL.

6.6.1.3 However, we have submitted calculations in our response considering cost of equity at 14% as proposed by Authority.

6.6.2 MIAL's comments on FRoR for the Third Control Period

MIAL was of the following view:

6.6.2.1 The Authority has considered Cost of Equity @14%for computing FRoR. However, in latest consultation papers for Bengaluru, Cochin and Chandigarh airports, the Authority has considered higher Cost of Equity. Considering the risks involved, CoE of atleast 16% as requested by MAFFFL should be allowed by the Authority.

6.6.3 DAFFPL's comments on FRoR for the Third Control Period

DAFFPL was of the following views :

6.6.3.1 The Authority has proposed the Operator to maintain cost of equity at 14%.

6.6.3.2 However, the recommendation to MIAL and DIAL, which are significantly bigger companies in terms of size and sources of revenue, were to maintain cost of equity at 15.13% and 15.41% respectively. Furthermore, in subsequent Consultation Paper No. 08/2020-21 issued by the Authority in matter of Cochin International Airport, the Authority has proposed to consider a Cost of Equity of 15.16%. Moreover, as operator is dealing with hydrocarbons, they are subjected to tighter regulations by statutory bodies like PESO etc. and carry a higher risk associated with handling of hydrocarbons. Considering the additional risk to the Operator due to the relatively higher beta and industry average, we request the authority to allow the Operator to maintain a higher cost of equity compared to that of MIAL, DIAL and Cochin Int. Airport.

6.6.3.3 We request the Authority to reconsider this proposal.

6.7 MAFFFL's response on Stakeholder's comments on FRoR for the third control period.

"MAFFFL agrees with the views of other stakeholders of issue regarding FRoR for third control period".

6.8 Authority's Analysis/examination of Stakeholder's comments on FRoR

6.8.1 The Authority considers that there should be efficient use of capital with adequate gearing, so that the benefit from lower cost of borrowings will lead to an optimum tariff.

6.8.2 Comparison of mere cost of equity of different entities may not be appropriate since the risk profile of each service is different from one another.

6.8.3 The Hon'ble TDSAT also observed in the judgment dated 27.09.2019 regarding DAFFPL that the return of 14% on equity is reasonable.

6.8.4 Considering the above, the Authority decides to retain the cost of equity at 14%.

6.9 Authority's decisions regarding FRoR for the 3rd Control Period

Based on the material before it and based on its analysis, the Authority decides the following regarding FRoR for the Third Control Period:

6.9.1 The Authority decides to maintain the cost of equity at 14% for the 3rd Control Period;

6.9.2 The Authority decides to adopt the 'cost of debt' as per Table no.36 for the 3rd Control Period;

6.9.3 The Authority also decides to adopt the FRoR as calculated in Table no. 37 for the 3rd Control Period;

6.9.4 The Authority also decides to True up the FRoR during the tariff determination for the 4th Control Period.

7. OPERATION AND MAINTENANCE EXPENDITURE FOR THIRD CONTROL PERIOD

7.1 As provided in Clause 9.4 of the CGF Guidelines mentioned in Direction No. 04/2010-11, the operational and maintenance expenditure incurred by the Service provider(s) include expenditure incurred on security, operating costs, other mandated operating costs and statutory operating costs.

7.2 Operation and Maintenance expenditure submitted by MAFFFL has been segregated into:

- Employee costs
- Utilities and Outsourced expenses
- Repair and Maintenance expenses
- Administration and General expenses
- Other O&M expenses

7.3 MAFFFL has submitted the following contains the proposed operation and maintenance expenditure for the 3rd Control Period:

Table No. 38 Operation and Maintenance Expenditure- Submission of MAFFFL

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
Employees Expenses	315.19	339.42	365.54	393.7	424.05	**1837.9**
Utilities and Outsourced expenses	1694.1	1787.83	1887.27	1992.78	2104.77	**9466.75**
Repair and Maintenance expenses	37.33	38.58	39.89	41.27	42.71	**199.78**
Administration and General expenses	1132.93	1210.62	393.5	414.99	437.68	**3589.72**
Other O&M expenses	21	22	23.05	24.15	25.31	**115.51**
CSR	116.18	89.59	76.45	74.15	141.66	**498.03**
Total	**3316.73**	**3488.04**	**2785.7**	**2941.04**	**3176.19**	**15707.70**

7.4 Following are the assumptions considered for each item of Operation and Maintenance Expenditure.

Item	Assumptions and basis
Employee Expenses	• Salaries of employees are forecasted by using a growth rate of 8% per year with 2020-21 expenses being the base year. • Staff Welfare expenses are forecasted using a growth rate of 5% per year with 2020-21 expenses being the base year. • Salary expenses for capex projects was calculated as the payroll costs that MAFFFL is incurring as indirect capital expenditure costs. Moreover, these salary expenses for projects were forecasted at a growth rate of 5% per year.
Utilities and outsources expenses	• The Fuel Farm operation cost is calculated based on the average yearly cost incurred to cater the historical volumes excluding the volume for FY 2020-21 which is exceptional year in view of Pandemic. This average yearly cost is assumed to escalate at 8% PA on year-on-year basis. • Expenditure on contracts and services was assumed to be INR 20 lakh for 2021-22, after which an escalation rate of 8% was used to forecast
Repair and Maintenance expenses	The repair and maintenance cost is to upkeep and maintain the fuel farm facilities and expected to escalate at 5% PA year on year basis.
Administration and General expenses	• Administration and general expenses including insurance premium, consultancy charges and commission for bank guarantee were assumed to be INR 349.63 lakh for the year 2021-22, after which an escalation percentage of 5% was applied to calculated forecasts. • In the case of the license fees of Sahar facility, an escalation percentage of 7.5% is considered as per license agreement. License fees for Sahar facility is considered for two years 2021-22 and 2022-23, assuming thereafter IFF will be functional. • In the case of license fees of Santacruz facility, an escalation percentage of 5% is considered as per license agreement. • In the case of license fees for ITP land, an escalation percentage of 7.5% is considered.
Other O&M Expenses	• A fixed expense of INR 1 lakh per year was assumed for stamp duty and registration fees. • Electricity charges of INR 20 lakh was assumed for 2021-22, after which an escalation percentage of 5% was used to calculate forecasts for all years of the 3rd Control Period

Authority's examination regarding Operation and Maintenance Expenditure at CP stage

7.5 The Authority notes that growth rate projected for the various expenses during the 3rd Control Period is as given below:

Table No.39 Growth Rate for O&M Expenses Proposed to be considered by the Authority for the Third Control Period.

Expenditure	Growth Rate projected
Staff Cost ➢ Salaries ➢ Welfare Exp.	 8% 5%
Fuel Farm Exp. (Utilities & outsourced)	8%
R&M	5%
Admin & General	5%
Licensing Fee Sahar Santacruz ITP Land	 7.5% 5% 7.5%
Other O&M	5%

7.6 The Authority examined the Operating expenses as submitted by MAFFFL. The Authority notes that the increase proposed by MAFFFL in the 3rd Control Period ranges from 5% to 8%.

7.7 The staff cost is projected to increase by 8% during the 3rd Control Period. However, the staff cost projected for FY 2021-22 is higher by 36% over the base year (2019-20). It is proposed to escalate 7% year on year to arrive at the projection for FY 2021-22. Since, the undertakings/PSUs have adopted various austerity measures due to COVID 19 pandemic, it is proposed to cap the year on year increase to 7% per annum against the projection of 8% made by MAFFFL for the 3rd Control Period. The escalation in the license fee is based on the Agreement entered in to with the Airport Operator.

7.8 Section 135 (4) of Companies' Act 2013, states, "The Board of every company referred to in sub section (1) shall ensure that the company spends, in every financial year , at least 2% of the average net profits of the company made during the 03 (three) immediately preceding financial years, in pursuance of its CSR Policy.

7.9 Accordingly, the CSR expenses are recalculated based on the estimated net profit during the 3rd Control Period.

7.10 The Authority had proposed the following O&M Expenses to be considered for tariff determination for 3rd Control Period as given below:

Table No. 40. Operation and Maintenance Expenditure proposed to be considered by the Authority for the 3rd Control Period at CP stage

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
Employees Expenses	265.07	283.62	303.48	324.72	347.45	**1524.34**
Utilities and Outsourced expenses	1694.1	1787.83	1887.27	1992.78	2104.77	**9466.75**
Repair and Maintenance expenses	37.33	38.58	39.89	41.27	42.71	**199.78**
Administration and General expenses	1439.83	1210.62	393.5	414.99	437.68	**3896.62**
Other O&M expenses	21.00	22.00	23.05	24.15	25.31	**115.51**
Sub Total	3457.33	3342.65	2647.19	2797.91	2957.92	**15203.00**
CSR	65.16	30.29	-	39.89	117.6	**252.94**
Total	**3,522.49**	**3,372.94**	**2,647.19**	**2,837.80**	**3,075.52**	**15,455.94**

7.11 Stakeholder's comments on O&M Expenditure for the Third Control Period.

7.11.1 MAFFFL's comments on O&M Expenditure for the Third Control Period

MAFFFL was of the following views :

7.11.1.1 The Authority has proposed An escalation of 7%year on year to arrive at the projection for FY 2021-22.

7.11.1.2 The actual employee expenses for FY 2020-21 were Rs.260.32 lakhs. The project will be commissioned in December 2021. The cost of employees deployed in the project is being treated as indirect capital expenditure costs till 31. 12.2021. However, after the project is completed, two employees of the project need to be retained for overseeing/coordinating operations in the fuel farm and airside respectively and for handling major maintenance I overhauling works. Presently these jobs are being looked after by employees deployed in projects in addition to their project jobs and hence additional employees are not deployed for the same in order to optimize costs. Hence the additional cost to be charged to P&L on this account is Rs.10 lakhs in 2021-22 (for 3 months) and Rs.40lakhs for full year in 2022-23 and further escalated by 7% year on year for employee costs as proposed by Authority . In view of the same, we request authority to consider the following employee expenses for the third control period:

7.11.1.3 It is observed that the Authority has not followed Ind AS 116 for the computation of Lease Rent/License fees.

7.11.1.4 As per Ind AS accounting standards, Ind AS 116 is mandatory with effect from 01.04.2019 and the books of accounts of the company is being maintained considering Ind AS 116 from FY 2019-20 onwards in compliance of the standard. As the Right of Use of Assets considered under Ind AS 116 are recognized as a Tangible Asset in the Balance sheet, the same should form part of RAB and depreciation for ARR calculation. Hence, we request Authority to consider lease rent/license fees under Ind AS 116.

7.11.1.5 In case the authority proposes not to consider Ind AS 116, the authority is requested to consider the correction in the license fees /lease rent, which has not been considered by the authority.

7.11.1.6 The Authority has not considered loss on the sale of assets projected by MAFFFL during the year FY2021-22 in ARR calculation (Table no 37 of CP) considering these are not certain.

7.11.1.7 However, since Authority has considered the disposal of redundant assets in calculation of RAB (Table no 22 of CP), we request Authority to also consider the loss on sale of assets also in ARR calculation (ie.in Table 37 of CP).

7.11.1.8 Alternately, if loss on sale of assets is not considered in ARR calculation as requested above, we request the Authority to remove disposal of assets from RAB calculation of 3rd Control period also and consider both disposal of assets as well as loss on sale of assets in true up calculations for 3rd control period.

7.11.2 **<u>MIAL's comments on O&M Expenditure for the Third Control Period</u>**

MIAL was of the following views:

7.11.2.1 MAFFFL has proposed license fees as per the licensing agreement in its MYTP as addition to RAB (on account of Ind AS 116), the Authority has neither considered the license fee as addition to RAB nor allowed correct amount of license fees under O&M expense as submitted by MAFFFL for the TCP. The Authority should in any case have either allowed the License fee as O&M expense or 'Return on RAB and depreciation'.

7.11.3 **<u>DAFFPL's comments on O&M Expenditure for the Third Control Period</u>**

DAFFPL was of the following views:

7.11.3.1 The Authority has proposed a growth of 7% in staff cost, though in our experience the industry norm of escalation of such expenses is 10%. The same is required to retain good and talent resources, which are required in fuel industry. As the same is categorized as a hazardous, due to inflammable nature of product which is handled by these people on daily basis. Therefore, we request the Authority to reconsider its proposal.

7.11.3.2 We have noted that Authority has ignored Ind AS reporting as per Audited Financial Statements. Pursuant to Ministry of Corporate Affairs Notification dated 30th March 2019, Ind AS 116 "Leases" applicable, w.e.f., 1st April 2019, and the same had to be is adopted by the Operator, wherein, at the date of initial implementation, the Lease Liability is measured at the present value (PV) of remaining lease payments and Lease asset has been recognized at an amount equal to Lease Liability. Lease asset is depreciated over lease term on Straight Line Method (SLM) basis over lease term (which is equal to concession period) and Interest on Lease Liability is charged to Statement of Profit and Loss as Finance cost. The Authority may kindly note that, Actual lease rent payable by the operator is paid towards lease liability (which includes Principal + Interest cost) and at the end of the lease term, Lease asset and Lease liability will become NIL resulting company end up paying actual lease rent only. Since, MAFFPL is required to prepare its Financials in compliance with Ind AS, and Companies Act, 2013 and as per the Direction 4 and Direction 5 of AERA, MYTP has to be prepared based on Audited Financials of the Company. Therefore, in the MYTP submission, MAFFPL has considered depreciation and Fair Rate of Return (FROR) on the above-mentioned lease asset also as a part of Regulatory Asset Base (RAB).

7.11.3.3 Prima facie as per MYTP submission, it seems operator would be getting benefit in the 3rd control period after recognizing lease asset. However, Regulator should loo k at the Tariff rational in subsequent Control period. From 4th control period onward, lease asset depreciated value in RAB will be less resulting lower FROR whereas actual lease rent payable will be high due to yearly escalation as mentioned above compensating each other. Which will result to rationalized tariff in both (3rd and 4t h) control period. Considering above, there is only timing gap due to Ind AS treatment of Lease, which would result in Rational Tariff Rate in all the controlling period.

7.11.3.4 It may be noted that going forward, Financial Statements would be prepared using the aforementioned notifications only and keeping track of balance using IGAAP Financial [erstwhile reporting method] may not be practically possible. Therefore, we request the Authority to reconsider the approach of considering Financials as per Ind AS for Lease assets.

7.12 <u>MAFFFL's response on O&M Expenditure for the Third Control Period</u>.

"We agree with the views of MIAL & DAFFPL".

7.13 **<u>Authority's Analysis/examination of Stakeholder's comments on O&M Expenditure for the Third Control Period</u>.**

7.13.1 The Authority is of the view that escalation considered during the third control period in the employee costs is adequate under the present circumstances where the companies are trying to economise the cost of operations. However, the cost of 2 employees whose cost will be charged to P&L from 2022-23 has been considered in addition to the staff cost which was proposed for consideration at the CP stage.

7.13.2 The Authority determines the tariff under price cap mechanism whereby the tariff is determined based on the actual cost/expenditure incurred in providing the service and a reasonable return/profit on amount invested in creation of the infrastructure for providing service. MAFFPL has valued and capitalized the cost of leased land base on Ind AS accounting guideline. The land value has been depreciated and the depreciation is charged as expenses which may be different from actual lease amount paid to the owner of the land. The Authority calculates the cost on actual cost to be paid to the land owner and not on book entry system under Ind AS standard. Accordingly, the Authority has considered the lease amount under operating cost and not considered the depreciation on leased land value as done by MAFFFL.

7.13.3 The Authority observes that the lease rent was not considered in full, due to insufficient information submitted by MAFFFL at CP stage. MAFFFL, further submitted the correct licence fee/lease rent to be included due to non-consideration of Ind As 116 as part of its Stakeholder Comments and the same has been considered in the 3rd Control Period.

7.13.4 The Authority decides not to consider both the disposal of asset and loss on sale of asset in the third control period because of the uncertainties in the estimation of the same.

7.13.5 The actual expenses will be considered in the true up of third control period during the tariff determination for the fourth control period.

7.13.6 The revised operating Expenses for the third control period are given in the table below :

Table No. 41. Operation and Maintenance Expenditure considered by the Authority for the 3rd Control Period

Particulars (Rs. In lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Employee Expenses	275.07	323.62	346.28	370.52	396.45	**1,711.94**
Utility and Outsourced expenses	1,387.20	1,787.83	1,887.27	1,992.78	2,104.77	**9,159.85**
Repair and Maintenance expense	37.33	38.58	39.89	41.27	42.71	**199.78**
Administration & general expenses	1439.83	1210.62	393.50	414.99	437.68	**3896.62**
Other O&M Expenses	21.00	22.00	23.05	24.15	25.31	**115.51**
Lease rent due to Ind AS	172.97	726.47	762.79	800.93	840.98	**3,304.14**
Sub Total	3,333.40	4,109.12	3,452.78	3,644.64	3,847.90	**18,387.84**
CSR	82.43	105.50	35.17	71.83	132.61	**427.54**
Total	**3,415.83**	**4,214.62**	**3,487.95**	**3,716.47**	**3,980.51**	**18,815.38**

7.14 Authority's decision regarding O&M Expenditure for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following regarding O&M for the Third Control Period:

7.14.1 The Authority decides to consider the Operation and Maintenance expenditure as per Table no.41.

7.14.2 The Authority also decides to True up the Operation and Maintenance expenses during the tariff determination for the next Control Period.

8. OTHER INCOME FOR THIRD CONTROL PERIOD

MAFFFL, Mumbai's submission on other Income for the Third Control Period as part of MYTP.

8.1 MAFFFL has projected the Other Income for the 3rd Control Period which is as given below:

Table No. 42- Other Income as part of MAFFFL submission for Third Control Period

(Rs. In lakhs)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Other Income	416.49	440.43	465.8	492.69	521.2	2336.61

Authority's Examination regarding Other Income at CP stage.

8.2 The Authority observed that MAFFFL has three streams of Other Income in the hands of ISP that contains:

- Interest income,
- ITP revenue
- Other Miscellaneous income.,

8.3 MAFFFL has recognized only the miscellaneous income and has not considered the other two source of income. While the certainty of interest income is uncertain, the ITP income is certain.

8.4 Therefore, Authority proposes not to consider interest income because of uncertainties in, since it depends on the generation of cash flow. However, this will be trued up in the next Control Period. In the ITP services.

8.5 The Authority also observed that MAFFFL gets 6% of revenue from ITP service providers, out of this 5% is paid to the Airport Operator and 1% is retained by MAFFFL. This needs to be considered in the tariff determination for the third Control Period. Since MAFFFL has not considered the expenses (5%) in the OPEX, it is proposed to add the net income (1%) with other income already submitted. It is also likely to undergo change because of the change in the projected volumes adopted for the tariff determination. While projecting this revenue a uniform rate of Rs.271/Kl is assumed.

Based on the above, the revised computation of Other Income is given as below:

Table No. 43 – Other Income proposed to be considered by the Authority for 3rd Control Period at Consultation stage.

Particulars (Rs. In lakhs)	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Total**
Volume in lakhs of KL	7.71	14.83	16.16	17.8	18.54	75.04
ITP Revenue (In Lakhs)	149.59	240.25	262.76	289.43	301.46	1243.49
MAFFFL Share (1%) (A)	24.93	40.04	43.79	48.23	50.24	207.23
Misc Income (In Lakhs) (B)	416.49	440.43	465.8	492.69	521.2	2336.61
Total (In Lakhs) C= (A+B)	**441.42**	**480.47**	**509.59**	**540.92**	**571.44**	**2543.84**

8.6 Stakeholder's comments on Other Income for the Third Control Period

8.6.1 MAFFFL's comments on Other Income for the Third Control Period

MAFFFL was of the following views :

8.6.1.1 The Revised "Miscellaneous Income" has been considered as NIL based on the following considerations:

- ITP revenue may be considered as 'NIL' as the net ITP revenue share (1%), being MAFFFL's share net of ITP expenses, has been considered in ITP revenue share (1%).
- In Miscellaneous income, Rental income may be considered as 'NIL' as it is uncertain considering the areas that will allotted to suppliers on open access basis. Hence it may be considered at the time of true up.

8.6.1.2 In Miscellaneous Income. "Other Income may be considered as NIL as it was for reimbursement received from Fuel Farm Operator for Electricity and Insurance. As per the terms originally agreed with the FFO, expenses like electricity and water charges were incurred by MAFFFL and subsequently they were partially reimbursed by FFO. With a revision of these terms in the new lender for Fuel farm operations for next 5 years. The entire charge will be borne by MAFFFL and FFO will not be reimbursing for these expenses. Hence, these may be considered as NIL."

8.7 Authority's Analysis/examination of Stakeholder's comments on Other Income for the Third Control Period.

8.7.1 The other income considered for rental income & miscellaneous income is as per submission made by MAFFFL in their MYTP therefore no change is considered at this stage

8.7.2 It is observed that the MAFFFL share of ITP revenue was not included in the MYTP. Further this also subject to truing up during the next control period.

8.8 Authority's decisions regarding Other Income for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following regarding Other Income for the Third Control Period:

8.8.1 The Authority decides to consider other income as per Table no. 43 for the 3rd Control Period;

8.8.2 The Authority also decides to True up Other Income of 3rd Control Period during the tariff determination of the next Control Period.

9. TAXATION FOR THIRD CONTROL PERIOD

9.1 As per clause 9.5 of CGF Guidelines, taxation represents payments by the Service Provider in respect of corporate tax on income from assets and services taken into consideration for determination of ARR.

9.2 Following are the tax liabilities of MAFFFL as per their submissions for the 3rd Control Period:

Table No. 44 Income Tax –MAFFFL submission as part of MYTP for Third Control Period

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Adjusted Earning before tax	3656.47	4073.97	11461.14	14164.20	15059.27
Add: Book Depreciation	3181.60	3274.46	3272.04	3271.95	3271.78
Add: Book Interest Cost	292.31	1298.23	609.29	329.37	83.81
Less: IT Depreciation	(5580.17)	(4819.53)	(4242.84)	(3652.44)	(3146.07)
Less: Interest Permissible as per ICDS	(1143.64)	(888.74)	(609.29)	(329.37)	(83.81)
Taxable Profit/ (Loss)	406.58	2938.39	10490.34	13783.70	15184.99
Less: Unabsorbed depreciation set off	(406.58)	(2184.89)	-	-	-
Taxable Income post set off losses	-	753.50	10490.34	13783.70	15184.99
Corporate Tax	-	189.64	2640.21	3469.08	3821.76

9.3 During the stakeholder consultation process, the Authority has received no comments / views from stakeholders in response to the proposal of Authority in the Consultation No 05/2021-22 dt 28.05.2021.

9.4 Authority's examination regarding Taxation

9.4.1 The Authority considered the revised calculations for Depreciation and earnings as well as suggested FIC (ARR) etc. Accordingly, the revised tax liability as considered for the 3rd Control Period is given below:

Table No.45 Income Tax considered by the Authority for Third Control Period

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
Revised Income	6,221.22	13,679.17	15,218.28	16,742.32	17,446.38	69,307.37
Expenditure (Opex)	3,333.40	4,109.12	3,452.78	3,644.64	3,847.90	18,387.84
PBDIT	2,887.82	9,570.05	11,765.50	13,097.68	13,598.48	50,919.53
Interest - ICDS	1,143.64	888.74	609.29	329.37	83.81	3,054.85
Depreciation - IT	5,580.17	4,819.53	4,242.84	3,652.44	3,146.07	21,441.05
PBT	-3,835.99	3,861.78	6,913.37	9,115.87	10,368.60	26,423.63
Carried forward loss	-	3,861.78	-25.79			3,835.99
Profit subject to Tax	-	-	6,939.16	9,115.87	10,368.60	26,423.63
Income Tax	-		1,746.59	2,294.46	2,609.78	6,650.83

9.5 Authority's decision regarding Income Tax for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following regarding Income Tax for the Third Control Period:

9.5.1 The Authority decides to consider Income Tax for determination of tariff for the 3rd Control Period as per Table no. 45.

9.5.2 The Authority also decides to True up Income Tax during the tariff determination for the Next Control Period.

10. AGGREGATE REVENUE REQUIREMENT FOR THIRD CONTROL PERIOD

10.1 MAFFFL, Mumbai's submission on ARR for the Third Control Period as part of MYTP.

10.1.1 MAFFFL has submitted the following computation of ARR for the 3rd Control Period:

Table No.46 - Aggregate Revenue Requirement as part of MAFFFL submission for 3rd Control Period

Particulars (in INR lakhs)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Average RAB	53,977.60	57,319.35	54,298.42	50,546.01	46,794.39
FRoR	15%	15%	15%	15%	15%
Return of Average RAB	8,098.63	8,600.00	8,146.75	7,583.76	7,020.87
Add : Depreciation	3,661.36	3,754.22	3,753.12	3,751.71	3,751.54
Add : Operating Expenses	3,316.73	3,488.05	2,785.69	2,941.0.	3,176.19
Add : Lease Payment	-	-	-	-	-
Add : Taxation	-	189.64	2,640.21	3,469.08	3,821.76
Loss on Sale of Assets	702.62	-	-	-	-
Less : Other Income	(416.49)	(440.43)	(465.80)	(492.69)	(521.20)
Less : CSR expenses	(116.18)	(89.59)	(76.45)	(74.15)	(141.66)
Add : Under /Over recovery from pervious Control Period	(1,347.77)	-	-	-	-
ARR	13,898.89	15,501.89	16,783.53	17,178.73	17,107.50
Fuel throughput (TKL)	840.00	916.00	1,364.00	1,556.00	1, 616.00
Annual FIC	1,321	1,321	1,321	1,321	1,321

10.2 Authority's examination of Aggregate Revenue Requirement

10.2.1 Considering the changes proposed in the various building blocks of tariff determination the revised ARR for the third Control Period has been worked out in the following table.

10.2.2 The Authority also observed that FIC will have to be increased from the existing level to meet the ARR requirement. This is basically because of the disruptions caused due to the COVID 19 pandemic. Otherwise, there would have been a reduction from the existing charges. Therefore the revised ARR is given as below.

10.2.3 In order to reduce the impact of the increase on the stakeholders, the Authority decides to stager the increase year to year over the control period.

Table No. 47 Aggregate Revenue Requirement considered by the Authority for Third Control Period

Particulars (Rs in lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Average RAB *(Refer Table 34)*	39,743.98	49,728.61	46,930.45	43,275.20	39,635.75	2,19,313.98
FRoR *(Refer Table 37)*	11.91%	13.21%	13.49%	13.82%	14.00%	0.66
Return on RAB	4,734.19	6,567.68	6,330.32	5,979.13	5,549.00	29160.33
Depreciation *(Refer Table 32)*	3,569.77	3,663.65	3,657.90	3,652.60	3,626.31	18170.23
Opex *(Refer Table 41)*	3,333.40	4,109.12	3,452.78	3,644.64	3,847.90	18,387.84
Income Tax *(Refer Table 45)*	-	-	1,746.59	2,294.46	2,609.78	6650.83
CSR Expenses *(Refer Table 41)*	82.43	105.50	35.17	71.83	132.61	427.55
Total Gross ARR	11,719.79	14,445.95	15,222.75	15,642.67	15,765.60	72,796.77
Less Other income *(Refer Table 43)*	441.42	480.47	509.59	540.92	571.44	2,543.84
Less Claw back from SCP *(Refer Table 20)*	4,402.02					
ARR Recoverable	6,876.35	13,965.48	14,713.16	15,101.75	15,194.16	65,850.91
Discounting Factor	1.0000	0.8827	0.7792	0.6878	0.6072	
NPV of ARR	6,876.35	12,327.77	11,464.70	10,387.53	9,225.50	50,281.85
FIC Rate	750.00	750.00	750.00	750.00	750.00	
FIC Volume in lakhs KL	7.41	14.83	16.16	17.8	18.54	
FIC Income at current rate	5,557.50	11,122.50	12,120.00	13,350.00	13,905.00	56,055.00
Revised rate	810.00*	890.00	910.19	910.19	910.19	
Revised FIC Income**	5,779.80	13,198.70	14,708.69	16,201.40	16,874.94	66,763.53
NPV of Revised Income	5,779.80	11,650.90	11,461.21	11,143.91	10,246.03	50,281.85

* *With effect from 01.10.2021.*
***Revenue for FY2021-22 has been computed considering the existing rate from 1.4.2021 to 30.09.2021 and the revised rate for the remaining period.*

Table No. 48 - FIC Rate decided by the Authority for Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revised rate (In INR) #	810.00*	890.00	910.00	910.00	910.00
% inc over prev yr	8%	10%	2%	0%	0%

* *With effect from 01.10.2021.*
\# *The FIC rates have been rounded off to the nearest rupee;*

10.3 The increase required in the FIC at consultation stage was 7.78%. Due to the changes made in the calculations based on the stakeholder's comments, the increase required in FIC comes to 19.68%. The main reasons for the change are:

10.3.1 Fuel throughput (volume) for FY 2021-22 was revised from 771 TKL to 741 TKL.

10.3.2 Life of Buildings considered as 30 years instead of 60 years.

10.3.3 At consultation stage only disposal of assets was considered in RAB calculations and loss on sale of assets in operating expenses was not considered. Now both are not considered because of the uncertainties involved.

10.3.4 Additional lease rent considered amounting to Rs 2997.24 lakhs. Lesser amount was considered at CP stage due to insufficient details submitted by MAFFFL vide their mail dated 5.5.2021.

10.3.5 The increase in rate was spread over five years at consultation stage. Now it has been taken as effective from 01.10.2021 (4 ½ years).

10.4 Authority's decision regarding ARR and Tariff Rate for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following regarding ARR and Tariff Rate for the Third Control Period:

10.4.1 The Authority decides to consider the Aggregate Revenue Requirement for the 3rd Control Period as calculated in Table no. 47.

10.4.2 The Authority decides FIC rate for the 3rd Control Period as per Table no. 48.

10.4.3 The Authority also decides to True up ARR during the tariff determination for the Next Control Period.

11. Annual Tariff Proposal

11.1 MAFFFL's Submission on Annual Tariff Proposal for the Third Control Period as part of MYTP:

11.1.1 MAFFFL, Mumbai has submitted Multi Year Tariff Proposal (MYTP) for the third control period (FY 2020-21 to FY2025-26) on 14.02.2021.

11.1.2 Proposed increase by MAFFFL for FIC at Mumbai Airport for the third control period shows an increase of 76% over the existing rate of Rs 750.00, which was approved in the second control period order.

11.1.3 The year wise tariff proposed by MAFFFL for the third control period is given below:

Tariff Year	**FIC Rate per KL (In Rs)**
FY 2021-22	1131
FY 2022-23	1131
FY 2023-24	1131
FY 2024-25	1131
FY 2025-26	1131

11.2 Authority's Examination and Analysis regarding Tariff Proposal for the Third Control Period at CP stage

11.2.1 The authority re-worked the various building blocks of tariff determination during the true up exercise for the second control period and for third control period. Considering the changes proposed under each building block the Authority proposed the following rates of FIC for the third control period.

Tariff Year	**FIC Rate per KL (In Rs)**
FY 2021-22	808.36
FY 2022-23	808.36
FY 2023-24	808.36
FY 2024-25	808.36
FY 2025-26	808.36

11.3 Stakeholders Comments on Tariff rate for the third control period.

IOCL requested that any increase in tariff should be on prospective basis, as it would not be possible to recover past dues from the airlines.

11.4 Authority's Examination and Decisions on Tariff rate for the third control period.

11.4.1 Regarding IOCL's comment that any increase in tariff should be on prospective basis, the Authority clarifies that the revised tariffs are applicable from the date of issue of Order or from specific date in future.

11.4.2 The Authority noted that after considering all the changes discussed in the forgoing chapters, the revised one time increase from 1.10.2021 works out to Rs 897.60 which amount to an increase of 19.68% over the existing rate of Rs 750/KL.

11.4.3 The increase in the tariff from the tariff proposed at consultation stage is mainly because of consideration of correct amount of lease rent submitted by MAFFFL during the stakeholder consultation process.

11.4.4 However, the Authority, keeping in view the current economic condition of the aviation sector decided to stagger the increase in the tariff by 8% w.e.f 01.10.2021 and 10% from 01.04.2022 and by 2% from 01.04.2023 and thereafter no increase for the rest of the period of the Third Control Period. The revised tariff rates are given at Annexure –I.

11.4.5 The authority determines the maximum tariff rates to be levied. No other charge is to be levied over and above the determined

11.5 Authority's Decisions on Tariff rate for the third control period.

Based on the material before it and its analysis, the Authority has decided the following regarding Tariff Rate for MAFFFL, Mumbai for the third control period:

11.5.1 The Authority decides to consider the Tariff Rate for MAFFFL, Mumbai for the third control period (01.10.2021 to 31.032026) as per Annexure-I

12. Summary of Authority's Decisions

Chapter & Para No.		Details of Decision	Page No
Chapter No 2	2.18.1	The Authority decides to adopt "Price Cap Approach" on 'Single Till' basis for Tariff determination for MAFFFL for the 3rd Control Period.	13
Chapter No 3	3.38.1	The Authority decides to consider the depreciation for the 2nd Control Period as per Table no.9;	31
	3.38.2	The Authority decides to True up the Regulatory Asset Base as per Table no.12;	
	3.38.3	The Authority decides to consider the Operational Expenses including CSR for True up of 2nd Control Period as per Table no.15;	
	3.38.4	The Authority decides to consider Income Tax for the 2nd Control Period as per Table no. 16;	
	3.38.5	The Authority decides to True up the FRoR for the 2nd Control Period as per Table no.19;	
	3.38.6	The Authority decides to True up the other income for the 2nd Control Period as per Table no.18;	
	3.38.7	The Authority decides to True up the Aggregate Revenue Requirement of MAFFFL for the 2nd Control Period as per Table no.20 and also decides to consider the claw back of Rs. 4402.02 lakhs for adjustment in the third Control Period.	
Chapter No 4	4.8.1	The Authority decides to consider the projected Fuel Throughput (Volume) for determination of tariff for the 3rd Control Period as per Table no. 24;	38
	4.8.2	The Authority also decides to True up the Fuel Throughput (Volume) on actual basis during the tariff determination exercise for next Control Period.	
Chapter No 5	5.12.1.1	The Authority decides to consider capital expenditure of MAFFFL for the 3rd control period as per Table No 28	48
	5.12.1.2	The Authority decides to consider the revised depreciation for the third control period as Table no. 32;	
	5.12.1.3	The Authority decides to consider the Regulatory Asset Base of MAFFFL for the third Control Period as Table no.34;	
	5.12.1.4	The Authority, in order to ensure that MAFFFL adheres to the Capital Expenditure plan, proposes to reduce 1% of the non-capitalized CAPEX from ARR / Target Revenue, as re-adjustment, in case any particular CAPEX is not completed as per the Capitalization schedule, in the True-up exercise for the 3rd Control Period during determination of tariff for the Next Control Period	
	5.12.1.5	The Authority also decides to True up Depreciation and RAB during the tariff determination for the 4th Control Period.	

Chapter & Para No.		Details of Decision	Page No
Chapter No 6	6.9.1	The Authority decides to maintain the cost of equity at 14% for the 3rd Control Period;	53
	6.9.2	The Authority decides to adopt the 'cost of debt' as per Table no.36 for the 3rd Control Period;	
	6.9.3	The Authority also decides to adopt the FRoR as calculated in Table no. 37 for the 3rd Control Period;	
	6.9.4	The Authority also decides to True up the FRoR during the tariff determination for the 4th Control Period.	
Chapter No 7	7.14.1	The Authority decides to consider the Operation and Maintenance expenditure as per Table no.41.	60
	7.14.2	The Authority also decides to True up the Operation and Maintenance expenses during the tariff determination for the 4th Control Period	
Chapter No 8	8.8.1	The Authority decides to consider other income as per Table no. 43 for the 3rd Control Period;	62
	8.8.2	The Authority also decides to True up Other Income of 3rd Control Period during the tariff determination of the next Control Period.	
Chapter No 9	9.5.1	The Authority decides to considers Income Tax for determination of tariff for the 3rd Control Period as per Table no. 45;	64
	9.5.2	The Authority also decides to True up Income Tax during the tariff determination for the Next Control Period	
Chapter No 10	10.3.1	The Authority decides to consider the Aggregate Revenue Requirement for the 3rd Control Period as calculated in Table no. 47;	67
	10.3.2	The Authority decides FIC rate for the 3rd Control Period as per Table no. 48;	
	10.3.3	The Authority also decides to True up ARR during the tariff determination for the Next Control Period.	
Chapter No 11	11.5.1	The Authority decides to consider the Tariff Rate for MAFFFL, Mumbai for the third control period (01.10.2021 to 31.032026) as per Annexure-I	69

13. ORDER

Upon careful consideration of the material available on records, the Authority, in exercise of powers conferred by Section 13(1) (a) of the Airport Economic Regulatory Authority of India Act, 2008 hereby orders that:

(i) MAFFFL, Mumbai is permitted to levy the tariff for fuel infrastructure charges as per Table No 48 for the 3rd Control Period (1st October, 2021 to 31st March, 2026).

(ii) The levy of new tariffs shall be effective from 1st October, 2021.

(iii) The tariff rates approved herein are ceiling rates, excluding taxes, if any, and, as applicable.

(iv) The Airport Operator shall ensure compliance of the Order.

By the Order of and in the name of the Authority

(Col. Manu Sooden)
Secretary

Mr. Debasish Goswami
Chief Executive Officer,
Mumbai Aviation Fuel Farm Facility Pvt.Ltd.
Opp. ITC Maratha, Sahar Police Station Road,
CSI Airport, Sahar, Andheri (E) ,Mumbai-400099

Copy to:

1. **Secretary, Ministry of Civil Aviation**
   Rajiv Gandhi Bhawan,
   Safdarjung Airport,
   New Delhi – 110 003

2. **Chief Executive Officer,**
   CSMIA, Mumbai

Annexure – I

AERA APPROVED MAXIMUM TARIFF RATE

For Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL) providing Fuel infrastructure services at Chhatrapati Shivaji Maharaj International Airport, Mumbai for the third control period (FY 2021-22 to FY 2025-26).

Tariff Year	FIC Rate per KL (In Rs)
Applicable w.e.f 01.10.2021 to 31.03.2022	810.00
FY 2022-23	890.00
FY 2023-24	910.00
FY 2024-25	910.00
FY 2025-26	910.00

Note : The rates approved herein are ceiling rates, excluding taxes, if any, and, as applicable as per Government Orders issued from time to time.

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
सत्यमेव जयते
Airports Economic Regulatory Authority of India