फा. सं. ऐरा/20010/एमवाईटीपी/एमएडीसी/शिरडी/सीपी-I/2022-27

F. No. AERA/20010/MYTP/MADC/Shirdi/CP-I/2022-27

आदेश संख्या: 06/2024-25

Order No. 06/2024-25

सत्यमेव जयते

# भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

**AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA**

# शिर्डी अंतरराष्ट्रीय हवाईअड्डा, शिर्डी (एसएजी) के लिए प्रथम नियंत्रण अवधि (01 अप्रैल, 2022 से 31 मार्च, 2027) के लिए वैमानिक टैरिफ के निर्धारित करने के मामले/

# IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR SHIRDI INTERNATIONAL AIRPORT, SHIRDI (SAG) FOR THE FIRST CONTROL PERIOD (1ST APRIL 2022 TO 31ST MARCH 2027)

**जारी करने की तारीख: 27.08.2024**

**Date of Issue: 27.08.2024**

ऐरा कार्यालय/ AERA Office

तृतीय तल, उड़ान भवन/ 3rd Floor, Udaan Bhawan

सफदरजंग हवाईअड्डा/ Safdarjung Airport

नई दिल्ली/New Delhi – 110003

**Table of Contents**

**List of Tables**

## List of Abbreviations

| Abbreviation | Expansion |
|---|---|
| A&G | Administration & General |
| AAI | Airports Authority of India |
| ACI | Airports Council International |
| AERA / the Authority | Airports Economic Regulatory Authority of India |
| AFS | Air Freight Station |
| AIAL | Ahmedabad International Airport Limited |
| AIC | Aeronautical Information Circular |
| ANS | Air Navigation Services |
| AO | Airport Operator |
| AOCC | Airport Operations Control Centre |
| ARR | Aggregate Revenue Requirement |
| ASQ | Airport Service Quality |
| ATC | Air Traffic Control |
| ATF | Aviation Turbine Fuel |
| ATM | Aircraft Traffic Movement |
| ATR | Avions de Transport Regional |
| AUCC | Airport Users Consultative Committee |
| BIAL | Bangalore International Airport Limited |
| BHS | Baggage Handling system |
| BOQ | Bill of Quantity |
| BSF | Border Security Force |
| CA | Concession Agreement |
| CAPEX | Capital Expenditure |
| CAPM | Capital Asset Pricing Model |
| CCTV | Closed Circuit Television |
| CGF | Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft |
| CISF | Central Industrial Security Force |
| CNS | Communication, Navigation and Surveillance |
| CoA | Certificate of Airworthiness |
| COD | Cost of Debt |
| COE | Cost of Equity |
| COVID-19 | Corona Virus Disease of 2019 |
| CP | Consultation Paper |
| CTC | Cost to Company |
| CUSS | Common User Self Service |
| CUTE | Common User Terminal Equipment |
| DA | Dearness Allowance |
| DG Set | Diesel Generator Set |
| DGCA | Directorate General of Civil Aviation |
| DIAL | Delhi International Airport Limited |
| DP | Departmental Charges |
| DVOR | Doppler Very High Frequency Omni Range |
| EBIT | Earnings Before Interest and Taxes |
| EBITDA | Earnings Before Interest, Taxes, Depreciation and Amortisation |
| EHCR | Employee Head Count Ratio |
| ESR | Elevated Surface Reservoir |
| FAR | Fixed Asset Register |

| Abbreviation | Expansion |
|---|---|
| FCP | First Control Period |
| FIA | Federation of Indian Airlines |
| FIDS | Flight Information Display System |
| FRoR | Fair Rate of Return |
| GBR | Gross Block Ratio |
| GHA | Ground Handling Agency |
| GoM | Government of Maharashtra |
| GR no. | General Registry Number |
| GSE | Ground Support Equipment |
| GST | Goods & Service Tax |
| HDPE | High Density Polyethylene |
| HIAL/GHIAL | Hyderabad International Airport Limited |
| HPCL | Hindustan Petroleum Corporation Limited |
| HQ | Headquarter |
| HVAC | Heating, Ventilation and Air Conditioning |
| ICAO | International Civil Aviation Organization |
| ICD | Inland Container Depots |
| IMD | Indian Meteorological Department |
| IMG | Inter-Ministerial Group |
| INR | Indian rupees |
| IOCL | Indian Oil Corporation Limited |
| ISP | Independent Service Provider |
| IT | Information Technology |
| LOA | Letter of Award |
| MADC | Maharashtra Airport Development Company Limited |
| MAT | Minimum Alternate Tax |
| MIAL | Mumbai International Airport Limited |
| MIHAN | Multi-Modal International Hub Airport at Nagpur |
| MoCA | Ministry of Civil Aviation |
| MoU | Memorandum of Understanding |
| MTOW | Maximum Take-Off Weight |
| MYTP | Multi-Year Tariff Proposal |
| NAR | Non-Aeronautical Revenue |
| NASFT | National Aviation Security Force Trust |
| NBA | Narrow Body Aircraft |
| NCAP | National Civil Aviation Policy |
| NID | Nashik Irrigation Department |
| NITB | New Integrated Terminal Building |
| O&M | Operating and Maintenance expenses |
| OMDA | Operation, Management & Development Agreement |
| OPEX | Operating Expenditure |
| PAPI | Precision Approach Pathway Indicator |
| PBT | Profit Before Tax |
| PCN | Pavement Classification Number |
| PHP | Peak Hour Passenger |
| PPP | Public-private partnership |
| PSF | Passenger Service Fee |
| PV | Present Value |
| R&M | Repair and Maintenance |

| Abbreviation | Expansion |
|---|---|
| RAB | Regulatory Asset Base |
| RBI | Reserve Bank of India |
| RCC | Reinforced Cement Concrete |
| RCS | Regional Connectivity Scheme |
| RESA | Runway End Safety Area |
| RFP | Request for Proposal |
| RFQ | Request for Quotation |
| RR | Rack Rate |
| SAG | Shirdi International Airport |
| SBI | State Bank of India |
| SBI CAPS | SBI Capital Markets Limited |
| SOP | Standard operating procedure |
| SSA | State Support Agreement |
| TBLR | Terminal Building Ratio |
| TDSAT | Telecom Disputes Settlement and Appellate Tribunal |
| TNLC | Terminal Navigational Landing Charges |
| UDAN | Ude Desh ka Aam Naagrik |
| UDF | User Development Fee |
| UPS | Uninterruptible Power Supply |
| USA | United states of America |
| VFR | Visual Flight Rules |
| VTP | Variable Tariff Plan |
| WDV | Written Down Value |
| WIP | Work in Progress |
| WPI | Wholesale Price Index |
| YPP | Yield Per Passenger |
| **Units of measurement** | |
| Crs | Crores |
| FY | Financial Year |
| Ha. | Hectares |
| MPPA | Million Passengers per Annum |
| MT | Metric Tonnes |
| Nos. | Numbers |
| PAX | Passenger |
| Sq.ft. | Square feet |
| Sq.m. | Square meters |
| Y-o-Y | Year on year |

# 1 BACKGROUND

## 1.1 Introduction

1.1.1 Shirdi International Airport is located at Kakadi village, about 14 km south-west of the town of Shirdi in Maharashtra.

1.1.2 The Government of Maharashtra (GoM) appointed Maharashtra Airport Development Company Limited (MADC) as the nodal agency for development of Shirdi International Airport. The operations in Shirdi International Airport commenced on 1st October 2017 leading to it becoming the first operational Greenfield airport under MADC.

1.1.3 MADC was constituted in the year 2002 by GoM as a special purpose vehicle to develop Multi-modal International Hub Airport at Nagpur (MIHAN) and Aviation Infrastructure in the State of Maharashtra and to provide regional air connectivity.

1.1.4 MADC had prepared and filed the Multi-Year Tariff Proposal for the control period from 1st April 2020 to 31st March 2025 with MoCA in March 2021. MoCA, on 1st November 2021, through gazette no. S.O. 4596 (E) notified Shirdi International Airport as Major Airport. Consequently, the tariff determination activity is being undertaken by Airports Economic Regulatory Authority of India (AERA/ the Authority).

1.1.5 MADC in its initial submission considered the first control period to be from 1st April 2021 to 31st March 2026. However, the Authority, considering that the submission was received in February 2022 and that the tariff determination process is a time consuming and exhaustive exercise, directed MADC to re-submit the MYTP considering the First Control Period from 1st April 2022 to 31st March 2027.

1.1.6 MADC in its revised MYTP submission made in July 2023, had submitted the details of various building blocks for the First Control Period from 1st April 2022 to 31st March 2027 together with shortfall for the period from 1stApril 2017 till 31st March 2022 to be recouped during the First Control Period.

## 1.2 Profile of Shirdi International Airport

1.2.1 In FY 2017-18, i.e. the year of commencement of airport operations, Shirdi International Airport handled 37,234 passengers. The airport had significant growth during the next year and reached 0.23 million passengers in FY 2018-19 registering a 515% growth as compared to FY 2017-18 with around 3,000 aircraft movements annually. Before the start of COVID-19 pandemic, a growth of 130% as compared to FY 2018-19 was recorded by the airport in FY 2019-20 with passenger traffic reaching 0.57 million. This made Shirdi the 4th busiest airport in Maharashtra after Mumbai, Pune, and Nagpur.

1.2.2 Technical and Terminal Building details of Shirdi International Airport submitted by MADC are provided in the table below:

**Table 1: Technical and Terminal Building details of Shirdi International Airport submitted by MADC**

| Particulars | Details |
|---|---|
| Airport Area | Existing airport is spread over 350.85 Ha. (866.97 acres) |
| Terminal Building Area | 2,750 Sq.m. |
| Designated Passenger Handling Capacity | 0.68 MPPA |
| Check-in Counters | 08 Nos. |
| Boarding Gates | 02 Nos. |

| Particulars | Details |
|---|---|
| Runway | 2,500m x 45m (Runway extended up to 3200m x 45m, however extended portion of runway will be put to use after recarpeting of runway) |
| Taxiway & Apron | 3 Taxiways (27,891.41 Sq.m.)<br>Apron area – 23,625 Sq.m. Able to accommodate 4 aircrafts |
| Navaids | DVOR (Doppler Very High Frequency Omni-Directional Radio Range) and PAPI (Precision Approach Path Indicator) available as navigational/ landing aids |

## 1.3 Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft (CGF Services)

### Cargo Handling Services

1.3.1 MADC exclusively, handles belly cargo at Shirdi International Airport. There is no other Independent Service Provider (ISP) for handling Cargo services.

### Ground Handling Services

1.3.2 MADC has the right to grant license to any entity for providing Ground Handling Services at Shirdi International Airport on such terms and conditions as mentioned in the License Agreement between MADC and the potential service provider.

The Authority noted that the ground handling operations are presently being performed by the airlines themselves for scheduled operations. MADC has engaged a Ground Handling Agent (GHA), M/s Krystal Services Pvt Ltd, for the provision of Ground Handling Services at Shirdi International Airport for non-scheduled operators with a revenue share of 25%.

### Supply of Fuel to the Aircraft

1.3.3 In accordance with the terms and conditions outlined in the License Agreements signed between MADC and the service providers, MADC has designated Indian Oil Corporation Ltd. (IOCL) and Hindustan Petroleum Corporation Ltd. (HPCL) to establish Aviation Fuel Farm at Shirdi International Airport.

1.3.4 MADC has allotted a land parcel of 1,600 Sq.m. to IOCL and 1,200 Sq.m. to HPCL to construct and operate the Aviation Fuel Facilities at the Airport for a period of 20 years.

1.3.5 Two Oil Marketing Companies (OMCs), namely M/s IOCL and M/s HPCL have set up their Aviation Fuel Facilities at the Shirdi Airport and are suppling Aviation Turbine Fuel (ATF) to aircrafts. These OMCs are paying applicable Land Rentals to the Airport Operator.

# 2 TARIFF DETERMINATION OF SHIRDI INTERNATIONAL AIRPORT

## 2.1 Tariff setting principles

2.1.1 AERA was established by the Government of India vide notification No. GSR 317(E) dated 12th May 2009. The functions of AERA, in respect of Major Airports, are specified in section 13(1) of The Airport Economic Regulatory Authority of India Act, 2008 ('AERA Act' or 'The Act') read with AERA (Amendment) Act 2019 and 2021, which are as below:

a) To determine the tariff for aeronautical services taking into consideration.
   (i) The capital expenditure incurred and timely investment in improvement of airport facilities;
   (ii) The service provided, its quality and other relevant factors;
   (iii) The cost for improving efficiency;
   (iv) Economic and viable operation of major airports;
   (v) Revenue received from services other than aeronautical services;
   (vi) Any Concession offered by the Central Government in any agreement or memorandum understanding or otherwise;
   (vii) Any other factor which may be relevant for the purposes of the Act:

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

b) To determine the amount of development fees in respect of major airports;
c) To determine the amount of passenger service fee levied under rule 88 of the Aircrafts Rules, 1937 made under Aircraft Act, 1934;
d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority by it in this behalf;
e) To call for such information as may be necessary to determine the tariff under clause 13(1)(a).
f) To perform such other functions relating to tariffs, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act.

2.1.2 As per the AERA Act, 2008 the following are the Aeronautical services:

i. Aeronautical services provided by the Airport Operators.
ii. Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft; and
iii. Air Navigation Services.

Tariff determination for ANS is carried out by the Ministry of Civil Aviation (MoCA) across all airports to maintain uniformity.

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

2.1.4 As per the Guidelines, the Authority has adopted the Hybrid-Till mechanism for tariff determination for the First Control Period wherein, 30% of the non-aeronautical revenues is to be used for cross-subsidizing the aeronautical charges.

2.1.5 The ARR for a given Control Period, under Hybrid Till is calculated as given below:

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

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

Where,

$t$ is the tariff year in the control period ranging from 1 to 5

$ARR_t$ is the Aggregate Revenue Requirement for tariff year 't'

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

$RAB_t$ is the Aeronautical Regulatory Asset Base for tariff year 't'

$D_t$ is the Depreciation corresponding to the Regulatory Asset Base for tariff year 't'

$O_t$ is the Aeronautical Operating and Maintenance expenditure for the tariff year 't'

$T_t$ is the Aeronautical Taxation expense for the tariff year 't'

$\alpha$ is the cross-subsidy factor for revenue from services other than Aeronautical services under the Hybrid Till methodology followed by the Authority, $\alpha = 30\%$.

$NAR_t$ is the Non-Aeronautical Revenue in tariff year 't'.

2.1.6 Based on ARR, Yield per passenger (Y) is calculated as per the formula given below:

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

Where,

$PV\ (ARR_t)$ is the Present Value of ARR. All cash flows are assumed to occur at the end of the year. The Authority has considered discounting cash flows, one year from the start of the Control Period.

$VE_t$ is the passenger traffic in year 't'

## 2.2 Authority's Orders applied in determination of Tariff of Shirdi International Airport in this Tariff Order

2.2.1 The Authority's Orders applied in the tariff determination in this Tariff Order are:

i. Order No. 13/2010-11 dated 12th January 2011 (Regulatory Philosophy and Approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28th February 2011 (Terms and Conditions for Determination of Tariff for Airport Operators);

ii. Order No. 05/2010-11 dated 2nd August 2010 (Regulatory Philosophy and Approach in Economic Regulation of the services provided for Cargo facility, Ground Handling and Supply of Fuel to aircraft), Order No. 12/2010-11 dated 10th January 2011 and Direction No. 4 dated 10th January 2011 (Terms and Conditions for Determination of Tariff for Services Provided for Cargo facility, Ground Handling and Supply of Fuel to aircraft).

iii. Order No. 07/2016-17 dated 13th June 2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).

iv. Order No. 14/2016-17 dated 23rd January 2017 in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India.

v. Order No. 35/2017-18 dated 12th January 2018 and Amendment No. 01 to Order No. 35/2017-18 dated 9th April 2018 in the matter of Determination of Useful Life of Airport Assets.

vi. Order No. 42/2018-19 dated 5th March 2019 in the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India.

## 2.3 Control Period

2.3.1 The Authority noted that MADC had submitted the MYTP for the initial period starting from 1st April 2017 to 31st March 2022 together with 5-year period from FY 2022-23 to FY 2026-27 (First Control Period).

2.3.2 The Authority noted that the Airport started its commercial operation on 1st October 2017 and was declared as a Major Airport on 1st November 2021. Further, the Authority noted that the first financial year after being notified as a Major Airport contains only 5 months of operations. To give effect of a full term of 5 years, the Authority decides to consider the Control Period as effective from FY 2022-23 to FY 2026-27 together with determining shortfall / excess recovery of revenues for the period from 1st November 2021 to 31st March 2022.

## 2.4 Past tariff determination history

2.4.1 The Authority, through Order No. 41/2022-23 dated 22nd March 2023 and addendum to the Order No 41/ 2022-23 dated 7th June 2023, allowed MADC to levy and collect tariff at Shirdi International Airport as per AIC No. 34/2020 dated 25th September 2020, on an interim basis w.e.f. 1st April 2023 to 30th September 2023.

The Authority, vide above referred addendum dated 7th June 2023 further allowed MADC to increase Landing Charges and User Development Fees (UDF) at Shirdi Airport w.e.f. 16th June 2023 to 30th September 2023, or, till the determination of regular tariffs, whichever is earlier. In addition, the Authority through the same addendum dated 7th June 2023 also decided to allow MADC to levy and collect Parking & Night Parking Charges, Charges for Extension of Watch Hours and Cargo Screening Charges as requested by MADC.

2.4.2 Thereafter, the Authority issued Order No. 19/2023-24 dated 20th September 2023, allowing MADC to levy the existing tariff, applicable as on 30th September 2023, on an interim basis, for a further period of 6 (six) months w.e.f. 1st October 2023 to 31st March 2024.

2.4.3 Subsequently, the Authority, vide Order No.40/ 2023-24 dated 15th March 2024 further allowed MADC to levy and collect the existing tariff, applicable as on 31st March 2024, on an interim basis, for a further period of 6 (six) months w.e.f. 1st April 2024 to 30th September 2024, or, till the determination of regular tariff for the relevant Control Period, whichever is earlier.

## 2.5 MYTP submission by MADC

2.5.1 As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority.

2.5.2 Post notification of Shirdi International Airport as a Major Airport, MADC had submitted the initial MYTP for the period commencing from 1st April 2021 to 31st March 2026 for Shirdi International Airport on 31st January 2022. As a response to the first set of queries raised by the Authority vide mail dated 7th April 2022, MADC had submitted a revised MYTP on 11th August 2022 with First Control Period from 1st April 2022 to 31st March 2027. In response to the second set of queries raised by the Authority vide mail dated 20th September 2022, MADC had submitted a revised MYTP on 21st November 2022. In response to the third set of queries raised by the Authority vide mail dated 25th January 2023, MADC had submitted the revised MYTP on 3rd April 2023. Based on the discussions held with the Authority on 11th May 2023, MADC submitted the final MYTP model on 7th July 2023. The MYTP is available on the Authority's website.

**Table 2: Sequence of events with regard to submission of MYTP by MADC**

| Date | Event |
|---|---|
| 1st November 2021 | Notification of Shirdi International Airport as a major airport |
| 31st January 2022 | Submission of MYTP for FCP from FY22 to FY26 |
| 7th April 2022 | First Set of queries raised by the Authority |
| 11th August 2022 | Submission of MYTP for FCP from FY23 to FY27 |
| 20th September 2022 | Second Set of queries raised by the Authority |
| 21st November 2022 | Submission of revised MYTP for FCP from FY23 to FY27 |
| 25th January 2023 | Third Set of queries raised by the Authority |
| 3rd April 2023 | Submission of revised MYTP for FCP from FY23 to FY27 |
| 11th May 2023 | Discussion regarding previous submissions with the Authority by MADC |
| 7th July 2023 | Submission of final MYTP model for FCP from FY23 to FY27 |
| 6th September 2023 | Initial data request list (Set 1) shared with MADC |
| 11th September 2023 | Discussion with MADC on Set 1 queries |
| 14th September 2023 | Data Requirement Set 2 sent to MADC |
| 19th September 2023 | Data Requirement Set 3 sent to MADC |
| 18th October 2023 | Follow-up on queries to MADC |
| 18th October 2023 | Partial data shared by MADC pertaining to Initial data requirement list |
| 20th October 2023 | Further queries and request for clarification shared regarding reply received |
| 23rd November 2023 | Partial data shared by MADC |
| 14th December 2023 | Discussion with MADC on queries raised and further queries raised (Set 4) |
| 21st December 2023 | Site visit by the Independent Consultant |
| 28th December 2023 | Mail received requesting for extension of time till 5th January 2024 for submission of response to queries |
| 3rd January 2024 | Partial response shared by MADC |
| 8th January 2024 | Partial response shared by MADC |
| 16th March 2024 | Further queries on capex raised |
| 22nd March 2024 | Revised Capex submission by MADC |
| 26th March 2024 | Meeting with MADC for queries on documents submitted relating to Capex |
| 28th March 2024 | Further responses on capex related queries raised on 26th March 2024 |
| 8th April 2024 | Actual Traffic data for FY 2023-24 received from MADC |
| 24th April 2024 | Actual Expenses and Revenue for FY 2023-24 received from MADC |
| 8th May 2024 | Queries related to actual expenses and revenues for FY 2023-24 shared with MADC |
| 3rd June 2024 | Response received from MADC for queries raised on 8th May 2024, relating to expenses and revenue |

2.5.3 The Authority noted that there were considerable delays in getting the required details / documents and clarifications from MADC, which has delayed the issuance of Consultation Paper No 02/2024-25 dated 18th June 2024. The Authority directed MADC to ensure that in future, there is no delay in submission of requisite information/ data to AERA. The Authority also noted that MADC has also submitted updated estimates on Capital Expenditure and certain other building blocks, during the course of review by the Authority. These have been considered by the Authority appropriately in Authority's analysis as detailed in the relevant chapters.

2.5.4 The Authority has appointed an Independent Consultant, M/s PKF Sridhar & Santhanam LLP, to assess the MYTP submitted by MADC for Shirdi International Airport. Accordingly, M/s PKF Sridhar & Santhanam LLP has assisted the Authority in examining the submission of MADC by verifying the data from various supporting documents submitted by MADC such as audited financial statements, Fixed Asset Register (FAR), documentary evidence of the process of approval of Capital expenditure (CAPEX), Operation and Maintenance (O&M) expenses along with examining the various building blocks in tariff determination and ensuring that the treatment given to it is consistent with the Authority's methodology, approach, etc.

2.5.5 The Authority, through its Independent Consultant, examined the MYTP submitted by MADC, verified the data and the projections for the First Control Period including CAPEX and obtained clarifications on the information provided by MADC from time to time, for finalizing the Consultation Paper and this Order. The Authority, through its Independent Consultant, had reviewed the audited financial statements for the period ended 31st March 2023 and considered the same appropriately in the computation of Aggregate Revenue Requirement in Chapter 13. The Authority directed MADC to submit the Financials of FY 2023-24 during the Consultation stage. MADC had submitted the unaudited numbers for FY 2023-24 vide email dated 24th April 2024 which the Authority has suitably considered in this Tariff Order. The Authority will review the audited financials for FY 2023-24 at the time of true up during evaluation of MYTP for the next control period.

2.5.6 The Independent Consultant had visited the Shirdi International Airport on 21st December 2023 for the site visit and sought clarifications on the information provided by MADC from time to time, by correlating the facts with the physical status of the Airport.

2.5.7 The Authority visited Shirdi International Airport on 16th February 2024, to carry out a review and assess the status of ongoing projects. The AERA team reviewed the CAPEX planned to be executed in the First Control Period.

2.5.8 All the figures presented in this Order have been rounded off up to two decimals.

2.5.9 After examination of MYTP and other details submitted by MADC, the Authority issued Consultation Paper No. 02/2024-25 on 18th June 2024. The Authority invited comments from the stakeholders by 18th July 2024 and counter comments by 27th July 2024. Following the release of the Consultation Paper, the Authority convened a meeting of the stakeholders on 2nd July 2024. The minutes of the meeting are available on AERA's website.

2.5.10 The following stakeholders have provided their comments on the Consultation Paper No. 02/2024-25 dated 18th June 2024 which are available on AERA's website:

i. Maharashtra Airport Development Company (MADC)
ii. Federation of Indian Airlines (FIA)
iii. Ahmedabad International Airport Limited (AIAL)
iv. Delhi International Airport Limited (DIAL)

**Table 3: Regulatory building blocks with names of Stakeholders who commented on each building block**

| Component impacting tariff determination of the First Control Period | Name of the stakeholders who have provided comments |
|---|---|
| Process of Tariff Determination | MADC, FIA |
| Determination of Tariff for the Period From 1st November 2021 to 31st March 2022 | MADC, FIA and AIAL |
| Traffic for the First Control Period | FIA |
| Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) | MADC, FIA |
| Return on Land for the First Control Period | No comments |
| Fair Rate of Return for the First Control Period | MADC, FIA and DIAL |
| Inflation for the First Control Period | FIA |
| Operation and Maintenance Expenses for the First Control Period | FIA, AIAL and DIAL |
| Non-aeronautical revenue for the First Control Period | FIA |
| Taxation for the First Control Period | No comments |
| Quality of Service for the First Control Period | No comments |
| Tariff Card | FIA |

2.5.11 The counter comments from Airport Operator on the comments from other stakeholders were received on 27th July 2024. Thus, the stakeholders' consultation process concluded on the receipt of counter comments by the Airport Operator on 27th July 2024.

2.5.12 No input was received from Ministry of Civil Aviation (MoCA) as a part of the consultation process.

## 2.6 Revenues from Air Navigation Services (ANS)

2.6.1 AAI provides Air Navigation Services (ANS) at Shirdi International Airport. This Order discusses the determination of Tariffs for Aeronautical Services at the airport, excluding ANS provided by AAI, as the tariff for ANS is presently being determined by the Ministry of Civil Aviation (MoCA) for all the airports, at the central level, to ensure uniformity in ANS charges across all the airports in the Country.

## 2.7 Construct of this Tariff Order

2.7.1 This Tariff Order has been developed/constructed in the order of the events as explained above. Chapter-wise details have been summarized as follows:

i. Background on Shirdi International Airport is explained in Chapter 1.

ii. Tariff determination of Shirdi International Airport has been detailed in this Chapter i.e. Chapter 2.

iii. Chapter 3 presents the submission of MADC on the period prior to the First Control Period, comments of MADC and other stakeholders, response of MADC to other stakeholders' comments, Authority's analysis and its final decisions on the tariff for the period from 1st November 2021 to 31st March 2022.

iv. Chapter 4 presents the submissions of MADC regarding Traffic Projections for the First Control Period as set out in Consultation Paper No. 02/2024-25 dated 18th June 2024. Thereafter, comments of other stakeholders, response of MADC to other stakeholders' comments, Authority's analysis and the Authority's decisions on the same are set out.

v. Chapter 5 includes the submissions of MADC regarding Capital Expenditure (CAPEX), Depreciation and RAB for the First Control Period along with the Authority's detailed examination, adjustments, rationalization as set out in Consultation Paper No. 02/2024-25 dated 18th June 2024. Thereafter, comments of MADC and other stakeholders, response of MADC to other stakeholders' comments, Authority's analysis and the Authority's decisions on the same are set out.

vi. Chapter 6-12 includes the submissions of MADC regarding various building blocks pertaining to the First Control Period including Return on Land, Fair Rate of Return, Inflation, Operating and Maintenance Expenses, Non-aeronautical Revenue, Taxation and Quality of Service along with the Authority's examination as set out in Consultation Paper No. 02/2024-25 dated 18th June 2024. Thereafter, comments of MADC and other stakeholders, response of MADC to other stakeholders' comments, Authority's analysis and the Authority's decisions on the same are set out.

vii. Chapter 13 presents the Aggregate Revenue Requirement as determined by the Authority based on the various proposals of the Authority and adjustments considered by the Authority for the First Control Period at the Consultation Stage. Thereafter, the Authority's analysis and final decisions are set out.

viii. Chapter 14 presents the Aeronautical Revenue decided by the Authority for Shirdi International Airport for the First Control Period.

ix. Chapter 15 summarizes the Authority's decisions on all matters related to Tariff Computation and Chapter 16 is the Tariff Order issued by the Authority for the First Control Period.

x. Chapter 17, contains Annexures

- Annexure 1A: Tariff Card
- Annexure 1B: Variable Tariff Plan for Scheduled Airlines
- Annexure 2: Extract of AUCC Presentation by MADC

## 2.8 Stakeholders' comments regarding Tariff Determination of Shirdi International Airport for the First Control Period

2.8.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024 regarding Tariff Determination of Shirdi International Airport for the First Control Period. The comments of the stakeholders are presented below:

2.8.2 FIA's comment on using Hybrid Till model is as follows:

*"It is observed that AERA have determined tariffs using the 30% Hybrid Till model including true ups, as applicable. FIA has advocated the application of Single Till model across the airports in India and submits that AERA should adopt Single Till across all control periods, including by way of true up. In a Shared/Hybrid till model, the airport operator has the incentive to skew the asset base towards aero assets, thereby having a higher capital base for calculation of return offered by the regulator."*

2.8.3 FIA's comment on non-consideration of revenue from ANS is as follows:

*"It is submitted that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 ("AERA Act"), under sub-section (a), "aeronautical services means any services provided - (i)For navigation, surveillance and supportive communication thereto for air traffic management..."*

*It is submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services should form part of aeronautical revenues and accordingly AERA should take into account the corresponding revenue and revise the tariff card."*

2.8.4 FIA's comment on submission of MYTP is as follows:

*"FIA wishes to draw AERA's attention that any delay in submitting the Multi Year Tariff Plan by the airport operator should be taken into account, as delay in tariff determination process will lead to increase in adjusted deemed initial RAB."*

## 2.9 MADC's response to stakeholders' comments regarding Tariff Determination of Shirdi International Airport for the First Control Period

2.9.1 MADC's response to FIA's comment on using Hybrid Till model is as follows:

*"AERA Order bearing no. 14/2016-17 dated January 12, 2017, in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provision of the National Civil Aviation Policy 2016 (NCAP-2016) approved by Government of India. In the stated order the Authority had decided that,*

*"The Authority will in future determine the tariffs of major airports under "Hybrid-Till" wherein 30% of non-aeronautical revenue will be used to cross subsidize aeronautical charges. Accordingly, to that extent the airport operator guidelines of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory till, shall remain the same. "*

*Hence, the objection of FIA is not sustainable."*

2.9.2 MADC's response to FIA's comment regarding the submission of MYTP is as follows:

*"It is required to be noted that the Shirdi Airport is notified as major airport on November 01,2021 and the MYTP has been filed by the Shirdi Airport on January 31,2022. The MYTP was submitted within three months from the date of the issue of notifications. There was no delay in the submission of MYTP from Shirdi Airport. Irrespective of the filing MYTP on timely manner, the initial RAB/ RAB is determined in accordance with the tariff guidelines issued by the Authority, and this will not impact the determination of RAB. The comments of FIA are not tenable on this matter."*

2.9.3 MADC's response to FIA's comment regarding non-consideration of revenue from ANS is as follows:

*"In line with our submission vide comments on the Stakeholder comments, we request the Authority to consider the revenue as well as operating expenditure. Hence consider the comments of FIA on this aspect partly."*

## 2.10 Authority's analysis on Stakeholders' comments regarding Tariff Determination of Shirdi International Airport for the First Control Period

2.10.1 The Authority notes the comments of FIA regarding Regulatory Till applicable to major airports, for the determination of tariffs of aeronautical services and response thereon of the AO.

In this regard, it is submitted that the determination of tariff for major airports under the Hybrid Till Mechanism is as per the recommendations of the National Civil Aviation Policy 2016 (NCAP 2016) of Govt. of India (MoCA) and the amendment in the tariff guidelines issued vide AERA Order No. 14/2016-17 dated 12th January 2017. The excerpt from the same has been provided below:

*"(i) The Authority will in future determine the tariff of major airports under "Hybrid Till" wherein 30% non-aeronautical revenues will be used to cross subsidize aeronautical charges. Accordingly, to that extent, the airport operator guidelines of the Authority shall be amended. The provisions of the guidelines issued by the Authority, other than regulatory Till, shall remain the same."*

Therefore, the Hybrid Till mechanism has been followed to determine the aeronautical tariff uniformly across all the major airports.

2.10.2 The Authority notes the comments of FIA on the delayed submission of MYTP and MADC's response to the same. It is the endeavour of the AERA to determine the tariff in a time bound manner. However, in some cases, due to non-timely submission of the required information by the AO, the tariff determination process becomes time consuming. Further, the tariff determination process is very exhaustive, which commences on the receipt of MYTP from the AO and then goes through a detailed evaluation process, followed by user consultation culminating in review and issuance of the Tariff order. Hence, the timely completion of tariff determination depends upon various factors. Further, in case of Tariff determination process for Shirdi International Airport, as noted in the Consultation Paper, (Refer Para 2.5.3 of this Order), submission of information from MADC was delayed. The timeline of tariff determination process has been elaborated in detail in para 2.5.2.

2.10.3 The Authority notes the comments of FIA pertaining to Air Navigation Services (ANS) and response thereon of MADC. In this regard, it is noted that the tariff for ANS is presently approved by the Ministry of Civil Aviation (MoCA) for all the airports to ensure uniformity in ANS Charges across the Country. MoCA, while fixing tariff for ANS provided by AAI, separately considers all the assets, expenses and revenues pertaining to ANS. Hence, AERA determines tariff for Aeronautical services in respect of Airport Operator, by excluding Assets, Revenues & Expenditure related to ANS.

## 2.11 Authority's decisions regarding Tariff Determination of Shirdi International Airport for the First Control Period

Based on the material before it and its examination, the Authority decides the following with regard to Control Period for Shirdi International Airport:

2.11.1 To consider the First Control Period in respect of Shirdi International Airport effective from FY 2022-23 to FY 2026-27.

# 3 DETERMINATION OF TARIFF FOR THE PERIOD FROM 1ST NOVEMBER 2021 TO 31ST MARCH 2022

## 3.1 Background

3.1.1 Shirdi International Airport commenced its commercial operations on 1st October 2017. MADC had submitted its computation of shortfall for the period from FY 2017-18 to FY 2021-22 along with details of the First Control Period starting from FY 2022-23 to FY 2026-27 as part of its MYTP submission dated 7th July 2023. The computation submitted by MADC covers the following building blocks:

i. Traffic
ii. Capital Expenditure, Regulatory Asset Base and Depreciation
iii. Return on Land
iv. Fair Rate of Return (FRoR)
v. Operating and Maintenance (O&M) Expenses
vi. Non-Aeronautical Revenue
vii. Taxation
viii. Aeronautical Revenue

3.1.2 The Authority had analyzed MADC's submission in detail. The analysis by the Authority, has been organized as follows:

i. The Authority's analysis of the period for which shortfall carry forward is to be considered.
ii. Review and analysis of MADC's submission regarding different regulatory building blocks.
iii. Set out the Authority's decision regarding each regulatory building block for the period decided by the Authority in (i) above.

3.1.3 The Authority had considered the following documents for determining the tariff for the period from 1st November 2021 to 31st March 2022:

i. MoCA Gazette no. S.O. 4596 (E) dated 1st November 2021, declaring Shirdi International Airport as a Major Airport.
ii. Ledger details and financial statements submitted for FY 2021-22
iii. AERA Guidelines and Orders
iv. The Authority's decisions on the regulatory building blocks as per Tariff Orders issued for other airports.

## 3.2 MADC's submission on Shortfall for the period from FY 2017-18 to FY 2021-22

3.2.1 MADC had submitted its computation of shortfall for the period from FY 2017-18 to FY 2021-22 as part of MYTP submission dated 7th July 2023. Details of the same are as follows:

**Table 4: MADC's submission of Shortfall for the period from FY 2017-18 to FY 2021-22**

(₹ in crores)

| Particulars | Ref. | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| Average RAB | A | 2.64 | 67.75 | 131.58 | 130.83 | 136.26 | |
| FRoR | B | 14% | 14% | 14% | 14% | 14% | |
| Return on RAB | C = A*B | 0.37 | 9.49 | 18.42 | 18.32 | 19.08 | **65.68** |
| Depreciation | D | 0.67 | 5.79 | 6.53 | 7.45 | 9.48 | **29.92** |
| Amortization owing to land cost | E | 6.13 | 6.13 | 6.13 | 6.13 | 6.13 | **30.65** |
| O & M Expenses | F | 7.49 | 22.33 | 23.43 | 5.70 | 23.47 | **82.42** |

| Particulars | Ref. | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| Taxation | G | - | - | - | - | - | - |
| Less: 30% of Non-Aeronautical Revenue | H | 0.00 | 0.17 | 0.38 | 0.41 | 0.46 | 1.42 |
| **Net ARR** | **I = C+D+E+F+G-H** | **14.66** | **43.57** | **54.13** | **37.19** | **57.70** | **207.25** |
| Actual Aeronautical Revenue | J | 0.21 | 1.93 | 5.86 | 1.50 | 2.72 | 12.22 |
| **Shortfall** | **K = I-J** | **14.45** | **41.64** | **48.27** | **35.69** | **54.98** | **195.03** |
| Present Value of Shortfall | | 27.80 | 70.33 | 71.52 | 46.37 | 62.68 | 278.70 |

## 3.3 Authority's examination of period (prior to FCP) for which over/ under recovery is determined

3.3.1 The Authority noted that MoCA has declared Shirdi International Airport as Major Airport from 1st November 2021. During its initial submission dated 31st January 2022, MADC submitted the computation of shortfall for the period FY 2017-18 to FY 2020-21 along with the details of First Control Period from 1st April 2021 to 31st March 2026. Post the submission by Shirdi International Airport, the Authority directed MADC to re-submit the MYTP with First Control Period beginning from 1st April 2022. Pursuant to this, MADC had submitted the revised MYTP with the computation for the First Control Period from 1st April 2022 to 31st March 2027 together with the shortfall for the period from FY 2017-18 to FY 2021-22.

3.3.2 The Authority noted that MADC had considered the date of commencement of commercial operations (COD) as the beginning of the period from which the over-recovery / under-recovery is to be determined.

3.3.3 However, the Authority's tariff determination process commences only from the date on which the Airport was notified as a major airport and accordingly, the Authority proposed to consider the period from 1st November 2021 (i.e. the date the notification as major airport) for the purpose of its evaluation. Accordingly, the period from 1st November 2021 to 31st March 2022 was considered by the Authority for computation of excess/shortfall to be carried forward to the First Control Period.

3.3.4 The Authority had, in the ensuing sections, detailed its principles and analysis with respect to different building blocks which were used for computing the ARR and shortfall for the period from 1st November 2021 to 31st March 2022.

3.3.5 The Authority, in order to segregate the various building blocks for the period from 1st November 2021 to 31st March 2022, from the audited financial statements of FY 2021-22, sought from MADC, the financial information for the period from 1st November 2021 to 31st March 2022. MADC in its reply dated 18th October 2023 submitted as follows:

*"MADC has no internal process for preparation of the financial statements on interim/monthly basis. Thus, it will not be possible for us to bifurcate the financials of the FY 2021-22 into April - October and November - March."*

3.3.6 In view of absence of financial information for the period 1st November 2021 to 31st March 2022, the Authority had adopted the following methodology for segregating revenues, cost and RAB in order to compute the under-recovery / over-recovery for the period from 1st November 2021 to 31st March 2022:

**Table 5: Basis of apportionment of various building blocks between the period from 1st April 2021 to 31st October 2021 and the period from 1st November 2021 to 31st March 2022**

| Building Block | Basis of segregation |
|---|---|
| Traffic | Actual Traffic (based on the data from AAI website) for the period from 1st November 2021 to 31st March 2022 |
| RAB | Opening Fixed Assets Balance as per audited financials as of 1st April 2021, adjusted for actual additions and depreciation from 1st April 2021 to 31st October 2021 |
| Depreciation | Actual Depreciation for period 1st November to 31st March 2022 based on the RAB as computed above |
| Operating and Maintenance Expenses | Expenses for FY 2021-22 pro-rated based on the number of months in the period from 1st November 2021 to 31st March 2022 |
| Return on Land | Pro-rated based on the number of months in the period from 1st November 2021 to 31st March 2022 |
| Non-Aeronautical Revenue | Pro-rated based on the number of months in the period from 1st November 2021 to 31st March 2022 since the nature of revenues is such that these accrue over a period of time |
| Aeronautical Revenue | • Based on the actual ATM / passenger traffic during the period from 1st November 2021 to 31st March 2022 for the nature of revenues that are based on the ATM / passenger traffic i.e. Landing Fees, Parking Fees, UDF etc.<br>• Pro-rated based on the number of months in the period from 1st November 2021 to 31st March 2022 for the nature of revenues that accrue over a period of time i.e. Space Rental from Airlines, Revenue from Ground handling, etc. |

**<u>Stakeholders' comments regarding Shortfall for the period from FY 2017-18 to FY 2021-22</u>**

3.3.7 MADC's comment on Pre-control Period losses is as follows:

*"Shirdi International Airport is a first greenfield airport, managed & operated by Maharashtra Government Undertaking, Maharashtra Airport Development Company Ltd (MADC). The Directorate General of Civil Aviation (DGCA) issued a license for Shirdi International Airport on September 21, 2017, permitting it to operate under the public use category and under Visual Flight Rules (VFR) conditions. Shirdi International Airport commenced operations from October 1, 2017.*

*Shirdi International Airport was allowed to charge the rates for aeronautical services in accordance with the AIC Circular 04/2017 allowed/approved by the Airport Authority of India and Ministry of Civil Aviation.*

*At the outset, Shirdi International Airport is eligible to recover costs incurred by it from the various stakeholders from the inception of its operations but not the date of becoming a major airport.*

*We would like to bring to your notice, the legal rights of Shirdi International Airport to recover the costs:*

*a.* ***Right to levy charges at various airports/aerodromes:***

*The right to levy charges at various airports/aerodromes in India, has been allowed through Rule 86 of Aircraft Rules, 1937. Below is the extract of the Rule 86 of the Aircraft Rules, 1937.*

*"86. Tariff charges: -*

*1) At every aerodrome referred to in rule 85, there shall be exhibited in a conspicuous place a single tariff of charges, including charges for landing and length of stay, and such tariff shall be applicable alike to all aircraft whether registered in India or in any other contracting State.*

2) *In the case of aerodromes belonging to the Authority, the charges mentioned in sub-rule (1) shall be levied by the Authority in accordance with section 22 of the Airports Authority of India Act, 1994. (55 of 1994).*

3) *In the case of licensed public aerodromes, other than the aerodromes belonging to the Authority, the charges mentioned in sub-rule (1) shall be determined by the licensee in accordance with the principle of cost recovery as specified by the International Civil Aviation Organization and such charges shall be notified with the approval of the Central Government or any authority constituted in this behalf by such Government.*

4) *Notwithstanding anything contained in sub-rules (2) and (3), in the case of a major airport, the tariff of charges referred to in sub-rule (1) shall be such as may be determined under clause 9A) of sub-section (1) of section 13 of the Airports Economic Regulatory Authority of India Act, 2008.*

*Explanation. – For the purpose of this rule, "Authority" means the Airports Authority of India constituted under section 3 of the Airports Authority of India Act, 1994. (55 of 1994)"*

*Rule 86(3) of the Aircraft Rules, 1937, gives a right to any airport/aerodrome operator other than the Airports Authority of India, to determine its charges in accordance with the principles of cost recovery as specified in the ICAO for such charges.*

*The Shirdi International Airport which is being operated by the MADC is not an entity owned by the Airports Authority of India and from the date of its commencement of operations till the date of the notification as major airport was eligible to recover the charges in accordance with the Rule 86(3). However, due to the AIC circulars issued by the Ministry of Civil Aviation for non-major airports which are owned by the Airport Authority of India or any other operators, we were restricted to charge the airport users based on AIC at the respective cluster rates due to this there is under recovery of cost. The MADC has also approached MoCA for revision of the rates on 12.03.2021 and we were made major airport on 01.11.2021.*

***b. Functions/duties of the Authority to allow the pre-control period losses while determining the tariff:***

*The Authority has to consider the pre-control period losses while determining the tariff for the Shirdi International Airport, which is in consistent with the orders of the Authority and the Judgement of Hon'ble Telecom Dispute Settlement Authority of India. The relevant extracts of decisions of the Authority and the Judgement of Hon'ble TDSAT are as follows:*

*Extracts of Para 67 of the Hon'ble TDSAT Judgement dated April 23, 2018, in the matter of Delhi International Airport Limited first control period tariff:*

*The aforesaid technical plea has been raised by learned counsels appearing for different respondents as well. In view of a clear and categorical reply that it has no direct bearing with the substance of a tariff formulation exercise, this plea is rejected outrightly for the simple reason that none of the parties are adversely affected on this account. Even if the rightful authority, the Central Government had initiated the exercise of tariff formulation for the period of 5 years beginning from 01.04.2009, it would have remained inclusive and liable to be criticized as an action by an interested party and not an independent statutory authority. Once AERA was legally constituted from September 2009, the unfinished exercise could have been finished only by AERA. Clearly, the Central Government had the authority to consult independent expert body for the period between 01.04.2009 and 01.09.2009 when AERA came into existence. The exercise by AERA for that period has been within the knowledge of Central Government* *which has issued communications relating to tariff formulation. In absence of any objection from any quarters including Central Government, it would be futile to direct the Central Government to go through the formality of fixing tariffs for the 5 months between April 2009 and August 2009 when Central Government cannot complete that exercise in a meaningful and proper manner so as to avoid retrospectivity and delay. Further, the Central Government can always adopt and approve the studied view of AERA which it appears to have done by not raising any objections at any stage. Nothing has been pointed out in the OMDA and SSA against such action and Section 13 of the Act gives sufficient latitude in selecting an appropriate beginning of the first regulatory term of 5 years subject to rules of transparency and fairness.*

*The Hon'ble TDSAT has adjudicated that the Authority has jurisdiction and responsibility to consider the period before its formation/ its under jurisdiction. It is the responsibility of the Authority to complete the unfinished work of the MoCA and consider such period for determining the tariff for the control period.*

*This, has been further reiterated by the Hon'ble TDSAT in the matter of tariff determination of the Bengaluru International Airport vide its Judgement dated December 16, 2020:*

*"Para 46 - The contention advanced on behalf of BIAL appears to have merit, especially in view of decision of this Tribunal in the case of DIAL wherein facts and figures of earlier period were considered by the AERA for tariff determination and the same was approved by taking a pragmatic view that even if the matter was to be remitted back to MoCA, the exercise of tariff determination by an expert body like AERA would be more reliable and useful. On a careful perusal of discussions made in various sub-paragraphs of Para 5 of the tariff order for the First Control Period, it is evident that the Authority was aware that MoCA had granted only ad hoc UDF charges but has further noted that since it was fixing tariff for the period from 01.04.2011, it would consider the loss, if any, only from 01.09.2009 to March 2011 when factually there was no loss. In Paras 5.29 and 5.30 it decided against the claim for a review of financial results of BIAL for the period since commencement of operations to 31.03.2011. It has declined to consider the claim for the pre-control period mainly for the two reasons which have been highlighted and challenged on behalf of BIAL.*

*Para 47 - **In the considered opinion of this Tribunal, it will not be proper to hold that in the exercise of its statutory powers to provide for a purposeful and good tariff order, the AERA should depend upon a direction from MoCA to look into facts relating to ad hoc rates and resultant loss, if any.** Similarly, for the lapses of MoCA, if any, **it will not be proper now to refer the task of looking into deficiencies in tariff formulation for the period prior to First Control Period to MoCA**. The relevant facts, figures and accounts for the earlier period should have been gone into by AERA to find out whether there was any merit in the claim of BIAL. Since that has not been done, the claim for pre-control period losses as determined in various parts of Para 5 of the tariff order for the First Control Period and virtually reiterated in the next tariff order are set aside for the purpose of remitting the claim back to AERA for fresh consideration on its own merits and in accordance with law and this order."*

*The above Judgement was considered by the AERA in the tariff determination of the Bengaluru International Airport Limited (Order No. 11/2021-22) for the third control period vide its decision no. 2.5.1. Extract as follows:*

*To consider the pre-control period from airport opening date (24 May 2008) till the start of the First Control Period (31 March 2011)*

*This has been further applied in the case of tariff determination of the GMR Hyderabad International Airport Limited for the purpose of its third control period tariff determination.*

*As submitted in our MYTP Submission, and further submissions referred in the extracts above, the circumstances of the GHIAL and BIAL are similar in the nature of Shirdi International Airport. It was the responsibility of the MoCA to determine the charges for Aeronautical Services and the same was being charged at adhoc rates. The movement the Authority has taken over the responsibility of the determination of the charges for these airports, it has considered the pre-control period losses as well.*

*We further submit that we are not comparable to the non-major airports of the AAI as far as the determination of the tariff and we are eligible to recover the cost in accordance with the Rule 86(3) of the Aircraft Rules, 1937.*

*In view of our submission above, we request the Authority to consider the pre-control period losses from the date of commencement of the operations in consistent with its decisions in the case of BIAL and GHIAL."*

**Authority's Analysis regarding Shortfall for the period from FY 2017-18 to FY 2021-22**

3.3.8 The Authority notes the submission made by MADC for considering the true-up from the COD (01.10.2017) up to the date of notification as Major Airport also, while determining the tariff for the first control period.

In this regard, in case of all the three airports viz. DIAL-Delhi, BIAL-Bengaluru and HIAL-Hyderabad referred to by AO, the relevant Authority (AERA) was not constituted before the commencement of the commercial operations of these airports. The terms & conditions of the State Support / Concession Agreement of these three airports, relating to the tariff determination process, as inferred by MADC in the stakeholders' comments is not comparable with that of Shirdi International Airport, on account of the following factors:

a) Delhi, Mumbai and Hyderabad airports have been major airports from the date of formation of AERA, based on their annual passenger throughput, unlike Shirdi International Airport, which has become 'major airport' vide notification issued by MoCA as per AERA Act, from a specific date (i.e., 01.11.2021).
b) Prior to the notification of Shirdi International Airport as Major Airport, tariff applicable to non-major airports was levied by the AO as approved by MoCA, from time to time and as per the AIC issued by DGCA. Therefore, consideration of any period prior to 1st November 2021 does not arise at all.
c) All the referred Airports (Delhi, Hyderabad & Bengaluru) became operational much before the establishment of AERA and have specific clauses in their State Support Agreement (SSA) / Concession agreements (with MoCA, Govt. of India) relating to determination of tariff by Independent Economic Regulator (AERA), which is not the case with Shirdi International Airport. Accordingly, in accordance with Sub clause (1) (a) (vi) of Section 13 of AERA Act, the Authority, while determining tariffs in respect of DIAL, HIAL & BIAL, inter-alia, has taken cognizance of their Agreements/SSAs with Govt. of India, which is not the case with Shirdi Airport.
d) The Authority also notes the Rule 86(3) of the Aircraft Rules, 1937, whereby charges in the case of licensed public aerodromes, other than the aerodromes belonging to the Authority (AAI), is to be determined in accordance with the principle of cost recovery as specified by the International Civil

Aviation Organization (ICAO), with the approval of the Central Government or any authority constituted in this behalf by such Government. Thus, for the period prior to date of notification of Shirdi Airport as major airport i.e., 01.11.2021, tariff approving authority as per Rule 86(3) of the Aircraft Rules, 1937, in respect of 'non-major airports' was MoCA and tariff for Shirdi Airport (as a non-major airport) was determined and levied by MADC accordingly.

e) Similar practice is being followed by the Authority consistently, in the case of other AAI Airports which become 'Major Airport', from a specific date and true up, in such cases, is considered from the date of notification of airport as Major Airport by MoCA. Clause 86 (4) of the Aircraft Rules, 1937, cited by the AO also indicates that AERA can determine Tariff only for Major Airports.

As regard to MADC's submission that the circumstances of HIAL & BIAL and that of Shirdi airport are similar and tariff determined by MoCA (prior to AERA formation) is of ad-hoc in nature. In this regard, it is to be noted that MoCA notifies the Aeronautical Tariff applicable for all Non-Major Airports and tariffs approved by MoCA is not an ad-hoc, as inferred by Shirdi Airport.

3.3.9 Hence, in view of the above, the Authority decides to consider true up from 01.11.2021 (i.e. from the date of notification of Shirdi airport as major airport) onwards.

## 3.4 Traffic

**MADC's Submission**

3.4.1 MADC had submitted the following Passenger and ATM Traffic for Shirdi International Airport for the period from FY 2017-18 to FY 2021-22:

**Table 6: MADC's submission on Passenger Traffic and ATM for the period from FY 2017-18 to FY 2021-22**

| Particulars | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Domestic Passengers | 37,531 | 2,29,248 | 5,67,585 | 85,978 | 1,77,223 |
| International Passengers | - | - | - | - | - |
| **Total Passengers** | **37,531** | **2,29,248** | **5,67,585** | **85,978** | **1,77,223** |
| Domestic ATM | 802 | 3,342 | 6,384 | 1,520 | 1,860 |
| International ATM | - | - | - | - | - |
| **Total ATM** | **802** | **3,342** | **6,384** | **1,520** | **1,860** |

**Authority's Examination at Consultation stage**

3.4.2 On review of the traffic details (Passenger and ATM) submitted by MADC for the period beginning FY 2017-18 to FY 2021-22, the Authority noted that traffic details submitted by MADC did not match with actual traffic as per AAI's website as detailed below:

**Table 7: Difference in actual traffic between MADC's Submission and AAI website for the period from FY 2017-18 to FY 2021-22**

| Year | Traffic as per MADC submission (A) | | | Traffic as per AAI Website (B) | | | Difference (C=A-B) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Passenger | ATM | Cargo | Passenger | ATM | Cargo | Passenger | ATM | Cargo |
| FY18 | 37,531 | 802 | - | 37,234 | 745 | - | 297 | 57 | - |
| FY19 | 2,29,248 | 3,342 | - | 2,29,040 | 3,064 | - | 208 | 278 | - |
| FY20 | 5,67,585 | 6,384 | - | 5,68,968 | 6,226 | - | (1,383) | 158 | - |
| FY21 | 85,978 | 1,520 | - | 85,673 | 1,452 | - | 305 | 68 | - |

| Year | Traffic as per MADC submission (A) | | | Traffic as per AAI Website (B) | | | Difference (C=A-B) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Passenger | ATM | Cargo | Passenger | ATM | Cargo | Passenger | ATM | Cargo |
| FY22 | 1,77,223 | 1,860 | 38 | 1,76,787 | 1,716 | 38 | 436 | 144 | - |

3.4.3 On enquiry regarding the difference in Table 7 above, MADC responded as follows:

*"1. Infant is counted by AAI in the arrival data whereas we do not count it in our data.*
*2. Infant and Transit data for indigo Airlines is included in the AAI Data, whereas we do not include infant in the Passenger data."*

3.4.4 The Authority noted that the explanation provided by MADC did not clarify the difference as detailed above, as the numbers were higher in MADC submission as compared to AAI data. The Authority decided to consider traffic as per AAI data.

3.4.5 The Authority, had reviewed the actual traffic for Shirdi International Airport available from the AAI website for the period from 1st November 2021 to 31st March 2022 (Pre-Control Period), as indicated in para 3.3.6 which is presented below:

**Table 8: Domestic Passenger Traffic and Domestic ATM proposed by the Authority for the period from 1st November 2021 to 31st March 2022**

| Particulars | Nov'21 | Dec'21 | Jan'22 | Feb'22 | Mar'22 | Total Nov'21 to Mar'22 |
|---|---|---|---|---|---|---|
| Passenger Traffic | 33,488 | 39,982 | 15,794 | 21,742 | 49,757 | **1,60,763** |
| ATM | 310 | 356 | 224 | 212 | 412 | **1,514** |

3.4.6 The Authority accordingly proposed to consider the actual passenger traffic and ATM for the period from 1st November 2021 to 31st March 2022 based on the data from AAI website as per Table 8.

**Stakeholders' comments regarding Traffic for the period from 1st November 2021 to 31st March 2022**

3.4.7 No comments have been received from stakeholders regarding Traffic for the period from 1st November 2021 to 31st March 2022.

**Authority's Analysis on Traffic for the period from 1st November 2021 to 31st March 2022**

3.4.8 The Authority notes that there are no stakeholders' comments regarding Traffic for the period 1st November 2021 to 31st March 2022. The Authority decides to consider Traffic for the period from 1st November 2021 to 31st March 2022 as per Table 8.

## 3.5 Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB)

**MADC's Submission**

3.5.1 MADC had submitted the following Average RAB for Shirdi International Airport for the period from FY 2017-18 to FY 2021-22:

**Table 9: MADC's submission of Average RAB for the period from FY 2017-18 to FY 2021-22**

*(₹ in crores)*

| Particulars | Ref. | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| Opening RAB | A | - | 5.29 | 130.22 | 132.95 | 128.72 | |
| Commissioned Assets in FY17* | B | 5.90 | - | - | - | - | **5.90** |

| Particulars | Ref. | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| Commissioned Assets in respective FYs | C | 0.41 | 137.94 | 10.11 | 3.80 | 26.37 | **178.63** |
| Total Commissioned Assets (refer Table 10) | D = B+C | 6.31 | 137.94 | 10.11 | 3.80 | 26.37 | **184.53** |
| Aeronautical portion | E | 95% | 95% | 95% | 95% | 95% | |
| Aeronautical portion of Commissioned Assets | F = D*E | 5.99 | 131.02 | 9.61 | 3.60 | 25.06 | **175.28** |
| Add: Asset created out of the grant received** | G | 50.00 | - | - | - | - | **50.00** |
| Total of Aeronautical portion of Commissioned Assets | H = F+G | 55.99 | 131.02 | 9.61 | 3.60 | 25.06 | **225.28** |
| Grant | I | 50.00 | - | - | - | - | **50.00** |
| Depreciation (refer Table 11) | J | 0.70 | 6.10 | 6.87 | 7.84 | 9.98 | **31.49** |
| Closing RAB | K = A+H-I-J | 5.29 | 130.22 | 132.95 | 128.72 | 143.80 | |
| **RAB for Calculating ARR** | **L = (A+K)/2** | **2.64** | **67.75** | **131.58** | **130.83** | **136.26** | |

**The assets acquired in FY17 (prior to commencement of commercial operations) were added to the additions in FY18 as MADC has considered the Period from FY 2017-18 onwards.*

***The assets created out of the grant of ₹ 50 crores from Shri Saibaba Sansthan Trust is added as part of the commissioned assets and then adjusted as part of grant, thus having 'Nil' impact on RAB.*

3.5.2 The head wise additions considered by MADC for the computation of RAB is as follows:

**Table 10: Breakup of Capital Expenditure for the period from FY 2016-17 to FY 2021-22 as per MADC's submission**

*(₹ in crores)*

| Head | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| Software | - | - | 0.01 | 0.01 | - | - | **0.02** |
| Computers – End User Devices | 0.03 | 0.03 | 0.04 | 0.03 | 0.04 | 0.02 | **0.19** |
| Computers – Services & Network | - | - | - | - | - | 0.01 | **0.01** |
| Furniture and Fixtures other than trolleys | 0.17 | 0.17 | 1.18 | 0.09 | 0.03 | - | **1.64** |
| Furniture & Fixtures – Trolleys | - | - | - | - | 0.01 | - | **0.01** |
| Building | - | - | 115.80 | - | - | - | **115.80** |
| Plant & Machinery | 5.53 | 0.05 | 0.94 | 9.90 | 0.07 | 16.09 | **32.58** |
| Electrical installations | - | - | 15.46 | - | 3.47 | 10.25 | **29.18** |
| Vehicle | 0.11 | 0.09 | - | - | 0.02 | - | **0.22** |
| Office equipment | 0.06 | 0.07 | 4.51 | 0.08 | 0.16 | - | **4.88** |
| **Total (A)** | **5.90** | **0.41** | **137.94** | **10.11** | **3.80** | **26.37** | **184.53** |
| Aeronautical portion (B) | 95% | 95% | 95% | 95% | 95% | 95% | **95%** |
| Aeronautical portion of Capex (C=A*B) | **5.61** | **0.38** | **131.02** | **9.61** | **3.60** | **25.06** | **175.28** |

3.5.3 The Asset category wise depreciation considered by MADC for the computation of RAB is as follows:

**Table 11: Asset category wise breakup of depreciation for the period from FY 2016-17 to FY 2021-22 as per MADC's submission**

*(₹ in crores)*

| Head | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| Software | - | - | 0.00 | 0.00 | 0.01 | 0.01 | 0.02 |
| Computers - End User Devices | - | 0.02 | 0.03 | 0.03 | 0.03 | 0.03 | 0.14 |

| Head | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| Computers - Services & Network | - | - | - | - | - | 0.00 | 0.00 |
| Furniture and Fixtures other than trolleys | - | 0.03 | 0.13 | 0.21 | 0.22 | 0.22 | 0.81 |
| Furniture & Fixtures - Trolleys | - | - | - | 0.00 | 0.00 | 0.00 | 0.00 |
| Building | - | - | 3.81 | 3.86 | 3.86 | 3.86 | 15.39 |
| Plant & Machinery | - | 0.65 | 0.08 | 0.69 | 1.42 | 2.56 | 5.40 |
| Electrical installations | - | - | 1.51 | 1.49 | 1.73 | 2.83 | 7.56 |
| Office equipment | - | 0.02 | 0.84 | 0.94 | 0.95 | 0.96 | 3.71 |
| Vehicle | - | 0.02 | 0.02 | 0.02 | 0.03 | 0.03 | 0.12 |
| **Total (A)** | - | **0.74** | **6.42** | **7.24** | **8.25** | **10.50** | **33.15** |
| Aeronautical portion (B) | 95% | 95% | 95% | 95% | 95% | 95% | **95%** |
| Aeronautical Depreciation (C=A*B) | - | **0.70** | **6.10** | **6.87** | **7.84** | **9.98** | **31.49** |

**Authority's Examination at Consultation stage**

**Additions to Fixed Assets**

3.5.4 The Authority noted that Shirdi International Airport commenced its commercial operations on 1st October 2017 and had incurred total capital expenditure of ₹ 184.53 crores till FY 2021-22, the breakup of which is given in Table 10.

3.5.5 The Authority also noted that the financial year-wise additions as per Fixed Asset Register (FAR) given by MADC did not match the corresponding additions in the respective years as per financial statements. However, the total of additions to fixed assets for the years up to 31st March 2022 as per FAR matched with the audited financial statements. No clarifications were received from MADC for the same. The Authority proposed to consider the additions as per FAR as final for the purpose of its examination. The Authority also noted that there were no significant deletions as per audited financial statements for all the years up to FY 2021-22.

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

3.5.7 The Authority further noted that MADC had considered the aeronautical portion as 95% of all actual additions to Fixed Assets in each of the financial years from FY 2017-18 to FY 2021-22.

3.5.8 For the purposes of classifying the assets into aeronautical assets, non-aeronautical assets and common assets, the Authority sought the classification from MADC. The Authority analyzed the classification received from MADC in line with the nature of the assets as per FAR and classified the assets into aeronautical assets, non-aeronautical assets and common assets. A comparative analysis of the classification provided by MADC, and the classification propose by the Authority is as follows:

**Table 12: Comparison of classification of assets as on 31st March 2022 as per MADC and the Authority**

*(₹ in crores)*

| Type | Particulars | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | Total (A) As per Authority | As per MADC (B) |
|---|---|---|---|---|---|---|---|---|---|
| Aeronautical Assets | Gross Value | 5.69 | 0.27 | 126.58 | 10.02 | 3.49 | 9.32 | 155.36 | 183.79 |
| | Aero RAB | 5.69 | 0.27 | 126.58 | 10.02 | 3.49 | 9.32 | 155.36 | 174.59 |
| Common | Gross Value | 0.20 | 0.13 | 11.27 | 0.10 | 0.30 | 17.06 | 29.08 | 0.67 |
| | Aero RAB | 0.19 | 0.13 | 10.71 | 0.10 | 0.29 | 16.21 | 27.63 | 0.63 |
| Non-Aero | Gross Value | 0.01 | - | 0.06 | - | - | - | 0.07 | 0.07 |
| | Aero RAB | - | - | - | - | - | - | - | 0.06 |
| | Total Gross | 5.90 | 0.41 | 137.93 | 10.11 | 3.79 | 26.38 | 184.53 | 184.53 |
| | **Total Aero RAB** | **5.88** | **0.41** | **137.31** | **10.11** | **3.78** | **25.53** | **182.99** | **175.28** |

3.5.9 The Authority further proposed to classify the common assets based on Employee Head Count Ratio (EHCR) and Terminal Building Ratio (TBLR). The ratios considered for arriving at the aeronautical portion of RAB are as follows:

**Table 13: Ratio for segregating common assets into aeronautical and non-aeronautical considered by the Authority**

| Nature | Aeronautical portion | Non-Aeronautical portion |
|---|---|---|
| Aeronautical Assets | 100% | 0% |
| Common Assets – Based on EHCR (Refer Para 3.8.5) | 95% | 5% |
| Common Assets – Based on TBLR (Refer Para 3.8.9) | 95% | 5% |
| Non-Aeronautical Assets | 0% | 100% |

3.5.10 Based on the above allocation ratios, the Authority proposed the following aeronautical additions to capex for the period beginning from FY 2017-18 to FY 2021-22:

**Table 14: Aeronautical CAPEX proposed by the Authority for the period from FY 2017-18 to FY 2021-22 at Consultation Stage**

*(₹ in crores)*

| Particulars | FY18 | FY19 | FY20 | FY21 | FY22-Upto 31st October 2021 | FY22-After 31st October 2021 | Total |
|---|---|---|---|---|---|---|---|
| Gross value of additions | 6.31 | 137.94 | 10.11 | 3.80 | 26.37 | - | **184.53** |
| Aeronautical additions | 6.28 | 137.29 | 10.11 | 3.78 | 25.53 | - | **182.99** |

3.5.11 The Authority noted from the discussions with MADC that Shirdi International Airport had received grant from Shri Saibaba Sansthan Trust amounting to ₹ 50 crores in FY 2011-12 (₹ 45 Crores) and FY 2017-18 (₹ 5 Crores). The Authority sought the statement of utilization of the said grant of ₹ 50 crores and the accounting treatment adopted by MADC for the grant of ₹ 50 crores. MADC had confirmed that assets that were constructed / developed / acquired (as per Table 15) out of the said grant were accounted net of grant and hence has not been included as part of the additions to Fixed Assets in the financial statements. The Authority through its Independent Consultant had reviewed the FAR submitted by MADC and ensured that these assets do not form part of the FAR. The following utilization statement was provided by MADC:

**Table 15: Statement of Utilization of Grant received from Shri Saibaba Sansthan Trust as submitted by MADC**

*(₹ in crores)*

| Project Name | Amount |
|---|---|
| Shifting / rerouting of EHV Transmission Lines around the proposed Airport at Shirdi | 22.35 |

| Project Name | Amount |
|---|---|
| Strengthening and widening of access roads from bypass road to Kakdi village | 7.13 |
| Area grading, construction of runway, taxiway, apron, GSE, Isolation Bay, compound wall, storm water drainage, Security tower, etc. | 16.02 |
| Diversion of MDR-9 along the Compound Wall | 4.50 |
| **Total** | **50.00** |

3.5.12 The Authority noted that MADC had considered the assets in Table 15 as additions and then reduced the grant of ₹ 50 crores from computation of RAB of FY 2017-18 as it was capital receipt in the nature of contribution from stakeholders thereby having 'NIL' effect in the computation of average RAB.

**Authority's examination of Depreciation for the period from 1st November 2021 to 31st March 2022 at Consultation Stage**

3.5.13 The Authority noted that MADC had considered depreciation as per the financial statements as the base for computation of aeronautical depreciation which is not in line with the useful life as per Order No.35/2017-18 dated 12th January 2018 on "In the matter of Determination of Useful life of Airport Assets".

3.5.14 The Authority also noted an error in the formula used for computation of depreciation whereby 95% (aeronautical %) had been applied twice to the book depreciation to arrive at depreciation as per MADCs submission for the period prior to the FCP.

3.5.15 The Authority, through its Independent Consultant had re-calculated the Aeronautical depreciation, taking into account depreciation as per financial statements until 1st April 2018 and thereafter depreciation as per Order No.35/2017-18 dated 12th January 2018, "In the matter of Determination of Useful life of Airport Assets".

3.5.16 While recomputing depreciation, it was noted that the depreciation as per FAR shared and that reflected in the financial statement were not tallying on a year-to-year basis. This was on account of inconsistencies between the dates of capitalization in books versus FAR. However, the WDV as at 31st March 2022 tallied between the FAR and financials. The reason for difference was requested from MADC, however there was no response on the same. In the absence of information, the Authority proposed to consider FAR as the base for computing depreciation.

3.5.17 The Aeronautical depreciation recalculated is as follows:

**Table 16: Aeronautical depreciation recalculated by the Authority**

*(₹ in crores)*

| Particulars | FY18 | FY19 | FY20 | FY21 | FY22 - Upto 31st October 2021 | FY22 - After 31st October 2021 | Total |
|---|---|---|---|---|---|---|---|
| Furniture and Fixture – Other than trolley | 0.09 | 0.11 | 0.19 | 0.20 | 0.12 | 0.07 | 0.78 |
| Office Equipment | 0.02 | 0.58 | 0.62 | 0.64 | 0.38 | 0.27 | 2.51 |
| Computer - End User Devices | 0.02 | 0.03 | 0.03 | 0.03 | 0.02 | 0.01 | 0.14 |
| Plant and Machinery | 0.73 | 0.39 | 0.58 | 1.07 | 1.22 | 0.87 | 4.87 |
| Vehicle | 0.02 | 0.02 | 0.02 | 0.02 | 0.01 | 0.01 | 0.12 |
| Operational Building | - | 3.53 | 3.57 | 3.57 | 2.08 | 1.49 | 14.25 |
| Terminal Building | - | 0.24 | 0.24 | 0.24 | 0.14 | 0.10 | 0.96 |
| Utility Building | - | 0.04 | 0.04 | 0.04 | 0.03 | 0.01 | 0.15 |
| Electrical Installation | - | 1.53 | 1.53 | 1.79 | 1.68 | 1.20 | 7.73 |
| Computer - Software | - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 |

| Particulars | FY18 | FY19 | FY20 | FY21 | FY22 - Upto 31st October 2021 | FY22 - After 31st October 2021 | Total |
|---|---|---|---|---|---|---|---|
| Furniture and Fixture - trolley | - | - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Computers - Service and Network | - | - | - | - | 0.00 | 0.00 | 0.00 |
| **Total** | **0.90** | **6.47** | **6.82** | **7.59** | **5.70** | **4.03** | **31.51** |

3.5.18 Depreciation for the period 1st November 2021 to 31st March 2022 was computed considering the actual additions for the period and pro-rating the depreciation on existing assets for the specific period. The RAB as per the Authority's recalculation is as follows:

**Table 17: Regulatory Asset Base computed by the Authority for the period FY 2017-18 to FY 2021-22**

*(₹ in crores)*

| Particulars | Ref | FY18 | FY19 | FY20 | FY21 | FY22 - Upto 31st October 2021 | FY22 - After 31st October 2021 | Total |
|---|---|---|---|---|---|---|---|---|
| Opening RAB | A | - | 5.38 | 136.20 | 139.49 | 135.68 | 155.51 | |
| (+) Additions (refer Table 14) | B | 6.28 | 137.29 | 10.11 | 3.78 | 25.53 | - | **182.99** |
| (-) Depreciation (refer Table 16) | C | 0.90 | 6.47 | 6.82 | 7.59 | 5.70 | 4.03 | **31.51** |
| Closing RAB | D=A+B-C | 5.38 | 136.20 | 139.49 | 135.68 | 155.51 | 151.48 | |
| **Average RAB** | **D=(A+D)/2** | **2.69** | **70.79** | **137.85** | **137.59** | **145.60** | **153.50** | |

**Stakeholders' comments regarding Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the period from 1st November 2021 to 31st March 2022**

3.5.19 No comments have been received from stakeholders regarding Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the period from 1st November 2021 to 31st March 2022.

**Authority's Analysis regarding Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the period from 1st November 2021 to 31st March 2022**

3.5.20 The Authority notes that there are no stakeholders' comments regarding Capital Expenditure, Depreciation and Regulatory Asset Base for the period 1st November 2021 to 31st March 2022. The Authority decides to consider Capital Expenditure as per Table 14, Depreciation as per Table 16 and Regulatory Asset Base as per Table 17 for the period 1st November 2021 to 31st March 2022.

## 3.6 Return on Land

**MADC's Submission**

3.6.1 MADC had submitted the following estimated Return on Land for Shirdi International Airport for the period FY 2017-18 to FY 2021-22:

**Table 18: MADC's submission on Return on Land for the period FY 2017-18 to FY 2021-22**

*(₹ in crores)*

| Particulars | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|
| Return on Land - Aero | 6.13 | 6.13 | 6.13 | 6.13 | 6.13 | 30.65 |

3.6.2 The basis of computation adopted by MADC for the above return on land is as follows:

**Table 19: MADC's submission on the basis of computation of Return on Land for FY 2017-18 to FY 2021-22**

| Particulars | Ref. | Unit | Value |
|---|---|---|---|
| Cost of Land considered by MADC | A | ₹ in crores | 68.41 |
| SBI Rate | B | % | 6.65 |
| Rate considered for Equated Annual Instalment | C = B+2% | % | 8.65 |
| Equated Annual instalments (for 30 years) | D* | ₹ in crores | 6.45 |
| Aeronautical Portion | E | % | 95% |
| **Aeronautical portion of amortization owing to land cost** | **F = D*E** | **₹ in crores** | **6.13** |

** (A*C*((1+C)^30))/(((1+C)^30)-1)*

**Authority's Examination at Consultation stage**

3.6.3 The Authority noted that MADC had acquired land of 350.85 Hectares (866.97 acres) for the development of Shirdi International Airport at a cost of ₹ 68.41 crores (₹ 64.80 crores in FY 2017-18 and ₹ 3.61 crores in FY 2021-22).

3.6.4 The Authority noted that MADC had considered the entire value of land including the additional cost incurred in FY 2021-22 and calculated return on land from FY 2017-18 for the full amount. The Authority also noted that return on land was claimed by MADC for the full area of airport i.e. 350.85 Hectares – even though some of the areas of the land parcel are not utilized currently (after considering the developments proposed in the First Control Period).

3.6.5 Para 4.1.2 of the Land return Order No. 42/2018-19 dated 5th March 2019, states that *"The return will be given only on the cost of land used for aeronautical activities"*. The Authority, through its Independent Consultant during their site visit to the Shirdi International Airport noted that there are some areas of the airport premises that are yet to be put to use or are planned for construction in FCP.

3.6.6 The Authority requested details of area of land currently used by the Airport Operator, however, only partial details were received. The Authority through its Independent Consultant had re-computed the area of land currently in use – from the master plan of the airport shared by MADC.

**Table 20: Details of land area in use as of November 2021**

*(in Sq.m.)*

| Particulars | FY22 |
|---|---|
| Total land area | 35,08,500.00 |
| **Details of undeveloped area as of Nov 2021** | |
| Plot 1 | 10,925.00 |
| Plot 2 | 12,375.00 |
| Plot 3 | 7,935.00 |
| Plot 4 | 7,740.00 |
| Plot 5 | 7,509.00 |
| Plot 6 | 7,830.00 |
| Proposed Sewage Treatment Plant | 3,967.50 |
| Taxi Parking Future Expansion Phase II | 5,462.50 |
| New Terminal Building (-) Existing Terminal Building | 19,750.00 |
| Terminal Building Expansion Phase III | 10,229.31 |
| Extended Runway, RESA and Blast pad | 70,200.00 |
| Extended Apron | 58,394.00 |
| Apron Expansion Phase II | 14,580.00 |
| Apron Expansion Phase III | 30,450.80 |

| Particulars | FY22 |
|---|---|
| Proposed Cargo Terminal | 33,089.76 |
| Isolation Bay - Work in Progress | 1,79,138.07 |
| Armoury Block, Admin Block, Utility Block, Hangar, etc., | 25,840.00 |
| **Total of undeveloped area as of Nov 2021** | 5,05,415.94 |
| % of undeveloped land area | 14% |
| % of developed land area | 86% |

3.6.7 Order No.42/2018-19 dated 5th March, 2019, "In the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India" mentions in para 4.1.4 that, "*in case land is purchased by the airport operating company either from private parties or from government, the compensation shall be in the form of equated annual instalments computed at actual cost of debt or SBI base rate + 2% whichever is lower over a period of thirty years*."

3.6.8 In the case of Shirdi International Airport, there were no debts prior to March 2022. The Authority noted that if MADC had taken debt, it would have been able to obtain the same at a rate similar to SBI rate in force. In view of absence of debt being taken for funding land for Shirdi International Airport, the Authority proposes to consider 8.85% to be the rate for return on land as submitted by MADC.

3.6.9 The Authority proposed to consider Return on Land, for the Pre-Control Period from 1st November 2021 to 31st March 2022.

3.6.10 Return on land as computed by the Authority for the period 1st November 2021 to 31st March 2022 is given in the following table:

**Table 21: Return on land proposed by the Authority for the period 1st November 2021 to 31st March 2022 at Consultation Stage**

| Particulars | Ref. | Unit | Value |
|---|---|---|---|
| Cost of Land to be considered | A | ₹ in crores | 68.41 |
| SBI Rate | B | % | 6.65% |
| Rate considered for Equated Annual Instalment = SBI rate +2% | C = B+2% | % | 8.65% |
| Area of land under use | D | % | 86.00% |
| Aeronautical Portion of Land | E | % | 95.00% |
| Equated Annual instalments (for 30 years) | F* | ₹ in crores | 5.27 |
| **Prorated for 5 months (Nov 21 to Mar 22)** | **G = F*5/12** | **₹ in crores** | **2.20** |

*#(A*C*((1+C)^30))/(((1+C)^30)-1)*D*E*

**<u>Stakeholders' comments regarding Return on Land for the period from 1st November 2021 to 31st March 2022</u>**

3.6.11 No comments have been received from stakeholders regarding Return on Land for the period from 1st November 2021 to 31st March 2022.

**<u>Authority's Analysis regarding Return on Land for the period from 1st November 2021 to 31st March 2022</u>**

3.6.12 The Authority notes that there are no Stakeholders' comments regarding return on land for the period 1st November 2021 to 31st March 2022. The Authority decides to consider return on land as per Table 21.

## 3.7 Fair Rate of Return (FRoR)

**<u>MADC's Submission</u>**

3.7.1 MADC had submitted Fair Rate of Return (FRoR) for Shirdi International Airport for the period from 1st April 2017 to 31st March 2022 at 14% as per the computation below:

**Table 22: FRoR submitted by MADC for the period FY 2017-18 to FY 2021-22**

*(₹ in crores)*

| Particulars | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Debt | - | - | - | - | - |
| Reserve & Surplus | (8.40) | (35.83) | (60.61) | (71.99) | (102.95) |
| Equity | 0.16 | 112.09 | 98.07 | 90.49 | 86.83 |
| **Total Equity** | **(8.24)** | **76.25** | **37.46** | **18.50** | **(16.12)** |
| Cost of debt | - | - | - | - | - |
| Cost of equity | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |
| **Fair Rate of Return** | **14.00%** | **14.00%** | **14.00%** | **14.00%** | **14.00%** |

**Authority's Examination at the Consultation Stage**

3.7.2 The Authority noted that MADC had submitted a Fair Rate of Return of 14% for the period from 1st November 2021 to 31st March 2022.

3.7.3 AERA Guidelines prescribe determination of Fair Rate of Return comprising of Cost of Equity and Cost of Debt based on Capital Asset Pricing model as given below:

*5.1.3 Cost of Equity*

*The Authority shall estimate cost of equity, for a Control period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit.*

3.7.4 The Authority noted that there were no borrowings in the financial statements for the said period. It is further noted that Shirdi International Airport received funding for its capital expenditure projects mainly from the Government of Maharashtra and small portion of funds from other sources.

3.7.5 The Authority further noted the following with respect to evaluation of FRoR for Shirdi International Airport:

i. The traffic volume at Shirdi International Airport is much lower as compared to other Major Airports. Traffic for the recent year - FY 2023-24 is only 7.24 lakh passengers and during the First Control Period, the traffic is expected to reach a maximum of only up to 1.79 million (FY 2026-27), which is still significantly below the threshold of 3.50 million passengers, which is the minimum passenger volume for considering an Airport as a Major Airport (based on actual annual passenger throughput). It is important for Airports having very low traffic base to ensure that the operations at the airport are viable by considering charges which are reasonable and optimum so as to attract more traffic.

ii. Financing of Shirdi International Airport is largely through the funds / Grants by the Government of Maharashtra, which is considered as Shareholders' funds. In order to ensure a balanced approach in funding of Airport Projects, the Authority always encourages optimum leverage of debt being considered by Airports. The Authority has, in various earlier tariff determinations, underscored the importance of having an efficient funding plan for Airport Capital Expenditure requirements, which will also help in optimizing the Aeronautical charges. Financing the entire project through internal accruals/Govt. funds does not result in optimization of funding sources and in turn, leads to additional charges being levied on the users of the Airport, as the resultant Aggregate Revenue Requirement computed in this scenario is higher.

3.7.6 The Authority, in the recent Tariff Orders for similar Govt. owned airports, had generally considered FRoR @ 14%, where no debt is availed by the Airport Operators. Shirdi Airport is owned & operated by MADC, a Govt. Undertaking and its CAPEX was primarily funded by the Govt. of Maharashtra. However, considering the factors as explained above, particularly the low traffic base, the Authority proposed to consider 9% as a Fair Rate of Return for the pre-control period. The Authority invited specific comments from the stakeholders in this regard, on evaluation of which, a final decision was to be taken by the Authority.

**Stakeholders' comments regarding Fair Rate of Return (FRoR) for the period from 1st November 2021 to 31st March 2022**

3.7.7 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024.

3.7.8 FIA's comment on FRoR is as follows:

*"It is submitted that:*

*a) Fair Rate of Return (FRoR) is computed by AERA based on the cost of equity and cost of debt. However, in this case, SAG is primarily funded by Govt. of Maharashtra and there is no cost of debt, hence the rationale for providing such FRoR appears unclear, without any study at 9%.*

*b) We do appreciate that AERA have tried to rationalise the same, however we request AERA to consider an independent study for a new airport which is based on low traffic base (i.e., much lower than 3.5 million passengers through put even at the end of First Control Period (refer para 3.7.5 (i)), before providing any such assured returns.*

*c) It is further submitted that, due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines."*

**MADC's responses to Stakeholders' comment regarding Fair Rate of Return (FRoR) for the period from 1st November 2021 to 31st March 2022**

3.7.9 MADC's response to FIA's comment on FRoR is as follows:

*a. Partly agreed with the comments of the FIA. The FRoR of the airport shall be calculated based on the tariff guidelines issued by the Authority w.r.t this matter. We have submitted in our comments on this consultation paper already, that the Authority has determined FRoR for Government airports i.e., Airports Authority of India (AAI) at 14%. Considering that the Shirdi Airport is operated by the Government of Maharashtra, we request the Authority to consider the FRoR similar to AAI i.e., 14%.*

*b. The comments of FIA are not tenable on the matter of low traffic base. The AERA guidelines proposes to consider the scientific approach in calculating FRoR by considering the cost of debt, cost of equity determined by using CAPM model, debt equity gearing. In the current case, the Authority has considered these factors already in determining the FRoR for AAI.*

*c. The major Airport Operators across India are regulated by this Authority where in the tariff guidelines have been issued by the AERA which were subject to Consultation Process and the stakeholders' comments were considered by the AERA while determining these guidelines. It is* *further required to be noted that the tariff guidelines are inline with the ICAO principles for tariff determination which is used across the globe for aviation industry.*

*The comments of the FIA are not tenable on this item.".*

**Authority's Analysis regarding Fair Rate of Return (FRoR) for the period from 1st November 2021 to 31st March 2022**

3.7.10 The Authority reviewed the submission made by FIA and the counter comments submitted by MADC on the FIA's comments. The Authority's proposal detailed in the Consultation Paper was made considering the unique & specific circumstances of Shirdi International Airport such as, very low passenger base, significant government funding for construction of Shirdi International Airport etc. As discussed in detail in para 7.5 relating to analysis of FRoR for First Control Period, the Authority has decided to consider the cost of equity for the period from 1st November 2021 to 31st March 2022 as 14% (as proposed by the AO) and to consider the 3-year MCLR as at the beginning of the pre-control period of i.e., 7.30% as notional cost of debt for the period 1st November 2021 to 31st March 2022. Based on the above and after considering Normative Gearing Ratio of 48:52 (Debt: Equity), the FRoR so computed is as follows:

**Table 23: Fair Rate of Return decided by the Authority for the period 1st November 2021 to 31st March 2022**

| Particulars | Ref | Values |
|---|---|---|
| Cost of Debt | A | 7.30% |
| Cost of Equity | B | 14.00% |
| Weighted average gearing of debt | C | 48% |
| Weighted average gearing cost of equity | D | 52% |
| **Fair Rate of Return** | **E=A*C+(1-C)*B** | **10.78%** |

3.7.11 Based on the above, the FRoR decided to be considered by the Authority for the period 1st November 2021 to 31st March 2022 is 10.78%.

## 3.8 Operating and Maintenance (O & M) Expenses

**MADC's Submission**

3.8.1 MADC had submitted Aeronautical Operating and Maintenance expense for Shirdi International Airport for the period from 1st April 2017 to 31st March 2022 as below:

**Table 24: Operating and Maintenance (O&M) expenses submitted by MADC for the period FY 2017-18 to FY 2021-22**

*(₹ in crores)*

| Particulars | Ref | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| Administration and General Exp | A | 0.43 | 0.80 | 0.33 | 0.95 | 0.64 | **3.15** |
| Airport Operating Exp | B | 3.18 | 15.30 | 16.70 | (3.47) | 7.02 | **38.73** |
| License Fees | C | 0.03 | - | 0.07 | - | 0.02 | **0.12** |
| Employee expenses (Shirdi International Airport) | D | 0.47 | 1.47 | 2.18 | 2.74 | 3.21 | **10.07** |
| Employee expenses (Headquarters) | E | 0.37 | 1.16 | 1.39 | 1.37 | 1.40 | **5.69** |
| Power expenses | F | 0.24 | 1.00 | 1.73 | 1.39 | 1.41 | **5.77** |
| Other water expenses | G | 0.15 | 0.35 | 0.30 | 0.21 | 0.15 | **1.16** |
| Water charges paid to NID | H | 2.23 | 2.28 | - | - | - | **4.51** |
| Repair and Maintenance (R&M) | I | 0.78 | 1.15 | 1.96 | 2.81 | 10.86 | **17.56** |

| Particulars | Ref | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| **Total O&M Expense** | **J=SUM(A:I)** | **7.88** | **23.51** | **24.66** | **6.00** | **24.71** | **86.76** |
| Aero % | K | 95% | 95% | 95% | 95% | 95% | |
| **Total – Aero O&M expense** | **L=J*K** | **7.49** | **22.33** | **23.43** | **5.70** | **23.47** | **82.42** |

**Authority's Examination at Consultation Stage**

3.8.2 The Authority had conducted a detailed analysis of Aeronautical O&M expenses submitted by MADC in the following order:

I. Allocation Ratios

II. Examination of reasonableness and necessity of O&M expenses

III. Allocation into Aeronautical and Non-Aeronautical expenses.

**I. Allocation Ratios**

3.8.3 The Authority noted that MADC had allocated all expenses into Aeronautical and Non-Aeronautical in the ratio 95%:5%. However, the Authority, in line with the methodology followed in other airports noted that expenses should be allocated based on relevant ratios. In this regard, the Authority had analyzed and computed the following ratios for appropriate segregation of expenses into Aeronautical and Non-Aeronautical for the period from 1st November 2021 to 31st March 2022.

**Employee Head Count Ratio (EHCR)**

3.8.4 The Authority observed that MADC had not provided the detailed department-wise split of the employee headcount with segregation into aeronautical, non-aeronautical and common employees / departments. The Authority also noted that MADC, in response to a query raised by the Authority, had provided that the actual head count of employees, department-wise, working at Shirdi International Airport for FY 2021-22 as 112. However, no segregation was provided by MADC on whether the employees perform Aeronautical / Non-Aeronautical or Common functions.

3.8.5 On review of the department-wise list of employees, the Authority noted that there was no dedicated employee who works on non-aeronautical services. Considering the same, the Authority proposed to consider the Aero: Non-Aero allocation of Employees to be 95%: 5% as submitted by MADC. The Authority will review the same at the time of review of tariff determination for the next control period.

**Terminal Building Ratio (TBLR)**

3.8.6 The Authority observed that the data regarding aeronautical areas and non-aeronautical areas were not made available by MADC for the period from 1st November 2021 to 31st March 2022 in the MYTP submission.

3.8.7 The Authority requested MADC to provide a detailed breakup of actual aeronautical and non-aeronautical areas in the Terminal Building. MADC submitted the same via an email dated 3rd January 2024. From the detailed break-up, the Authority noted that out of the total terminal area of 2,750 sq.m., 36 Sq.m. were allocated for non-aeronautical services with the remaining 2,714 Sq.m. being designated for aeronautical activities. The non-aeronautical area works out to be 1.3%.

3.8.8 The Authority, through its independent consultant, during the site visit noted that the existing passenger terminal building is very congested and there is no scope for further expansion of aeronautical / non-aeronautical activities in the existing building. However, after the commissioning of the New Terminal Building (Refer para 5.3.67 for a detailed analysis on the construction of New Terminal Building), MADC should endeavor to increase the area in the terminal building for non-aeronautical activities to ensure cross-subsidization benefit to the users of the airport.

3.8.9 However, considering the current condition of the Terminal Building and lack of space, the Authority proposed to consider the ratio of 95%:5% as the Terminal Building Ratio (TBLR) for the period from 1st November 2021 to 31st March 2022. The Authority will review the Terminal area allocation in the future control periods.

**Gross Block Ratio (GBR)**

3.8.10 The Authority proposed to consider the Gross Block Ratio (GBR) determined based on the allocation of Aeronautical Assets, Non-Aeronautical Assets and Common Assets into Aeronautical and Non-Aeronautical using EHCR and TBLR. The GBR so determined is as given below:

**Table 25: Gross Block Ratio proposed by the Authority for the period from 1st November 2021 to 31st March 2022**

*(₹ in crores)*

| Particulars | Ref | Table ref | FY22 |
|---|---|---|---|
| Aeronautical Gross Block | A | Table 14 | 182.99 |
| Non-Aeronautical Gross Block | B | | 1.54 |
| Total Gross Block | C=A+B | Table 14 | 184.53 |
| Gross Block Ratio | A/C | | 99.17% |

**Summary of Allocation Ratios proposed by the Authority for the period from 1st November 2021 to 31st March 2022**

3.8.11 The Allocation ratios proposed by the Authority for Shirdi International Airport for the period from 1st November 2021 to 31st March 2022 are as follows:

**Table 26: Allocation Ratios proposed by the Authority for the period from 1st November 2021 to 31st March 2022**

| Particulars | Aeronautical | Non-Aeronautical |
|---|---|---|
| Employee Head Count Ratio (EHCR) | 95.00% | 5.00% |
| Terminal Building Ratio (TBLR) | 95.00% | 5.00% |
| Gross Block Ratio (GBR) | 99.17% | 0.83% |

**II. Review of O&M expenses and its allocation into Aeronautical and Non-Aeronautical expenses for the period from 1st November 2021 to 31st March 2022**

3.8.12 The Authority had compared the total O&M expenses as per MADC submission with the audited financial statements and noted certain differences in FY 2020-21 and FY 2021-22. Upon enquiry, it was informed that these differences pertain to CISF expenses which had been excluded by MADC for preparation of MYTP submission.

3.8.13 The Authority proposed to evaluate the under/ over recovery for the period from 1st November 2021 (Date of notification as Major Airport) till 31st March 2022 to be added to the ARR of the First Control Period as indicated in para 3.3.3. To this effect, the Authority, after analysis of all heads of expenses of FY 2021-22 proposed to divide the expenses in time proportion i.e. 5 months from 1st November 2021 to 31st March 2022 as per the basis detailed in Table 5.

3.8.14 The Authority's examination of different heads of O&M expenses for FY 2021-22 is detailed below:

### A. Administration and General (A&G) Expenses

3.8.15 The Authority obtained the break-up of Administration and General Expenses and analyzed the nature of such expenses. The breakup and nature of Administration and General Expenses for FY 2021-22 is given below:

**Table 27: Break up and nature of Administration and General (A&G) Expenses for FY 2021-22 as submitted by MADC**

*(₹ in crores)*

| Particulars | FY 22 | Nature of expenses |
|---|---|---|
| Admin – Advertisement | 0.10 | Advertisement of Various Tender and Recruitments |
| Admin - Consultancy Charges | 0.04 | Consultancy charges of Appointed Consultant |
| Admin – Fuel | 0.12 | Procurement of Petrol & Diesel for DG Set & Airport Vehicle |
| Admin - Legal Fees | 0.21 | Professional fees paid to Advocate for various matters Court Fees and other charges included |
| Admin – Misc | 0.10 | Misc. expenses |
| Admin - Office Expenses | 0.06 | Office expenses |
| Admin – Provisions | 0.02 | Provision for Doubtful Debt-Expense |
| Admin - Travelling Expenses | 0.00 | Staff Travelling related to office work |
| **Total A&G Expenses** | **0.64** | |
| **A&G Expenses – Aero (95%)** | **0.61** | |

3.8.16 The Authority noted that ₹ 0.02 Crores was included in Administration & General Expenses in FY 2021-22 on account of provision for doubtful bad debts. Provision for doubtful debts is an accounting estimate to account for the possibility that some of their accounts receivable may not be collected. The Authority proposed not to consider Provision for bad and doubtful debts and to consider the expenses excluding the provision on doubtful debts from the computation of expenses for FY 2021-22.

3.8.17 The Authority noted that ₹ 0.21 Crores was included in Administration & General Expenses in FY 2021-22 on account of legal fees which included fees paid to advocate for various matters in court and other legal charges. The Authority proposed to exclude the legal expenses incurred by the Airport Operator from operating expenses in line with the Authority's position in other similar airports.

3.8.18 The Authority noted that while MADC had allocated all expenses between Aeronautical and Non-Aeronautical services using 95% : 5% ratio, the Authority proposed to consider the actual expenses submitted by MADC pertaining to Administration and General Expenses in FY 2021-22 using the following ratios as per the below details:

**Table 28: Aeronautical Administration and General (A&G) Expenses for FY 2021-22 as per MADC submission and as proposed by the Authority**

*(₹ in crores)*

| Particulars | Basis | FY 22 |
|---|---|---|
| **As per MADC Submission** | | |
| Total Aeronautical A&G Expenses | | 0.61 |
| **As per the Authority** | | |

| Particulars | Basis | FY 22 |
|---|---|---|
| Admin - Advertisement | Gross Block Ratio | 0.09 |
| Admin - Consultancy Charges | Gross Block Ratio | 0.04 |
| Admin – Fuel | Gross Block Ratio | 0.12 |
| Admin - Misc | Gross Block Ratio | 0.10 |
| Admin - Office Expenses | Gross Block Ratio | 0.06 |
| Admin - Travelling Expenses | EHCR | 0.00 |
| **Total Aeronautical A&G Expenses** | | **0.41** |

*Note: Difference between figures as per the MADC and as per AERA is mainly due to exclusion of legal fees & provision for bad & doubtful debts.*

**B. Airport Operating Expenses**

3.8.19 The Authority obtained the break-up of Airport Operating Expenses and analyzed the nature of such expenses. The breakup and nature of Airport Operating Expenses for FY 2021-22 is given below:

**Table 29: Break up and nature of Airport Operating Expenses for FY 2021-22 as submitted by MADC**

*(₹ in crores)*

| Particulars | FY 22 | Nature of expenses |
|---|---|---|
| Others - Employee Related | 0.30 | Other Employee related cost e.g. housekeeping, grass cutting staff etc. |
| Opex – Ambulance | 0.68 | Basic Life supporting Ambulance service at Shirdi Airport |
| Opex - CNS and ATM Services | 3.80 | CNS/ATM Service Charges - related to Manpower and Equipment charges - Services provided by AAI |
| Opex - IMD Charges | 0.70 | Manpower from the India Meteorological Department (IMD) is deployed for current weather forecasting– Services provided by AAI |
| Opex – Misc | 0.50 | Misc. expenses |
| Outsourcing - Housekeeping | 0.39 | Housekeeping Charges |
| Outsourcing - Vehicle Expenses | 0.15 | Hiring of vehicle for AAI, CNS Staff pick up and drop service |
| Opex - PAPI Maintenance | 0.49 | Flight calibration of PAPI DVOR |
| **Total Airport Operating Expenses** | **7.02** | |
| **Total Airport Operating Expenses – Aero (95%)** | **6.67** | |

3.8.20 The Authority noted that Airport Operating Expenses contained a ledger called "Others – Employee Related". On further enquiry with MADC, it was informed that these pertained to the cost of outsourced labour. Therefore, the Authority proposed to classify the same together with "Employee Cost" for FY 2021-22.

3.8.21 The Authority also noted that Airport Operating Expenses include expenses related to CNS/ATM services. The Authority analyzed the CNS/ ATM expenses from FY 2017-18 till FY 2021-22. Over the period, CNS/ATM services account for approximately 57% of the Airport Operating Expenses. The Authority noted that these CNS/ATM charges were of the nature of charges levied by AAI on MADC for the services rendered by AAI, over and above the TNLC collected by it as per the agreement between AAI and MADC.

3.8.22 The Authority, at the Consultation stage, proposed not to consider "CNS and ATM Services" expenses and "Outsourcing – Vehicle Expenses" (which are of the nature of hiring vehicle for AAI, CNS staff pick up and drop service) totaling to ₹ 3.95 Crores for the FY 2021-22 claimed by AO under the Airport Operating Expenses for FY 2021-22.

3.8.23 The Authority proposed to reclassify "Opex - PAPI Maintenance" to Repairs and Maintenance for the period from 1st November 2021 to 31st March 2022 as this is considered to be the appropriate head.

3.8.24 The Authority proposed to consider the other expenses under this head as submitted by MADC in FY 2021-22 and to apply the allocation ratios as given below:

**Table 30: Airport Operating Expenses for FY 2021-22 as per MADC and as proposed by the Authority**

*(₹ in crores)*

| Particulars | Basis | Ref | FY 22 |
|---|---|---|---|
| **As per MADC Submission** | | | |
| Aeronautical Airport Operating Expenses | | | 6.67 |
| **As per the Authority** | | | |
| Opex - Ambulance | Aeronautical | Table 29 | 0.68 |
| Opex – IMD Charges | Aeronautical | Table 29 | 0.70 |
| Opex – Misc. | Gross Block Ratio | Table 29 | 0.49 |
| Outsourcing - Housekeeping | Gross Block Ratio | Table 29 | 0.39 |
| **Total Airport Operating Expenses** | | | **2.26** |

*Note: CNS/ATM expenses not considered & expenses related to PAPI Lights shifted to R&M Expenses*

### C. License Fee

3.8.25 The Authority noted that the License Fee relates to the Aerodrome License which is to be renewed every two years as per Rule 87 of Aircraft Rule 1937. The Authority noted that the total cost of ₹ 0.065 Crores incurred in FY 2021-22 had been apportioned over FY 2021-22 and FY 2022-23, considering the duration of the validity of the license. The Authority proposed to consider ₹ 0.03 Crores for FY 2021-22 and consider the same as 100% Aeronautical in nature.

### D. Employee Expenses (Shirdi International Airport)
&
### E. Employee Expenses (Headquarters)

3.8.26 The Authority noted that the cost of employees located at Shirdi International Airport amounts to ₹ 10.07 crores for the 5-year period FY 2017-18 to FY 2021-22, out of which the cost of ₹ 3.21 Crores pertained to FY 2021-22.

3.8.27 The Authority noted that "other employee expenses" incurred by MADC during FY 2021-22 amounting to ₹ 0.30 crore was classified under "Airport Operating Expense". Based on the nature of the expense, the Authority proposed to reclassify the same under "Employee Cost".

3.8.28 The Authority noted that Headquarter employees (of MADC) cost had been allocated to Shirdi International Airport amounting to ₹ 5.69 crores for the 5-year period FY 2017-18 to FY 2021-22 and for FY 2021-22 the allocation amounts to ₹ 1.40 Crores. On enquiry on the basis of allocation of Head quarter employee cost to Shirdi International Airport, MADC had submitted a working, where the total cost of the Engineering Department, Planning Department, Administration Department and Accounts Department were allocated to Shirdi International Airport considering the percentages of 40%, 25%, 20% and 20% respectively.

3.8.29 On further enquiry on the basis for allocation of costs between other airports/ units of MADC and Shirdi International Airport the following explanation was submitted by MADC:

*"MADC has prepared separate financials only for the purpose of the Shirdi Airport MYTP filing. While preparing the financial statements these estimates were considered by the management which was accepted by the auditors as well. These are considered based on the following factors.*

*1. Engineering department is predominantly working for the Shirdi Airport and MIHAN project. Thus, the 40% of the expenditure is considered for the Shird Airport and rest for MIHAN and other airports.*

*2. Planning Department was predominantly working for MIHAN Project and then Shirdi Airport. Thus, the allocation for Shirdi Airport is considered at 25%.*

*3. Administration and Accounts, were considered based on the scale of the operations and 1/5th of the HO cost is allocated for Shirdi Airport."*

Considering the above explanation, the Authority proposed to accept MADC submission of Corporate Cost allocation for FY 2021-22.

3.8.30 The Authority also proposed to apportion the employee cost into Aeronautical and Non-Aeronautical based on the EHCR as per table below.

**Table 31: Aeronautical Employee Expenses for FY 2021-22 as per MADC submission and as proposed by the Authority**

*(₹ in crores)*

| Particulars | Ref | Basis | FY 22 |
|---|---|---|---|
| **As per MADC Submission** | | | |
| Total Aeronautical Employee Expenses | A | | **4.38** |
| **As per the Authority** | | | |
| Employee Expenses (Shirdi) | B | EHCR | 3.05 |
| Employee Expenses (HQ) | C | EHCR | 1.33 |
| Total Employee Expenses | D=B+C | | **4.38** |
| Add: Regrouping from Airport Operating Expenses – other employee expenses | E | EHCR | 0.30 |
| **Total Employee Expenses** | F=D+E | | **4.68** |
| **Difference#** | G=F-A | | ***0.30*** |

*#Note: Difference due to re-grouping of other employee expenses from airport operating expenses*

### F. Power Expenses

3.8.31 The Authority observed that the actual power expense incurred for FY 2021-22 is ₹ 1.41 Crores and noted that MADC had considered the expense without adjusting for any recoveries from the concessionaires. Based on a query on the same sent on 4th September 2023, MADC had submitted the recovery only from certain concessionaires amounting to ₹ 0.02 Crores for FY 2021-22. However, on analysis of the data in 'Non-Aeronautical Revenue - Miscellaneous Income', the Authority noted that the total power recovery for FY 2021-22 was ₹ 0.12 Crores. The Authority therefore proposed to reduce ₹ 0.12 crores as recovery from the actual power expenses incurred by MADC and the power cost post-adjustment of recovery from concessionaires of ₹ 1.29 Crores (actual power expense less recoveries from concessionaire) was proposed to be considered as 100% Aeronautical expense by the Authority.

### G. Other water expenses

3.8.32 The Authority examined that the actual water expense incurred for FY 2021-22 is ₹ 0.15 Crores and the same was found to be reasonable. The Authority also proposed to apportion the other water expenses into Aeronautical and Non-Aeronautical based on the Gross Block Ratio as per Table 26.

### H. Water Charges to NID

3.8.33 The Authority noted that MADC had made payments to Nashik Irrigation Department (NID) in FY 2017-18 and FY 2018-19. Since the water charges in FY 2021-22 was NIL, this expense had no impact on the amount to be considered for the period 1st November 2021 to 31st March 2022.

### I. Repair and Maintenance (R&M)

3.8.34 The Authority noted that R&M expenses had increased by 287% in FY 2021-22 as compared FY 2020-21. This was mainly due to the incurrence of civil-related R&M expenses of ₹ 10.10 Crores (94% of the total R&M expenses incurred) and the balance of ₹ 0.67 Crores pertaining to R&M of vehicles, terminal, airside and others.

3.8.35 The Authority noted that R&M expenses submitted by MADC for FY 2021-22, were higher than the cap of 6% of the Opening RAB (of that year) generally considered by the Authority, in other similar airports. Accordingly, the Authority, proposed to cap R&M Expenses at 6% of opening RAB (Net Block) as per Table 32.

3.8.36 The Authority, on the aspect of capping of R&M Expenses of the airport at 6% of Opening RAB (Net Block) of the related tariff year, noted the submission of some of the airport operators, wherein they had submitted that capping of R&M Expenses to 6% of Opening RAB (Net Block) needs review. As per the stakeholders, considering that the RAB (Net Block) of the airports, particularly smaller airports, with no major CAPEX additions, gradually decrease due to depreciation; whereas, due to normal wear & tear and aging of Assets, R&M Expenses tend to increase over a period of time. Hence, capping of R&M Expenses at 6% of Opening RAB (Net Block) may be reviewed by the Authority appropriately, as capping of R&M Expenses as per present mechanism impacts adversely the airports (smaller airports) with low Regulatory Asset Base.

The Authority, taking note of the above submission of stakeholders, proposed to revisit the issue relating to capping of R&M Expenses at the ceiling of 6% of Opening RAB (Net Block).

The Authority sought the specific views of the stakeholders on the capping of R&M Expenses at 6% of opening RAB (Net Block) noting that the Authority would take a final view in the matter considering the views/ inputs from the stakeholders.

3.8.37 The Authority proposed to reclassify the expenses pertaining to PAPI Maintenance which was claimed by MADC in "Airport Operating Expenses" amounting to ₹ 0.49 Crores in FY 2021-22 under "Repair and Maintenance".

3.8.38 The Authority also proposed to apportion the R&M Expenses into Aeronautical and Non-Aeronautical based on the Gross Block Ratio as per Table 26.

**Table 32: Repair and Maintenance Expenses for FY 2021-22 proposed by the Authority**

*(₹ in crores)*

| Particulars | Ref. | FY 22 |
|---|---|---|
| **As per MADC Submission** | | |
| Aeronautical R&M Expenses | | 10.32 |
| **As per the Authority** | | |
| R&M - Vehicle | | 0.23 |
| R&M - Terminal | | 0.02 |
| R&M - Airside | | 0.01 |
| R&M - Civil | | 10.10 |
| R&M - Others | | 0.42 |

| Particulars | Ref. | FY 22 |
|---|---|---|
| **Total R&M Expenses** | **A** | **10.77** |
| Add: Regrouping from Airport Operating Expenses - PAPI Maintenance | B | 0.49 |
| **Total R&M Expenses** | **C=A+B** | **11.26** |
| **Opening RAB** (refer Table 17) | **D** | **135.68** |
| **6% of the Opening RAB** | **E=D*6%** | **8.14** |
| **Allowable Expenses** | **F=Lower of C or E** | **8.14** |
| **Total R&M Expense proposed by the Authority** | | **8.14** |

3.8.39 The following adjustments were made to the total operating expenditure of ₹ 24.71 crores submitted by MADC for FY 2021-22:

**Table 33: Adjustments to Total O&M expenses proposed by the Authority for FY 2021-22**

*(₹ in crores)*

| Particulars | Ref | FY 22 |
|---|---|---|
| Total O&M expenses submitted by MADC (refer Table 24) | A | 24.71 |
| Less: Exclusion of CNS / ATM | B | 3.80 |
| Less: Power recovery expenses | C | 0.12 |
| Less: Provisions on doubtful debts | D | 0.02 |
| Less: Admin – Legal Fees | E | 0.21 |
| Less: Outsourcing – Vehicle Expenses (CNS) | F | 0.15 |
| Less: Rationalization of R&M Expenses to 6% of opening RAB | G | 3.11 |
| Total O&M expenses as proposed by the Authority | H =A-B-C-D-E-F-G | 17.30 |

3.8.40 After re-classification of expenses into other categories, the Authority noted that the Aeronautical O&M Expenses for FY 2021-22 amounts to ₹ 16.97 crores. Based on the methodology as per Table 5, the Authority proposed to consider ₹ 7.07 crores as Aeronautical O&M expenses for the period 1st November 2021 to 31st March 2022 as presented below:

**Table 34: Aeronautical Operating & Maintenance (O&M) expenses proposed by the Authority for the period from 1st November 2021 to 31st March 2022 at Consultation stage**

*(₹ in crores)*

| Particulars | Ref | Ref. Table/ Para no. | FY22-Upto 31st October 2021 | FY22-After 31st October 2021 | Total FY22 |
|---|---|---|---|---|---|
| Administration and General Exp | A | Table 28 | 0.24 | 0.17 | 0.41 |
| Airport Operating Exp | B | Table 30 | 1.32 | 0.94 | 2.26 |
| License Fees | C | 3.8.25 | 0.02 | 0.01 | 0.03 |
| Employee expenses | D | Table 31 | 2.73 | 1.95 | 4.68 |
| Power (net of recovery) | E | 3.8.31 | 0.75 | 0.54 | 1.29 |
| Other Water expenses | F | 3.8.32 & 3.8.33 | 0.09 | 0.06 | 0.15 |
| Repair and Maintenance | G | Table 32 | 4.75 | 3.39 | 8.14 |
| **Total Aero O&M expenses** | | | **9.90** | **7.07** | **16.97** |

**<u>Stakeholders' comments regarding Operating and Maintenance (O&M) expenses for the period from 1st November 2021 to 31st March 2022</u>**

3.8.41 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024. The comments of the stakeholders are presented below.

3.8.42 MADC's comment on non-consideration of CNS/ATM revenue as part of ARR is as follows:

*"Shirdi International Airport has currently incurred the following cost and revenue with respect to ANS costs:*

| *Related to Financial Year* | *Income (completely accounted in FY23-24)* | *CNS ATM Expenses* |
|---|---|---|
| *FY 2017-18* | | *1,86,15,577* |
| *FY 2018-19* | *1,04,50,972* | *8,46,44,425* |
| *FY 2019-20* | *2,10,41,015* | *12,20,67,907* |
| *FY 2020-21* | *48,79,196* | *-4,42,87,748* |
| *FY 2021-22* | *58,34,199* | *3,80,34,760* |
| *FY 2022-23* | *1,90,80,727* | *3,53,42,192* |
| *FY 2023-24* | *1,92,03,761* | *6,76,50,662* |
| ***Grand Total*** | ***8,04,89,870*** | ***32,20,67,775*** |

*Since CNS/ATM services is sovereign function of AAI, MADC has to incur cost as levied by AAI. Vide para 3.8.21, the Authority analyzed the CNS/ ATM expenses from FY 2017-18 till FY 2021-22. Over the period, CNS/ATM services account for approximately 57% of the Airport Operating Expenses. The Authority notes that these CNS/ATM charges are of the nature of charges levied by AAI on MADC for the services rendered by AAI – over and above the TNLC collected by it as per the agreement between AAI and MADC.*

*Since the Shirdi International Airport has already incurred the deficit of INR 24 Crores from commencement of its operations till FY 23-24, we request the Authority to consider this as part of the Aggregate Revenue Requirement and Tariff Determination to support the cash deficit for the Shirdi International Airport."*

3.8.43 AIAL's comment on allowing R&M expenses on actual basis is as follows:

*"We appreciate that the Authority has acknowledged the fact that the Opening RAB (Net Block) of the airports, particularly in smaller airports, with no major CAPEX additions, gradually decreases due to depreciation; whereas, due to normal wear & tear and aging of Assets, R&M Expenses tend to increase over a period to maintain the efficiency of the operations. We also appreciate that the Authority has considered revisiting its views on restricting R&M expenses to 6% of Opening RAB and we hereby request the Authority to allow Repairs and Maintenance on actual, subject to reasonableness and efficiency, as proposed by the Airport Operator without any notional percentage capping."*

**MADC's responses to Stakeholders' comment regarding Operating and Maintenance (O&M) expenses for the period from 1st November 2021 to 31st March 2022**

3.8.44 MADC's response to AIAL's comment regarding allowing R&M expenses on actual basis is as follows:

*"MADC has received comments from Ahmedabad International Airport Ltd and Delhi International Airport Ltd with which we completely concur."*

**Authority's Analysis regarding Operating and Maintenance (O&M) expenses for the period from 1st November 2021 to 31st March 2022**

CNS/ATM Charges

3.8.45 The Authority notes MADC's submission on inclusion of CNS/ATM charges as part of Operating Expenditure for the purpose of Tariff determination and observes that MADC is contractually required to pay the charges relating to CNS/ATM services to AAI on a cost-recovery basis. The Authority, as detailed in paragraph 2.6.1 notes that tariff determination for CNS services provided by AAI is determined by MoCA, centrally for all airports, to have uniform tariff for ANS across all the airports.

On review of a sample invoice obtained from MADC (towards payment of CNS/ATM charges to AAI), the Authority observed that a component called as DP (Departmental charges) is added over and above the base cost at 30%, whereas CISF, an Aviation Security Force, which provides security cover to airports, while recovering the cost of deployment of CISF personnel at the airports on a cost recovery basis, has claimed a margin over the base cost of deployment of 11.88% (as against 30% being charged by AAI).

The Authority has decided to carry out a holistic review of the nature of arrangements being entered into by AAI with the Airport Operators for provision of CNS/ATM services on cost recovery basis, manner of incurring Capital costs relating to CNS/ATM services, various revenues collected by AAI for the CNS-ATM services provided to airlines etc. and consequently to review the reasonableness of the charges claimed by AAI and its impact on the Airport Tariff.

The outcome and decision of the review will be applicable for Shirdi International Airport also, once the same is finalized by the Authority.

Hence, the Authority decides not to consider CNS/ ATM expenses submitted by Shirdi International Airport, for the First Control Period (including the period from 01.11.2021 to 31.03.2022) and this matter will be reviewed appropriately at the time of tariff determination for the next control period, based on the outcome of the review exercise to be conducted by the Authority.

The Authority also observes that the CNS/ATM income of ₹ 8.04 Crores indicated by MADC in their comments pertaining to FY 2017-18 until FY 2023-24 has been accounted for altogether in FY 2023-24. Upon enquiry it was understood that the reconciliation between MADC and AAI has been concluded only in FY 2023-24. The Authority directs AAI to ensure that revenues/ cost recoveries in respect of CNS/ATM Services provided at airports on the principles of cost recovery are properly accounted in their financial statements, so that the same are appropriately considered by MoCA while determining ANS Charges for next tariff cycle.

Capping of Repairs and Maintenance Expenses

3.8.46 The Authority notes the comments from stakeholders on the need for re-evaluation of the capping being applied by AERA on R&M Expenses, as per its current approach. It has been mentioned that there are many airports where there is no substantial new Capex and hence applying the cap of 6% of opening RAB by factoring in depreciation does not give sufficient provision for R&M expenses, since the old assets would require more R&M expenses with passage of time. The Authority, therefore, is of the view to review the existing approach across all airports towards capping of R&M Expenses to 6% of Opening RAB (Net Block) of respective tariff years and would look into alternative methodology/ benchmarks for evaluation of reasonableness of R&M expenses proposed by the AOs. The Authority, considering that review of current approach towards capping of R&M Expenses and arriving at final decision in the matter will take some time, in the interim period, decides to continue with the present approach of capping of R&M Expenses to 6% of opening RAB (net block) and consider the R&M expenses accordingly.

However, the Authority would true up the R&M Expenses pertaining to the First Control Period (including the period from 01.11.2021 to 31.03.2022) at the time of determination of tariff for the next Control Period, based on Authority's final view in the matter.

3.8.47 Based on the above, the Authority decides to consider O&M expenses as per Table 34 for the period 1st November 2021 to 31st March 2022.

## 3.9 Non-Aeronautical Revenue (NAR)

**MADC's Submission**

3.9.1 MADC had submitted Non-Aeronautical Revenue for Shirdi International Airport for the period from FY 2017-18 to FY 2021-22 as part of its MYTP submission, which is as given below:

**Table 35: MADC's submission on Non-Aeronautical Revenue for the period from FY 2017-18 to FY 2021-22**

*(₹ in crores)*

| Particulars | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|
| License Fees - Airlines | - | 0.29 | 0.47 | 0.67 | 0.57 | **2.00** |
| License Fees - Concessionaire | - | 0.06 | 0.24 | 0.40 | 0.52 | **1.22** |
| Miscellaneous (Inc. Other Royalties) | - | 0.08 | 0.31 | 0.28 | 0.39 | **1.06** |
| Taxi rentals | - | - | 0.11 | 0.02 | 0.02 | **0.15** |
| Car parking - license fee | - | 0.00 | 0.02 | 0.00 | 0.00 | **0.02** |
| Car parking - via new tender | - | - | - | - | 0.04 | **0.04** |
| Advertisement | - | 0.14 | 0.10 | - | - | **0.24** |
| **Total** | - | **0.57** | **1.26** | **1.37** | **1.54** | **4.73** |

**Authority's Examination at Consultation Stage**

3.9.2 The Authority proposed to consider the Non-Aeronautical Revenue pertaining to the period from 1st November 2021 to 31st March 2022, as indicated in para 3.3.3, for the purpose of determination of ARR for the said period.

**License Fees - Airlines and License Fees Concessionaires**

3.9.3 The Authority noted that license fee from airlines ₹ 0.24 Crores (for 5 months ended 31st March 2022) are in the nature of lease rentals for the space used by the airlines and GHA in the terminal building and MADC had considered the same as part of Non-Aeronautical Revenue for the period from 1st November 2021 to 31st March 2022. The Authority proposed to consider license fees from airlines as Aeronautical Revenue similar to that considered in other airports.

3.9.4 The Authority obtained a concessionaire wise break up for the license fee received from concessionaires and noted that these relate to the lease rentals received from non-aeronautical concessionaires. Accordingly, the Authority proposed to consider the same as Non-Aeronautical Revenues.

**Other Non-Aeronautical Revenue**

3.9.5 The Authority noted that Miscellaneous Income relates to Interest from Fixed Deposits and recovery of electricity charges from concessionaire to the tune of ₹ 0.12 crores for FY 2021-22. The Authority proposed to exclude this amount of recovery of electricity charges from NAR and reduce the same from electricity expenses as part of Aeronautical O&M expenses for the year.

3.9.6 Based on the above analysis, Non-Aeronautical Revenues for FY 2021-22 computed by the Authority is as detailed below:

**Table 36: Non-Aeronautical Revenues proposed by the Authority for FY2021-22**

*(₹ in crores)*

| Particulars | Ref. | FY22 |
|---|---|---|
| License Fees - Concessionaire | para 3.9.4 | 0.52 |
| Miscellaneous (Inc. Other Royalties) | para 3.9.5 | 0.27 |
| Taxi rentals | | 0.02 |
| Car parking - license fee | | 0.00 |
| Car parking - via new tender | | 0.04 |
| **Total for FY22** | | **0.85** |

3.9.7 The reconciliation of Non-Aeronautical Revenue for FY 2021-22 between MADC submission and the Authority's proposal is as follows:

**Table 37: Reconciliation of Non-Aeronautical Revenue for FY2021-22 between MADC submission and the Authority's proposal**

*(₹ in crores)*

| Particulars | Ref. | Amount |
|---|---|---|
| Non-Aero Revenue for FY 22 as per MADC (refer Table 35) | A | 1.54 |
| **Less:** Electricity recovery reduced from Operating Expenses | B | 0.12 |
| **Less:** License fee – Airlines considered as Aeronautical revenue | C | 0.57 |
| **Non-Aero Revenue computed by the Authority for FY 22** | **D = A-B-C** | **0.85** |

3.9.8 Based on the methodology detailed in Table 5, the Authority proposed to consider ₹ 0.35 crores as Non - Aeronautical Revenue for the period from 1st November 2021 to 31st March 2022 as computed in the below table:

**Table 38: Non-Aeronautical Revenue proposed by the Authority for the period from 1st November 2021 to 31st March 2022 at Consultation Stage**

*(₹ in crores)*

| Particulars | Ref. | Amount |
|---|---|---|
| Total Non-Aeronautical Revenue for FY22 as per the Authority (refer Table 37) | A | 0.85 |
| **Non-Aeronautical Revenue for the period 1st November 2021 to 31st March 2022** | B = A*5/12 | 0.35 |

**Stakeholders' comments regarding Non-Aeronautical Revenue (NAR) for the period from 1st November 2021 to 31st March 2022**

3.9.9 No comments have been received from stakeholders regarding Non-Aeronautical Revenue (NAR) for the period from 1st November 2021 to 31st March 2022.

**Authority's Analysis regarding Non-Aeronautical Revenue (NAR) for the period from 1st November 2021 to 31st March 2022**

3.9.10 The Authority notes that there are no Stakeholders' comments regarding Non-Aeronautical Revenue (NAR) for the period 1st November 2021 to 31st March 2022. The Authority decides to consider Non-Aeronautical Revenue (NAR) as per Table 38.

## 3.10 Aeronautical Revenue

**MADC's Submission**

3.10.1 MADC had submitted Aeronautical Revenue for Shirdi International Airport for the period from FY 2017-18 to FY 2021-22 as follows:

**Table 39: Aeronautical Revenue submitted by MADC for the period FY2017-18 to FY2021-22**

*(₹ in crores)*

| Particulars | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|
| Landing fee | 0.03 | 0.66 | 2.49 | 0.43 | 0.91 | **4.52** |
| Parking fee | 0.00 | 0.01 | 0.00 | 0.00 | 0.01 | **0.03** |
| PSF - facility | 0.15 | 1.06 | 2.78 | 0.01 | - | **3.99** |
| Fuel throughput | - | 0.07 | 0.18 | - | - | **0.25** |
| Royalty on license fee - Ground Handling | 0.03 | 0.06 | 0.07 | 0.03 | 0.04 | **0.23** |
| Cargo screening revenue (X-ray) | - | - | - | - | 0.01 | **0.01** |
| License fee Refueller | - | 0.08 | 0.34 | 0.62 | 0.66 | **1.70** |
| UDF | - | - | - | 0.42 | 1.09 | **1.51** |
| **Total** | **0.21** | **1.93** | **5.86** | **1.50** | **2.72** | **12.23** |

**Authority's Examination at Consultation Stage**

3.10.2 The Authority, as indicated in para 3.3.3, proposed to consider aeronautical revenue pertaining to period from 1st November 2021 to 31st March 2022 for the computation of ARR.

3.10.3 The Authority analyzed the nature of various heads under Aeronautical Revenue for FY 2021-22 as per MADC submission and proposed to consider the same as Aeronautical in nature.

3.10.4 As indicated in para 3.9.3, the Authority proposed to reclassify the license fee from airlines amounting to ₹ 0.57 crores for FY 2021-22 as "Aeronautical Revenue".

3.10.5 The reconciliation of Aeronautical Revenue for FY 2021-22 between MADC submission and the Authority's proposal is as follows:

**Table 40: Reconciliation of Aeronautical Revenue for FY2021-22 between MADC submission and the Authority's proposal**

*(₹ in crores)*

| Particulars | Ref. | Amount |
|---|---|---|
| Aero Revenue for FY 22 as per MADC (refer Table 39) | A | 2.72 |
| Add: License fee – Airlines considered as Aeronautical revenue | B | 0.57 |
| **Aero Revenue computed by the Authority for FY 22** | **C = A+B** | **3.29** |

3.10.6 Based on the methodology as per Table 5, Aeronautical Revenue of FY 2021-22 was segregated into the periods 1st April 2021 to 31st October 2021 and 1st November 2021 to 31st March 2022 as given below.

**Table 41: Basis of split for Aeronautical Revenue for FY2021-22 between the periods 1st April 2021 to 31st October 2021 and 1st November 2021 to 31st March 2022**

| Particulars (in No's) | Basis | FY22 - Upto 31st October 2021 | FY22 - After 31st October 2021 | Total Traffic for FY22 |
|---|---|---|---|---|
| Landing fee | Actual - No. of ATMs | 202 | 1,514 | 1,716 |
| Parking fee | Actual - No. of ATMs | 202 | 1,514 | 1,716 |
| Royalty on license fee - Ground Handling | Actual - No. of ATMs | 202 | 1,514 | 1,716 |
| Cargo screening revenue (X-ray) | Actual - No. of Passengers | 16,024 | 1,60,763 | 1,76,787 |
| License fee Refueller | Actual - No. of ATMs | 202 | 1,514 | 1,716 |

| Particulars (in No's) | Basis | FY22 - Upto 31st October 2021 | FY22 - After 31st October 2021 | Total Traffic for FY22 |
|---|---|---|---|---|
| UDF | Actual - No. of Passengers | 16,024 | 1,60,763 | 1,76,787 |
| License Fee - Airlines | No. of months | 7 | 5 | 12 |

3.10.7 Based on the methodology in Table 5 and as per Table 41, the Authority proposed to consider ₹ 2.67 crores as Aeronautical Revenue for the period from 1st November 2021 to 31st March 2022 as computed in the below table:

**Table 42: Aeronautical Revenue proposed by the Authority for the period from 1st November 2021 to 31st March 2022 at Consultation Stage**

*(₹ in crores)*

| Particulars | FY22 - Upto 31st October 2021 | FY22 - After 31st October 2021 | Total for FY22 |
|---|---|---|---|
| Landing fee | 0.12 | 0.80 | 0.92 |
| Parking fee | 0.00 | 0.01 | 0.01 |
| Royalty on license fee - Ground Handling | 0.00 | 0.03 | 0.03 |
| Cargo screening revenue (X-ray) | 0.00 | 0.01 | 0.01 |
| License fee Refueller | 0.07 | 0.59 | 0.66 |
| UDF | 0.10 | 0.99 | 1.09 |
| License Fees - Airlines | 0.33 | 0.24 | 0.57 |
| **Total** | **0.62** | **2.67** | **3.29** |

**Stakeholders' comments regarding Aeronautical Revenue for the period from 1st November 2021 to 31st March 2022**

3.10.8 No comments have been received from stakeholders regarding Aeronautical Revenue for the period from 1st November 2021 to 31st March 2022.

**Authority's Analysis regarding Aeronautical Revenue for the period from 1st November 2021 to 31st March 2022**

3.10.9 The Authority notes that there are no Stakeholders' comments regarding Aeronautical Revenue proposed for the period 1st November 2021 to 31st March 2022. The Authority decides to consider Aeronautical Revenue as per Table 42.

## 3.11 Taxation

**MADC's Submission**

3.11.1 MADC had submitted the following taxation values for Shirdi International Airport for period from FY 2017-18 to FY 2021-22 based on the building blocks submitted:

**Table 43: MADC's submission on Taxation for the period from FY2017-18 to FY2021-22**

*(₹ in Crores)*

| Particulars | Ref. | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| Aeronautical Revenue | A | 0.21 | 1.93 | 5.86 | 1.50 | 2.72 | **12.22** |
| Non-Aeronautical Revenue | B | - | 0.57 | 1.26 | 1.37 | 1.54 | **4.74** |
| **Total Revenue** | **C=A+B** | **0.21** | **2.50** | **7.12** | **2.87** | **4.26** | **16.96** |
| Total O&M Expenses | D | 7.88 | 23.52 | 24.66 | 6.00 | 24.71 | **86.77** |
| **EBITDA** | **E=C-D** | **-7.67** | **-21.02** | **-17.54** | **-3.13** | **-20.45** | **-69.81** |
| Depreciation (ARR) | F | 0.74 | 6.42 | 7.24 | 8.25 | 10.50 | **33.15** |

| Particulars | Ref. | FY18 | FY19 | FY20 | FY21 | FY22 | Total |
|---|---|---|---|---|---|---|---|
| **EBIT** | **G=E-F** | **-8.41** | **-27.44** | **-24.78** | **-11.38** | **-30.95** | **-103.00** |
| Interest Cost on Debt | H | - | - | - | - | - | - |
| Interest Cost on Working Capital | I | - | - | - | - | - | - |
| **PBT** | **J=G-H-I** | **-8.41** | **-27.44** | **-24.78** | **-11.38** | **-30.95** | **-103.00** |
| Add: Depreciation (ARR) | F | 0.74 | 6.42 | 7.24 | 8.25 | 10.50 | **33.15** |
| Less: Depreciation for Taxation | K | 0.44 | 6.99 | 7.17 | 7.03 | 8.63 | **30.26** |
| **PBT for Taxation** | **L=J+F-K** | **-8.11** | **-28.01** | **-24.71** | **-10.16** | **-29.08** | **-100.1** |
| Loss Carried Forward (Opening) | M | - | -8.11 | -36.12 | -60.83 | -70.99 | - |
| Current Loss | N | -8.11 | -28.01 | -24.71 | -10.16 | -29.08 | -100.1 |
| Set Off | O | - | - | - | - | - | - |
| Loss Carried Forward (Closing) | P=M+N+O | -8.11 | -36.12 | -60.83 | -70.99 | -100.1 | - |
| Net Taxable Income | Q | - | - | - | - | - | - |
| Tax Rate Applicable | R | 34.94% | 34.94% | 34.94% | 34.94% | 34.94% | - |
| **Tax (As per normal provisions)** | **S=Q*R** | - | - | - | - | - | - |
| MAT Rate | T | 17.47% | 17.47% | 17.47% | 17.47% | 17.47% | - |
| **MAT** | **U=Q*T** | - | - | - | - | - | - |
| **Tax Payable** | **Higher of S or U** | - | - | - | - | - | - |

<u>**Authority's Examination at Consultation stage**</u>

3.11.2 The Authority, as indicated in para 3.3.3, proposed to consider taxation pertaining to income and expense for the period from 1st November 2021 to 31st March 2022 for the computation of ARR. The Authority proposed to consider the carried forward aeronautical loss till 31st October 2021 from the date of commercial operations for the purpose of determining the aeronautical tax for the period from 1st November 2021 to 31st March 2022.

3.11.3 The Authority noted that MADC had considered Shirdi Airport as a whole (including Non-Aeronautical Revenue, cost etc.) for the purpose of determining the Aeronautical Taxation. The Authority proposed to consider only the Aeronautical P&L for the purpose of arriving at the Aeronautical Taxation for the period from 1st November 2021 to 31st March 2022 and to determine the carried forward aeronautical loss till 31st October 2021.

**Aeronautical O&M Expenses**

3.11.4 The Authority had examined the Aeronautical O&M expenses submitted by MADC for the period FY 2017-18 to FY 2021-22 for the purposes of calculation of carry forward tax loss as at 31st October 2021 and had analyzed, rationalized and regrouped such expenses on the basis of EHCR and GBR or considering as 100% aeronautical in nature, as appropriate. The Authority had considered such expenses until 31st October 2021, which are discussed in the following paragraphs:

<u>Employee Expenses</u>

3.11.5 MADC had submitted employee expenses of ₹ 15.76 crores pertaining to Employee expenses (Shirdi) – (₹ 10.07) crores and Employee expenses (Mumbai) – (₹ 5.69) crores. The Authority proposed to consider ₹ 8.40 crores for Employee expenses (Shirdi) and ₹ 4.94 crores for Employee expenses (Mumbai) after allocating such expenses on the basis of EHCR, for the purposes of computation of aeronautical tax.

<u>Administration and General expenses</u>

3.11.6 The Authority noted that MADC had submitted an Administration and General expense of ₹ 3.15 crores for the period FY 2017-18 to FY 2021-22. The Authority proposed to consider ₹ 2.29 crores for the purposes of computation of tax. The cause for the variance are non-allowance of legal expenses & provision for doubtful debts and allocation on the basis of GBR.

Repairs and Maintenance (R&M)

3.11.7 MADC had submitted Repairs and Maintenance expenses amounting to ₹ 17.56 crores. The Authority proposed to consider ₹ 11.42 crores after allocating such expenses on the basis of GBR, re-classification of PAPI maintenance expenses from "Airport Operating expenses" and limiting the total R&M expenses to 6% of Opening RAB, for the purposes of computation of aeronautical tax.

Water Expenses

3.11.8 The Authority noted that an amount of ₹ 5.67 crores on account of Water expenses and Water charges was paid to NID. The Authority proposed to consider an amount of ₹ 5.59 crores towards the same, after allocating on the basis of GBR, for the purposes of computation of tax.

Power Costs

3.11.9 The Authority noted that MADC had submitted Power costs to the tune of ₹ 5.77 crores for the period FY 2017-18 to FY 2021-22. Further, MADC had submitted such expenses without reduction of power recoveries as explained in para 3.8.31. Hence the Authority proposed to consider ₹ 4.78 crores for the purposes of computation of tax.

**Airport Operating Expenses**

3.11.10 MADC had submitted Airport Operating expenses to a tune of ₹ 38.73 crores. The Authority proposed to consider an amount of ₹ 12.69 crores for the purposes of computation of aeronautical tax. The major reasons for the variance in figures, as per the AO & as per the Authority, were non-consideration of CNS & ATM expenses, re-classification of "PAPI Maintenance expenses' to "Repairs & Maintenance" and "Others – Employees" to "Employee expenses", and application of GBR for allocating the expenses, as appropriate.

3.11.11 On the basis of above paragraphs, the aeronautical O&M expenses proposed to be considered by the Authority for the purposes of computation of aeronautical tax for the period from 1st November 2021 to 31st March 2022 is as presented in the table below:

**Table 44: Breakup of Aeronautical O&M Expenses proposed by the Authority for computing carry forward loss**

*(₹ in crores)*

| Particulars | FY18 | FY19 | FY20 | FY21 | FY22 - Upto 31st Oct 2021 | Total |
|---|---|---|---|---|---|---|
| Employee expenses | 0.80 | 2.50 | 3.39 | 3.91 | 2.73 | **13.34** |
| Administration and General Exp | 0.35 | 0.80 | 0.33 | 0.57 | 0.24 | **2.29** |
| Repair and Maintenance | 0.78 | 1.14 | 1.95 | 2.80 | 4.75 | **11.42** |
| Power (net of recovery) | 0.24 | 0.96 | 1.62 | 1.21 | 0.75 | **4.78** |
| Water expenses | 2.38 | 2.62 | 0.29 | 0.21 | 0.09 | **5.59** |
| Airport Operating Exp | 1.30 | 5.83 | 3.96 | 0.28 | 1.32 | **12.69** |
| License Fees | 0.03 | - | 0.07 | - | 0.02 | **0.11** |
| **Total** | **5.87** | **13.85** | **11.61** | **8.98** | **9.89** | **50.20** |

3.11.12 The Authority noted that MADC has computed depreciation on WDV method based on the actual no. of days the asset is put to use in that FY by considering the useful life as per the table below:

**Table 45: Useful life considered by MADC for existing assets for computing IT Depreciation**

| Asset Category | Useful Life |
|---|---|
| Building | 30 |
| Plant & Machinery | 15 |
| Electrical Installations & Equipment | 10 |
| Vehicles | 8 |
| Computers - Servers and Network | 6 |
| Computers – Others | 3 |
| Furniture & Fixture – Trolleys | 3 |
| Furniture & Fixture without Trolleys | 7 |
| Office Equipment | 5 |

3.11.13 The Authority had recomputed the depreciation as per Income Tax Act, 1961 from the FAR provided by MADC by using the following depreciation rates:

**Table 46: Depreciation rates used by the Authority for re-computation for Income Tax depreciation**

| Particulars | Rate of Depreciation Till FY17 | Rate of Depreciation After FY17 |
|---|---|---|
| Building | 10% | 10% |
| Computers | 60% | 40% |
| Electrical Installations & Equipment | 10% | 10% |
| Furniture & Fixture | 10% | 10% |
| Office Equipment's | 15% | 15% |
| Plant & Machinery | 15% | 15% |
| Software | 60% | 40% |
| Vehicle | 15% | 15% |

3.11.14 The Authority had recomputed the depreciation as per Income Tax Act, 1961 using the depreciation rates and useful life of assets indicated therein as detailed in Table 46.

**Table 47: Income tax depreciation recomputed by the Authority**

*(₹ in crores)*

| Particulars | FY18 | FY19 | FY20 | FY21 | FY 22 -Upto 31st October |
|---|---|---|---|---|---|
| Building | - | 11.44 | 10.40 | 9.36 | 4.91 |
| Computers | 0.02 | 0.02 | 0.02 | 0.03 | 0.02 |
| Electrical Installations & Equipment | - | 1.53 | 1.38 | 1.58 | 1.43 |
| Furniture & Fixture | 0.03 | 0.10 | 0.14 | 0.13 | 0.07 |
| Office Equipment | 0.01 | 0.68 | 0.59 | 0.53 | 0.27 |
| Plant & Machinery | 0.77 | 0.79 | 1.42 | 1.95 | 2.31 |
| Software | - | 0.00 | 0.00 | 0.01 | 0.00 |
| Vehicle | 0.02 | 0.02 | 0.02 | 0.02 | 0.01 |
| **Total** | **0.84** | **14.59** | **13.97** | **13.60** | **9.02** |

3.11.15 The Authority also noted that MADC has considered the tax rate of 34.94% based on the following components:

i. Corporate tax of 30%
ii. Surcharge of 12%
iii. Health and Education Cess of 4%

3.11.16 However, on enquiry, it was noted that the effective tax rate currently in force for Shirdi International Airport (from FY19) is 27.82%, breakup of the which is as under:

i. Corporate tax of 25%
ii. Surcharge of 7%
iii. Health and Education Cess of 4%

3.11.17 Based on the above facts, the Authority proposed to consider the following aeronautical loss carried forward as on 31st October 2021 from the date of commencement of commercial operations:

**Table 48: Aeronautical losses carried forward proposed by the Authority as on 31st October 2021**

*(₹ in crores)*

| Particulars | Ref. | FY18 | FY19 | FY20 | FY21 | FY22 -Upto 31st October 2021 | Total |
|---|---|---|---|---|---|---|---|
| Aeronautical Revenue | A | 0.21 | 1.93 | 5.86 | 1.50 | 0.63 | 10.13 |
| Aeronautical O&M Expenses | B | 5.87 | 13.85 | 11.61 | 8.98 | 9.89 | 50.20 |
| Interest Cost | C | - | - | - | - | - | - |
| Depreciation as per Income Tax | D | 0.84 | 14.59 | 13.97 | 13.60 | 9.02 | 52.02 |
| Aero Profit / (Loss) before Tax | E = A-B-C-D | -6.50 | -26.51 | -19.72 | -21.08 | -18.28 | -92.10 |
| Loss Carried Forward | F | - | -6.50 | -33.01 | -52.74 | -73.81 | |
| **Total profit / (loss) after set off** | **G = E+F** | -6.50 | -33.01 | -52.74 | -73.81 | -92.09 | |
| Taxable Profit | H | - | - | - | - | - | |
| Tax Rate Applicable | I | 34.94% | 27.82% | 27.82% | 27.82% | 27.82% | |
| Tax as per Normal Provisions | J = H*I | - | - | - | - | - | |
| Depreciation (refer Table 16) | K | 0.90 | 6.47 | 6.82 | 7.59 | 5.70 | 27.48 |
| Book Profit / (Loss) for MAT | L = A-B-K | -6.56 | -18.39 | -12.57 | -15.07 | -14.96 | -67.55 |
| MAT Rate | M | 17.47% | 17.47% | 17.47% | 17.47% | 17.47% | |
| MAT | N = L*M | - | - | - | - | - | - |
| **Tax Payable** | **Higher of J or N** | - | - | - | - | - | - |

3.11.18 Based on the above facts, the Authority proposed to consider the following aeronautical tax for the period from 1st November 2021 to 31st March 2022:

**Table 49: Aeronautical Tax proposed by the Authority for the period from 1st November 2021 to 31st March 2022 at Consultation Stage**

*(₹ in crores)*

| Particulars | Table Ref. | Ref. | FY22 after 31st Oct21 |
|---|---|---|---|
| Aeronautical Revenue | Table 42 | A | 2.67 |
| Aeronautical O&M Expenses | Table 34 | B | 7.07 |
| Interest Cost | | C | - |
| Depreciation as per Income Tax | | D | 6.44 |
| Aero Profit before Tax | | E = A-B-C-D | -10.84 |
| Loss Carried Forward | Table 48 | F | -92.10 |
| **Total profit / (loss) after setting off** | | **G = E+F** | -102.94 |

| Particulars | Table Ref. | Ref. | FY22 after 31st Oct21 |
|---|---|---|---|
| Taxable Profit | | H | - |
| Tax Rate Applicable | | I | 27.82% |
| Tax as per Normal Provisions | | J = H*I | - |
| Depreciation as per Fin. Statement | Table 16 | K | 4.03 |
| Book Profit / (Loss) for MAT | | L = A-B-K | -8.43 |
| MAT Rate | | M | 17.47% |
| MAT | | N = L*M | - |
| **Tax Payable** | | **Higher of J or N** | - |

**Stakeholders' comments regarding Taxation for the period from 1st November 2021 to 31st March 2022**

3.11.19 No comments have been received from stakeholders regarding Taxation for the period from 1st November 2021 to 31st March 2022.

**Authority's Analysis regarding Taxation for the period from 1st November 2021 to 31st March 2022**

3.11.20 The Authority notes that no comments have been received from stakeholders regarding Taxation for the period from 1st November 2021 to 31st March 2022. The Authority decides to consider Aeronautical Tax as per Table 49.

## 3.12 Aggregate Revenue Requirement (ARR) for the period from 1st November 2021 to 31st March 2022

**MADC's Submission**

3.12.1 MADC had submitted the ARR for Shirdi International Airport for the period from FY 2017-18 to FY 2021-22 as indicated in Table 4 and requested for a shortfall of ₹ 278.70 crores to be included in the computation of ARR for the first control period.

**Authority's Examination at Consultation stage**

3.12.2 The Authority noted that MADC had computed the shortfall for the period FY 2017-18 to FY 2021-22. However, as indicated in para 3.3.3, the Authority proposed to consider the shortfall only for the period from 1st November 2021 to 31st March 2022.

3.12.3 The Authority also noted that MADC had inadvertently considered aeronautical portion of depreciation by considering 95% twice, effectively making it as 90.25% of the total depreciation for the period from FY 2017-18 to FY 2021-22. Hence the same did not match the aeronautical portion of depreciation as per Table 11.

3.12.4 Based on its analysis of the various building blocks, the Authority had computed the ARR and Shortfall (Under recovery) for the period from 1st November 2021 to 31st March 2022 as presented in the table below:

**Table 50: ARR and Shortfall proposed by the Authority for FY 2021-22 (for the period from 1st November 2021 to 31st March 2022) at Consultation Stage**

*(₹ in crores)*

| Particulars | Table Ref. | Ref. | 1st Nov 21 – 31st March 22 |
|---|---|---|---|
| Average RAB | Table 17 | A | 153.50 |

| Particulars | Table Ref. | Ref. | 1st Nov 21 – 31st March 22 |
|---|---|---|---|
| Rate of Return on Average RAB | | | 9% |
| Return on RAB# | | B= A* 9% *5/12 | 5.76 |
| (+) Depreciation | Table 16 | C | 4.03 |
| (+) Return on Land | Table 21 | D | 2.20 |
| (+) Operating Expenses | Table 34 | E | 7.07 |
| (+) Taxation | Table 49 | F | - |
| **ARR** | | **G = B+C+D+E+F** | **19.06** |
| NAR | Table 38 | H | 0.35 |
| (-) 30% of NAR | | I = H*30% | 0.11 |
| **Net ARR** | | **J = G-I** | **18.95** |
| Aeronautical Revenue | Table 42 | K | 2.67 |
| **Under recovery as on 31st March 2022** | | **L = J-K** | **16.28** |
| PV factor @ 9% | | M | 1.09 |
| **PV of Under recovery as on 31st March 2023** | | **N = L*M** | **17.74** |

*(# Return on RAB computed proportionately for 5 months i.e. 1st November 2021 to 31st March 2022)*

**Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for the period from 1st November 2021 to 31st March 2022**

3.12.5 No comments have been received from stakeholders regarding Aggregate Revenue Requirement (ARR) for the period from 1st November 2021 to 31st March 2022.

**Authority's Analysis regarding Aggregate Revenue Requirement (ARR) for the period from 1st November 2021 to 31st March 2022**

3.12.6 The Authority, after careful analysis and examination of Stakeholders comments across various building blocks pertaining to the period 1st November 2021 to 31st March 2022, re-computed the ARR by considering revised FRoR of 10.78% instead of 9% as was proposed at Consultation stage (refer para 3.7.11).

3.12.7 Based on the above, the revised ARR considered by the Authority for true-up of the period 1st November 2021 to 31st March 2022 is as given below:

**Table 51: ARR and Shortfall decided by the Authority for the period from 1st November 2021 to 31st March 2022**

*(₹ in crores)*

| Particulars | Table Ref. | Ref. | 1st Nov 21 – 31st March 22 |
|---|---|---|---|
| Average RAB | Table 17 | A | 153.50 |
| Rate of Return on Average RAB | | | 10.78% |
| Return on RAB | | B= A* 10.78% *5/12 | 6.90 |
| (+) Depreciation | Table 16 | C | 4.03 |
| (+) Return on Land | Table 21 | D | 2.20 |
| (+) Operating Expenses | Table 34 | E | 7.07 |
| (+) Taxation | Table 49 | F | - |
| **ARR** | | **G = B+C+D+E+F** | **20.20** |
| NAR | Table 38 | H | 0.35 |
| (-) 30% of NAR | | I = H*30% | 0.11 |
| **Net ARR** | | **J = G-I** | **20.09** |
| Aeronautical Revenue | Table 42 | K | 2.67 |
| **Under recovery as on 31st March 2022** | | **L = J-K** | **17.42** |
| PV factor @ 10.78% | | M | 1.11 |

| Particulars | Table Ref. | Ref. | 1st Nov 21 – 31st March 22 |
|---|---|---|---|
| **PV of Under recovery as on 31st March 2023** | | N = L*M | **19.30** |

*(# Return on RAB computed proportionately for 5 months i.e. 1st November 2021 to 31st March 2022)*

3.12.8 The under recovery of ARR for the period 1st November 2021 to 31st March 2022 at order stage is higher than the corresponding under recovery of ARR considered at Consultation stage by ₹ 1.56 Crores on account of change in FRoR to 10.78% instead of 9% considered at the Consultation Stage.

## 3.13 Authority's decisions regarding Aggregate Revenue Requirement (ARR) for the period from 1st November 2021 to 31st March 2022

Based on the material before it and its analysis, the Authority decides the following with regard to Aggregate Revenue Requirement (ARR) for the period from 1st November 2021 to 31st March 2022 for Shirdi International Airport:

3.13.1 To consider the shortfall for the period from 1st November 2021 to 31st March 2022 to be carried forward to the First Control Period.

3.13.2 To consider Traffic as per Table 8.

3.13.3 To consider RAB and depreciation as per Table 17.

3.13.4 To consider FRoR as per Table 23.

3.13.5 To consider Return on land as per Table 21.

3.13.6 To consider Aeronautical O&M Expenses as per Table 34.

3.13.7 To consider Non-Aeronautical Revenue as per Table 38.

3.13.8 To consider the Aeronautical Tax as per Table 49.

3.13.9 To consider the Aeronautical Revenue as per Table 42.

3.13.10 To consider under recovery of ₹ 19.30 crores as per Table 51 and adjust the same in the ARR for the First Control Period.

# 4 TRAFFIC FOR THE FIRST CONTROL PERIOD

## 4.1 MADC's submission regarding Traffic for the First Control Period

4.1.1 Passenger Traffic, ATM, Belly Cargo and Air Cargo volume and the corresponding growth rates (%) submitted by MADC for the First Control Period are as follows:

**Table 52: MADC's submission of Passenger Traffic, ATM, Belly Cargo and Air Cargo and corresponding growth rates**

| Year | Passenger (in Nos) | | | ATM (in Nos) | | | Belly Cargo (in MT) | | | Air Cargo (in MT) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dom | Int'l | Total | Dom | Int'l | Total | Dom | Int'l | Total | Dom | Int'l | Total |
| **Traffic** | | | | | | | | | | | | |
| FY23 | 7,34,029 | - | **7,34,029** | 5,971 | - | **5,971** | 122 | - | **122** | - | - | - |
| FY24 | 8,44,133 | - | **8,44,133** | 7,977 | - | **7,977** | 163 | - | **163** | - | - | - |
| FY25 | 10,12,960 | - | **10,12,960** | 9,280 | - | **9,280** | 190 | - | **190** | - | - | - |
| FY26 | 12,66,200 | - | **12,66,200** | 11,600 | - | **11,600** | 237 | - | **237** | 6,250 | - | **6,250** |
| FY27 | 17,09,370 | 85,469 | **17,94,839** | 15,659 | 783 | **16,442** | 320 | - | **320** | 7,697 | - | **7,697** |
| **Total** | **55,66,692** | **85,469** | **56,52,161** | **50,487** | **783** | 51,270 | **1,032** | - | 1,032 | 13,947 | - | 13,947 |
| **Growth (%)** | | | | | | | | | | | | |
| FY23* | 314% | - | **314%** | 221% | - | **221%** | 221% | - | **221%** | - | - | - |
| FY24 | 15% | - | **15%** | 34% | - | **34%** | 34% | - | **34%** | - | - | - |
| FY25 | 20% | - | **20%** | 16% | - | **16%** | 17% | - | **17%** | - | - | - |
| FY26 | 25% | - | **25%** | 25% | - | **25%** | 25% | - | **25%** | - | - | - |
| FY27 | 35% | - | **42%** | 35% | - | **42%** | 35% | - | **35%** | 23% | - | **23%** |

**Growth rates are computed based on actual traffic for FY 2022-23 as compared to that in FY 2021-22*

4.1.2 The Authority was informed that the traffic forecast considered by MADC for Shirdi International Airport is based on the internal estimates of pre-COVID growth and targets for FY 2026-27.

4.1.3 MADC had submitted that international travel is expected to begin by FY 2026-27 post commissioning of new terminal building as proposed by MADC in FY 2025-26. MADC had also submitted that the air cargo facility is expected to begin by FY 2024-25 in line with the capitalization of the new Air Cargo Facility in FY 2024-25 with an estimated cargo volume of 6,250 MT in FY 2025-26.

## 4.2 Authority's examination regarding Traffic for the First Control Period at Consultation Stage

4.2.1 The Authority had reviewed the historic traffic details at Shirdi International Airport. The historical passenger traffic* and ATM at the Airport is as follows:

**Table 53: Past trend in growth of Traffic at Shirdi International Airport (based on AAI Data)**

| FY | Domestic | | | Y-o-Y Growth % | | |
|---|---|---|---|---|---|---|
| | Passenger (in Nos.) | ATM (in Nos.) | Belly Cargo (in Tons) | Passenger (in Nos.) | ATM (in Nos.) | Belly Cargo (in Tons) |
| FY18 | 37,234 | 745 | - | - | - | - |
| FY19 | 2,29,040 | 3,064 | - | 515% | 311% | - |
| FY20 | 5,68,968 | 6,226 | - | 148% | 103% | - |
| FY21 | 85,673 | 1,452 | - | (85%) | (77%) | - |
| FY22 | 1,76,787 | 1,716 | 38 | 106% | 18% | - |
| FY23 | 7,33,038 | 5,635 | 643 | 315% | 228% | 1,592% |

**Source: Traffic News from AAI website*

**Passenger Traffic estimate for First Control Period**

4.2.2 On review of the traffic details (Passenger, ATM and Cargo) submitted by MADC for FY 2022-23, the Authority noted that traffic details submitted by MADC did not match with actual traffic as per AAI's website as detailed below:

**Table 54: Difference in actual traffic between MADC's Submission and AAI website for the period FY 2022-23 and FY 2023-24**

| Year | Traffic as per MADC submission (A) | | | Traffic as per AAI Website (B) | | | Difference (C=A-B) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Passenger | ATM | Cargo | Passenger | ATM | Cargo | Passenger | ATM | Cargo |
| FY23 | 7,34,029 | 5,971 | 122 | 7,33,038 | 5,635 | 643 | 991 | 336 | (521) |
| FY24 | 7,26,440 | 6,268 | 245 | 7,24,980 | 6,017 | 243 | 1,460 | 251 | 2 |

4.2.3 On enquiry of the difference as above, MADC responded as follows:

i. *Infant is counted by AAI in the arrival data whereas we do not count it in our data.*

ii. *Infant and Transit data for indigo Airlines is included in the AAI Data, whereas we do not include infant in the Passenger data."*

4.2.4 The Authority noted that the explanation provided by MADC did not clarify the difference as detailed above, as the numbers were higher in MADC submission as compared to AAI data for passenger traffic. Therefore, the Authority proposed to consider traffic (Passenger, ATM and Cargo) as per AAI data for FY 2022-23 and FY 2023-24.

4.2.5 The Authority compared the actual traffic from AAI website for FY 2023-24 with the pre-COVID traffic (FY 2019-20). The comparison is given below:

**Table 55: Passenger Traffic for the period FY 2019-20 and FY 2023-24**

| Particulars | FY20 | FY24 | Recovery % FY20 |
|---|---|---|---|
| Passenger Traffic (in Nos.) | 5,68,968 | 7,24,980 | 127% |

4.2.6 Based on Table 55, the Authority noted that the passenger traffic had surpassed the pre-COVID levels.

4.2.7 The Authority sought the rationale from MADC behind the growth rates adopted for passenger traffic in its MYTP submission as indicated in Table 52 above. MADC had responded as follows:

*"The traffic forecast considered by the MADC for Shirdi Airport, based on the internal estimates of pre-covid growth and targets for FY 2026-27. The projected growth distributed over the period of 4 years, keeping in mind that the initial years will not facilitate the higher growth due to the capacity constraints of the existing terminal. Further, with proposed construction of new terminal and world class passenger experience, the growth for FY 2025-26 and FY 2026-27 is projected to be on higher side."*

4.2.8 The Authority noted that Shirdi International Airport commenced its operation in FY 2017-18. The growth rates in FY 2018-19 and FY 2019-20 reflect the fulfilment of available demands. The period from FY 2020-21 to FY 2021-22 was impacted by COVID-19. Hence, the Authority noted that due to various factors i.e. Shirdi International Airport being a new airport and COVID-19 impacting the traffic during the significant portion of 4th and 5th year of its operation, the past growth trends may not reflect clear trends to estimate the future projections.

4.2.9 Based on the comparison of actual traffic for FY 2023-24, the Authority noted that there was a significant difference (~14%) between the traffic projections given by MADC (i.e. 8,44,133) and the actual numbers for the year (i.e. 7,24,980) from AAI website. However, considering the possible demands that exist in Shirdi International Airport, the Authority proposed to consider the traffic numbers projected by MADC for FY 2024-25, FY 2025-26 and FY 2026-27.

4.2.10 With respect to International Passenger Traffic, the Authority noted that MADC had projected that international operations will commence in FY 2026-27 with the opening of NITB in FY 2025-26, and the volume of international passenger traffic had been projected at 5% of domestic passenger traffic. Though the Authority had shifted the estimated commencement of commercial operation of the NITB from FY 2025-26 to 1st October 2026 i.e. FY 2026-27 the Authority proposed to consider 5% of domestic passenger traffic as the estimate for international passenger traffic for FY 2026-27 as submitted by MADC. The Authority proposed to true up the same based on actuals at the time of tariff determination for the Second Control Period. Considering the above, the details of passenger traffic proposed by the Authority for the First Control Period is as follows:

**Table 56: Passenger Traffic proposed by the Authority for First Control Period at Consultation stage**

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| **Domestic Passenger Traffic (in Nos.)** | | | | | | |
| Domestic Passenger Traffic submitted by MADC | 7,34,029 | 8,44,133 | 10,12,960 | 12,66,200 | 17,09,370 | **55,66,692** |
| Domestic Passenger Traffic proposed by the Authority | 7,33,038* | 7,24,980* | 10,12,960 | 12,66,200 | 17,09,370 | **54,46,548** |
| Y-o-Y Growth of Domestic PAX submitted by MADC | 314% | 15% | 20% | 25% | 35% | - |
| Y-o-Y Growth of Domestic PAX proposed by the Authority | 315% | -1% | 40% | 25% | 35% | - |
| **International Passenger Traffic (in Nos.)** | | | | | | |
| International Passenger Traffic submitted by MADC | - | - | - | - | 85,469 | **85,469** |
| International Passenger Traffic proposed by the Authority | - | - | - | - | 85,469 | **85,469** |
| Y-o-Y Growth of International PAX submitted by MADC | - | - | - | - | - | - |
| Y-o-Y Growth of International PAX proposed by the Authority | - | - | - | - | - | - |

**Based on actual data from Traffic News - AAI website*

**ATM estimate for First Control Period**

4.2.11 The Authority proposed to consider the actual data for FY 2022-23 and FY 2023-24 from AAI website as detailed in para 4.2.4. The Authority compared the actual ATM for FY 2023-24 from AAI website with the pre-COVID traffic (FY 2019-20). The comparison is given below:

**Table 57: ATM for the period FY 2019-20 and FY 2023-24**

| Particulars | FY20 | FY24 | Recovery % FY20 |
|---|---|---|---|
| ATM (in Nos.) | 6,226 | 6,017 | 97% |

4.2.12 Based on Table 57, the Authority noted that the ATM traffic will surpass the pre-COVID levels by FY 2024-25.

4.2.13 Based on the actual ATM for FY 2023-24, the Authority noted that there was a significant difference (~25%) in the ATM projections given by MADC (i.e. 7,977) for FY 2023-24 vis-à-vis actuals (i.e. 6,017). However, considering the possible demands that exist in Shirdi International Airport, the Authority proposed to consider the ATM numbers projected by MADC for FY 2024-25, FY 2025-26 and FY 2026-27.

4.2.14 The Authority also noted that MADC had projected that international operations will commence in FY 2026-27, and the volume of international ATM had been projected at 5% of domestic ATM similar to the assumption for passenger traffic. Being the first year of international operations, the Authority proposed to consider 5% of domestic ATM for international ATM and true up the same based on actuals at the time of tariff determination for the Second Control Period.

4.2.15 Based on the above, the Authority proposed the ATM traffic to be considered for Shirdi International Airport as given below:

**Table 58: ATM proposed by the Authority for First Control Period at Consultation Stage**

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| **Domestic ATM (in Nos.)** | | | | | | |
| Domestic ATM submitted by MADC | 5,971 | 7,977 | 9,280 | 11,600 | 15,659 | **50,487** |
| Domestic ATM proposed by the Authority | 5,635* | 6,017* | 9,280 | 11,600 | 15,659 | **48,191** |
| Y-o-Y Growth of Domestic ATM submitted by MADC | 221% | 34% | 16% | 25% | 35% | - |
| Y-o-Y Growth of Domestic ATM proposed by the Authority | 228% | 7% | 54% | 25% | 35% | - |
| **International ATM (in Nos.)** | | | | | | |
| International ATM submitted by MADC | - | - | - | - | 783 | **783** |
| International ATM proposed by the Authority | - | - | - | - | 783 | **783** |
| Y-o-Y Growth of International ATM submitted by MADC | - | - | - | - | - | - |
| Y-o-Y Growth of International ATM proposed by the Authority | - | - | - | - | - | - |

*Based on actual data from Traffic News - AAI website*

4.2.16 The above ATM nos. include ATMs that were exempt for the purposes of computation of Landing charges (i.e. aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators at airport). Accordingly, the Authority proposed to reduce such exempted ATM nos. for landing charges computation by deriving the Scheduled ATM and Non-Scheduled ATM proportion, based on past trend of ATMs as shown in the table below:

**Table 59: Historical Scheduled and Non-Scheduled ATMs**

| Month | Total ATM | Scheduled ATM | Non-scheduled ATM |
|---|---|---|---|
| Nov-21 | 320 | 302 | 18 |
| Dec-21 | 368 | 348 | 20 |
| Jan-22 | 242 | 218 | 24 |
| Feb-22 | 242 | 216 | 26 |
| Mar-22 | 430 | 400 | 30 |
| Apr-22 | 529 | 464 | 65 |
| May-22 | 565 | 522 | 43 |
| Jun-22 | 526 | 492 | 34 |
| Jul-22 | 482 | 468 | 14 |
| Aug-22 | 488 | 456 | 32 |

| Month | Total ATM | Scheduled ATM | Non-scheduled ATM |
|---|---|---|---|
| Sep-22 | 480 | 438 | 42 |
| Oct-22 | 504 | 470 | 34 |
| Nov-22 | 482 | 442 | 40 |
| Dec-22 | 507 | 472 | 35 |
| Jan-23 | 497 | 472 | 25 |
| Feb-23 | 426 | 400 | 26 |
| Mar-23 | 482 | 464 | 18 |
| **Total** | **7570** | **7044** | **526** |
| % to Total | 100% | 93% | 7% |

4.2.17 On the total ATMs proposed for the First Control Period, the Authority, using the percentages calculated in table above, arrived at the Scheduled and Non-Scheduled ATM.

**Table 60: Apportionment of ATMs proposed by the Authority on the basis of Historical trend at Consultation Stage**

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| **Domestic ATM proposed by the Authority** (refer Table 58) | **5,635** | **6,017** | **9,280** | **11,600** | **15,659** | **48,191** |
| Scheduled (93%) (A) | 5,241 | 5,596 | 8,630 | 10,788 | 14,564 | 44,819 |
| Non-Scheduled (7%) (B) | 394 | 421 | 650 | 812 | 1,095 | 3,372 |
| **Total (A+B)** | **5,635** | **6,017** | **9,280** | **11,600** | **15,660** | **48,191** |

4.2.18 MADC had considered the aircraft mix for FY 2023-24 to be 70:30 for NBA: ATR. The Authority proposed to consider the same. From FY 2024-25 onwards, the Authority had considered the NBA: ATR mix as submitted by MADC. From the ATR numbers arrived at for FY 2023-24 and the actual numbers given by MADC, the non-scheduled portion of ATM calculated in Table 60 above had been reduced from total ATR numbers, as it was understood from MADC that all non-scheduled landings in Shirdi International Airport are ATRs, to arrive at the scheduled ATRs.

**Table 61: Scheduled ATRs exempted for the purposes of computation of Landing Charges at Consultation Stage**

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Total ATRs (A) | 2,254 | 1,805 | 3,418 | 4,272 | 5,767 | 17,516 |
| Less: Non-Scheduled ATRs (B) (refer Table 60) | -394 | -421 | -650 | -812 | -1,095 | -3,372 |
| **Exempted ATRs for landing charges (A+B)** | **1,860** | **1,384** | **2,768** | **3,460** | **4,672** | **14,144** |

4.2.19 On exclusion of Scheduled ATR, the total ATM nos. proposed to be considered by the Authority for computation of Landing Charges is as presented in the table below:

**Table 62: ATMs considered for computation of Landing Charges at Consultation Stage**

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Non – Scheduled ATR (refer Table 60) | 394 | 421 | 650 | 812 | 1,095 | 3,372 |
| NBA | 3,381 | 4,212 | 5,862 | 7,328 | 9,892 | 30,675 |
| **Total** | **3,775** | **4,633** | **6,512** | **8,140** | **10,987** | **34,047** |

**Belly Cargo estimate for First Control Period**

4.2.20 The Authority proposed to consider the actual belly cargo volume for FY 2022-23 and FY 2023-24 from AAI website as detailed in para 4.2.4.

4.2.21 The Authority noted that MADC had projected the domestic Belly Cargo volume based on the effective growth rate of ATM as per Table 52. The Authority proposed to use the belly cargo volume as submitted by MADC for the projection of domestic Belly Cargo for the FY 2024-25, FY 2025-26 and FY 2026-27.

4.2.22 The Authority noted that there was a significant drop in the Belly Cargo volumes in FY 2023-24 as compared to FY 2022-23. On enquiry, the Authority noted that this was because of non-alignment of flight schedule with cargo SOP and decline in cargo bookings with Spice Jet in FY 2023-24.

4.2.23 The Authority also noted that MADC had projected that international operations will commence in FY 2026-27, however, it had not projected any increase in Belly Cargo volume because of such international flights. The Authority noted that the Cargo Terminal proposed as part of the Capital Expenditure for the First Control Period would take care of the international cargo operations and hence no international belly cargo volumes had been projected by MADC. The Authority proposed no belly cargo international volumes for the First Control Period. Accordingly, the belly cargo volume (domestic) proposed to be considered by the Authority for Shirdi International Airport for the First Control Period is as follows:

**Table 63: Belly Cargo Volume proposed by the Authority for First Control Period at Consultation Stage**

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| **Domestic Belly Cargo (in MT)** | | | | | | |
| Domestic Belly Cargo submitted by MADC | 122 | 163 | 190 | 237 | 320 | **1,032** |
| Domestic Belly Cargo proposed by the Authority | 643* | 243* | 190 | 237 | 320 | **1,633** |
| Y-o-Y Growth of Domestic Belly Cargo submitted by MADC | 221% | 34% | 16% | 25% | 35% | - |
| Y-o-Y Growth of Domestic Belly Cargo proposed by the Authority | 1592% | -62% | -22% | 25% | 35% | - |

**Based on actual data from Traffic News - AAI website*

**Authority's Examination of Air Cargo estimate for First Control Period**

4.2.24 The Authority noted that MADC had projected the volume of Air Cargo based on the demand considered as part of the feasibility study undertaken by it on the assumption that the air cargo facility will be commissioned for operation in FY 2024-25. While the project commissioning was proposed in FY 2024-25, the domestic Air Cargo volume had been projected by MADC in its submission from FY 2025-26. The Authority, having assessed the status of the project, physical progress and the work order issued, proposed to consider the capitalization of the Cargo Facility to FY 2025-26 (refer para 5.3.56). The Authority proposed to retain the domestic air cargo volume projections submitted by MADC for FY 2025-26 as projected by MADC and true up the same based on actuals at the time of tariff determination for the Second Control Period. The Authority also noted that International Air Cargo volumes were not projected by MADC in their submission. Hence, the Authority proposed not to project any international air cargo volumes for the First Control period, and to true up the same based on actuals at the time of tariff determination for the Second Control Period.

4.2.25 Based on the above analysis, the Authority proposed to consider the domestic and international air cargo volume for the First Control Period as follows:

**Table 64: Air Cargo Volume proposed by the Authority for the First Control Period at Consultation Stage**

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| **Domestic Air Cargo (in MT)** | | | | | | |
| Domestic Air Cargo submitted by MADC | - | - | - | 6,250 | 7,698 | **13,948** |
| Domestic Air Cargo proposed by the Authority | - | - | - | 6,250 | 7,698 | **13,948** |
| Y-o-Y Growth of Domestic Air Cargo submitted by MADC | - | - | - | - | 23% | - |
| Y-o-Y Growth of Domestic Air Cargo proposed by the Authority | - | - | - | - | 23% | - |

4.2.26 Based on the above analysis, the Authority's proposal for traffic for the First Control Period was as follows:

**Table 65: Traffic proposed by the Authority for the First Control Period at Consultation Stage**

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| **Domestic Passenger Traffic (in Nos.)** | | | | | | |
| Domestic Passenger Traffic submitted by MADC | 7,34,029 | 8,44,133 | 10,12,960 | 12,66,200 | 17,09,370 | **55,66,692** |
| Domestic Passenger Traffic proposed by the Authority (refer Table 56) | 7,33,038* | 7,24,980* | 10,12,960 | 12,66,200 | 17,09,370 | **54,46,548** |
| Y-o-Y Growth of Domestic Passenger proposed by the Authority | 315% | -1% | 40% | 25% | 35% | - |
| **International Passenger Traffic (in Nos.)** | | | | | | |
| International Passenger Traffic submitted by MADC | - | - | - | - | 85,469 | **85,469** |
| International Passenger Traffic proposed by the Authority (refer Table 56) | - | - | - | - | 85,469 | **85,469** |
| Y-o-Y Growth of International Passenger proposed by the Authority | - | - | - | - | - | - |
| **Total Passenger Traffic (in Nos.)** | | | | | | |
| **Total Passenger Traffic submitted by MADC** | 7,34,029 | 8,44,133 | 10,12,960 | 12,66,200 | 17,94,839 | **56,52,161** |
| **Total Passenger Traffic proposed by the Authority** | **7,33,038*** | **7,24,980*** | **10,12,960** | **12,66,200** | **17,94,839** | **55,32,017** |
| Y-o-Y Growth of Total Passenger proposed by the Authority | | -1% | 40% | 25% | 42% | |
| **Domestic ATM (in Nos.)** | | | | | | |
| Domestic ATM submitted by MADC | 5,971 | 7,977 | 9,280 | 11,600 | 15,659 | **50,487** |
| Domestic ATM proposed by the Authority (refer Table 58) | 5,635* | 6,017* | 9,280 | 11,600 | 15,659 | **48,191** |
| Y-o-Y Growth of Domestic ATM proposed by the Authority | 228% | 7% | 54% | 25% | 35% | - |

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| **Domestic exempted ATM (in Nos.)** (refer Table 61) | **1,860** | **1,384** | **2,768** | **3,460** | **4,672** | **14,144** |
| **Domestic Billable ATM (in Nos.)** (refer Table 62) | **3,775** | **4,633** | **6,512** | **8,140** | **10,987** | **34,047** |
| **International ATM (in Nos.)** | | | | | | |
| International ATM submitted by MADC | - | - | - | - | 783 | **783** |
| International ATM proposed by the Authority (refer Table 58) | - | - | - | - | 783 | **783** |
| Y-o-Y Growth of International ATM proposed by the Authority | - | - | - | - | - | - |
| **Total ATM Traffic (in Nos.)** | | | | | | |
| Total ATM Traffic submitted by MADC | 5,971 | 7,977 | 9,280 | 11,600 | 16,442 | **51,270** |
| **Total ATM Traffic proposed by the Authority** | **5,635*** | **6,017*** | **9,280** | **11,600** | **16,442** | **48,975** |
| Y-o-Y Growth of Total ATM proposed by the Authority | | 7% | 54% | 25% | 42% | |
| **Domestic Belly Cargo (in MT)** | | | | | | |
| Domestic Belly Cargo submitted by MADC | 122 | 163 | 190 | 237 | 320 | **1,032** |
| Domestic Belly Cargo proposed by the Authority (refer Table 63) | 643* | 243* | 190 | 237 | 320 | **1,633** |
| Y-o-Y Growth of Domestic Belly Cargo proposed by the Authority | 1592% | -62% | -22% | 25% | 35% | - |
| **Domestic Air Cargo (in MT)** | | | | | | |
| Domestic Air Cargo submitted by MADC | - | - | - | 6,250 | 7,698 | **13,948** |
| Domestic Air Cargo proposed by the Authority (refer Table 64) | - | - | - | 6,250 | 7,698 | **13,948** |
| Y-o-Y Growth of Domestic Air Cargo proposed by the Authority | - | - | - | - | 23% | - |

**Based on actual data from Traffic News - AAI website*

## 4.3 Stakeholders' comments regarding Traffic for the First Control Period

During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024. The comments of the stakeholders are presented below.

4.3.1 FIA's comment on exempted billable ATM/passenger traffic is as follows:

*"It is hereby submitted, that FIA is not in agreement with the proposal of AERA to consider the billable ATM traffic after excluding the ATMs that pertain to less than 80-seater capacity for non-RCS flights that are exempted from landing charges as the same is without any basis.*

*It may be noted that it will not be a true indicator of the traffic projections at the Shirdi airport and any deductions from billable traffic will adversely impact the computation of non-aeronautical revenue. FIA requests AERA to reconsider the same, in line with the AERA's consistent approach with all Major*

*Airports. In view of the above, FIA proposes that the exempted billable ATM/passenger traffic as proposed by AERA in their tariff card should not be accepted."*

4.3.2 FIA's comment on traffic projection is as follows:

*"We would also like to draw the attention of the Authority, that the trends in the recent post pandemic times may not be a reasonable benchmark, whether be it of passengers or traffic, as economic factors such as inflation or market demand / prices may not continue in the same rate or trend in the future, since the recent post pandemic trends are due to unusual factors such as the COVID-19, revenge tourism, Geo-political causes, recent financial meltdown of banks in the USA, etc.*

*In view of the above-mentioned factors, we request AERA to kindly take the same into consideration (and appoint independent consultants to evaluate the same, if deemed fit) while finalising the projected ATM and passengers."*

## 4.4 MADC's responses to Stakeholders' comments regarding Traffic for the First Control Period

4.4.1 MADC's response to FIA's comment regarding exempted billable ATM/passenger traffic is as follows:

*"The Authority has been following this tariff principal in its tariff orders since 2013/14, based on the letter from Government of India dated 9th February 2004 which provided exemptions for certain categories as follows:*

- *Aircrafts with a maximum certified passenger capacity of less than 80 seats, being operated by domestic schedule operators at airport.*
- *Training flights operated by DGCA approved flying schools/flight training institutes.*
- *Helicopter of all types (not applicable to non-scheduled operators)."*

4.4.2 MADC's response to FIA's comment regarding traffic projection is as follows:

*"Shirdi Airport has proposed the projections based on the economic factors and the forecasted demand at the Shirdi Airport and submission made by the Airport Operator is analysed by the independent consultant appointed by the Authority."*

## 4.5 Authority's Analysis of Stakeholders' comments regarding Traffic for the First Control Period

4.5.1 The Authority has examined FIA's comments with respect to billable Aircraft Traffic Movement and AO's responses on the same.

4.5.2 The Authority notes that the proportion of "less than 80-seater aircrafts" (ATRs) is substantially high in the case of Shirdi International Airport. Significant proportion of such aircrafts (operated by Scheduled Domestic Operators) being exempted from Landing Charges lead to burdening the other stakeholders with the higher landing charges. FIA has also commented that no exemption should be given for domestic scheduled aircrafts which are having less than 80 seats, extract of FIA's comment is as reproduced below.

*"It is hereby submitted, that FIA is not in agreement with the proposal of AERA to consider the billable ATM traffic after excluding the ATMs that pertain to less than 80-seater capacity for non-RCS flights that are exempted from landing charges as the same is without any basis."*

In this regard, the Authority, based on the statistics available with respect to the volume of "less than 80-seater aircraft" (operated by scheduled domestic operators) at other major airports, notes that these are generally in the range of 5% - 15%, whereas, in case of Shirdi International Airport, it is much higher level than any of the major airport, which is impacting the viability of the airport operations adversely. The Authority also notes that MADC's Capex Plan for significantly improving the Airside Infrastructure in terms of extension of runway length, construction of Apron etc. and this would facilitate operations of bigger aircrafts / Narrow Body Aircrafts, which will gradually result in lowering the proportion of "less than 80-seater aircrafts" at Shirdi Airport. Considering the above, the Authority has reviewed the current aircraft mix of ATR and NBA and has optimized the ATM mix for the period from FY 2024-25 to FY 2026-27. The Authority, accordingly, decides to consider a lower proportion of "less than 80-seater ATR aircrafts" for the purpose of estimating the revenues from Landing Charges in the current Control Period. Based on the above, the aircraft mix (ATR & NBA) decided to be considered by the Authority is as given below:

**Table 66: Aircraft Mix decided by the Authority for First Control period**

| Aircraft Type | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| ATR | 40% | 30% | 25% | 22% | 19% |
| NBA | 60% | 70% | 75% | 78% | 81% |

Further, the Authority is of the view that such significantly higher proportions of ATRs (which are exempted from landing charges) may not be conducive for the viable operation of the airport and the exemptions given in landing charges to specified category of ATRs being operated by domestic scheduled operators leads to burdening of other category of aircraft operators at the airport.

From the foregoing, the Authority observes that the small airport like Shirdi Airport, having low traffic base and significantly higher proportion of less 80-seater aircrafts (exempted from landing charges being operated by domestic schedule operators), the operations of such aircrafts are adversely affecting the long-term viability of airport and the same is leading to burdening other stakeholders including aircrafts which are not having such exemptions.

In view of the above, the Authority is of the view that in order to ensure long term viability of airports like Shirdi, which has been notified as major Airport by the Ministry of Civil Aviation, inspite of it not fulfilling the requisite criteria of 3.5 MPPA passenger traffic, there is a need to reconsider and withdraw the exemption of landing charges for aircraft with less than 80 seating capacity (being operated by scheduled domestic operators) in small airports like Shirdi having significant aircraft movement of less than 80 seater aircrafts, since this exemption would adversely impact the long term viability of such airports. MoCA may accordingly reconsider the exemption accorded to such 80 seater aircraft in airports like Shirdi.

4.5.3 Based on the above table, Revised Scheduled ATR exempted from landing charges is presented in the table below:

**Table 67: Revised Scheduled ATRs exempted decided by the Authority for the purpose of computation of Landing Charges**

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Total ATRs (A) | 2,254 | 1,805 | 2,324 | 2,563 | 2,999 | 11,945 |
| Less: Non-Scheduled ATRs (B) (Refer Table 60) | -394 | -421 | -650 | -812 | -1,096 | -3,373 |
| **Exempted ATRs for landing charges (A+B)** | **1,860** | **1,384** | **1,674** | **1,751** | **1,903** | **8,572** |

4.5.4 On exclusion of Scheduled ATR, the total ATM nos. proposed to be considered by the Authority for computation of Landing Charges is as presented in the table below:

**Table 68: Revised ATMs considered for computation of Landing Charges**

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Non – Scheduled ATR (Refer Table 60) | 394 | 421 | 650 | 812 | 1,096 | 3,373 |
| NBA | 3,381 | 4,212 | 6,956 | 9,037 | 12,661 | 36,247 |
| **Total** | **3,775** | **4,633** | **7,606** | **9,849** | **13,757** | **39,620** |

4.5.5 The Authority notes FIA's comments on appointing independent consultants to evaluate traffic projections and MADC's comments on the same. The Authority is of the view that the requirement for an independent study on traffic projections depends upon the size, scale and complexity of operations at the Airport. Shirdi International Airport, being a small airport, does not require such a study. Further, M/s PKF Sridhar & Santhanam LLP, independent consultants appointed by AERA, have also evaluated the traffic projections submitted by MADC. The Authority has also taken cognizance of the actual traffic and updated the same for FY 2023-24. Further, the traffic estimates will be trued up on an actual basis at the time of determination of Aeronautical Charges for the next Control Period. If AERA feels that there is a need arising in the future, it may commission an independent study for the future Control Periods of Shirdi International Airport.

The Authority also notes from the AUCC minutes & presentation made by MADC at the AUCC meeting that the New International Terminal building (NITB) is now expected to be commissioned only by the end of the current Control Period. The Authority is aware that international operations, inter-alia, requires deployment of personnel from agencies such as Immigration, Customs etc. and testing of various facilities & systems at the Airport, before the commencement of International Operations. Considering that pre-operationalization activities/airport readiness may further take 2-3 months, post completion of construction work of the NITB, the Authority decides to not consider the International Aircraft and Passengers Traffic estimated by MADC for the year 2026-27. In case of the International Operations commencing anytime during the current Control Period, the Rates of Landing/Parking Charges, UDF etc. as applicable to Domestic Operations will also be applicable to international flights/ passengers.

4.5.6 The Table showing revised traffic after non-consideration of International ATM and passengers and other changes as detailed above, is as follows:

**Table 69: Traffic decided by the Authority for the First Control Period for Shirdi International Airport**

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| **Domestic Passenger Traffic (in Nos.)** | | | | | | |
| Domestic Passenger Traffic submitted by MADC | 7,34,029 | 8,44,133 | 10,12,960 | 12,66,200 | 17,09,370 | **55,66,692** |
| Domestic Passenger Traffic proposed by the Authority (refer Table 56) | 7,33,038* | 7,24,980* | 10,12,960 | 12,66,200 | 17,09,370 | **54,46,548** |
| Y-o-Y Growth of Domestic Passenger proposed by the Authority | 315% | -1% | 40% | 25% | 35% | - |
| **International Passenger Traffic (in Nos.)** | | | | | | |
| International Passenger Traffic submitted by MADC | - | - | - | - | 85,469 | **85,469** |
| International Passenger Traffic proposed by the Authority (refer Table 56) | - | - | - | - | - | - |

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Y-o-Y Growth of International Passenger proposed by the Authority | - | - | - | - | - | - |
| **Total Passenger Traffic (in Nos.)** | | | | | | |
| **Total Passenger Traffic submitted by MADC** | 7,34,029 | 8,44,133 | 10,12,960 | 12,66,200 | 17,94,839 | **56,52,161** |
| **Total Passenger Traffic proposed by the Authority** | 7,33,038* | 7,24,980* | 10,12,960 | 12,66,200 | 17,09,370 | **54,46,548** |
| Y-o-Y Growth of Total Passenger proposed by the Authority | 315% | -1% | 40% | 25% | 35% | |
| **Domestic ATM (in Nos.)** | | | | | | |
| Domestic ATM submitted by MADC | 5,971 | 7,977 | 9,280 | 11,600 | 15,659 | **50,487** |
| Domestic ATM proposed by the Authority (refer Table 58) | 5,635* | 6,017* | 9,280 | 11,600 | 15,659 | **48,191** |
| Y-o-Y Growth of Domestic ATM proposed by the Authority | 228% | 7% | 54% | 25% | 35% | - |
| **Domestic exempted ATM (in Nos.)** (refer Table 67) | **1,860** | **1,384** | **1,674** | **1,751** | **1,903** | **8,572** |
| **Domestic Billable ATM (in Nos.)** (refer Table 68) | **3,775** | **4,633** | **7,606** | **9,849** | **13,757** | **39,620** |
| **International ATM (in Nos.)** | | | | | | |
| International ATM submitted by MADC | - | - | - | - | 783 | **783** |
| International ATM proposed by the Authority (refer Table 58) | - | - | - | - | - | - |
| Y-o-Y Growth of International ATM proposed by the Authority | - | - | - | - | - | - |
| **Total ATM Traffic (in Nos.)** | | | | | | |
| Total ATM Traffic submitted by MADC | 5,971 | 7,977 | 9,280 | 11,600 | 16,442 | **51,270** |
| **Total ATM Traffic proposed by the Authority** | 5,635* | 6,017* | 9,280 | 11,600 | 15,659 | **48,192** |
| Y-o-Y Growth of Total ATM proposed by the Authority | 228% | 7% | 54% | 25% | 35% | - |
| **Domestic Belly Cargo (in MT)** | | | | | | |
| Domestic Belly Cargo submitted by MADC | 122 | 163 | 190 | 237 | 320 | **1,032** |
| Domestic Belly Cargo proposed by the Authority (refer Table 63) | 643* | 243* | 190 | 237 | 320 | **1,633** |
| Y-o-Y Growth of Domestic Belly Cargo proposed by the Authority | 1592% | -62% | -22% | 25% | 35% | - |
| **Domestic Air Cargo (in MT)** | | | | | | |
| Domestic Air Cargo submitted by MADC | - | - | - | 6,250 | 7,698 | **13,948** |
| Domestic Air Cargo proposed by the Authority (refer Table 64) | - | - | - | 6,250 | 7,698 | **13,948** |

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Y-o-Y Growth of Domestic Air Cargo proposed by the Authority | - | - | - | - | 23% | - |

*Based on actual data from Traffic News - AAI website*

## 4.6 Authority's decisions regarding Traffic for the First Control Period

Based on the available facts and analysis, the Authority has decided the following with regard to the traffic forecast for the First Control Period for Shirdi International Airport:

4.6.1 To consider the Passenger Traffic, ATM, Belly Cargo volume and Air Cargo volume for the First Control Period for Shirdi International Airport as per Table 69.

4.6.2 To true up the traffic pertaining to the First Control Period, based on actual traffic, while determining the Tariff for the Second Control Period.

# 5 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FIRST CONTROL PERIOD

## 5.1 Background

5.1.1 RAB is an essential element in the process of tariff determination. The return provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an Airport operator. To safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return on investment is provided solely on the assets related to the core operations (i.e., Aeronautical services) of the airport.

5.1.2 The development of the airport includes construction, procurement and installation of various assets such as:

i. Runways, Taxiways, Aprons, Air Traffic control tower, Cargo facilities, Parking, Warehousing facilities, Airline offices, administrative offices and associated facilities
ii. Construction of Terminal Building and provision of allied equipment /facilities
iii. Construction of approach roads etc.

5.1.3 The Authority noted that MADC had planned to develop Shirdi International Airport to increase the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per the demand projections.

5.1.4 The Independent Consultant appointed by the Authority has performed in-depth analysis of the submissions made by MADC regarding Aeronautical Capital Additions, Depreciation and RAB. In this respect, the Independent Consultant has performed the following functions:

i. Sought and verified Drawings & Plans, BOQs, cost estimates and break-up, detailed justification and explanation, Demand vs. Requirement statement, Work Orders, etc., as applicable and to the extent provided by MADC.
ii. Sought written explanation on the status of the projects and perused the tenders floated and work orders approved for the projects, as applicable.

5.1.5 Based on the review of documents as stated above, the Authority had rationalized the CAPEX projects, submitted by MADC by shifting the capitalization of some of the projects within the First Control Period based on the essentiality, necessity for Airport operations and likely date of commissioning etc.

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

5.1.7 Towards this objective, the Authority had examined in detail the Aeronautical Capital Expenditure, Depreciation and RAB submitted by MADC and had presented its views in the following order:

(i) Capital expenditure for the First Control Period
(ii) Depreciation for the First Control Period

(iii) Regulatory Asset Base for the First Control Period

5.1.8 While analyzing the MYTP regarding capitalization of Aeronautical Expenditure for the First Control Period, the Authority had considered the actual traffic, growth in traffic and actual Peak Hour Passenger (PHP) as submitted by MADC. In this background, the Authority had sought and examined MADC's submission based on the following details / criteria:

i. Nature of the expenditure
ii. Necessity / requirement of the expenditure
iii. Business plan and Master plan for all projects
iv. Number of PAX on hourly basis, both at present and projected, for the First Control Period
v. Terminal Capacity both at present and projected for the First Control Period
vi. Other short-term and long-term plans of MADC
vii. Sustainability of the airport operations
viii. Passenger facilitations
ix. Passenger safety and security of passengers and airport operations

5.1.9 Based on the above, the Authority has rationalized the capital expenditure of some of the projects and accordingly proposed capital additions for the First Control Period. However, if any project whose cost is not considered as part of approved CAPEX considered by the Authority but the same is actually executed in the First Control Period as mandated by regulatory requirements or CAPEX is incurred for operational requirements, the Authority would true up the costs on actual incurrence basis, subject to evaluation of reasonableness at the time of determination of tariff for the Second Control Period.

## 5.2 MADC's submission regarding Capital Expenditure (CAPEX) for the First Control Period

5.2.1 MADC submitted a Total Capital Expenditure of ₹ 846.02 crores (out of which Aeronautical Capital Expenditure amounts to ₹ 803.71 crores) in the MYTP dated 7th July 2023, for the First Control Period as given below:

**Table 70: MADC's submission on Capital Expenditure (CAPEX) for the First Control Period for Shirdi International Airport**

*(₹ in crores)*

| Particulars | Ref. | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| **WIP CAPEX** | | | | | | | |
| Development / Redevelopment of cityside infrastructure and ancillary buildings at Airside and cityside of Shirdi International Airport | A | - | 66.00 | - | - | - | **66.00** |
| Construction of Apron | B | - | 35.90 | - | - | - | **35.90** |
| Extension of existing runway and RESA | C | - | 44.00 | - | - | - | **44.00** |
| Construction of Isolation Bay and associated works on airside | D | - | 10.00 | - | - | - | **10.00** |
| Seating Lounge | E | - | 1.70 | - | - | - | **1.70** |
| **Subtotal: WIP CAPEX** | | | **157.60** | | | | **157.60** |
| **Planned CAPEX** | | | | | | | |
| Construction of Water Pond | F | - | - | 17.80 | - | - | **17.80** |
| Air cargo facility and hangars | G | - | - | 55.00 | - | - | **55.00** |
| Runway Recarpeting | H | - | 25.00 | - | - | - | **25.00** |

| Particulars | Ref. | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| Construction of New Integrated Terminal Building | I | - | - | - | 590.62 | - | **590.62** |
| **Subtotal: Planned CAPEX** | | | **25.00** | **72.80** | **590.62** | - | **688.42** |
| **Total** | J | - | **182.60** | **72.80** | **590.62** | - | **846.02** |
| Aeronautical portion (%) | K | 95% | 95% | 95% | 95% | 95% | 95% |
| **Aeronautical portion of Capex** | L=J*K | - | **173.47** | **69.16** | **561.09** | - | **803.71** |

5.2.2 The Asset category wise breakup of the CAPEX submitted by MADC for the First Control Period is as follows:

**Table 71: Asset Category wise breakup of the CAPEX submitted by MADC for the First Control Period**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Civil | - | 163.02 | 67.29 | 354.37 | - | **584.68** |
| Electrical | - | 14.45 | 5.51 | 177.18 | - | **197.14** |
| Equipment | - | 2.79 | - | 21.44 | - | **24.23** |
| Furniture & Fixture | - | 0.84 | - | 13.91 | - | **14.75** |
| Furniture & Fixture - Trolleys | - | 0.01 | - | 0.09 | - | **0.10** |
| IT - Software | - | 0.19 | - | 2.94 | - | **3.13** |
| IT - End User Devices | - | 1.23 | - | 19.58 | - | **20.81** |
| IT - Services and Networks | - | 0.07 | - | 1.11 | - | **1.18** |
| **Total (A)** | - | **182.60** | **72.80** | **590.62** | - | **846.02** |
| Aeronautical portion (B) | 95% | 95% | 95% | 95% | 95% | 95% |
| **Aeronautical portion of Capex (C=A*B)** | - | **173.47** | **69.16** | **561.09** | - | **803.71** |

5.2.3 MADC had provided justification for the aforementioned CAPEX projects as follows:

**Table 72: Justification for CAPEX Projects for the First Control Period as submitted by MADC**

| Particulars | Ref. | Justification |
|---|---|---|
| **WIP CAPEX** | | |
| Development / Redevelopment of cityside infrastructure and ancillary buildings at Airside and cityside of Shirdi International Airport. | A | In this work construction of ATC tower, fire station, causality centres, CISF block, armoury lock etc. is proposed. These components are very essential for proper functioning of airport as well as to provide emergency services to aircrafts / passengers using the airport. Presently, all these facilities are available but of temporary nature but citing huge response by passengers to this airport there is need to have full-fledged facilities working at this airport. |
| Construction of Apron | B | Presently, at Shirdi International Airport parking is available for 4 ATR aircrafts. Considering increased demand there is a need to increase this parking. Hence, with a view to provide parking for 10 ATR aircrafts expansion / construction of apron is taken up. |
| Extension of existing runway and RESA | C | Shirdi International Airport is currently handling 28 daily aircraft movement. Since devotees of holy Saibaba are spread across the world it is expected that international flight may start from this airport soon. To cater for vide body aircrafts, extension of existing runway from 2,500 m to 3,200 m is proposed. |
| Construction of Isolation Bay and associated works on airside. | D | Isolation bay is essential requirement for isolating aircrafts from runway during the times of emergencies. Shirdi being operational airport in a sensitive holy area this requirement is vital one. |
| Seating Lounge | E | MADC has planned construction of temporary seating lounges in both cityside and airside. The project is expected to be capitalised in FY24 |

| Particulars | Ref. | Justification |
|---|---|---|
| **Planned CAPEX** | | |
| Construction of Water Pond | F | Water is a basic need and to operate a full-fledged airport uninterrupted supply of water is very essential. Presently, Shirdi International Airport is getting water supply through nearby wells as well as through tanker facilities. To have continuous uninterrupted and clean water supply there is a need to have proper water supply scheme for the airport. To supply treated water at various operational building/location in the airport water distribution system is a must. To have continuous, uninterrupted, and clean water supply there is need to have proper water supply scheme for the airport. Shirdi International Airport is catering to nearly 6 lakh passengers and to cater for wastewater generated due to such passenger movement at public place like airport, sewage disposal system is also proposed. |
| Air cargo facility and hangars | G | Shirdi International Airport is surrounded by area rich in agricultural produce. Since March 2021 Shirdi International Airport got permission to start belly cargo operation and till Oct 2023, the total belly cargo transported is to the tune of 453 MT. Citing such a huge demand separate air cargo facility is planned. |
| Recarpeting the runway and taxiway | H | As per the DGCA report on surveillance inspection conducted in May,2023 it was mentioned in the report that "*Runway surface condition found deteriorated in the entire stretch of runway. Sand patch test also failed at many places. Operator to submit short term and long term mitigation plan*". In light of the DGCA observation, MADC thereafter submitted the work proposal to AAI for runway re-carpeting and taxiway work. |
| New Integrated Terminal Building | I | Present area of Terminal Building is about 2,750 sq.m. It can handle 150 arriving and 150 departing passengers. However, presently there are 28 daily movements of aircraft from Shirdi International Airport and there is no sufficient space available for passengers at the airport. Further, considering increased passenger traffic demand in next 10 years to facilitate the increased passengers it is proposed to construct new integrated terminal building with 1200 peak hour passenger capacity. This building will also cater international operations from this airport which are likely to start from FY26. |

5.2.4 For WIP CAPEX, MADC had provided the status of the projects as follows:

**Table 73: Status of WIP CAPEX for the First Control Period as submitted by MADC**

| Particulars | Ref. | Status as of December 2023 |
|---|---|---|
| Development / Redevelopment of cityside infrastructure and ancillary buildings at Airside and cityside of Shirdi International Airport. | A | 50% of the project completed with ₹ 34 Crores incurred till December 2023 |
| Construction of Apron | B | Work completed and commissioning approval received. Final bill in process |
| Extension of existing runway and RESA | C | Scope of work for these projects have increased and tenders for the same is yet to be floated |
| Construction of Isolation Bay and associated works on airside. | D | |
| Seating Lounge | E | MADC had originally planned for the extension of the existing terminal building. But the same was cancelled and has planned construction of temporary seating lounges in both cityside and airside. The project is expected to be capitalised in FY24. |

5.2.5 MADC had classified the assets into Aeronautical and Non-Aeronautical by considering the ratio 95%:5%. Based on this allocation ratio, MADC had considered the following Aeronautical additions to RAB for the First Control Period:

**Table 74: MADC's proposal of Aeronautical additions to RAB for the First Control Period**

*(₹ in Crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Civil | - | 154.87 | 63.93 | 336.65 | - | **555.45** |
| Electrical | - | 13.73 | 5.23 | 168.33 | - | **187.28** |
| Equipment | - | 2.65 | - | 20.37 | - | **23.02** |
| Furniture & Fixture | - | 0.80 | - | 13.21 | - | **14.01** |
| Furniture & Fixture – Trolleys | - | 0.01 | - | 0.09 | - | **0.09** |
| IT – Software | - | 0.18 | - | 2.79 | - | **2.97** |
| IT - End User Devices | - | 1.17 | - | 18.60 | - | **19.77** |
| IT - Services and Networks | - | 0.07 | - | 1.05 | - | **1.11** |
| **Total** | **-** | **173.47** | **69.16** | **561.09** | **-** | **803.71** |

5.2.6 The Authority, through its Independent Consultant had raised queries on capex costs submitted by MADC for the First Control Period. MADC had responded to the queries with a letter addressed to the Authority dated 22nd March 2024 stating "*The response to the remarks of M/s PKF Sridhar & Santhanam LLP have been compiled in Annexure I. Further we have floated RFPs/RFQs and Letter of Award has been given for all the projected capex works to be executed in the balance periods of the MYTP. Accordingly, the Letter of Awards are also being shared with you along with the revised estimated capex cost after considering these awards*". The letter also states that "*We request you to consider the revised project costs as part of tariff fixation*".

5.2.7 While MADC had submitted the revised costs for all capex projects, the consequent depreciation, revised capitalization dates, aeronautical RAB portion etc. had not been submitted by MADC. Comparison of the revised capex costs vis-à-vis the original capex costs is given below:

**Table 75: Comparison of the revised capex costs vis-à-vis the original capex costs as submitted by MADC for Shirdi International Airport for the First Control Period**

*(₹ in crores)*

| Particulars | Ref | As per MADC original Submission dated 07th July 2023 | As per MADC revised Submission dated 22nd March 2024 | Excess/ (short) compared to original submission |
|---|---|---|---|---|
| | | 1 | 2 | 3=2-1 |
| **WIP CAPEX** | | | | |
| Capex Incurred for FY23 | | - | - | - |
| Development / Redevelopment of cityside infrastructure and ancillary buildings at Airside and cityside of Shirdi International Airport | A | 66.00 | 66.00 | - |
| Construction of Apron | B | 35.90 | 35.90 | - |
| Extension of existing runway and RESA | C | 44.00 | 44.00 | - |
| Construction of Isolation Bay and associated works on airside | D | 10.00 | 9.50 | -0.50 |
| Seating Lounge | E | 1.70 | 8.87 | 7.17 |
| **Subtotal: WIP CAPEX** | | **157.60** | **164.27** | **6.67** |
| **Planned CAPEX** | | | | - |

| Particulars | Ref | As per MADC original Submission dated 07th July 2023 | As per MADC revised Submission dated 22nd March 2024 | Excess/ (short) compared to original submission |
|---|---|---|---|---|
| Construction of Water Pond | F | 17.80 | 18.02 | 0.22 |
| Air cargo facility and hangars | G | 55.00 | 51.59 | -3.41 |
| Runway Recarpeting | H | 25.00 | 61.68 | 36.68 |
| Construction of New Integrated Terminal Building | I | 590.62 | 722.50 | 131.88 |
| **Subtotal: Planned CAPEX** | | **688.42** | **853.79** | **165.41** |
| **GRAND TOTAL** | | **846.02** | **1,018.06** | **172.08** |

## 5.3 Authority's examination regarding Revised Capital Expenditure (CAPEX) for the First Control Period at Consultation Stage

5.3.1 For the purpose of its analysis of CAPEX for the First Control Period, the Authority proposed to consider the revised submission made by MADC dated 22nd March 2024. The Authority, had examined the capex in the following manner:

a) WIP Capex
b) Planned Capex

5.3.2 The Authority observed that MADC had submitted total aeronautical capital addition of ₹ 1018.06 crores of which ₹ 164.27 Crores related to WIP which was expected to be capitalized in FY 2023-24 and ₹ 853.83 Crores related to new projects proposed to be initiated and completed in the First Control Period as part of MYTP submission.

5.3.3 As per relevant as per AERA Guidelines (Direction 5), AUCC meetings are to be held by Airport Operator with the stakeholders, whenever there are any additions to Fixed assets of such value as mentioned therein. Upon enquiry, MADC had communicated that it had not held any AUCC meetings in the past. The Authority, therefore, directed MADC to conduct AUCC meeting for the Capital additions proposed for the First Control Period, as per AERA Guidelines, 2011 for Airport Operators (Appendix 1: Consultation Protocol) and submit the Minutes of AUCC Meeting/ relevant documents to the Authority before end of stakeholders' consultation process.

5.3.4 The Authority noted that as per MADC's submission dated 7th July 2023, the existing terminal building had a design capacity of 0.68 MPPA while the annual traffic had exceeded this designed capacity in FY 2022-23. The annual traffic in FY 2022-23 was 0.73 MPPA. The capital expenditure projected by MADC was evaluated in this background.

5.3.5 The Authority also noted that MADC had not considered any additions to CAPEX in FY 2022-23. However, on examination of the Fixed Asset Register and audited financial statements for FY 2022-23, the Authority noted that there have been actual additions to Fixed Assets to the tune of ₹ 0.50 crores – highest being ₹ 0.09 crores for Airfield Ground Lighting and various other items including door frame metal detector and parking shade etc. (out of which, aeronautical additions as submitted by MADC amounts to ₹ 0.46 crores). The Authority sought reasons from MADC for not considering the additions in FY 2022-23 in its submission. MADC responded that the same had been inadvertently missed to include the same in its submission. The Authority proposed to consider the assets in FY 2022-23 for the purpose of determination of RAB for the First Control Period.

5.3.6 As indicated in para 3.5.8, MADC had submitted the FAR with classification (Aero / Non-Aero / Common) upon request from the Authority for all the actual additions including the additions in FY 2022-23. A comparison of the classification provided by MADC, and the classification proposed by the Authority for the additions in FY 2022-23 is as follows:

**Table 76: Comparison of classification of assets considered in FY2022-23 as per the Authority**

*(₹ in Crores)*

| Nature | FY 23 |
|---|---|
| Gross value of Aeronautical Assets | 0.24 |
| Gross value of Common Assets | 0.19 |
| Gross value of Non-Aeronautical Assets | 0.07 |
| **Total** | **0.50** |

5.3.7 The Authority analyzed various projects submitted by MADC that were in progress as at the end of FY 2022-23 and the projects that were proposed to be initiated and completed in the First Control Period. The Independent Consultant had carried out discussions with MADC, sought further details / clarifications on various projects. Based on the analysis, the Authority's assessment on the need, size, timing and cost of capitalization and classification and its proposal is detailed project wise as below:

**WIP CAPEX**

**A. Development / Redevelopment of cityside infrastructure and ancillary buildings at Airside and cityside - ₹ 66.00 crores**

5.3.8 The Authority noted the justification provided by MADC for this project as indicated in Table 72. The Authority noted that these facilities are already available in the airport but are temporary in nature and considering the growth in traffic proposed by the Authority (refer Table 65) and for proper and seamless functioning of the airport, the Authority noted the need for the project.

5.3.9 The Authority also noted the status of this project as provided by MADC in Table 73. The Authority, through its Independent Consultant, examined the physical status of the progress of the project as of December 2023 and noted that while considerable progress had been made in the project in terms of cost incurred, the project was not expected to be completed by FY 2023-24. Hence the Authority proposed to consider the capitalization of the said project in FY 2024-25.

5.3.10 The Authority further sought the details of tender floated and work order issued with respect to this project, for the analysis of cost estimation. Based on the documents received from MADC, the Authority noted that following cost components of the project was estimated by MADC:

**Table 77: Cost components of the project "Development / Redevelopment of Cityside infrastructure and ancillary buildings at Airside and Cityside" as estimated by MADC**

*(₹ in crores)*

| Particulars | Estimated Cost |
|---|---|
| Earth Works | 1.10 |
| Concrete Work | 15.14 |
| Brick Work | 1.07 |
| Finishing | 1.34 |
| Flooring | 1.55 |
| Miscellaneous Work | 2.65 |
| Doors & Windows | 0.71 |

| Particulars | Estimated Cost |
|---|---|
| Site Development | 22.99 |
| Lifts & Elevators | 0.75 |
| Internal & External Electrical Works | 13.17 |
| HVAC Works | 2.11 |
| Fire Fighting Works | 0.61 |
| Plumbing and Drainage Works | 2.80 |
| **Total cost estimated by MADC** | **66.00** |

5.3.11 The Authority also noted that the tender was awarded at a reduction of 4.23%, amounting to ₹ 63.21 crores and the cost incurred as of December 2023 amounted to ₹ 34.00 crores.

5.3.12 Since the project was ongoing, the Authority proposed to consider the awarded cost of ₹ 63.21 crores for its further analysis. The Authority, through its Independent Consultant, analyzed the cost estimated by MADC for this project in line with the scope of work and bill of quantities as attached in the tender floated. Based on this analysis, the Authority noted that the cost estimate submitted by MADC is reasonable.

5.3.13 The Authority noted that the project comprised of construction of ATC tower, fire station, casualty centers, CISF block, armory block, etc., Based on the nature of components of this project, the Authority proposed to classify the assets of the project under "Aeronautical Assets" for the purpose of determination of aeronautical portion of capex additions proposed in the First Control Period.

5.3.14 Based on the above analysis on need, size, cost and classification of the project, the Authority proposed to consider the capitalization of the aeronautical portion of the awarded cost of the project, in FY 2024-25, as follows:

**Table 78: Cost proposed to be considered by the Authority for the project "Development / Redevelopment of Cityside infrastructure and ancillary buildings at Airside and Cityside" in the First Control Period**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Total cost proposed to be considered by the Authority | A | ₹ in Crores | 63.21 |
| Year of Capitalization as proposed by the Authority | - | - | FY25 |
| Classification of Project | - | - | Aeronautical |
| Aeronautical portion (refer Table 124) | B | % | 100% |
| **Aeronautical portion of cost proposed by the Authority** | **C = A*B** | **₹ in Crores** | **63.21** |

**B. Construction of Apron - ₹ 35.90 crores**

5.3.15 The Authority noted the justification provided by MADC for this project as indicated in Table 72. Considering the growth in traffic proposed by the Authority in Table 65 and for proper and seamless functioning of the airport, the Authority noted the need for the project.

5.3.16 The Authority also noted the status of the project as provided by MADC in Table 73. The Authority, through its Independent Consultant, examined the physical status of the progress of the project as of December 2023 and noted that the project is almost completed as of December 2023 and based on the fact that approval for commissioning the apron was received in FY 2023-24, the Authority proposed to consider capitalization of the project in FY 2023-24.

5.3.17 The Authority further sought the details of tender floated and work order issued with respect to this project, for the analysis of cost estimation. The Authority, based on the documents received, noted the following component wise cost estimate made by MADC:

**Table 79: Cost components of the project "Construction of Apron" as estimated by MADC**

*(₹ in Crores)*

| Particulars | Estimated Cost |
|---|---|
| Taxiway, Taxi link and Apron | 26.90 |
| Peripheral Road | 5.55 |
| Profile Correction Works | 0.10 |
| Drain and Culvert | 1.60 |
| High Mast Foundation and Other Works | 1.27 |
| Aerobridge Foundation | 0.48 |
| **Total cost estimated by MADC** | **35.90** |

5.3.18 The Authority noted that the tender was awarded at a reduction of 19.19%, amounting to ₹ 29.01 crores. The Authority therefore proposed to consider the awarded cost of ₹ 29.01 crores for its further analysis.

5.3.19 Based on the nature of components of this project, the Authority proposed to classify the assets of the project under "Aeronautical Assets" for the purpose of determination of aeronautical portion of capex additions proposed in the First Control Period.

5.3.20 The Authority proposed to compare the cost per sq.m. of construction of Apron with cost per sq.m. as per Order on Normative cost vide Order No. 07/2016-17 dated 13th June 2016, "In the matter of Normative Approach to Building blocks in Economic Regulation of Major Airports – Capital costs Regarding". In the above Order on Normative cost the normative cost for apron/runway/taxiway was given as ₹ 4,700 per sq.m. The Authority noted that the cost mentioned in the order is inclusive of taxes applicable at that time, which is 12%. Subsequently, GST had been introduced wherein the GST rate is 18% and computed the inflation adjusted normative cost by considering an additional 6% thereby resulting in total GST of 18% as given below:

**Table 80: Inflation adjusted normative rate considered by the Authority for Apron/Runway/Taxiway at Consultation Stage**

| Financial Year | WPI Index | Inflation % * | Inflation adjusted Cost | Inflation adjusted normative cost @18% GST # |
|---|---|---|---|---|
| FY16 | 109.7 | - | 4,700** | 4,952 |
| FY17 | 111.6 | - | 4,781 | 5,038 |
| FY18 | 114.9 | - | 4,923 | 5,187 |
| FY19 | 119.8 | - | 5,133 | 5,408 |
| FY20 | 121.8 | - | 5,218 | 5,498 |
| FY21 | 123.4 | - | 5,287 | 5,570 |
| FY22 | - | 7.14% | 5,664 | 5,968 |
| FY23 | - | 9.42% | 6,198 | 6,530 |
| FY24 | - | -0.70% | 6,155 | 6,484 |
| FY25 | - | 3.10% | 6,345 | 6,685 |
| FY26 | - | 3.70% | 6,580 | 6,933 |
| FY27 | - | 3.70% | 6,824 | 7,189 |

**Inflation rates considered as per Chapter 8 of this Consultation Paper*

| | |
|---|---|
| ***Inflation adjusted base amount (inclusive of 12% GST) (A)* | *= ₹ 4,700 per sq.m.* |
| *Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112)* | *= ₹ 4,196 per sq.m.* |
| *Add GST @ 18% c) (C=B*18%)* | *= ₹ 755 per sq.m.* |
| *Normative cost including GST (D = B+C)* | *= ₹ 4,952 per sq.m.* |

5.3.21 The Authority noted that the actual cost per Sq.m. for Apron is lower than the inflation adjusted normative cost generally being considered by the Authority and hence the Authority proposed to consider the actual cost incurred by MADC for its further analysis as detailed in Table 81.

5.3.22 The Authority proposed to consider the following cost in FY 2023-24 towards the project "Construction of Apron":

**Table 81: Cost proposed to be considered by the Authority for the project "Construction of Apron" in the First Control Period and its comparison with normative cost at Consultation Stage**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Actual Cost for construction of Apron submitted by MADC | A | ₹ in Crores | 29.01 |
| Area developed into Apron (Based on the details in tender floated) | B | Sq.m. | 65,573 |
| Cost per Sq.m. | C = (A*10^7)/B | ₹ | 4,424 |
| Year of Capitalization as proposed by the Authority | - | - | FY24 |
| Normative Cost per Sq.m. for FY24 (refer Table 80) | D | ₹ | 6,484 |
| Total Cost proposed to be considered by the Authority | E = ((Lower of C and D)*B)/10^7 | ₹ in Crores | 29.01 |
| Classification of Project | - | - | Aeronautical |
| Aeronautical portion (refer Table 124) | F | % | 100% |
| **Aeronautical portion of cost proposed to be considered by the Authority** | **G = E*F** | **₹ in Crores** | **29.01** |

**C. Extension of existing runway and RESA - ₹ 44.00 crores**

5.3.23 The Authority noted the justification provided by MADC for this project as indicated in Table 72. Considering the growth in traffic proposed by the Authority in Table 65 and the fact that a new integrated terminal building (NITB) is proposed to be commissioned in the First Control Period, the Authority noted the need for the extension of runway from the 2,500M to 3,200M and RESA.

5.3.24 The Authority also noted the status of the project as provided by MADC in Table 73. The Authority, through its Independent Consultant, examined the physical status of the progress of the project as of December 2023. The Authority noted that work related to extension of runway and RESA has been completed as on December, 2023 and the same will be put to use only after re-carpeting the entire area together with the existing runway recarpeting. Hence, the Authority proposed the capitalization of extension of existing runway and RESA in FY 2025-26 along with the runway re-carpeting as detailed in para 5.3.59.

5.3.25 The Authority, based on the work order awarded for the project in the year 2017, noted that the cost estimated by MADC for the extension of runway and RESA along with construction of apron area, isolation bay and associated works on airside amounts to ₹ 42.12 crores. The project had been awarded at a reduction of 16.69%, which amounted to ₹ 35.09 crores. Based on the awarded cost, the Authority proposed to consider ₹ 35.09 crores as the basis for its analysis.

5.3.26 The Authority noted that the revised cost of ₹ 35.09 crores for RESA and Runway extension is lower than the inflation adjusted cost of pavement as noted in Table 82 and hence the Authority proposed to consider the cost of ₹ 35.09 crores towards Runway extension and RESA.

**Table 82: Cost proposed to be considered by the Authority for the project "Extension of existing runway and RESA" in the First Control Period at Consultation Stage**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Actual Cost for extension of existing runway and RESA submitted by MADC | A | ₹ in Crores | 35.09 |
| Runway Extended Area | B | Sq.m. | 31,500 |
| Area of RESA | C | Sq.m. | 36,000 |
| Area of Blast Pad | D | Sq.m. | 2,700 |
| Isolation Bay and taxiway | E | Sq.m. | 15,206 |
| Area extended into runway and RESA | F = B+C+D+E | Sq.m. | 85,406 |
| Cost per Sq.m. | G = (A*10^7)/F | ₹ | 4,109 |
| Year of Capitalization proposed by Authority | - | - | FY26 |
| Normative Cost per Sq.m. for FY26 (refer Table 80) | H | ₹ | 6,933 |
| Total Cost proposed to be considered by Authority | I = ((Lower of G and H)*F)/10^7 | ₹ in Crores | 35.09 |
| Classification of Project | - | - | Aeronautical |
| Aeronautical portion (refer Table 124) | J | % | 100% |
| **Aeronautical portion of cost proposed by the Authority** | **K = I*J** | **₹ in Crores** | **35.09** |

5.3.27 Based on the nature of components of this project, the Authority proposed to classify the assets of the project under "Aeronautical Assets" for the purpose of determination of aeronautical portion of capex additions proposed in the First Control Period.

**D. Construction of Isolation Bay and associated works on airside - ₹ 9.50 crores**

5.3.28 The Authority noted the justification provided by MADC for the said project as indicated in Table 72. Considering the need to have readily available security related infrastructure in place, the Authority is of the view that construction of an isolation bay is required from security viewpoint during times of emergency.

5.3.29 The Authority also noted the status of the project as provided by MADC in Table 73. The Authority, through its Independent Consultant, examined the physical status of the progress of the project as of December 2023. Based on discussion with MADC, the Authority noted that construction of isolation bay was part of the project "Extension of runway and RESA, construction of isolation bay and associated works" (discussed in main para C) and there had been cost overrun in the project as indicated in para 5.3.25.

5.3.30 MADC had mentioned in its revised submission that "*Work was terminated due to non-performance of contractor. Balance work to be done at his risk & cost. Hence the balance work estimation is prepared based on earlier tender rates. No new tender floated for execution of remaining works.*" MADC also anticipates that since part work is completed, the remaining work will be executed by the contractor within 6-8 months of commencement of construction work. MADC estimated the date of commencement to be June 2024. Based on the timeline indicated by MADC, the Authority observed that the construction of isolation bay will be completed only by end of FY 2024-25 and hence proposed to consider such costs from FY 2025-26.

5.3.31 The Authority noted that MADC had estimated the cost of carrying out the remaining portion of work associated with isolation bay, which is as follows:

**Table 83: Cost components of the project "Construction of Isolation Bay and associated work on airside" as estimated by MADC**

*(₹ in crores)*

| Particulars | Estimated Cost |
|---|---|
| Civil Work | 7.32 |
| Electrical Work | 0.26 |
| **Total cost excluding contingencies etc** | **7.58** |
| Add: Soft Cost | 0.56 |
| **Total cost excl. GST incl. Soft Cost** | **8.14** |
| Add: GST | 1.36 |
| **Total cost estimated by MADC** | **9.50** |

5.3.32 It is noted that in its original submission, MADC had factored GST @ 12%, however in its revised submission dated 22nd March 2024, MADC has revised the GST to 18% on total cost excluding contingencies etc. The Authority proposed to consider the revised submission of MADC.

5.3.33 The Authority had reviewed the breakup of this project as given in Table 83 and the overall cost proposed by MADC was found to be reasonable.

5.3.34 Based on the nature of components of this project, the Authority proposed to classify the assets of the project under "Aeronautical Assets" for the purpose of determination of aeronautical portion of capex additions proposed in the First Control Period.

5.3.35 Based on the above analysis on need, size, cost and classification of the project, the Authority proposed to consider the aeronautical portion of the estimated cost of the project, for capitalization in FY 2025-26, as follows:

**Table 84: Cost proposed to be considered by the Authority for the project "Construction of Isolation Bay and associated work on airside" in the First Control Period**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Total cost proposed to be considered by the Authority (refer Table 75) | A | ₹ in Crores | 9.50 |
| Year of Capitalization as proposed by the Authority | - | - | FY26 |
| Classification of Project | - | - | Aeronautical |
| Aeronautical portion (refer Table 124) | B | % | 100% |
| **Aeronautical portion of cost proposed by the Authority** | **C = A*B** | **₹ in Crores** | **9.50** |

### E. Seating Lounge - ₹ 8.87 crores

5.3.37 The Authority noted the justification provided by MADC for this project as indicated in Table 72. The Authority also noted that MADC had plans earlier of extending the existing terminal in order to cater to the peak hour passenger traffic. However, subsequently MADC decided to cancel the extension plan and proposed to construct additional seating lounges instead, until the NITB is operational.

5.3.38 With the growth in passenger traffic proposed by the Authority for the First Control Period, the Authority was of the view that the construction of seating lounges to accommodate the passengers is necessary for the seamless operations, until the NITB is operational. Considering the growth in traffic proposed by the Authority in Table 65 and for proper and seamless functioning of the airport, the Authority noted that the need for the project is justified.

5.3.39 MADC through its revised submission dated 22nd March 2024, had projected 2 separate costs for seating lounge:

- City Side – ₹ 60.00 lakhs which has already been capitalized in FY 2023-24.
- Airside – ₹ 7.32 Crores – which has been tendered in Feb 2024.

5.3.40 The Authority, through its Independent Consultant, examined the physical status of the progress of the city side seating structure as of December 2023 and noted that the project was already operational as of December 2023. Hence the Authority proposed to capitalize the same in FY 2023-24.

5.3.41 For the airside seating, based on the fact that work order had been issued on 26th February 2024 which stipulated that work shall be completed within a period of 3 months, the Authority proposed to consider the capitalization of the airside project in FY 2024-25.

5.3.42 Based on the nature of the project, the Authority proposed to classify the assets of the project under "Common Assets" to be split in TBLR for the purpose of determination of aeronautical portion of capex additions proposed in the First Control Period.

5.3.43 Based on the above analysis on need, size, cost and classification of the project, the Authority proposed to consider the capitalization the aeronautical portion of the estimated cost of the project, in FY 2023-24 and FY 2024-25, as follows:

**Table 85: Cost proposed to be considered by the Authority for the project "Construction of Seating Lounges – city side" in the First Control Period at Consultation Stage**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Total cost proposed to be considered by the Authority | A | ₹ In Crores | 0.60 |
| Cost incl 12% GST | A*1.12 | ₹ in Crores | 0.67 |
| Year of Capitalization as proposed by the Authority | - | - | FY24 |
| Classification of Project | - | - | Common (Based on TBLR) |
| Aeronautical portion (refer Table 124) | B | % | 95% |
| **Aeronautical portion of cost proposed by the Authority** | **C = A*B** | **₹ In Crores** | **0.63** |

**Table 86: Cost proposed to be considered by the Authority for the project "Construction of Seating Lounges – air side" in the First Control Period at Consultation Stage**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Total cost proposed to be considered by the Authority | A | ₹ in Crores | 7.32 |
| Cost incl 12% GST | A*1.12 | ₹ in Crores | 8.20 |
| Year of Capitalization as proposed by the Authority | - | - | FY25 |
| Classification of Project | - | - | Common (Based on TBLR) |
| Aeronautical portion (refer Table 124) | B | % | 95% |
| **Aeronautical portion of cost proposed by the Authority** | **C = A*B** | **₹ in Crores** | **7.79** |

5.3.44 After considering the facts as stated above, a summary of the Authority's proposals with respect to WIP CAPEX was as given below:

**Table 87: Comparison of WIP CAPEX submitted by MADC and the Authority's proposal for First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | MADC's revised submission* | | Authority's proposal | | |
|---|---|---|---|---|---|
| | Total Capex | Year of capitalization | Total Capex | Aeronautical portion | Year of capitalization |
| **WIP CAPEX** | | | | | |
| Capex Incurred for FY23 | - | - | 0.50 | 0.42# | FY23 |
| Development /Redevelopment of cityside infrastructure and ancillary buildings at Airside and cityside of Shirdi International Airport | 66.00 | FY24 | 63.21 | 63.21 | FY25 |
| Construction of Apron | 35.90 | FY24 | 29.01 | 29.01 | FY24 |
| Extension of existing runway and RESA | 44.00 | FY24 | 35.09 | 35.09 | FY26 |
| Construction of Isolation Bay and associated works on airside | 9.50 | FY25 | 9.50 | 9.50 | FY26 |
| Seating Lounge | 8.87 | FY24 | 8.87 | 8.42 | FY24/ FY25 |
| **Total WIP Capex** | **164.27** | - | **146.18** | **145.65** | - |

**The Authority has compared the revised capex submission by MADC for the purpose of its analysis as per Table 75);*

*#As per FAR*

**PLANNED CAPEX**

**F. Construction of Water Pond - ₹ 18.02 crores**

5.3.45 The Authority noted the justification provided by MADC for this project as indicated in Table 72, considering the growth in traffic proposed by the Authority in Table 65 and the need to provide potable water. The Authority, through its Independent Consultant, examined the physical location of the project in December 2023 and based on the discussion with MADC, the Authority noted that there is a huge demand for water in the area in which the Shirdi International Airport is located since it is an area with scarcity of water.

5.3.46 Based on discussion during site visit and analysis of the master plan for construction of NITB, the Authority noted that the existing pond is about to be decommissioned and the area in which the existing water pond is located is proposed to be utilized partially for the construction of NITB and partially for the construction of new water pond. The Authority also noted that, at present, Shirdi International Airport is getting water supply from nearby wells and through water tankers.

5.3.47 Considering the scarcity of water in the locality and growth in the passenger traffic projected by the Authority for the First Control Period, the Authority was of the view that the construction of a water pond is indispensable to store large quantities of water.

5.3.48 As per discussions held with MADC on 26th March 2024, MADC had submitted a revised cost of ₹ 18.02 crores for 'Construction of Water Pond' project. MADC estimated that the tender will be floated post June 2024 and once tendered, the project will take 15 months from commencement to completion. Based on the information provided by MADC, the Authority noted that the project will be completed by December 2025.

5.3.49 MADC had provided a detailed BOQ of the project components. The Authority, through Independent Consultant had analyzed the same and proposed to consider the revised cost of ₹ 18.02 Crores.

5.3.50 Based on the nature of the project, the Authority proposed to classify the assets of the project under "Common Assets" to be split in TBLR for the purpose of determination of aeronautical portion of capex additions proposed in the First Control Period.

5.3.51 Based on the above analysis on need, size, cost and classification of the project, the Authority proposed to consider the capitalization of the aeronautical portion of the estimated cost of the project in FY 2025-26, as follows:

**Table 88: Cost proposed to be considered by the Authority for the project "Construction of Water Pond" in the First Control Period**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Total cost proposed to be considered by the Authority | A | ₹ in crores | 18.02 |
| Year of Capitalization as proposed by the Authority | - | - | FY26 |
| Classification of Project | - | - | Common (Based on TBLR) |
| Aeronautical portion (refer Table 124) | B | % | 95% |
| **Aeronautical portion of cost proposed by the Authority** | **C = A*B** | **₹ in Crores** | **17.12** |

### G. Air Cargo facility and hangars - ₹ 51.59 crores

5.3.52 The Authority noted the justification provided by MADC for this project as indicated in Table 72. The Authority observed that MADC has undertaken a feasibility study for establishing air cargo facility. Considering the growth in belly cargo operations, the Authority noted the need for the project.

5.3.53 The Authority also noted that MADC had been sanctioned the financial assistance to the extent of ₹ 55.00 crores as interest free loan to be repaid after a period of 50 years, under the PM Gati Shakti Scheme, for the proposed cargo operations in Shirdi International Airport. These funds have been received by MADC on 3rd May 2023.

5.3.54 The Authority noted that MADC in its initial submission had projected a cost of ₹ 55.00 crores to establish the air cargo facility in its MYTP submission.

5.3.55 As per discussions held with MADC on 26th March 2024, MADC had submitted a revised cost of ₹ 51.59 crores (incl. GST) for 'Air Cargo facility and Hangars' project based on the work order issued dated 14th March 2024 for ₹ 51.59 crores, which was proposed to be considered by the Authority. Based on the nature of this project, the Authority proposed to classify the assets of the project under "Aeronautical Assets" for the purpose of determination of aeronautical portion of capex additions proposed in the First Control Period.

5.3.56 The work order mentioned that the work needs to be completed within 18 months from the date of issue of work order (March 2024) which worked out to September 2025. Hence, the Authority proposed to consider the capitalization of the project in FY 2025-26 as against MADC's initial submission to capitalize the same in FY 2024-25.

5.3.57 Based on the above analysis on need, size, cost and classification of the project, the Authority proposed to consider capitalization of the aeronautical portion of the estimated cost of the project, in FY 2025-26, as follows:

**Table 89: Cost proposed to be considered by the Authority for the project "Air cargo facility and hangars" in the First Control Period**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Total cost proposed to be considered by the Authority (excluding GST @ 12% based on current market rates FY24) | A | ₹ in Crores | 46.06 |
| Total cost proposed to be considered by the Authority (including GST @ 12% based on current market rates FY24) | B = A*1.12 | ₹ in Crores | 51.59 |
| Year of Capitalization as proposed by the Authority | - | - | FY26 |
| Classification of Project | - | - | Aeronautical |
| Aeronautical portion (refer Table 124) | C | % | 100% |
| **Aeronautical portion of cost proposed by the Authority** | **D = B*C** | **₹ in Crores** | **51.59** |

### H. Runway Recarpeting - ₹ 61.68 crores

5.3.58 Based on the discussion with MADC and based on the DGCA observations regarding quality of runway and RESA, the Authority noted that the runway surface condition had deteriorated in the entire stretch of the runway and that the sand patch test had also failed in many places. This is mainly due to operational wear and tear and oxidization of the runway surface, as stated in the DGCA report. The Authority noted that MADC had proposed corrective action of recarpeting the runway as a response to the observation stated in DGCA report. MADC, in its response to a query dated 22nd March 2024 had submitted the MOU with AAI for recarpeting. The Authority noted that the project is required to be executed based on regulatory requirements.

5.3.59 The Authority noted that the date of the MOU was 7th December 2023, and the MOU stipulated that the work will be completed within 12 months of issue of work order. The work Order was not made available to the Authority and hence, the Authority anticipated that the completion of recarpeting will be completed in FY 2025-26.

5.3.60 As per discussions held with MADC on 26th March 2024, MADC had submitted a revised cost of ₹ 61.68 crores. for 'Recarpeting of Runway' project which included base cost of ₹ 48.88 Crores, plus 7% departmental charges and GST of 18%.

5.3.61 The Authority further noted that, as a result of this runway recarpeting, the PCN shall be restored to the existing level and was not proposed to increase beyond the existing level. On this basis, the Authority proposed not to capitalize the cost associated with recarpeting the runway and proposed to consider the same as part of Aeronautical Operating and Maintenance Expenditure (Refer para 9.2.75 for detailing the Authority's analysis for the same).

### I. New Integrated Terminal Building (NITB) - ₹ 722.50 crores

5.3.62 The Authority noted that the amount of ₹ 722.50 Crores (cost as per original MYTP submission ₹ 590.62 crores) related to the construction of the New Integrated Terminal Building (NITB) spanning an area of 53,349 Sq.m.

5.3.63 MADC, through its revised submission dated 22nd March 2024, submitted that the revised cost for NITB as ₹ 722.50 Crores (incl GST). The base cost of ₹ 645.09 Crores considered in this estimate was substantiated through the letter of award dated 15th March 2024.

5.3.64 The Authority noted that the cost per Sq.m. of NITB as per MADC's revised submission was as follows:

**Table 90: Cost per Sq.m. for the proposed NITB as submitted by MADC in its revised submission**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Base cost | A | ₹ in Crores | 645.09 |
| GST | B = A*12% | ₹ in Crores | 77.41 |
| Total Cost | C = A+B | ₹ in Crores | 722.50 |
| Total area of the new Terminal Building | D | Sq.m. | 53,349 |
| **Cost per Sq.m. in FY26** | **E = C/D** | ₹ | **1,35,429** |

5.3.65 The Authority noted the justification provided by MADC for the construction of NITB, as indicated in Table 72. Considering that the existing terminal building is very congested even for present traffic & taking into account the projected growth in the passenger traffic, including commencement of international traffic from FY 2026-27, as proposed to be considered by the Authority (as per Table 65) and to enhance the peak hour passenger capacity, the Authority recognized the need for new Integrated Terminal Building.

5.3.66 The Authority, based on the discussion with MADC, noted that the construction of NITB was projected to commence in FY 2024-25 and was expected to be completed in 24 months.

5.3.67 The Authority noted that the tender document for the NITB mentions that work is to be completed in a period of 2 years including Design, Engineering, Procurement, Construction, Testing, Commissioning and Handover. The Authority also noted that while the LOA as dated 15th March 2024, the works are expected to commence from April 2024 only. Considering an average time of 24-30 months for construction, the Authority proposed to capitalize the NITB in the second half of FY 2026-27.

5.3.68 The Normative cost approved by the Authority vide its Order No. 07/2016-17 dated 13th June 2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports) for Terminal Buildings is ₹ 65,000/- per Sq.m. (Base Year FY 2015-16). The cost of following items of specification have been considered for analysis of the prescribed rate per Sq.m. - cost of terminal building, air conditioning, fire-fighting system, water supply, passenger facilities viz FIDS, Furniture, Signages and Security surveillance, airlines related services viz Check-in, CUTE, CUSS and Baggage Reconciliation System, In-line X ray screening, Standalone screening, BHS for arrival and departure, Escalators, Elevators, Travelators and PBB.

5.3.69 In this respect, the Authority had considered a normative cost of ₹ 1,00,000 per sq.m. (Base Year FY 2020-21) as per recent tariff orders, based on the superior specifications, processes and the architectural features of modern Terminal Buildings. The Authority was of the view that as the work on Terminal Building projected by MADC would be carried out over the First Control Period, it would be reasonable and justifiable to derive the project cost based on inflation-adjusted normative cost up to FY 2026-27 (using WPI inflation index) to address the time value of money.

5.3.70 In the Order No.07/2016-17 dated 13th June 2016 on "In the matter of Normative Approach to Building blocks in Economic Regulation of Major Airports – Capital costs Regarding" the ceiling cost mentioned is inclusive of taxes applicable at that time, which is 12%. Subsequently, GST has been introduced wherein the GST rate is 18%. Hence, the inflation adjusted normative cost is worked out below by considering the additional 6% resulting in a total GST rate of 18%. The inflation adjusted normative costs, thus derived is presented in the below table:

**Table 91: Details of Inflation adjusted normative cost derived by the Authority at Consultation Stage**

| Year | Inflation Rate* | Inflation adjusted normative rates | Inflation adjusted normative cost @ 18% GST # |
|---|---|---|---|
| Base Amount | | 1,00,000 | 1,05,357 |
| FY22 | 7.14% | 1,07,140 | 1,12,880 |
| FY23 | 9.42% | 1,17,233 | 1,23,513 |
| FY24 | -0.70% | 1,16,412 | 1,22,648 |
| FY25 | 3.10% | 1,20,021 | 1,26,450 |
| FY26 | 3.70% | 1,24,461 | 1,31,129 |
| FY27 | 3.70% | 1,29,067 | 1,35,981 |

**Inflation rates considered as per Chapter 8 of this Consultation Paper*
*# Inflation adjusted base amount (inclusive of 12% GST) (A) = ₹ 1,00,000 per sq.m.*
*Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112) = ₹ 89,286 per sq.m.*
*Add GST @ 18% (C=B*18%) = ₹ 16,071 per sq.m.*
*Normative cost including GST (D = B+C) = ₹ 1,05,357 per sq.m.*

5.3.71 Considering the revised estimate of ₹ 722.50 Crores for NITB, the cost per sq.m. worked out to ₹ 1,35,429 per sq.m. which is less than the Inflation adjusted normative cost (incl. of 18% GST) considered by the Authority for FY 2026-27. The Authority, therefore, proposed to consider the value of the terminal building at ₹ 722.50 crores, as proposed by MADC as per Table 92.

5.3.72 Based on the nature of the components of this project, the Authority proposed to classify the same as "Common Assets" to be split in TBLR for the purposes of determination of aeronautical portion of capex additions proposed in the First Control Period.

5.3.73 Based on the above analysis, the Authority proposed to consider capitalization of Aeronautical portion of the estimated cost of the project, in FY 2026-27, as follows:

**Table 92: Cost proposed to be considered by the Authority for the project "New integrated Terminal Building" in the First Control Period at Consultation Stage**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Total cost considered by MADC | A | ₹ in Crores | 722.50 |
| Total area of NITB proposed by MADC | B | Sq.m. | 53,349 |
| Cost per Sq.m. in FY26 | C = (A*10^7)/B | ₹ | 1,35,429 |
| Normative Cost computed by AERA for FY27 (refer Table 91) | D | ₹ | 1,35,981 |
| Normative Cost considered by AERA | E = ((Lower of C and D)*B)/10^7 | ₹ in Crores | 722.50 |
| Year of Capitalization | - | - | FY27 |
| Classification of Project | - | - | Common (Based on TBR) |
| Aeronautical portion (refer Table 124) | F | % | 95% |
| **Aeronautical portion of cost proposed by the Authority** | **G = E*F** | **₹ in Crores** | **686.38** |

5.3.74 Based on the above analysis, the Authority proposed the following with regard to Planned CAPEX:

**Table 93: Comparison of Planned Capital Expenditure submitted by MADC and proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | MADC's revised submission* | | The Authority's proposal | | |
|---|---|---|---|---|---|
| | Total Capex | Year of capitalization | Total Capex | Aeronautical portion | Year of capitalization |
| **Planned CAPEX** | | | | | |
| Construction of Water Pond | 18.02 | FY25 | 18.02 | 17.12 | FY26 |
| Air cargo facility and hangars | 51.59 | FY25 | 51.59 | 51.59 | FY26 |
| Recarpeting the runway | 61.68 | FY24 | Considered as part of O&M Expenses | | |
| New Integrated Terminal Building | 722.50 | FY26 | 722.50 | 686.38 | FY27 |
| **Total Planned Capex** | **853.79** | | **792.11** | **755.09** | |

**The Authority has compared the revised capex submission by MADC for the purpose of its analysis as per Table 75.*

5.3.75 Comparison of Total Capex as submitted by MADC and Capex as proposed by the Authority was as follows:

**Table 94: Comparison of Total Capital Expenditure submitted by MADC and proposals made by the Authority at Consultation Stage**

*(₹ in crores)*

| Particulars | MADC's revised submission* | | The Authority's proposal | | |
|---|---|---|---|---|---|
| | Total Capex | Year of capitalization | Total Capex | Aeronautical portion | Year of capitalization |
| **WIP CAPEX** | | | | | |
| Capex Incurred for FY23 | - | - | 0.50 | 0.42 | FY23 |
| Development /Redevelopment of cityside infrastructure and ancillary buildings at Airside and cityside of Shirdi International Airport | 66.00 | FY24 | 63.21 | 63.21 | FY25 |
| Construction of Apron | 35.90 | FY24 | 29.01 | 29.01 | FY24 |
| Extension of existing runway and RESA | 44.00 | FY24 | 35.09 | 35.09 | FY26 |
| Construction of Isolation Bay and associated works on airside | 9.50 | FY24 | 9.50 | 9.50 | FY26 |
| Seating Lounge | 8.87 | FY24 | 8.87 | 8.42 | FY24/ FY25 |
| **Total WIP Capex - A** | **164.27** | - | **146.18** | **145.65** | - |
| **Planned CAPEX** | | | | | |
| Construction of Water Pond | 18.02 | FY25 | 18.02 | 17.12 | FY26 |
| Air cargo facility and hangars | 51.59 | FY25 | 51.59 | 51.59 | FY26 |
| Recarpeting the runway | 61.68 | FY24 | Considered as part of O&M Expenses | | |
| New Integrated Terminal Building | 722.50 | FY26 | 722.50 | 686.38 | FY27 |
| **Total Planned Capex - B** | **853.79** | | **792.11** | **755.09** | |
| **TOTAL (A+B)** | **1018.06** | | **938.29** | **900.74** | |

**The Authority had compared the revised capex submission by MADC for the purpose of its analysis as per Table 75.*

5.3.76 Based on the above analysis, reasoning provided by MADC and the Authority's considerations, the Authority proposed to consider the following Aeronautical portion of capex additions in the First Control Period:

**Table 95: Aeronautical additions to RAB proposed by the Authority for the First Control Period for Shirdi International Airport at Consultation Stage**

*(₹ in Crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Capex Incurred in FY23 | 0.42 | - | - | - | - | **0.42** |
| Development / Redevelopment of cityside infrastructure and ancillary buildings at Airside & cityside of Shirdi International Airport (refer Table 78) | - | - | 63.21 | - | - | **63.21** |
| Construction of Apron (refer Table 81) | - | 29.01 | - | - | - | **29.01** |
| Extension of existing runway and RESA (refer Table 82) | - | - | - | 35.09 | - | **35.09** |
| Construction of Isolation Bay & associated works on airside (refer Table 84) | - | - | - | 9.50 | - | **9.50** |
| Seating Lounge (refer Table 85 & Table 86) | - | 0.63 | 7.79 | - | - | **8.42** |
| Construction of Water Pond (refer Table 88) | - | - | - | 17.12 | - | **17.12** |
| Air cargo facility and hangars (refer Table 89) | - | - | - | 51.59 | - | **51.59** |
| New Integrated Terminal Building (refer Table 92) | - | - | - | - | 686.38 | **686.38** |
| **Total Aeronautical Additions to RAB** | **0.42** | **29.64** | **71.00** | **113.30** | **686.38** | **900.74** |

5.3.77 The Authority proposed to reduce (readjustment) 1% of the uncapitalized project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule. It further proposed that if the delay in completion of the project was beyond the timeline given in the capitalization schedule, due to any reason beyond the control of MADC or its contracting agency and was properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the next Control Period. The re-adjustment in the ARR Target Revenue is to protect the interest of the stakeholders who are paying for services provided by MADC and is also an encouragement for MADC to commission/ capitalize the proposed assets as per the approved CAPEX plan/ schedule.

5.3.78 To summarize, based on the above detailed discussions, the Authority proposed to consider aeronautical expenditure of ₹ 900.74 Crores as addition to RAB for the First Control Period. Gross additions to Capex as proposed by the Authority amounted to ₹ 938.29 crores vis-à-vis the additions to capex as submitted by MADC of ₹ 1018.06 Crores. Since MADC had not submitted the Aeronautical RAB in its revised submission, the Authority had analyzed the major reason for difference between total capex additions between MADC submission and the Authority's proposal as below:

- Capitalization of items omitted from MADC submission but present in FAR in FY 2022-23 – ₹ 0.50 Crores.
- Development / Redevelopment of cityside infrastructure and ancillary buildings at Airside and cityside of Shirdi International Airport considered only at awarded cost by the Authority - impact of ₹ 2.79 Crores.
- Construction of Apron – considered only at awarded cost by the Authority – impact of ₹ 6.89 Crores.
- Extension of existing runway and RESA – considered only at awarded cost by the Authority – impact of ₹ 8.91 Crores.
- Runway Recarpeting – Considered as part of O&M expenses by the Authority – impact of ₹ 61.68 Crores.

5.3.79 The Authority's proposal of additions to CAPEX and RAB for the First Control Period was as follows:

**Table 96: Additions to CAPEX and RAB proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Gross value of additions | 0.51 | 29.68 | 71.41 | 114.20 | 722.50 | 938.29 |
| Aeronautical portion of additions | 0.42 | 29.64 | 71.00 | 113.30 | 686.38 | 900.74 |

## 5.4 MADC's submission regarding Depreciation and Regulatory Asset Base (RAB) for the First Control Period

5.4.1 MADC had submitted the following computation of depreciation on RAB for Shirdi International Airport for the First Control Period:

**Table 97: Category wise breakup of depreciation for the First Control Period as per MADC submission**

*(₹ in crores)*

| Particulars* | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Computers - End User Devices | 0.03 | 0.22 | 0.41 | 3.67 | 6.73 | 11.07 |
| Computers - Services & Network | - | 0.01 | 0.01 | 0.10 | 0.20 | 0.32 |
| Electrical installations | 2.85 | 3.67 | 4.68 | 13.81 | 22.67 | 47.67 |
| Furniture & Fixtures - Trolleys | - | - | - | 0.02 | 0.03 | 0.06 |
| Furniture and Fixtures other than trolleys | 0.22 | 0.28 | 0.32 | 1.21 | 2.12 | 4.14 |
| Office equipment | 0.96 | 0.22 | 0.23 | 0.92 | 1.62 | 3.95 |
| Building | 3.86 | 6.59 | 10.44 | 17.47 | 23.36 | 61.74 |
| Plant & Machinery | 2.56 | 2.18 | 2.18 | 2.17 | 2.17 | 11.25 |
| Software | - | 0.03 | 0.06 | 0.55 | 1.01 | 1.65 |
| Vehicle | 0.03 | 0.03 | 0.02 | 0.01 | - | 0.09 |
| **Total** | **10.52** | **13.24** | **18.36** | **39.93** | **59.91** | **141.95** |
| Aeronautical portion | 95% | 95% | 95% | 95% | 95% | 95% |
| **Aeronautical portion of Depreciation** | **9.99** | **12.57** | **17.44** | **37.93** | **56.92** | **134.85** |

**This is based on the original submission of MADC dated 7th July 2023. Revised submission by MADC dated 22nd March 2024 has only total capital additions, it does not contain details of aeronautical RAB, depreciation etc.*

5.4.2 Based on the Capital Expenditure and the depreciation computations as above, MADC had submitted the following RAB for the First Control Period:

**Table 98: MADC's submission of Average RAB for the First Control Period**

*(₹ in crores)*

| Particulars* | Ref. | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| Opening RAB | A | 143.80 | 133.81 | 294.70 | 346.42 | 869.58 | |
| Aeronautical portion of Commissioned Assets (refer Table 70) | B | - | 173.47 | 69.16 | 561.09 | - | **803.71** |
| Grant received | C | - | - | - | - | - | - |
| Depreciation (refer Table 97) | D | 9.99 | 12.57 | 17.44 | 37.93 | 56.92 | **134.85** |
| Closing RAB | E = A+B-C-D | 133.81 | 294.70 | 346.42 | 869.58 | 812.66 | |
| **RAB for Calculating ARR** | **F = (A+E)/2** | **138.81** | **214.26** | **320.56** | **608.00** | **841.12** | |

**This is based on the original submission of MADC dated 7th July 2023. Revised submission by MADC dated 22nd March 2024 has only total capital additions, it does not contain details of aeronautical RAB, depreciation etc.*

## 5.5 Authority's examination regarding Depreciation and Regulatory Asset Base (RAB) for the First Control Period at Consultation Stage

5.5.1 For the purpose of its analysis, the Authority had considered only the revised capital additions submitted by MADC dated 22nd March 2024. However, the Authority had also examined the methodology used by MADC in its model and MYTP submitted in July 2023 in the paragraphs to follow.

5.5.2 The Authority noted that MADC has computed depreciation on straight line method considering the useful life as per Companies Act 2013 for all the capex additions until FY 2022-23, though the additions in FY 2022-23 were not considered by MADC in its Capex included as part of RAB. For the proposed additions to capex from FY 2023-24 to FY 2026-27, the Authority noted that MADC had computed depreciation on straight line method based on the following useful life:

**Table 99: Useful life considered by MADC for proposed addition from FY24 to FY27**

| Particulars | Useful life adopted by MADC |
|---|---|
| Computer - End User Devices | 3 |
| Computer – Software | 3 |
| Computers-Service and Network | 6 |
| Electrical Installation | 10 |
| Furniture and Fixture – trolley | 3 |
| Furniture and Fixtures without trolley | 7 |
| Office Equipment | 15 |
| Operational Building | 30 |
| Plant and Machinery | 15 |
| Terminal Building | 30 |
| Utility Building | 30 |
| Vehicle | 8 |

5.5.3 Based on the additions as proposed by the Authority, following is the Asset class wise depreciation computed using useful life as per Order No. 35/2017-18 dated 12th January 2018 on "Determination of useful life of Airport assets".

**Table 100: Depreciation as proposed by the Authority for the First Control Period for Shirdi International Airport at Consultation Stage**

(₹ in crores)

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Cargo Building | - | - | - | 0.77 | 1.55 | **2.32** |
| Computer - End User Devices | 0.02 | 0.02 | 0.20 | 0.41 | 4.31 | **4.96** |
| Computer - Software | 0.00 | 0.00 | 0.02 | 0.03 | 0.32 | **0.38** |
| Computers - Server and Network | 0.00 | 0.00 | 0.01 | 0.01 | 0.10 | **0.12** |
| Electrical Installation | 2.90 | 2.91 | 3.60 | 4.55 | 15.08 | **29.06** |
| Furniture and Fixture - trolley | 0.00 | 0.00 | 0.01 | 0.01 | 0.03 | **0.05** |
| Furniture and Fixture without trolley | 0.19 | 0.21 | 0.64 | 0.69 | 1.76 | **3.49** |
| Office Equipment | 0.48 | 0.06 | 0.30 | 0.56 | 3.03 | **4.43** |
| Building | 3.85 | 3.85 | 4.71 | 5.80 | 13.23 | **31.44** |
| Runway, Taxiway, Apron | - | 0.48 | 0.97 | 2.14 | 2.14 | **5.73** |
| Plant & Machinery | 2.11 | 2.11 | 2.11 | 2.11 | 2.11 | **10.54** |
| Security Equipment | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | **0.80** |
| Vehicle | 0.03 | 0.03 | 0.02 | 0.01 | 0.00 | **0.08** |
| **Total** | **9.75** | **9.85** | **12.74** | **17.24** | **43.81** | **93.39** |

5.5.4 The variance between depreciation as submitted by MADC (₹ 134.85 crores) and as proposed by the Authority (₹ 93.39 crores) was on account of i) shifting of year of capitalization of certain proposed assets and ii) consideration of actual awarded costs for "Seating lounge" and "Construction of Water Pond".

5.5.5 Based on the additions proposed and the depreciation re-computed by the Authority using rates as defined in Order No. 35/2017-18 dated 12th January 2018, following is the average RAB proposed by the Authority.

**Table 101: RAB proposed by the Authority for the First Control Period for Shirdi International Airport at Consultation Stage**

*(₹ in Crores)*

| Particulars | Ref | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| Opening RAB | A | 151.48* | 142.15 | 161.95 | 220.21 | 316.27 | |
| (+) Additions (refer Table 96) | B | 0.42 | 29.65 | 71.00 | 113.30 | 686.38 | **900.74** |
| (-) Depreciation (refer Table 100) | C | 9.75 | 9.85 | 12.74 | 17.24 | 43.81 | **93.39** |
| Closing RAB | D=A+B-C | 142.15 | 161.95 | 220.21 | 316.27 | 958.84 | |
| **Average RAB** | **E=(A+D)/2** | **146.82** | **152.05** | **191.08** | **268.24** | **637.56** | **1,395.74** |

**Opening RAB for FY 2022-23 taken from closing RAB for FY 2021-22 as per Table 17*

5.5.6 The Authority noted that MADC would be eligible to claim GST Input Tax Credits on procurement of certain movable property and Airport Operator in its CAPEX estimates has considered estimated GST credits where possible. The Authority expected that MADC would properly account for such credits in its submissions in accordance with Chapter V of The Central Goods and Services Tax Act, 2017. At the time of true up of the RAB for the First Control Period, the Authority may examine the accounting of input tax credits and make necessary adjustments in this regard, at the time of determination of tariffs for the Second Control Period.

## 5.6 Stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024. The comments of the stakeholders are presented below.

5.6.1 MADC's comment on readjustment of the uncapitalized project cost from ARR is as follows:

*"The Authority has proposed to disincentivize the Airport Operator by reducing 1% of the project cost in case of delay in implementation of the project. Such a proposal puts Shirdi International Airport in double jeopardy because any delay in completion of project implies denial of return on such asset and depreciation and added to it will be this reduction in cost. It is abundantly clear that it is in the interest of Shirdi International Airport to complete the project as per schedule, however there could be delays due to various uncertainties. The Shirdi International Airport, at its best keep efforts to complete these projects on time, further to the submissions above, the Hon'ble TDSAT in the case of MIAL third control period tariff order has adjudged as follows:*

*"308.Moreover, in absence of any provision for penalty under OMDA or SSA or AERA Act, 2008, no, such penalty can be imposed. otherwise highly discriminatory position will prevail because today 1% of project cost penalty is imposed and subsequently it may be increased to 1.5%. If 1% penalty is allowed then 1.5% penalty would also have to be allowed then in forth coming years, as there are unguided powers, the penalty might be 3% also and, thereafter it can be 5% or more also. There will be no end to penalty in*

*absence of any provision under OMDA, SSA and AERA Act, 2008. It ought to be kept in mind that unguided and uncontrolled power always leads to discrimination. In case of one airport operator penalty imposed will be 1% and in case of another airport operator it can be 2% because there is no law, there is no contract, there is no provision and there are no guidelines. The balance has already been created under OMDA and SSA in the methodology of true up in next control period and as stated hereinabove, as per the said methodology, excess amount recovered shall be trued up with carrying cost in next control period. Therefore, in the aforesaid example, if Rs.83 Crores has been recovered, the true up amount in the next control period, if the project is not commenced or completed within the time bound schedule, would be at Rs.121 Crores which is in fact more than sufficient revenue clawed back from the airport operator and perhaps for this very reason no powers have been given to AERA for imposing penalty. Hence, we hereby quash and set aside the decision of AERA of carrying out 1% of readjustment to project cost and applicable carrying cost in the target revenue at the time of determination of tariff for next control period.*

*309. Here in the facts of the present case, AERA has failed to appreciate the prevailing pandemic situation of COVID-19 and its aftermath. Curfew type situation or lockdown type situation was prevailing. Labourers were not available and hence, there is bound to be delay in execution of the project work. Such a big factor ought to have been appreciated by AERA. The genuine difficulty of airport operator ought to have been appreciated.*

*310. Thus, Issue No. XVII is answered in negative i.e. the decision of AERA of carrying out 1% re-adjustment to Project Cost and applicable carrying cost in the Target Revenue at the time of determination of Tariff for 4th Control Period is incorrect, improper and not justified."*

*In view of the above submissions, it is requested to the Authority not to levy any penalty in case of delay in the project."*

5.6.2 FIA's comment on Capital expenditure is as follows:

*"FIA submits that the entire ecosystem needs to be operationally efficient, which can be implemented, amongst other things by capital expenditure efficiency studies, which AERA is requested to conduct.*

*We request that AERA apply the normative norms for capex projects as mentioned under AERA Order No. 7/2016-17 dated 13th June 2016 in order to maintain the overall cost control and efficiencies in capex projects.*

*Further in para 5.3.71, AERA has considered INR 1,35,429 per sqm for the terminal building. In this regard, it is submitted that in the recent orders for FY22, AERA has considered INR 1,00,000 or above per sqm, and with this increase there appears to be an incremental normative rate trend for capex projects. However, it does not appear to be backed by any study conducted by AERA for this control period or a justifiable rationale.*

*We request AERA to ensure that all aeronautical capex is efficient and without any unreasonable excesses, such that stakeholders, including passengers, do not pay for services/ facilities which are not being availed by the stakeholders or passengers*

*FIA submits that as observed by AERA, no AUCC was conducted by SAG prior to capitalising such fixed assets capex projects. However, we do appreciate that SAG has now conducted the AUCC meeting for the on-going projects. However, we do recommend that for future Control Periods, the AERA guidelines for AUCC may be adhered to and any fixed assets may be evaluated by all relevant stakeholders.*

*We note that AERA has conducted an in-depth analysis of the submissions made by the Airport operator by an independent consultant, which is appreciated.*

*However, it is requested that, in order to support the airlines to continue and sustain its operations, it is requested that all non-essential capital expenditure proposed by Airport operator be put on hold/ deferred, unless deemed critical from a safety or security compliance perspective. Further, in case Airport operator wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use by the airlines. And lastly, we appreciate AERA's consideration of deferring a few proposed Capex projects from the First Control Period to the Second Control Period.*

*We urge and request AERA to conduct an independent study on efficient and reasonableness of Capex at SAG."*

5.6.3 FIA's comment on readjustment of the uncapitalized project cost from ARR is as follows:

*"We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), is made by AERA for capital expenditure projects is/are not completed/ capitalised as per the approved capitalisation schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Second Control Period."*

5.6.4 FIA's comment on useful life of assets is as follows:

*"While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets', it is pertinent to note that useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as sixty (60) years and aprons have it for as long as ninety-nine (99) years. FIA submits that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA and accordingly AERA should prescribe sixty (60) years for the 'Building' including 'Terminal Building as' is practiced by some of the developed aviation ecosystem.*

*Hence, in view of that AERA should conduct an independent study on depreciation, as the current depreciation rationale does not provide clarity on the depreciation applied."*

## 5.7 MADC's responses to Stakeholders' comment regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

5.7.1 MADC's response to FIA's comment on applying normative norms for capex projects and conducting independent study is as follows:

*"FIA requested to apply the normative and pressed that the non-essential capital expenditure to be put on hold. In this regard, it is stated that the assessment of expansion/ modification plan of the Airport and is based on the efficient operation requirements of the Airport keeping the passenger safety, security and facilities. AERA Order No. 7/2016-17 dated June 13, 2016 does not limit the incurrence of capital expenditure at the normative limits. As per the order itself, such capital expenditure amount was merely tentative at the time of issue of that order made more than seven years ago. Further, all proposed capex are essential for efficient functioning of the Airport and passengers safety and security without any unreasonable and excessive costs.*

*Irrespective of this, the normative cost quoted by the FIA is INR 1,00,000 which is for the year FY 21-22 which in fact was mentioned in the consultation paper itself. The proposed capex for the NITB will be completed in the FY 2026-2027 thus the AERA has considered inflation adjusted normative costs.*

*Further, it is required to be noted that Shirdi Airport has floated tender for EPC contract for construction of New Integrated Terminal Building through government procurement portal and the price considered by the AERA in the order is the EPC contract amount of the L1 bidder selected for the construction this airport.*

*AUCC is conducted by the Shirdi Airport on July 15, 2024 and the requisite details were provided to the Stakeholders along with the details of the project investment file. Further, the minutes are circulated for all the Stakeholders involved."*

5.7.2 MADC's response to FIA's comment on readjustment of the uncapitalized project cost from ARR is as follows:

*"The Shirdi Airport has submitted detailed comment on this aspect vide letter no. MADC/Shirdi/439 dated July 16, 2024 in response to the consultation paper. We request to refer the same response for this item as well."*

5.7.3 MADC's response to FIA's comment on useful life of assets is as follows:

*"The AERA consultation paper has considered the useful life of assets based on the Order No. 35/2017-18 and we do not find any merits to differ from the useful lives mentioned therein."*

## 5.8 Authority's Analysis of Stakeholders' comment regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

5.8.1 The Authority has taken note of FIA and MADC's comments regarding the re-adjustment (reduction) of 1% of non-completed projects' costs in the ARR/Target Revenue and MADC's counter comments thereon.

The Authority has drawn inference from other airports, regarding a trend amongst airport operators, where capital projects are proposed in one Control Period and the same is postponed to the next Control Period. In this regard, the Authority is of the view that such a practice is not in the interest of airport users as they start paying tariffs in anticipation of enhanced airport facilities against the proposed capital expenditure, which is eventually postponed to next Control period by the AO. However, if the delay in completion of the project/ non-execution of project, vis-à-vis the capitalization schedule considered in the Tariff Order, is beyond the control of airport operator or its contracting agency and is properly justified, the same would be considered appropriately by the Authority at the time of determination of tariff for the next Control Period.

The Authority expects the airport operators to do the required planning and due diligence, while proposing the capex & capitalization schedule in their MYTPs, considering all the relevant factors, upon which tariffs are determined. Thus, the contention of AO to not readjust ARR if projects are not completed, is not justified.

Moreover, the Stakeholder like FIA have supported the AERA's views as follows:

*"We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), is made by AERA for capital expenditure projects is/are not completed/capitalised as per the approved capitalisation schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Second Control Period."*

In view of the above, the Authority decides to readjust (reduce) 1% of the uncapitalized project cost from ARR/target revenue during true-up exercise of the Second Control Period if any particular project is not capitalized as per the capex schedule approved in the tariff order. Airports in India are a Public utility. The Authority has to consider and balance the interests of all the stakeholders and not only that of the Airport Operator.

5.8.2 The Authority noted the comments of FIA with regards to normative cost of ₹ 1,00,000 for Terminal Building being applied in recent tariff orders, requirement of AUCC meetings and other comments relating to efficient and essential Capital Expenditure etc. and counter comments of AO there on.

It is also highlighted that AERA has considered normative cost of Rs. 1,00,000 per sqm for FY 2020-21 as a base cost and thereafter applied relevant indexation in some of the recent tariff orders.

a. In-depth analysis of Capex:

The Authority reiterates that it has examined in depth the CAPEX proposals submitted by MADC through Independent Consultant having Aviation Expert for the First Control Period, sought required clarifications on the essentiality and the reasonableness of the proposed CAPEX and has considered only such capital expenditure that are essential for safety/ security/ operational requirements.

b. AUCC Meetings

With regard to AUCC, the Authority, considers it to be a mandatory requirement for any major capital additions, as per Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines 2011 -05/2010-11 dated 28th Feb, 2011. It is noted that MADC has conducted AUCC meeting on 15th July 2024 and circulated the minutes of meeting and presentation to all stakeholders including AERA (Refer Annexure – 2).

c. Useful life adopted for assets:

The Authority has examined the comments of FIA on the useful life of the Terminal Building and the response of MADC. As per Order No. 35/2017-18 dated 12th January 2018, the Authority has given the option to airport operators to decide the useful life for terminal buildings as either 30 years or 60 years. The AO, based on its assessment, has submitted the useful life for terminal building as 30 years and same has been considered by the Authority, in line with the aforementioned Order No. 35/2017-18 dated 12.01.2018 The Authority does not find the need to conduct an independent study on depreciation as the rates followed by AO are in line with the aforementioned Order of the Authority.

5.8.3 Subsequent to CP stage, the Authority has reviewed the Fixed Asset Register (FAR) for FY 2023-24 submitted by MADC as detailed below:

**Table 102: Asset class wise capital additions as per FAR for FY 2023-24 submitted by MADC**

*(₹ in Crores)*

| Asset Class | Capitalization as per FAR |
|---|---|
| Building | 31.05 |
| Computers | 0.01 |
| Electrical Installations & Equipment | 0.70 |
| Furniture & Fixture | 0.40 |
| Plant & Machinery | 0.07 |
| Office Equipment | 0.16 |
| **Total** | **32.37** |

Upon analysis it was noted that the total additions as per FAR was ₹ 32.37 crores whereas the total additions proposed by the Authority at consultation stage was ₹ 29.68 crores. The major reason for difference being "Construction of Apron" which was capitalized in FAR at ₹ 30.13 Crores whereas at the consultation stage, it was considered at ₹ 29.01 crores as per request of MADC vide mail dated March '22. The other reason for difference being related to the temporary seating arrangements which was capitalized at Consultation stage at ₹ 0.67 Crores however, MADC has capitalized the same at ₹ 0.69 Crores in FAR in FY 2023-24.

The Authority made enquiries with MADC for the change in capitalization cost, the same was verified and found to be in order, hence it was decided to consider the cost as per FAR for the above 2 assets.

5.8.4 The Authority also noted that MADC has capitalized "Airfield Ground Lighting" amounting to ₹ 0.34 Crores which was not part of the assets considered by the Authority at consultation stage. Justification and cost breakup for the same was sought from MADC. Based on analysis of data submitted by MADC, the Authority decides to capitalize AGL at ₹ 0.34 Crores, considering it as operational necessity for runway operations.

5.8.5 Further, the Authority, through its Independent Consultant, analysed the remaining capex amounting to ₹ 1.20 crores, which were not part of the assets proposed for additions at consultation stage and notes that these comprises of items such as Main Entrance Canopy, Flood Light Tower, UPS batteries, night vision binoculars, FIDS and public announcement system etc. which are required for passenger convenience and safety and security purposes at the airport. Based on the above, the Authority decides to consider the actual capex of ₹ 32.37 crores as gross additions to Capex in FY 2023-24. The details of additions in FY 2023-24 are as follows:

5.8.6 Summary of key differences between the additions considered for FY 2023-24 at consultation stage and amounts being considered for the Tariff Order, based on the additions as per FAR is as below:

**Table 103: Summary of Key differences between additions at Consultation Stage and FAR for the FY 2023-24**

*(₹ in Crores)*

| Asset Name | Capitalization amount at CP Stage (A) | Capitalization as per FAR (B) | Difference (A-B) |
|---|---|---|---|
| Building - Pre-Fabricated Poly Structure – Seating Lounge | 0.67 | 0.69 | -0.02 |
| Building- Apron, Taxiway, Peripheral Road with Allied Works | 29.01 | 30.13 | -1.12 |
| Others | - | 1.55 | -1.55 |
| **Total** | **29.68** | **32.37** | **-2.69** |

5.8.7 Further, the Authority has applied asset allocation ratios, wherever appropriate, depending on the usage of the assets and decides to capitalize ₹ 32.27 crores as additions to RAB for FY 2023-24.

Review of User Consultation Minutes

5.8.8 The Authority notes that post its direction to MADC to conduct stakeholder consultation AUCC meeting, Shirdi International Airport has conducted AUCC meeting on 15th July 2024 and submitted the following for Authority's analysis:

- Minutes of the meeting
- Attendance
- Presentation made to stakeholders.

On analysis of the presentation made to stakeholders, the Authority notes that MADC had indicated the actual date of completion of proposed addition in Second Control period based on the progress as of 15th July 2024. The Authority's comparison of the capitalization schedule considered at Consultation Stage and the dates of completion of projects as per MADC, given in the AUCC presentation, is as given below.

- New Integrated Terminal Building:

The Authority further notes from the minutes of AUCC submitted by MADC (Refer Annexure 2) that Terminal Building is proposed to be completed by 31st March 2027 and that the work contract for NITB has not yet been awarded as on that date. As the expected completion date of NITB is at the end of the current control period, the Authority, based on the submission of MADC presentation during the AUCC meeting, decides to shift the capitalization of NITB to the next control period. Even if the AO capitalizes NITB on the last day of the control period as submitted in the AUCC meeting, it will take another 2 to 3 months for operational readiness, including obtaining necessary regulatory approvals for the commencement of operations from NITB. However, if the NITB was commissioned and put to use in the First Control Period, the same will be considered based on incurrence, at the time of true up, subject to evaluation of reasonableness and efficiency.

- Development/Redevelopment of Cityside Infrastructure:

The Authority notes that "Development/Redevelopment of Cityside Infrastructure and ancillary buildings at Airside & cityside of Shirdi Airport" was proposed to be capitalized on 1st October 24 at Consultation Stage. However, MADC in its AUCC presentation has indicated that capitalization would take place only on 31st December 24. The Authority, based on the submission of MADC presentation during AUCC Meeting, decides to change the capitalization date of the project to 31st December 24.

- Construction of Isolation Bay:

The Authority notes that "Construction of Isolation Bay" was proposed to be capitalized on 1st October 25 as per the Authority at Consultation Stage. However, MADC in its AUCC presentation has indicated that capitalization would take place only on 31st December 25. The Authority, based on the submission of MADC presentation during AUCC Meeting, decides to change the capitalization date of the project to 31st December 25.

- Seating lounge for additional capacity:

The Authority notes that "Seating lounge for additional capacity" amounting to ₹ 7.79 crores was proposed to be capitalized on 1st July 24 as per the Authority at Consultation Stage. However, MADC in its AUCC presentation has indicated that capitalization would be taking place only on 31st December 24. The Authority, based on the submission of MADC presentation during AUCC Meeting decides to change the capitalization date of the project to 31st December 24.

5.8.9 The Authority has also updated the inflation rates as published by Reserve Bank of India (RBI) in the "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 89th released on 8th August 2024 (refer para 8.5.1), based on which it has compared the cost per sq. m. of the following projects and observed the same to be under normative cost. The workings are given below.

**Table 104: Inflation adjusted normative rate decided by the Authority for Apron/Runway/Taxiway**

| Financial Year | WPI Index | Inflation % * | Inflation adjusted Cost | Inflation adjusted normative cost @18% GST # |
|---|---|---|---|---|
| FY16 | 109.7 | - | 4,700** | 4,952 |
| FY17 | 111.6 | - | 4,781 | 5,038 |
| FY18 | 114.9 | - | 4,923 | 5,187 |
| FY19 | 119.8 | - | 5,133 | 5,408 |
| FY20 | 121.8 | - | 5,218 | 5,498 |
| FY21 | 123.4 | - | 5,287 | 5,570 |
| FY22 | - | 7.14% | 5,664 | 5,968 |
| FY23 | - | 9.42% | 6,198 | 6,530 |
| FY24 | - | -0.70% | 6,155 | 6,484 |
| FY25 | - | 3.00% | 6,339 | 6,679 |
| FY26 | - | 3.20% | 6,542 | 6,893 |
| FY27 | - | 3.20% | 6,752 | 7,113 |

**Inflation rates considered as per Chapter 8 of this Consultation Paper*
***Inflation adjusted base amount (inclusive of 12% GST) (A) = ₹ 4,700 per sq.m.*
*Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112) = ₹ 4,196 per sq.m.*
*Add GST @ 18% c) (C=B*18%) = ₹ 755 per sq.m.*
*Normative cost including GST (D = B+C) = ₹ 4,952 per sq.m.*

5.8.10 Based on the above changes, the updated cost of the Construction of Apron and Extension of existing runway and RESA is as follows:

**Table 105: Cost decided to be considered by the Authority for the project "Construction of Apron" in the First Control Period**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Actual Cost Capitalized (as per FAR) for Apron submitted by MADC | A | ₹ in Crores | 30.13 |
| Area developed (Based on the details in tender floated) | B | Sq.m. | 65,573 |
| Cost per Sq.m. | C = (A*10^7)/B | ₹ | 4,595 |
| Year of Capitalization | - | - | FY24 |
| Normative Cost per Sq.m. for FY24 (refer Table 104) | D | ₹ | 6,484 |
| Total Cost proposed to be considered by the Authority | E = ((Lower of C and D)*B)/10^7 | ₹ in Crores | 30.13 |
| Classification of Project | - | - | Aeronautical |
| Aeronautical portion | F | % | 100% |
| **Aeronautical portion of cost proposed to be considered by the Authority** | **G = E*F** | **₹ in Crores** | **30.13** |

**Table 106: Cost decided to be considered by the Authority for the project "Extension of existing runway and RESA" in the First Control Period**

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Actual Cost for extension of existing runway and RESA submitted by MADC | A | ₹ in Crores | 35.09 |
| Runway Extended Area | B | Sq.m. | 31,500 |
| Area of RESA | C | Sq.m. | 36,000 |
| Area of Blast Pad | D | Sq.m. | 2,700 |
| Isolation Bay and taxiway | E | Sq.m. | 15,206 |
| Area extended into runway and RESA | F = B+C+D+E | Sq.m. | 85,406 |

| Particulars | Ref. | Unit | Amount |
|---|---|---|---|
| Cost per Sq.m. | G = (A*10^7)/F | ₹ | 4,109 |
| Year of Capitalization | - | - | FY26 |
| Normative Cost per Sq.m. for FY26 (refer Table 104) | H | ₹ | 6,893 |
| Total Cost proposed to be considered by Authority | I = ((Lower of G and H)*F)/10^7 | ₹ in Crores | 35.09 |
| Classification of Project | - | - | Aeronautical |
| Aeronautical portion | J | % | 100% |
| **Aeronautical portion of cost proposed by the Authority** | **K = I*J** | **₹ in Crores** | **35.09** |

5.8.11 Based on the changes in projected date of capitalization, capitalization amount etc. as detailed above, including the updated capital expenditure as submitted by MADC, the capitalization decided by the Authority for First Control Period is as tabulated follows:

**Table 107: Comparison of Capital Expenditure submitted by MADC and decided by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | MADC's revised submission* | | Authority's proposal | | |
|---|---|---|---|---|---|
| | Total Capex | Year of capitalization | Total Capex | Aeronautical portion | Year of capitalization |
| **WIP CAPEX** | | | | | |
| Capex Incurred for FY23 | - | - | 0.51 | 0.42 | FY23 |
| Capex Incurred for FY24 | - | - | 1.55 | 1.48 | FY24 |
| Development /Redevelopment of cityside infrastructure and ancillary buildings at Airside and cityside of Shirdi International Airport | 66.00 | FY24 | 63.21 | 63.21 | FY25 |
| Construction of Apron | 35.90 | FY24 | 30.13 | 30.13 | FY24 |
| Extension of existing runway and RESA | 44.00 | FY24 | 35.09 | 35.09 | FY26 |
| Construction of Isolation Bay and associated works on airside | 9.50 | FY24 | 9.50 | 9.50 | FY26 |
| Seating Lounge | 8.87 | FY24 | 8.88 | 8.44 | FY24/ FY25 |
| **Total WIP Capex - A** | **164.27** | | **148.88** | **148.28** | |
| **Planned CAPEX** | | | | | |
| Construction of Water Pond | 18.02 | FY25 | 18.02 | 17.12 | FY26 |
| Air cargo facility and hangars | 51.59 | FY25 | 51.59 | 51.59 | FY26 |
| Recarpeting the runway | 61.68 | FY24 | Considered as part of O&M Expenses | | |
| New Integrated Terminal Building | 722.50 | FY26 | - | - | - |
| **Total Planned Capex - B** | **853.79** | | **69.61** | **68.71** | |
| **TOTAL (A+B)** | **1,018.06** | | **218.49** | **216.99** | |

**The Authority has compared the revised capex submission by MADC for the purpose of its analysis as per Table 75.*

5.8.12 The reason for variance between the amount submitted by MADC of ₹ 1,018.06 Crores and the amount decided to be capitalized by the Authority for the First Control Period is mainly on account of:

- Capitalization of New Integrated Terminal Building shifted to next Control Period on the basis of estimated project completion in March 2027 as per the minutes of the AUCC Meeting amounting to ₹ 722.50 crores.

- Actual Cost of capitalization considered by the Authority for Construction of Apron and Seating Lounge in FY 24 on the basis of Fixed Asset Register provided by MADC.
- Consideration of assets capitalized in FAR in FY 2023-24 by MADC amounting to ₹ 1.48 crores.
- Consideration of Runway recarpeting expenditure as part of Operating Expenditure amounting to ₹ 61.68 crores

5.8.13 Consequent to the changes made to the amounts/ dates of capitalization, the depreciation re-computed for the First Control Period is as follows:

**Table 108: Depreciation as decided by the Authority for the First Control Period**

*(Rs. in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Cargo Building | - | - | - | 0.77 | 1.55 | 2.32 |
| Computer - End User Devices | 0.02 | 0.02 | 0.10 | 0.41 | 0.41 | 0.96 |
| Computer - Software | 0.00 | 0.00 | 0.01 | 0.03 | 0.03 | 0.08 |
| Computers - Server and Network | 0.00 | 0.00 | 0.00 | 0.01 | 0.01 | 0.03 |
| Electrical Installation | 2.90 | 2.96 | 3.32 | 4.62 | 4.88 | 18.69 |
| Furniture and Fixture - trolley | 0.00 | 0.00 | 0.00 | 0.01 | 0.01 | 0.03 |
| Furniture and Fixture without trolley | 0.19 | 0.23 | 0.56 | 0.70 | 0.62 | 2.29 |
| Office Equipment | 0.48 | 0.08 | 0.20 | 0.59 | 0.58 | 1.92 |
| Building | 3.85 | 3.87 | 4.33 | 5.74 | 6.40 | 24.19 |
| Plant & Machinery | 2.11 | 2.11 | 2.11 | 2.11 | 2.11 | 10.56 |
| Runway, Taxiway, Apron | - | 1.04 | 1.00 | 2.17 | 2.17 | 6.39 |
| Security Equipment | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.80 |
| Vehicle | 0.03 | 0.03 | 0.02 | 0.01 | 0.00 | 0.08 |
| **Total** | **9.75** | **10.50** | **11.83** | **17.33** | **18.94** | **68.34** |

5.8.14 Following are the key reasons based on the adjustments, revisions and rationalization carried out by the Authority:

a) Consideration of actual capitalization of assets for FY 2023-24 as per Fixed Assets Register (FAR)
b) Due to shifting of New Integrated Terminal Building (NITB) to next control period (Refer para 5.8.8).

5.8.15 Based on the changes to the capital expenditure and depreciation discussed above, the revised RAB for the First Control Period as decided by the Authority is given below:

**Table 109: RAB as decided by the Authority for the First Control Period**

*(Rs. in crores)*

| Particulars | Ref | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| Opening RAB | A | 151.48 | 142.15 | 163.92 | 223.09 | 319.06 | |
| (+) Additions (refer Table 107) | B | 0.42 | 32.27 | 71.00 | 113.30 | - | **216.99** |
| (-) Depreciation (refer Table 108) | C | 9.75 | 10.50 | 11.83 | 17.33 | 18.93 | **68.34** |
| Closing RAB | D=A+B-C | 142.15 | 163.92 | 223.09 | 319.06 | 300.13 | |
| **Average RAB** | **E=(A+D)/2** | **146.82** | **153.04** | **193.51** | **271.08** | **309.60** | |

## 5.9 Authority's decisions regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Capital Expenditure, Depreciation and Regulatory Asset Base for the First Control Period for Shirdi International Airport:

5.9.1 To consider the aeronautical capital expenditure for the First Control Period as per Table 107 for Shirdi International Airport.

5.9.2 To consider depreciation and average RAB for the First Control Period as per Table 108 and Table 109 for Shirdi International Airport.

5.9.3 To True up the Capital Expenditure, RAB and Depreciation at the time of determination of Aeronautical Tariff in the next control period, based on evaluation of reasonableness and efficiency.

5.9.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. The same will be examined during the true up of the First Control Period, at the time of determination of tariff for the next control period.

# 6 RETURN ON LAND FOR THE FIRST CONTROL PERIOD

## 6.1 MADC's submission regarding Return on Land for the First Control Period

6.1.1 MADC had claimed the following Return on Land for the first control period:

**Table 110: MADC's submission on Return on Land for Shirdi International Airport for the First Control Period**

*(₹ in Crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Return on Land – Aero* | 6.13 | 6.13 | 6.13 | 6.13 | 6.13 | **30.65** |

**Refer Table 19 for the basis of computation adopted by MADC.*

## 6.2 Authority's examination regarding Return on Land for the First Control Period at Consultation Stage

6.2.1 The Authority noted that MADC had acquired land of 350.85 Hectares (866.97 Acres), for the development of Shirdi International Airport for ₹ 68.41 crores (₹ 64.80 crores in FY 2017-18 and ₹ 3.61 crores in FY 2021-22).

6.2.2 Para 4.1.2 of the land return order No. 42/2018-19 dated 5th March 2019, states that *"The return will be given only on the cost of land used for aeronautical activities"*. However, the Authority notes that return on land is being claimed by MADC for the full area of airport i.e. 350.85 Hectares for the First Control Period even though some areas of the land are not utilized (after considering the developments proposed in the First Control Period).

6.2.3 The Authority, through its independent consultants during their site visit to the Shirdi International Airport noted that there are some areas of the airport premises that are yet to be put to use/ planned for construction in the First Control Period.

6.2.4 The Authority requested details of the area of land used by the Airport Operator, however, only partial details were received. The Authority through its independent consultant, had re-computed the area of land in use and those that will be used for proposed capex during the First Control Period– from the master plan of the airport shared by MADC.

**Table 111: Usage of Land at Shirdi International Airport during the First Control Period**

| Particulars | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | Proposed Capex Additions |
|---|---|---|---|---|---|---|---|
| Total land area - A | 35,08,500 | 35,08,500 | 35,08,500 | 35,08,500 | 35,08,500 | 35,08,500 | |
| **Total of undeveloped area** | | | | | | | |
| Plot 1 (as indicated in Master Plan shared) | 10,925.00 | 10,925.00 | 10,925.00 | 10,925.00 | 10,925.00 | 10,925.00 | |
| Plot 2 (as indicated in Master Plan shared) | 12,375.00 | 12,375.00 | 12,375.00 | 12,375.00 | 12,375.00 | 12,375.00 | |
| Plot 3 (as indicated in Master Plan shared) | 7,935.00 | 7,935.00 | 7,935.00 | 7,935.00 | 7,935.00 | 7,935.00 | |
| Plot 4 (as indicated in Master Plan shared) | 7,740.00 | 7,740.00 | 7,740.00 | 7,740.00 | 7,740.00 | 7,740.00 | |

| Particulars | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | Proposed Capex Additions |
|---|---|---|---|---|---|---|---|
| Plot 5 (as indicated in Master Plan shared) | 7,509.00 | 7,509.00 | 7,509.00 | 7,509.00 | 7,509.00 | 7,509.00 | |
| Plot 6 (as indicated in Master Plan shared) | 7,830.00 | 7,830.00 | 7,830.00 | 7,830.00 | 7,830.00 | 7,830.00 | |
| Proposed Sewage Treatment Plant | 3,967.50 | 3,967.50 | 3,967.50 | 3,967.50 | - | - | Construction of water pond |
| Taxi Parking Future Expansion Phase II | 5,462.50 | 5,462.50 | 5,462.50 | 5,462.50 | 5,462.50 | 5,462.50 | |
| New Terminal Building (-) Existing Terminal Building | 19,750.00 | 19,750.00 | 19,750.00 | 19,750.00 | 19,750.00 | - | NITB |
| Terminal Building Expansion Phase III | 10,229.31 | 10,229.31 | 10,229.31 | 10,229.31 | 10,229.31 | 10,229.31 | |
| Extended Runway, RESA and Blastpad | 70,200.00 | 70,200.00 | 70,200.00 | - | - | - | Extension of Existing runway and RESA |
| Extended Apron | 58,394.00 | 58,394.00 | - | - | - | - | Construction of Apron |
| Apron Expansion Phase II | 14,580.00 | 14,580.00 | 14,580.00 | 14,580.00 | 14,580.00 | 14,580.00 | |
| Apron Expansion Phase III | 30,450.80 | 30,450.80 | 30,450.80 | 30,450.80 | 30,450.80 | 30,450.80 | |
| Proposed Cargo Terminal | 33,089.76 | 33,089.76 | 33,089.76 | 33,089.76 | - | - | Air Cargo Facility |
| Isolation Bay - Work in Progress | 1,79,138.07 | 1,79,138.07 | 1,79,138.07 | 1,79,138.07 | - | - | Construction of Isolation Bay and associated works on airside |
| Armoury Block, Admin Block, Utility Block, Hangar, etc., | 25,840.00 | 25,840.00 | 25,840.00 | - | - | - | Development /Redevelopment of cityside infrastructure and ancillary buildings at Airside and cityside of Shirdi International Airport |
| **Total of undeveloped area - B** | **5,05,415.94** | **5,05,415.94** | **4,47,021.94** | **3,50,981.94** | **1,34,786.61** | **1,15,036.61** | |
| % of undeveloped land area C=B/A | 14% | 14% | 13% | 10% | 4% | 3% | |
| % of developed land area D=100%-C | 86% | 86% | 87% | 90% | 96% | 97% | |

6.2.5 Based on the area of land utilized at the end of each FY of the First Control Period as per Table, the return on land was presented in Table 112.

6.2.6 Order No.42/2018-19 dated 5th March, 2019 on "Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India", mentions in para 4.1.4 that, "*in case land is purchased by the airport operating company either from private parties or from government, the compensation shall be in the form of equated annual instalments computed at actual cost of debt or SBI base rate + 2% whichever is lower over a period of thirty years.*"

6.2.7 During the First Control Period, the Authority noted that MADC had obtained an interest free loan from PM Gati Shakti for the construction of Cargo Terminal. The Authority noted that the interest free loan is the only debt obtained by MADC and there is no interest on the same. The Authority also proposed to use 95%:5% as Aeronautical: Non-Aeronautical ratio for the purpose of determination of the Aeronautical land area in use by MADC for Shirdi International Airport.

6.2.8 Return on land as computed by the Authority for the First Control Period is given in the following table:

**Table 112: Return on land proposed by the Authority for the First Control Period at Consultation Stage**

| Particulars | Ref. | Unit | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|---|
| Cost of Land to be considered | A | ₹ in crores | 68.41 | 68.41 | 68.41 | 68.41 | 68.41 | |
| SBI Rate | B | % | 6.65% | 6.65% | 6.65% | 6.65% | 6.65% | |
| Rate considered for Equated Annual Instalment | C = B+2% | % | 8.65% | 8.65% | 8.65% | 8.65% | 8.65% | |
| Area of land under use (refer Table 111) | D | % | 86.00% | 87.00% | 90.00% | 96.00% | 97.00% | |
| Aeronautical portion of total land area | E | | 95.00% | 95.00% | 95.00% | 95.00% | 95.00% | |
| **Equated Annual instalments (for 30 years)** | **F*** | **₹ in crores** | **5.27** | **5.33** | **5.52** | **5.89** | **5.95** | **27.96** |

*#(A*C*((1+C)^30))/(((1+C)^30)-1)*D*E*

## 6.3 Stakeholders' comments regarding Return on Land for the First Control Period

6.3.1 No comments were received from the Stakeholders regarding Return on Land for the First Control Period.

## 6.4 Authority's Analysis of Stakeholder comments regarding Return on Land for the First Control Period

6.4.1 The Authority notes that there are no Stakeholders' comments regarding Return on Land for the First Control Period.

6.4.2 In line with the Authority's decision to shift the capitalization of NITB to the Second Control Period as discussed in para 5.8.8, the Authority has re-computed the return on land with the area allocated for NITB being considered as unutilized for FY 2026-27. Accordingly, the revised computation of land utilization is as given below.

**Table 113: Revised Computation of utilized portion of land at Order Stage after inclusion of NITB area as unutilized**

| Particulars | Ref | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|---|
| **Total of undeveloped area – at CP stage (A)** | Table 111 | **5,05,415.94** | **5,05,415.94** | **4,47,021.94** | **3,50,981.94** | **1,34,786.61** | **1,15,036.61** |
| % of undeveloped land area at CP Stage | Table 111 | 14% | 14% | 13% | 10% | 4% | 3% |
| New Terminal Building (-) Existing Terminal Building not included in CP stage now added to unutilized portion (B) | | | | | | | 19,750.00 |
| **Revised Total of undeveloped area – (C=A+B)** | | **5,05,415.94** | **5,05,415.94** | **4,47,021.94** | **3,50,981.94** | **1,34,786.61** | **1,34,786.61** |
| Total land area – (D) | Table 111 | 35,08,500 | 35,08,500 | 35,08,500 | 35,08,500 | 35,08,500 | 35,08,500 |
| Revised % of undeveloped land area (E=C/D) | | 14% | 14% | 13% | 10% | 4% | 4% |
| **Revised % of developed land area (F=100-E)** | | **86%** | **86%** | **87%** | **90%** | **96%** | **96%** |

6.4.3 Based on the revised utilized portion, the return on land has been recomputed by the Authority as follows:

**Table 114: Revised Computation of return on land for the First Control Period**

| Particulars | Ref. | Unit | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|---|
| Cost of Land to be considered | A | ₹ in crores | 68.41 | 68.41 | 68.41 | 68.41 | 68.41 | |
| SBI Rate | B | % | 6.65% | 6.65% | 6.65% | 6.65% | 6.65% | |
| Rate considered for Equated Annual Instalment | C = B+2% | % | 8.65% | 8.65% | 8.65% | 8.65% | 8.65% | |
| Area of land under use (refer Table 113) | D | % | 86.00% | 87.00% | 90.00% | 96.00% | 96.00% | |
| Aeronautical portion of total land area | E | | 95.00% | 95.00% | 95.00% | 95.00% | 95.00% | |
| **Equated Annual instalments (for 30 years)** | **F*** | **₹ in crores** | **5.27** | **5.33** | **5.52** | **5.89** | **5.89** | **27.90** |

6.4.4 As can be seen above, the Return on Land decided by the Authority for the First Control Period is ₹ 27.90 crores as compared to ₹ 27.96 crores proposed by the Authority at the Consultation Stage, due to the shifting of the New Integrated Terminal Building (NITB) to the next control period.

## 6.5 Authority's decisions regarding Return on Land for the First Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Return on Land for the First Control Period for Shirdi International Airport:

6.5.1 To consider Return on Land for the First Control Period for Shirdi International Airport as per Table 114.

# 7 FAIR RATE OF RETURN (FRoR) FOR THE FIRST CONTROL PERIOD

## 7.1 MADC's submission regarding Fair Rate of Return (FRoR) for the First Control Period

7.1.1 MADC has submitted that the cost of equity (COE) is estimated based on the COE values approved for AAI in their respective proposals as the structure is similar and is based on report by M/s SBI Capital Markets Ltd (SBI CAPS) on the fair return on equity for the Indian airport sector.

**Table 115: Fair Rate of Return submitted by MADC for the First Control Period**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| Debt | - | 55.00 | 55.00 | 55.00 | 55.00 |
| Reserve and Surplus | (120.73) | (146.22) | (175.57) | (227.63) | (274.09) |
| Equity | 69.05 | 171.16 | 214.61 | 753.16 | 706.71 |
| Total Equity | (51.67) | 24.94 | 39.04 | 525.53 | 432.62 |
| Debt + Equity | (51.67) | 79.94 | 94.04 | 580.53 | 487.62 |
| Cost of debt | - | - | - | - | - |
| Cost of equity | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |
| Individual year gearing | - | 0.69 | 0.58 | 0.09 | 0.11 |
| Weighted average gearing | 0.30 | - | - | - | - |
| Weighted average cost of debt | - | - | - | - | - |
| Cost of equity | 14.00% | - | - | - | - |
| **Fair Rate of Return** | **9.85%** | **9.85%** | **9.85%** | **9.85%** | **9.85%** |

7.1.2 In FY 2023-24, MADC got approval under PM Gati Shakti Scheme for financial assistance to the extent of ₹ 55 crores as an interest-free loan for a period of 50 years. These funds were received by MADC on 3rd May 2023.

7.1.3 MADC, after considering the cost of debt at 0%, and actual gearing, had arrived at a fair rate of return to be 9.85% for the First Control Period.

7.1.4 Subsequently, MADC had revised its submission for FRoR for the First Control Period to 12.94%. This was done in the presentation made to officials of AERA on their visit to Shirdi International Airport on 16th February 2024. MADC had submitted that "*In attached presentation, FRoR has been changed as there was an error in the model submitted to you earlier*" in the email with the revised FRoR.

## 7.2 Authority's examination regarding Fair Rate of Return (FRoR) for the First Control Period at Consultation Stage

7.2.1 The Authority noted that MADC claimed FRoR of 9.85% in their initial submission and MYTP. The Authority also noted the formula and methodology errors in computation of FRoR.

7.2.2 AERA Guidelines prescribe determination of Fair Rate of Return comprising of Cost of Equity and Cost of Debt, based on Capital Asset Pricing model as given below:

*5.1.3 Cost of Equity*

*The Authority shall estimate cost of equity, for a Control period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit.*

7.2.3 The Authority noted the following with respect to evaluation of FRoR for Shirdi International Airport:

i. Shirdi International Airport was a Non-Major Airport up to October 2021 and has been notified as a Major Airport by MoCA through notification in Gazette No. S.O. 4596 (E).

ii. The traffic volume at Shirdi International Airport is much lower as compared to other Major Airports. Traffic for the recent year - FY 2023-24 - is only 7.24 lakh passengers and during the First control period, the traffic is expected to reach a maximum of only upto 1.79 Mn. Passengers by the end of the control period 2026-27, still significantly below the threshold of 3.50 Mn passengers which is the minimum passenger volume for considering an Airport as a Major Airport (based on actual annual passenger throughput). It is important for the Airports having very low traffic base to ensure that the operations at the airport are viable by considering charges which are reasonable and optimum so as to attract more traffic.

iii. Financing of Shirdi International Airport is largely through the funding / Grants issued by the Government of Maharashtra, which is considered as Shareholder funds. In order to ensure balanced approach in funding of Airport Projects, the Authority always encourages optimum leverage of debt being considered by Airports. The Authority has, in various earlier tariff determinations, underscored the importance of having efficient funding plan for Airport Capital Expenditure requirements, which will also help in optimizing the Aeronautical charges. Funding the entire project through funds from Shareholders does not result in optimization of funding sources and in turn, leading to additional charges being levied on the users of the Airport, as the resultant Aggregate Revenue Requirement computed in this scenario is higher.

7.2.4 The Authority, in the recent Tariff Orders for similar AAI Airports, had generally considered FRoR @ 14% (Cost of Equity @14% and actual Cost of Debt/ Gearing Ratio, wherever applicable). Shirdi Airport, like AAI Airports, is also owned & operated by the Govt. Undertaking (MADC). However, considering the factors as explained above, particularly the low traffic base, the Authority proposed to consider 9% as a Fair Rate of Return for the First Control Period. The Authority invited specific comments from the stakeholders in this regard, on evaluation of which, a final decision was proposed to be taken by the Authority.

## 7.3 Stakeholders' comments regarding Fair Rate of Return (FRoR) for the First Control Period

7.3.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024.

7.3.2 MADC's comment on FRoR is as follows:

*"The FRoR for the Airports are determined by the Authority using Cost of Equity, Cost of Debt and Debt Equity Ratio. Terms and Conditions for Determination of Tariff for Airport Operators Guidelines, 2011 clearly details the mechanism for the determination of the FRoR vide para 5.1.*

*The cost of equity is determined using the CAPM model (Para 5.1.3). As mentioned by the Authority, it has already determined the Cost of Equity @ 14% for Airports Authority of India which is owned by Government of India. MADC is owned by the State Government of Maharashtra, where the equity pattern is similar to that of AAI.*

*Thus, it is requested to the Authority to consider the Cost of Equity Using the CAPM model or at least cost of equity @14% similar to AAI Airports."*

7.3.3 FIA's comment on FRoR is as follows:

*"FIA submits that only reasonable Fair Rate of Return (FRoR) to airport operators should be provided.*

*It is observed that AERA has considered FRoR of 9%, which is based on cost of equity and cost of debt to the airport operator, for the First Control Period.*

*However, while such fixed/ assured return favours the service provider/airport operators, this also creates an imbalance against the airlines, which are already suffering from huge losses and are bearing the adverse financial impact through higher tariffs.*

*Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.*

*Without prejudice to the above, we request AERA to consider:*

1) *In the present scenario any assured return on investment to any service providers like SAG, in excess of five (5) % (including those on past orders) will be onerous for the airlines, i.e., being at par with reasonable returns on other investments after tax based on the current economic situation of worldwide runaway inflation coupled with rising and historic interest rates offered by banks.*
2) *consider the fact that airport industry in India has been established, hence the risk is lower as this is a cost-plus margin business; and*
3) *to review the financial closure details, debt to equity ratio based on actual weighted average rather than a notional percentage.*

*And, in case AERA is unable to accept our recommendation mentioned above, AERA is requested to conduct an independent study for determination of FRoR to be provided to the Airport operator. Such independent study can be exercised by the powers conferred under the AERA Act and in line with studies being conducted by AERA in case of certain major airport operators."*

7.3.4 DIAL's comment on FRoR is as follows:

*"AERA proposed FRoR of Shirdi Airport as 9% on notional basis because of low traffic base. This approach of AERA is contrary to the Tariff computation guidelines which suggest that the Authority shall determine a weighted average gearing in a Control Period for the purpose of determination of FRoR. The determination of such weighted average gearing shall have reference to actual and projected quantum of debt submitted by the Airport Operator. Further, as per the AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 under section 5.1.3, it is advisable to compute the Cost of Equity (COE) for Airport Operator basis CAPM model."*

## 7.4 MADC responses to Stakeholders' comment regarding Fair Rate of Return (FRoR) for the First Control Period

7.4.1 MADC's response to FIA's comment regarding FRoR is as follows:

*"The Shirdi Airport has submitted detailed comment on this aspect vide letter no. MADC/Shirdi/439 dated July 16, 2024 in response to the consultation paper. We request the Authority to consider our submission with respect to this matter."*

7.4.2 MADC's response to DIAL's comment regarding FRoR is as follows:

*"MADC has received comments from Ahmedabad International Airport Ltd and Delhi International Airport Ltd with which we completely concur."*

## 7.5 Authority's Analysis of Stakeholders' comment regarding Fair Rate of Return (FRoR) for the First Control Period

7.5.1 The Authority has reviewed the submissions made by MADC, FIA and DIAL and the counter comments of the AO. The Authority's proposal regarding FRoR detailed in the Consultation Paper, was made considering the unique & specific circumstances of Shirdi International Airport such as, very low passenger base, significant government funding for construction of Shirdi International Airport etc. (refer Para 3.7.2 to 3.7.6)

7.5.2 Through the Shridi Airport has been notified as Major Airport by MoCA (on 01.11.2021) , the airport has profile and characteristics of typical non- major airport having lower traffic base, Capex funded primarily by Government / Government entity. It is pertinent to mentioned that incase of non-major airport, no Return on RAB is provided to the Airport Operators.

7.5.3 In the above context, considering that Shirdi Airport has been notified as Major Airport by MoCA, AERA at Consultation Stage, taking note of above factors and viability of airport operations at reasonable rates to users, proposed FRoR @9%.

7.5.4 The Authority notes MADC's request to consider the FRoR similar to other AAI airports. In this regard, the Authority has, in the tariff order of other airports, underlined the importance of efficient financing of the Airports. The Authority notes that, with negligible debt and projects being financed majorly through govt. funding (Govt. of Maharashtra), Shirdi International Airport's capital structure is not regarded as efficient and same requires optimization from a regulatory perspective, so as to provide airport services to Users in a cost-effective manner.

7.5.5 Hence, the Authority advises MADC to re-evaluate and optimize its capital structure, by increasing the proportion of debt in debt-equity mix to reduce cost of capital in the overall interest of stakeholders. The Authority is also cognizant of AERA Guidelines (clause 5.1.7), which provides that ***"The Authority would also consider other factors while assessing fair rate of return in cases where there is a low level of gearing with an underlying objective of protecting the reasonable interests of Users".***

7.5.6 In view of the above factors and circumstances, the Authority taking note of inefficient funding structure in Shirdi Airport, decides to consider a normative gearing ratio of 48:52 (Debt: Equity), as considered for other airports and to take into consideration the practice followed for AAI Airports, where the Cost of Equity is considered at 14%. Since Shirdi International Airport does not have any interest-bearing debt, the Authority decides to consider the 3-year MCLR at the beginning of the First Control period i.e. @ 7.40% as notional cost of debt for the 1st Control Period for the computation of the FRoR.

Based on the above, the Authority decides to consider the FRoR for Shirdi International Airport, based on the above assumptions, at 10.78% for the period from 01.11.2021 to 31.03.2022 and 10.83% for the First Control period.

**Table 116: Fair Rate of Return decided by the Authority for the First Control Period**

| Particulars | Ref | Values |
|---|---|---|
| Cost of Debt | A | 7.40% |
| Cost of Equity | B | 14.00% |
| Weighted average gearing of debt | C | 48% |
| Weighted average gearing cost of equity | D | 52% |
| **Fair Rate of Return** | **E=A*C+(1-C)*B** | **10.83%** |

## 7.6 Authority's decisions regarding Fair Rate of Return (FRoR) for the First Control Period

Based on the materials before it and its analysis, the Authority decides the following with regards to FRoR for the First Control Period for Shirdi International Airport:

7.6.1 To consider the Cost of Equity at 14.00% for the First Control Period.

7.6.2 To consider notional cost of debt of 7.40% for the First Control Period.

7.6.3 To consider the notional debt to equity (gearing) ratio of 48:52 in line with target gearing ratio being considered in case of other airports.

7.6.4 To consider Fair Rate of Return (FRoR) of 10.83% for Shirdi International Airport for the First Control Period based on Cost of Equity, Cost of Debt and gearing ratio as per Table 116.

# 8 INFLATION FOR THE FIRST CONTROL PERIOD

## 8.1 MADC's submission regarding Inflation for the First Control Period

8.1.1 MADC had submitted inflation rate of 5% for all the operating and maintenance expenses including employee expenses, utility expenses, Airport operating expenses, administrative and general expenses, repair and maintenance and other operating expenses and non-aeronautical revenues for the First Control Period.

8.1.2 MADC considered WPI of 5% as per the RBI survey of professional forecasters on macroeconomic indicators – Result of the 79th round released on 7th December 2022 for the First Control Period as summarized in the table below:

**Table 117: Inflation rates submitted by MADC for the First control period**

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| WPI Inflation | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |

## 8.2 Authority's examination regarding Inflation for the First Control Period at Consultation Stage

8.2.1 The Authority had examined the submission made by MADC on inflation to be considered during the First Control Period and noted that MADC has considered 5% for the First Control Period. However, the Authority proposed to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators - Round 87th" released on 5th April 2024 published by the Reserve Bank of India (RBI).

8.2.2 Accordingly, the Authority considered the actual Wholesale Price Index (All commodities) inflation for FY 2022-23 and the mean of WPI inflation forecast (All commodities) for FY 2023-24 till FY 2025-26 as given in the 87th round of Professional Forecasters on Macroeconomic Indicators of RBI for the First Control Period assuming that the inflation rate would be stable and remain constant for FY 2026-27. Based on the above, the following table shows the inflation rates proposed by the Authority for the First control period.

**Table 118: Inflation rates proposed by the Authority for the First control period at Consultation Stage**

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| WPI Inflation | 9.42% | (0.70%) | 3.10% | 3.70% | 3.70% |

## 8.3 Stakeholders' comments regarding Inflation for the First Control Period

8.3.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024.

8.3.2 FIA's comment on WPI inflation rate is as follows:

*"FIA submits that as per a report published by the Ministry of Finance dated 8th December 2023, the WPI inflation rate is 5%. However, we have noted that the proposed inflation rate by AERA is 3.7 %. This proposed rate aligns closely with the current economic conditions and reflects a prudent approach towards the tariff adjustments."*

## 8.4 MADC responses to Stakeholders' comment regarding Inflation for the First Control Period

8.4.1 MADC submitted that FIA's information is informative, hence no comments.

## 8.5 Authority's Analysis of Stakeholders' comment regarding Inflation for the First Control Period

8.5.1 The Authority has reviewed the comments of FIA and MADC response on Inflation and is of view that the practice of considering mean of WPI inflation forecasts (All commodities) as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators" is uniformly followed by AERA across all airports. Accordingly, the Authority will consider the rates as published by Reserve Bank of India (RBI) in the "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 89th" released on 8th August 2024 in this Order. The authority considers that the inflation rate would remain stable and constant and in line with FY 2025-26 in FY 2026-27.

8.5.2 Based on above, the Authority has decided to consider inflation rates for the First Control Period as shown in the table below:

**Table 119: Inflation rates decided by the Authority for the First Control Period**

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| WPI Inflation | 9.42% | (0.70%) | 3.00% | 3.20% | 3.20% |

## 8.6 Authority's decisions regarding Inflation for the First Control Period

Based on the materials before it and its analysis, the Authority decides the following with regard to Inflation for the First Control Period for Shirdi International Airport:

8.6.1 To consider Inflation rates as per Table 119 for the First Control Period for Shirdi International Airport.

# 9 OPERATING & MAINTENANCE (O&M) EXPENSES FOR THE FIRST CONTROL PERIOD

## 9.1 MADC submission regarding Operating & Maintenance (O&M) expenses for the First Control Period

9.1.1 MADC stated that Aeronautical O&M expenses for the First Control Period had been estimated based on the following assumptions:

- **Construction of New Integrated Terminal Building (NITB):** As per MADC MYTP submission, the construction of the NITB of 53,349 sq.m. is expected to be completed in FY 2025-26. The details of increase in NITB is shown below.

**Table 120: Details of increase in terminal building area as projected by MADC**

| Particulars | Existing | FY26 |
|---|---|---|
| Total Terminal Building Area (in Sq. m.) | 2,750 | 53,349 |
| % increase | - | 1840% |

9.1.2 Considering the capitalization of the NITB, as shown in the above table, MADC had projected a one-time increase in FY 2026-27 of various expenses such as employee cost, utility expenses, administration and general expenses.

- **Inflation:** MADC had considered the inflationary increase Y-o-Y of 5% towards all expenses except employee cost in the First Control Period.
- **Base Year:** FY 2022-23 had been considered as the base year and the relevant percentage increase had been applied over the immediately preceding year to estimate expenses for the other Financial Years.

9.1.3 MADC in their MYTP submission for all tariff years had considered 95% of the total expenses as pertaining to Aeronautical activities.

9.1.4 The Aeronautical (O&M) expenses submitted by MADC for Shirdi Airport for the First Control Period are as presented below:

**Table 121: O&M Expenses submitted by MADC for the First Control Period**

*(₹ in crores)*

| Particulars | Ref | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| Administration & General Expenses | A | 0.73 | 0.76 | 0.80 | 0.84 | 1.77 | **4.90** |
| Airport Operating Expenses | B | 5.84 | 6.13 | 6.44 | 6.76 | 7.10 | **32.27** |
| License Fees | C | 0.04 | 0.06 | - | 0.06 | - | **0.16** |
| Employee Cost | D | 5.21 | 7.88 | 8.48 | 13.26 | 14.27 | **49.10** |
| Power Expenses | E | 1.91 | 2.01 | 2.11 | 2.21 | 4.64 | **12.88** |
| Water Expenses | F | 0.22 | 0.23 | 0.24 | 0.26 | 0.27 | **1.22** |
| Water Withdrawal Expenses | G | - | 1.58 | 2.05 | 2.57 | 4.25 | **10.45** |
| Repair & Maintenance | H | 3.95 | 2.14 | 3.21 | 6.08 | 8.41 | **23.79** |
| **Total O&M expenses** | **I=Sum(A:H)** | **17.90** | **20.79** | **23.33** | **32.04** | **40.71** | **134.77** |
| Aero % | J | 95% | 95% | 95% | 95% | 95% | 95% |

| Particulars | Ref | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **Total Aeronautical O&M expenses** | K=1*J | 17.01 | 19.75 | 22.16 | 30.44 | 38.67 | 128.03 |

9.1.5 The growth rates assumed by MADC for Aeronautical O&M expenses have been presented in the below table:

**Table 122: Growth rates assumed by MADC for Aeronautical O&M Expenses for the First Control Period**

| Particulars | Basis | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 |
|---|---|---|---|---|---|---|
| **Y-o-Y Growth** | | | | | | |
| Administration & General Expenses | Inflation % | - | 5% | 5% | 5% | 5% |
| Airport Operating Expenses | Inflation % | - | 5% | 5% | 5% | 5% |
| Employee Cost | Inflation% | - | 7.62% | 7.62% | 7.62% | 7.62% |
| Power Expenses | Inflation % | - | 5% | 5% | 5% | 5% |
| Water Expenses | Inflation % | | 5% | 5% | 5% | 5% |
| Water Withdrawal Expenses | Inflation % | - | 5% | 5% | 5% | 5% |
| Repair & Maintenance | Average RAB % | - | 1% | 1% | 1% | 1% |
| **One-time increase on account of New Integrated Terminal Building (NITB)** | | | | | | |
| Administration & General Expenses | Growth % | - | - | - | - | 100% |
| Power Expenses | Growth % | - | - | - | - | 100% |

## 9.2 Authority's examination regarding Operating & Maintenance (O&M) expenses for the First Control Period at Consultation Stage

9.2.1 The Authority had examined the basis for the estimation of Aeronautical O&M expenses as submitted by MADC for the First Control Period. The Authority had conducted a detailed analysis of Aeronautical O&M expenses submitted by MADC in the following order:

i. Allocation Ratios
ii. Examination of reasonableness and necessity of O&M expenses
iii. Re-allocation of expenses into Aeronautical and Non-Aeronautical expenses.

**Allocation Ratios**

9.2.2 The Authority noted in its examination that MADC had allocated all expenses into Aeronautical and Non-Aeronautical in the ratio of 95%:5%. However, the Authority in line with the methodology followed in other airports, noted that expenses should be allocated based on relevant ratios as given below. In this regard, the Authority had analyzed and computed the following ratios for appropriate segregation of expenses into Aeronautical and Non-Aeronautical for the First Control Period.

**Employee Head Count Ratio (EHCR)**

9.2.3 The Authority noted that as part of its MYTP submission, MADC had provided department-wise split of the employee headcount with location of employees (Shirdi/HQ) for the first control period. The Authority requested MADC for detailed department wise CTC with head count for FY 2021-22 and 2022-23. MADC provided the actual head count of employees, department-wise working at Shirdi International Airport for FY 2021-22 and FY 2022-23. The Authority noted that there was a difference in the total cost and headcount between the details shared by MADC as above and the MTYP submission. The difference in head count was explained by MADC as follows:

*"As discussed during the site visit, the reason for the difference in the value is due to consideration of CTC. The model contains the actual expenses whereas the format requested from MADC containing details of the employees are related to CTC. This resulted in deviation."*

While the MYTP submitted had an estimate of 99 employees in FY 2022-23, the actual head count is 107 as per the response submitted by MADC to the Authority's queries. MADC had not provided the details for the differential employee head count despite seeking clarifications.

9.2.4 The Authority proposed to adopt the actual head count data as given by MADC for FY 2022-23 of 107 as the base for assessing the Employee Head Count ratio of the First Control Period for Shirdi International Airport.

9.2.5 The Authority had requested MADC for actual employee head count for FY 2023-24 which was not received until the time of publishing of the consultation paper. The Authority directed MADC to submit the actual employee head count for FY 2023-24 before the stakeholders' consultation meeting to be held by AERA.

9.2.6 After examining the functions of each department, the Authority had determined that the duties of employees listed below extend beyond aeronautical activities and encompass the overall operations of the airport. As a result, the Authority proposed reclassification of the departments of following employees as Common instead of completely Aeronautical:

- Airport Directorate Office
- Finance and Accounts
- Administration

9.2.7 The Authority also noted that there was no dedicated employee for non-aeronautical activities as submitted by AO. The Authority proposed to consider the Aero: Non-Aero allocation to be 95%: 5% as submitted by MADC.

**Terminal Building Ratio (TBLR)**

9.2.8 The Authority noted that the data regarding aeronautical areas and non-aeronautical areas were not made available by MADC for the First Control Period in the MYTP submission.

9.2.9 However, considering the current area of the Terminal Building and lack of space for aeronautical and non-aeronautical activities, the Authority proposed to consider the ratio of 95%:5% as the Terminal Building Ratio (TBLR) for the period from FY23 to FY27. The Authority will review the Terminal area allocation in the future control periods.

9.2.10 The Authority noted that MADC had not submitted details of the segregation of area between Aeronautical and Non-Aeronautical in the NITB. Hence the Authority proposed to consider the allocation ratio of 95:5 for NITB also, in FY 2026-27.

**Gross Block Ratio (GBR)**

9.2.11 The Authority proposed to consider the Gross Block Ratio (GBR) determined based on the allocation of assets into Aeronautical and Non-Aeronautical using EHCR and TBLR. The GBR so determined was as given below:

**Table 123: Revised Gross Block Ratio proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Ref. | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 |
|---|---|---|---|---|---|---|
| Aeronautical Gross Block | A | 183.41 | 213.06 | 284.06 | 397.36 | 1083.74 |
| Non-Aeronautical Gross Block | B | 1.61 | 1.64 | 2.05 | 2.95 | 39.07 |
| Total Gross Block | C=A+B | 185.02 | 214.7 | 286.11 | 400.31 | 1122.81 |
| *Percentage Aeronautical* | D=A/C | 99.13% | 99.24% | 99.28% | 99.26% | 96.52% |
| **5-year average Gross Block Ratio** | **E** | | | | | **98.69%** |

**Summary of Allocation Ratios proposed by the Authority for the First Control Period**

9.2.12 The Allocation ratios proposed by the Authority for Shirdi International Airport for the First Control Period were as follows:

**Table 124: Allocation Ratios proposed by the Authority for the First Control Period at Consultation Stage**

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 |
|---|---|---|---|---|---|
| Employee Head Count Ratio (EHCR) | 95.00% | 95.00% | 95.00% | 95.00% | 95.00% |
| Terminal Building Ratio (TBLR) | 95.00% | 95.00% | 95.00% | 95.00% | 95.00% |
| Gross Block Ratio (GBR) | 98.69% | 98.69% | 98.69% | 98.69% | 98.69% |

**O&M expenses and its allocation into Aeronautical & Non-Aeronautical expenses for the First Control Period**

9.2.13 The Authority compared the total O&M expenses as per MADC submission with the audited financial statements and noted certain differences in FY 2022-23. Upon enquiry, the Authority was informed that these differences pertain to CISF expenses which had been excluded by MADC for preparation of MYTP submission.

9.2.14 The Authority's analysis of different heads of O&M expenses for First Control Period is detailed below:

**A. Administration & General (A&G) Expenses:**

**Table 125: Break up Administration & General (A&G) Expenses as submitted by MADC**

*(₹ in crores)*

| Particulars | Ref | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| Admin – Advertisement | A | 0.25 | 0.26 | 0.27 | 0.29 | 0.60 | 1.67 |
| Admin - Consultancy Charges | B | 0.09 | 0.10 | 0.10 | 0.11 | 0.23 | 0.63 |
| Admin – Fuel | C | 0.10 | 0.11 | 0.11 | 0.12 | 0.24 | 0.68 |
| Admin - Legal Fees | D | 0.02 | 0.03 | 0.03 | 0.03 | 0.06 | 0.17 |
| Admin – Misc | E | 0.07 | 0.07 | 0.08 | 0.08 | 0.17 | 0.47 |
| Admin - Office Expenses | F | 0.17 | 0.18 | 0.19 | 0.20 | 0.42 | 1.16 |
| Admin - Travelling Expenses | G | 0.02 | 0.02 | 0.02 | 0.03 | 0.05 | 0.14 |
| **Total Admin & General Expense** | **H=Sum(A:G)** | **0.72** | **0.77** | **0.80** | **0.86** | **1.77** | **4.92** |
| Aeronautical Ratio | I | 95% | 95% | 95% | 95% | 95% | |
| Aero Admin & General Expense | J=H*I | **0.68** | **0.73** | **0.76** | **0.82** | **1.68** | **4.67** |

** The expense for FY 23 is based on actual figure for the year.*

9.2.15 The Authority noted that MADC had considered the actual total expenses amounting to ₹ 0.72 Crore incurred in FY 2022-23 towards total Administration and general expenses. Thereafter, MADC considered an increase of 5% Y-o-Y for the remaining tariff years of the First Control Period. The Authority also noted that MADC has considered an additional increase of 100% of existing expense in FY 2026-27 on account of NITB being operational from FY 2025-26.

9.2.16 The Authority examined the details of Administration & General expenses head for FY 2022-23 and noted that the expense comprises advertisement, consultancy, office expenses, legal fees and travelling expenses.

9.2.17 The Authority noted that MADC had incurred ₹ 0.09 crores in FY 2022-23 for Consultancy charges towards third party inspection of the construction of Jack Well, Pump House, Rising Main, ESR & Water Treatment & RCC Water Pond with HDPE Lining.

9.2.18 The Authority noted that these consultancy charges amounting to ₹ 0.09 Crores for FY 2022-23 is a one-time expense and hence should not be considered for projection of future operating expense. Therefore, the Authority proposed to rationalize the one-time expenditure by excluding 50% of the actual incurred amount of ₹ 0.04 Crores (i.e., 50% of ₹ 0.09 Crores), from FY 2022-23 expenditure and then use that as a base for applying inflation factor and one time increase for FY 2023-24 to FY 2026-27.

9.2.19 The Authority, in the past for similar airports, had considered a one-time additional increase in Admin. & general expenses due to the increase in the Terminal Building area etc. Based on the above approach, the Authority proposed to consider an additional increase of 100% in administration and general expenses in the second half of the fifth tariff year (i.e. 50% increase in FY 2026-27) of the First Control Period.

9.2.20 The Authority noted that ₹ 0.17 Crores was included in Administration & General Expenses in FY 2022-23 on account of legal fees which includes fees paid to advocate for various matters in court and other charges. The Authority proposed to exclude the legal expenses incurred by the Airport Operator as a part of operating expenses, in line with the Authority's approach at other similar airports.

9.2.21 However, with respect to the Y-o-Y growth rate the Authority proposed to consider the increase towards inflationary effect as per Table 118 as against the 5% claimed by MADC.

9.2.22 The Authority proposed to apportion the admin and general expenses on the basis of the Gross Block Ratio (GBR) and Employee Head Count Ratio (EHCR) as per Table 124.

9.2.23 The details of Administration and general expenses claimed by MADC and proposed by the Authority were as given table below:

**Table 126: Administration and general expenses proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Allocation Ratio/Ref | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| A&G expenses – Aero (refer Table 125) | **A** | **0.68** | **0.73** | **0.76** | **0.82** | **1.68** | **4.67** |
| **As per the Authority** | | | | | | | |
| Admin – Advertisement | GBR | 0.24 | 0.24 | 0.25 | 0.26 | 0.40 | 1.39 |
| Admin - Consultancy Charges | GBR | 0.05 | 0.05 | 0.05 | 0.05 | 0.08 | 0.26 |
| Admin – Fuel | GBR | 0.10 | 0.10 | 0.10 | 0.10 | 0.16 | 0.57 |
| Admin – Misc | GBR | 0.07 | 0.07 | 0.07 | 0.07 | 0.12 | 0.40 |
| Admin - Office Expenses | GBR | 0.17 | 0.17 | 0.17 | 0.18 | 0.28 | 0.97 |
| Admin - Travelling Expenses | EHCR | 0.02 | 0.02 | 0.02 | 0.02 | 0.03 | 0.12 |

| Particulars | Allocation Ratio/Ref | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **Total Aero Admin & General Expense considered by the Authority** | **B** | **0.65** | **0.64** | **0.66** | **0.69** | **1.07** | **3.71** |
| ***Difference*** | ***C=B-A*** | ***-0.04*** | ***-0.09*** | ***-0.10*** | ***-0.13*** | ***-0.61*** | ***-0.97*** |

** The expenses for FY 23 is based on the actual figure for the year.*

### B. Airport Operating Expenses

9.2.24 The Authority noted that MADC has considered the actual expenses incurred for FY 2022-23 and thereafter MADC had claimed a 5% Y-o-Y increase for the remaining tariff years of the First Control Period.

9.2.25 The Authority examined the Airport Operating Expenses and noted that they included the following:

**Table 127: Breakup of Airport operating expenses submitted by MADC for the First Control Period**

*(₹ in crores)*

| Particulars | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Ambulance Charges | 0.69 | 0.72 | 0.76 | 0.80 | 0.84 | **3.81** |
| CNS & ATM Services | 3.53 | 3.71 | 3.90 | 4.09 | 4.30 | **19.53** |
| Collection Charges | 0.06 | 0.07 | 0.07 | 0.07 | 0.08 | **0.35** |
| IMD Charges | 0.78 | 0.82 | 0.86 | 0.9 | 0.95 | **4.31** |
| Miscellaneous Charges | 0.14 | 0.14 | 0.15 | 0.16 | 0.17 | **0.76** |
| PAPI Maintenance | 0.22 | 0.23 | 0.24 | 0.26 | 0.27 | **1.22** |
| Others employee-related expenses | 0.26 | 0.27 | 0.29 | 0.30 | 0.31 | **1.43** |
| Outsourcing - Vehicle Expenses | 0.16 | 0.17 | 0.18 | 0.18 | 0.19 | **0.88** |
| **Total** | **5.84** | **6.13** | **6.45** | **6.76** | **7.11** | **32.29** |
| Allocation Ratio | 95% | 95% | 95% | 95% | 95% | |
| **Aeronautical Total** | **5.55** | **5.82** | **6.13** | **6.42** | **6.75** | **30.68** |

** The expense for FY 23 is based on actual figure for the year.*

9.2.26 The Authority, as per discussion in para 2.6.2, at this stage, proposed not to consider "CNS and ATM Services" expenses and "Outsourcing – Vehicle Expenses" claimed by AO under the Airport Operating Expenses. Accordingly, the Authority proposed to exclude CNS & ATM expenses amounting to ₹ 19.53 Crores and Outsourcing – Vehicle Expenses (which are of the nature of hiring vehicle for AAI, CNS staff pick up and drop service) totally amounting to ₹ 0.88 Crores for the First Control Period similar to the stand taken in Pre-Control Period.

9.2.27 Considering the nature of expenses, the Authority had re-classified the below expenses from Airport Operating Expenses to other heads as detailed in table below:

**Table 128: Re-classification of expenses from Airport Operating expenses to other heads as per the Authority at Consultation Stage**

*(₹ in crores)*

| Particulars | Re-Classified to Expenses | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| PAPI Maintenance | Repair & Maintenance | 0.22 | 0.23 | 0.24 | 0.26 | 0.27 | **1.22** |
| Others employee-related expenses | Employee Cost | 0.26 | 0.27 | 0.29 | 0.3 | 0.31 | **1.43** |
| **Total** | | **0.48** | **0.50** | **0.53** | **0.56** | **0.58** | **2.65** |

9.2.28 The Authority examined the actual expense incurred by MADC during FY 2022-23 and proposed to consider the same. However, with respect to Y-o-Y growth rate the Authority proposed to consider the increase towards inflationary effect as per Table 118 as against the 5% claimed by MADC except in the case of Collection Charges – where the projection had been done based on growth in passenger traffic for the First Control Period. The Authority also proposed to apportion the individual expenses under airport operating expenses on the basis of the nature of expenses as Aeronautical (100%) and Employee Head Count Ratio (EHCR) as per Table 124.

9.2.29 The details of Airport Operating Expenses claimed by MADC and proposed by the Authority is as given below:

**Table 129: Airport operating expenses claimed by MADC and proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Allocation Ratio/Ref | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| Airport Operating Expenses – Aero (refer Table 127) | A | **5.55** | **5.82** | **6.13** | **6.42** | **6.75** | **30.68** |
| **As per the Authority** | | | | | | | |
| Ambulance Charges | Aero | 0.69 | 0.68 | 0.71 | 0.73 | 0.76 | 3.57 |
| Collection Charges | Aero | 0.06 | 0.06 | 0.09 | 0.11 | 0.15 | 0.46 |
| IMD Charges | Aero | 0.78 | 0.78 | 0.80 | 0.83 | 0.86 | 4.04 |
| Miscellaneous Charges | GBR | 0.13 | 0.13 | 0.14 | 0.14 | 0.15 | 0.70 |
| **Airport operating expenses proposed by the Authority** | **B** | **1.67** | **1.65** | **1.73** | **1.81** | **1.91** | **8.77** |
| ***Difference*** | ***C=B-A*** | ***-3.88*** | ***-4.17*** | ***-4.40*** | ***-4.61*** | ***-4.84*** | ***-21.90*** |

** The expense for FY 23 is based on actuals for the year.*

### C. License Fees:

9.2.30 MADC had submitted that they will be incurring ₹ 0.065 crores towards license fees for the Aerodrome in FY 2023-24 and FY 2025-26. The Authority via query raised on 4th September 2023 requested for the actual payment receipt for FY 2023-24 and MADC vide reply dated 18th October 2023 submitted the payment receipt dated 25th July 2023 amounting to ₹ 0.065 Crores towards renewal of aerodrome license.

9.2.31 Based on the actual expense incurred by MADC for FY 2023-24, the Authority noted that the projections as submitted by MADC are justified. The Authority, therefore, proposed to consider the projections as submitted by MADC for the First Control Period. As indicated in paragraph 3.8.25, the Authority had apportioned the license fee incurred in FY 2021-22 over 2 years (being the duration of validity of license) between FY 2021-22 and FY 2022-23 which works out to Rs. 0.03 Crores instead of Rs. 0.04 Crores as submitted by MADC for FY 2022-23. The Authority had followed similar treatment for estimating License Fees for the First Control Period. The allocation ratio had been considered to be 100% as this expense is aeronautical in nature.

**Table 130: License Fees claimed by MADC and proposed by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | Ref. | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| License Fee claimed by MADC | A | **0.04** | **0.07** | - | **0.07** | - | **0.17** |
| **As per the Authority** | | | | | | | |
| License Fee proposed by the Authority | B | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | **0.16** |
| *Difference* | *C=B-A* | *-0.01* | *-0.03* | *0.03* | *-0.03* | *0.03* | *-0.01* |

** The expense for FY 23 is based on the actual figure for the year.*

### D. Employee Cost

9.2.32 MADC had submitted the following projections in relation to Employee Cost and the total employee headcount:

**Table 131: Employee Cost submitted by MADC for the First Control Period**

*(₹ in crores)*

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Employee Cost | 5.21 | 7.88 | 8.48 | 13.26 | 14.27 | 49.09 |
| *Allocation Ratio* | *95%* | *95%* | *95%* | *95%* | *95%* | |
| Aeronautical Employee Cost | 4.95 | 7.48 | 8.05 | 12.59 | 13.55 | 46.62 |
| Employee Head Count Claimed by MADC | 99 | 139 | 139 | 202 | 202 | - |
| *Increase in Employee Head Count Y-o-Y* | - | *40%* | - | *45%* | - | - |
| *Increase in Y-o-Y Salary Cost* | - | *7.62%* | *7.62%* | *7.62%* | *7.62%* | - |

9.2.33 The Authority noted that MADC had proposed an average employee cost of ₹ 0.052 crores per annum for FY 2022-23, with a projected annual increase of 7.62% Y-o-Y for the remaining tariff years of the First Control Period. This average cost includes the salary expenses of all departments.

9.2.34 The Authority observed that MADC had taken into account the salaries of employees across different roles and levels within the organization, resulting in a representative figure for the average cost. Along the same lines, the Authority obtained actual data of employee head count for FY 2022-23 from MADC and noted that the actual employee count for FY 2022-23 is 107 which the Authority proposed to consider. Based on the same, the resulting change in average employee salary cost is ₹ 0.049 crores per annum for FY 2022-23.

9.2.35 The Authority enquired on the rationale for considering 7.62% as increase in Y-o-Y employee cost projected by MADC. MADC, during the site visit at Shirdi International Airport, submitted that it was based on internal estimates and there was no working for the same.

9.2.36 MADC had furnished specific documents such as an internal record outlining the increment ranges for regular, contractual, and deputation employees. The average increment rate falls within the range of 6% to 7.5% for the fiscal year 2022. Additionally, as per the official notification issued by the Government of Maharashtra under GR no. 1323, the 7th Pay Commission revision in Dearness Allowance (D.A.) is effective from July 1, 2022. This revision stipulates an increase in D.A. from 38% to 42%, indicating a 4% change in D.A. However, both documents did not provide the basis of calculation for MADC's adopted increment rate of 7.62%.

9.2.37 Aligning with the uniform approach taken by the Authority for employee cost across other airports, the Authority proposed to rationalize the growth rate to 6% year-on-year for all years of the First Control Period, starting from FY 2023-24.

9.2.38 Further, the Authority observed that MADC had projected a one-time increase of 40% in employee head count for FY 2023-24 and 45% in FY 2025-26. On specific enquiry, MADC submitted that both the increases are attributed to the construction of NITB and the resultant increase in operations. However, the Authority proposed to continue with the same number of employees as in FY2022- 23 till FY 2025-26 and thereafter increase the same by 45% in FY 2026-27 in line with the timeline for commissioning of New Terminal Building.

9.2.39 The Authority examined the "Other employee expenses" incurred by MADC during FY 2022-23 amounting to ₹ 0.26 Crores which was classified under Airport Operating Expense and based on the nature of expense, the Authority proposed to reclassify the same under Employee cost head. The Authority also proposed to apply the growth rate of 6% year-on-year to this head of expenditure.

9.2.40 The Authority also proposed to re-allocate employee cost on the basis of Employee Head Count Ratio (EHCR) as per Table 124.

9.2.41 Taking the above factors into consideration, the Authority proposed the following employee costs for the First Control Period:

**Table 132: Employee costs proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Ref | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| Employee Costs – Aero (refer Table 131) | A | **4.95** | **7.48** | **8.05** | **12.59** | **13.55** | **46.62** |
| **As per the Authority** | | | | | | | |
| Total No. of Employees | B | 107 | 107 | 107 | 107 | 155 | |
| Average Cost per employee | C | 0.049 | 0.052 | 0.055 | 0.058 | 0.061 | |
| Total Employee Cost | D=B*C | 4.95 | 5.25 | 5.56 | 5.90 | 9.06 | 30.72 |
| Others - Employee Related (re-classified) | E | 0.25 | 0.26 | 0.28 | 0.29 | 0.31 | 1.39 |
| **Employee Costs proposed by the Authority** | **F=D+E** | **5.20** | **5.51** | **5.84** | **6.19** | **9.37** | **32.10** |
| ***Difference*** | **G=F-A** | ***0.25*** | ***-1.97*** | ***-2.21*** | ***-6.40*** | ***-4.18*** | ***-14.52*** |

** The expenses for FY 23 is based on actuals for the year.*

### E. Power Expenses

9.2.42 The Authority noted that MADC had considered the actual expenses incurred in FY 2022-23 amounting to ₹ 1.91 Crores as a base and projected an increase of 5% Y-o-Y basis for the remaining tariff years of the First Control Period. MADC had also considered an additional increase of 100% on account of the proposed increase in the Terminal Building area in FY 2026-27.

9.2.43 The Authority examined the actual expense incurred for FY 2022-23 and noted that MADC had considered the expense without adjusting for any recoveries from the concessionaires. On further analysis, the Authority noted that ₹ 0.12 Crores, i.e., 6.58% of the total electricity expenses, were recovered from the concessionaires in FY 2022-23. The Authority therefore proposed considering the same proportion i.e. 6.58% as electricity recovery for the First Control Period.

9.2.44 However, with respect to the Y-o-Y growth rate of power expenses, the Authority proposed to consider the increase based on inflation index as per Table 118, as against the 5% claimed by MADC. The Authority therefore had projected the actual power expenses (gross) for the first control period considering the inflationary effect as per Table 118, then proceeded to reduce 6.58% of that amount and the remaining amount net of recovery was proposed by the Authority as power expenses.

9.2.45 The Authority, in the past for other similar airports, had considered a one-time increase in power expenses on account of increase in Terminal Building area. Based on the above approach, the Authority proposed to consider an additional increase of 100% in power expenses in the second half of the fifth tariff year of the First Control Period.

9.2.46 Since the power expenses were estimated after making adjustments for recoveries from the concessionaires, the resulting expense was treated as 100% Aeronautical. This is consistent with the position followed by the Authority in other similar airports. The Authority, therefore, proposed to consider the same basis for the First Control Period.

9.2.47 The details of power expenses claimed by MADC & proposed by the Authority is as given below:

**Table 133: Power expenses claimed by MADC and proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Ref. | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC with 5% Y-o-Y increase** | | | | | | | |
| Power expense – Aero | A | 1.81 | 1.90 | 2.00 | 2.10 | 4.41 | **12.22** |
| **As per the Authority with inflation index** | | | | | | | |
| Power expenses | B | 1.91 | 1.90 | 1.96 | 2.03 | 3.15 | **10.95** |
| Less: Recovery | C | 0.13 | 0.12 | 0.13 | 0.13 | 0.21 | **0.72** |
| Power expense proposed by the Authority | D=B-C | 1.78 | 1.77 | 1.83 | 1.89 | 2.95 | **10.23** |
| *Difference* | E=D-A | -0.03 | -0.13 | -0.17 | -0.21 | -1.46 | **-1.99** |

** The expense for FY 23 is based on actual figure for the year.*

**F. Water Expenses**

**Table 134: Water expenses claimed by MADC for the first Control Period**

*(₹ in crores)*

| Particulars | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Water expense claimed by MADC | 0.22 | 0.23 | 0.24 | 0.26 | 0.27 | **1.22** |
| Allocation Ratio | 95% | 95% | 95% | 95% | 95% | |
| Water expenses - Aero | 0.21 | 0.22 | 0.23 | 0.24 | 0.26 | **1.16** |

9.2.48 The Authority examined MADC submission and noted that MADC has considered the actual expense incurred of ₹ 0.21 Crores for FY 2022-23 and thereafter, projected based on an increase of 5% Y-o-Y for the remaining tariff years of the First Control Period. The details are as follows:

9.2.49 MADC via communication to the Authority dated 5th January 2024, had submitted that:

*"The updated business model shared by us on July 07,2023 contains water expenses, water withdrawal charges, and water demand related information for the future projections. In view of the factual changes and errors in the estimation of the projection, we are revising the following items."*

9.2.50 Given below is the revised estimate for water charges submitted by MADC on 5th January 2024:

**Table 135: Revised Water expenses submitted by MADC on 5th January 2024**

*(₹ in crores)*

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Water expense claimed by MADC | 0.22 | 0.23 | 0.18 | - | - | 0.63 |
| Allocation Ratio | 95% | 95% | 95% | - | - | |
| Water expenses - Aero | 0.21 | 0.22 | 0.17 | - | - | 0.60 |

9.2.51 The Authority proposed to consider the actual expense incurred as submitted by MADC for FY 2022-23.

9.2.52 The Authority noted that MADC had not considered water expenses post FY 2024-25 for the following reasons as mentioned in their letter.

*"Water pond completion is projected for Dec'24. Accordingly, the water withdrawal charges will continue till the commencement of operations at the pond."*

9.2.53 Based on the above assumption, the projection for FY 2024-25 is made for 9 months only considering that the water pond will be operational by Dec'24. Consequently, from Jan'25 the water withdrawal charges had not been projected by MADC.

9.2.54 However, based on the proposal to postpone the capitalization of water pond to Dec'25, the Authority had retained the water expense submission by MADC until FY 2024-25. For FY 2025-26, the Authority had applied an inflationary increase on the FY 2024-25 amount and pro-rated for 9 months assuming capitalization of water pond in Dec'25.

9.2.55 With respect to the Y-o-Y growth rate, the Authority proposed to consider the increase towards inflationary effect as per Table 118 as against the 5% claimed by MADC. The Authority also proposed to apportion the water expenses into Aeronautical and Non-Aeronautical based on the Gross Block Ratio as per Table 124.

9.2.56 The details of water expenses claimed by MADC & proposed by the Authority are as given below:

**Table 136: Water expenses claimed by MADC and proposed by the authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Ref. | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| Revised Water expense – Aero (refer Table 135) | A | 0.21 | 0.22 | 0.17 | - | - | **0.60** |
| **As per the Authority** | | | | | | | |
| Water expense proposed by the Authority | B | 0.22 | 0.22 | 0.22 | 0.17 | - | **0.83** |
| *Difference* | *C=B-A* | *0.01* | - | *0.05* | *0.17* | - | ***0.23*** |

** The expense for FY 23 is based on actuals for the year.*

### G. Water Withdrawal Expenses

**Table 137: Water Withdrawal charges claimed by MADC for the First Control Period**

*(₹ in crores)*

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Water Withdrawal Charges | - | 1.58 | 2.05 | 2.57 | 4.25 | **10.45** |
| Allocation Ratio | - | 95% | 95% | 95% | 95% | |
| Water Withdrawal Charges - Aero | - | 1.50 | 1.95 | 2.44 | 4.04 | **9.93** |
| No. of consumption units (in lakhs) | 9.00 | 11.83 | 14.66 | 17.50 | 27.5 | |
| *Y-o-Y Growth in consumption Units* | - | *31%* | *24%* | *19%* | *57%* | |

9.2.57 MADC had projected the Water Withdrawal Expenses by considering an expense of ₹ 1.58 crores in FY 2023-24 and increasing Y-o-Y by 5% for the remaining tariff years of the First Control Period. The Authority noted that MADC had not incurred any actual water withdrawal charges for FY 2022-23.

9.2.58 The Authority noted that to arrive at the above numbers for the first control period, MADC had projected a base of 9 lakh cubic meter units for FY 2022-23. Additionally, MADC had estimated increase in units of 31% in FY 2023-24, 24% in FY 2024-25, 19% in FY 26, and 57% in FY 27. Based on discussion it was noted that these projections were based on MADC's internal estimates with regard to traffic and construction of NITB.

9.2.59 As indicated in above para 9.2.49, MADC had revised their estimate via letter dated 5th January 2024 on the assumption that the water pond will be commissioned in December 2024. Hence the revised projection contains projections for 3 months in FY 2024-25 and 12 months each for FY 2025-26 and FY 2026-27.

**Table 138: Revised Water Withdrawal Expenses projected by MADC**

*(₹ in crores)*

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Water Withdrawal Charges | - | - | 0.02 | 0.15 | 0.23 | **0.40** |
| Allocation Ratio | - | - | 95% | 95% | 95% | - |
| Water Withdrawal Charges – Aero | - | - | 0.02 | 0.14 | 0.22 | **0.38** |
| Consumption in cubic metres | - | 64,006 | 76,807 | 1,21,314 | 1,80,222 | **4,42,349** |
| Water Cost per cubic metre | - | 11.00 | 11.55 | 12.13 | 12.73 | - |
| Y-o-Y increase in Water Cost per unit | - | 5% | 5% | 5% | 5% | - |

9.2.60 The Authority also noted that Water usage was estimated at 488 cubic meters per day for a period of three months. This calculation was made with the anticipation of a new pond being constructed by December 2024, and its utilization planned accordingly. The Authority reviewed this demand based on the assumptions given by MADC and found them to be reasonable, in line with the traffic projections for First Control Period.

9.2.61 However, the Authority as indicated in para 5.3.48 proposed to capitalize the pond only in Dec'25 – FY 2025-26. Hence, the Authority proposed to take only 3 months proportionate cost for FY 2025-26 as proposed by MADC (revised). For FY 2026-27, the Authority proposed to consider the cost as proposed by MADC (revised).

9.2.62 With respect to the Y-o-Y growth rate claimed by AO, the Authority proposed the increase towards inflationary effect as per Table 118. The Authority also proposed to apportion the water withdrawal expenses into Aeronautical and Non-Aeronautical based on the Gross Block Ratio as per Table 124.

**Table 139: Water withdrawal expenses projected by MADC and proposed by the authority for the First Control Period at Consultation Stage**

*(₹ In crores)*

| Particulars | Ref. | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| Revised Water withdrawal expense – Aero (refer Table 138) | A | - | - | 0.02 | 0.14 | 0.22 | **0.38** |
| **As per the Authority** | | | | | | | |
| Water withdrawal expense proposed by the Authority | B | - | - | - | 0.04 | 0.22 | **0.25** |
| *Difference* | *C=B-A* | - | - | *-0.02* | *-0.11* | - | *-0.13* |

## H. Repair and Maintenance Expenses:

9.2.63 MADC had submitted the following Repair and Maintenance Expense for the First Control Period:

**Table 140: Repair and maintenance expense claimed by MADC for First Control Period**

*(₹ In crores)*

| Particulars | Ref. | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| Total R&M expense projected by MADC | A | 3.95 | 2.14 | 3.21 | 6.08 | 8.41 | **23.79** |
| Allocation Ratio | B | 95% | 95% | 95% | 95% | 95% | |
| R&M Expense – Aero projected by MADC | C=A*B | 3.75 | 2.03 | 3.05 | 5.78 | 7.99 | **22.60** |

9.2.64 The Authority examined the expenses towards repair and maintenance and noted that the same had been projected towards Civil, Terminal, Airside, Vehicle and Others.

9.2.65 The amount claimed by MADC works to 1-2% of the Opening RAB of the respective financial year as shown in table below:

**Table 141: Repair and maintenance expense claimed by MADC as a percentage of opening RAB as proposed by the Authority at Consultation Stage**

*(₹ in crores)*

| Particulars | Ref. | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| Opening RAB as considered by the Authority (A) | Table 101 | 151.48 | 142.15 | 161.95 | 220.21 | 316.27 | |
| R&M Expense – Aero as claimed by MADC (B) | Table 140 | 3.75 | 2.03 | 3.05 | 5.78 | 7.99 | **22.60** |
| R&M Expense as a percentage of Opening RAB (C=B/A) | | 2.48% | 1.43% | 1.88% | 2.62% | 2.53% | |

9.2.67 The Authority noted that the amount claimed by MADC was lower than 6% of Opening RAB (net Block of Assets) for the respective tariff years as benchmarked in other Airports by the Authority. Therefore, the Authority proposed to consider the repair and maintenance expenses as submitted by MADC for the First Control Period.

9.2.68 The Authority had re-classified expenses pertaining to PAPI Maintenance which were claimed by MADC in Airport Operating Expenses amounting to ₹ 0.22 Crores in FY 2022-23 and considered as 100% Aeronautical expenses. With respect to the Y-o-Y growth rate claimed by AO, the Authority proposed the increase the same based on inflation rates as detailed in Table 118.

9.2.69 The details of the Repair & Maintenance claimed by AO & and proposed by the Authority is as given below:

**Table 142: Repair and maintenance expenses claimed by MADC and proposed by the authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Ref. | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| R&M Expenses – Aero 9.2.70 (refer Table 140) | A | 3.75 | 2.03 | 3.05 | 5.78 | 7.99 | **22.60** |
| **As per the Authority** | | | | | | | |
| Aero R&M Expenses | B | 3.75 | 2.03 | 3.05 | 5.78 | 7.99 | **22.60** |
| R&M PAPI Maintenance (re-classified) | C | 0.22 | 0.22 | 0.23 | 0.23 | 0.24 | **1.14** |

| Particulars | Ref. | FY 23* | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **Total Aeronautical R&M Expenses - Proposed by the Authority** | **D=B+C** | **3.97** | **2.25** | **3.28** | **6.01** | **8.23** | **23.74** |
| *Difference#* | *E=D-A* | *0.22* | *0.22* | *0.23* | *0.23* | *0.24* | *1.14* |

** The expense for FY 23 is based on actual figure for the year.*
*#The repair and maintenance expense proposed by the Authority is higher on account of PAPI maintenance re-classified into R&M expenses from Airport Operating Expenses.*

### I. Runaway Re-carpeting Expenses:

9.2.71 MADC submitted that an amount of ₹ 25 Crores is projected towards capital expenditure on runway recarpeting and taxiway works and that this will be incurred during FY 2023-24 and FY 2024-25. (₹ 20 Cr. in FY 2023-24 & ₹ 5 Cr. in FY 2024-25).

9.2.72 As per the DGCA report on surveillance inspection, the following is observed – "*Runway surface condition found deteriorated in the entire stretch of runway. Sand patch test also failed at many places. Operator to submit short term and long-term mitigation plan*". In light of the DGCA observation, MADC thereafter submitted the work proposal to AAI for re-carpeting. However, as of December 2023 the work of re-carpeting was yet to be commenced.

9.2.73 Based on the revised submission as detailed in para 5.2.7 , MADC in its letter dated 22nd March 2024, had submitted that runway recarpeting costs are now estimated at ₹ 61.68 Crores (all inclusive). MADC had also submitted the MOU that it has entered into with AAI dated 7th December 2023 as a basis for this cost estimation. MADC had also clarified that ₹ 61.68 Crores comprised of ₹ 48.88 Crores as the base cost which is then added with 7% departmental costs and 18% GST as agreed in the MOU.

9.2.74 The Authority noted that the date of the MOU is 7th December 2023 and the MOU stipulates that the work will be completed within 12 months of issue of Work Order. The work order was not made available to the Authority. The Authority expects the completion of work relating to recarpeting of Runway in FY 2025-26.

9.2.75 The Authority noted that MADC had submitted that the Pavement Classification Number (PCN) value of the runway is not likely to increase post implementing the runway recarpeting work. Due to no increase in PCN on account of re-carpeting work being proposed by MADC, the Authority proposed to consider the cost of re-carpeting of runway and taxiway as an Operating and Maintenance Expenses in FY 2025-26 at a total revised cost of ₹ 61.68 Crores, which will be amortized over a period of 5 years commencing from FY 2025-26 (i.e. ₹ 12.34 Crores in each FY). The Authority also proposed a return equal to FRoR to be provided on the unamortized portion of the runway recarpeting expenses. Computation for the same is as follows:

**Table 143: Return on unamortized portion of Runway recarpeting expenses proposed by the Authority for Shirdi International Airport for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Ref | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| Opening Balance | A | - | - | - | - | 49.34 | |
| Runway recarpeting expenses estimated to be incurred during the year | B | | | | 61.68 | - | **61.68** |
| Runway recarpeting expenses amortized during the year | C | | | | 12.34 | 12.34 | **24.67** |
| Closing Balance | D=A+B-C | - | - | - | 49.34 | 37.01 | |
| FRoR (Refer para 7.2.4) | E | 9.00% | 9.00% | 9.00% | 9.00% | 9.00% | |

| Particulars | Ref | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| Return on unamortised portion of runway recarpeting expenses | F=A*E | - | - | - | - | 4.44 | **4.44** |

**Table 144: Total Runway recarpeting Expenses for the First Control Period as proposed by the Authority for Shirdi International Airport at Consultation Stage**

*(₹ in crores)*

| Particulars | Ref | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| Runway Re-carpeting Cost | A | - | - | - | 61.68 | - | **61.68** |
| **As per the Authority** | | | | | | | |
| Runway recarpeting costs | B | - | - | - | 12.34 | 12.34 | **24.67** |
| Return on unamortised portion of recarpeting expenses | C | - | - | - | - | 4.44 | **4.44** |
| **Total runway recarpeting expenses proposed by the Authority** | **D=B+C** | - | - | - | **12.34** | **16.78** | **29.11** |
| *Difference* | *E=D-A* | - | - | - | *-49.34* | *16.78* | *-32.61* |

9.2.76 Considering the changes above, the Authority had recalculated the aeronautical operating and maintenance expenditure for the First Control Period as follows:

**Table 145: Aeronautical Operating and Maintenance expenses proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Ref | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| Total Aeronautical O&M Expenses | A | 17.01 | 19.75 | 22.16 | 30.44 | 38.67 | **128.03** |
| **As per the Authority** | | | | | | | |
| Administration & General Exp. (refer Table 126) | B | 0.65 | 0.64 | 0.66 | 0.69 | 1.07 | **3.71** |
| Airport Operating Expenses (refer Table 129) | C | 1.67 | 1.65 | 1.73 | 1.81 | 1.91 | **8.77** |
| License Fees (refer Table 130) | D | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | **0.16** |
| Employee Cost (refer Table 132) | E | 5.20 | 5.51 | 5.84 | 6.19 | 9.37 | **32.10** |
| Power Expenses (refer Table 133) | F | 1.78 | 1.77 | 1.83 | 1.89 | 2.95 | **10.23** |
| Water Expenses (refer Table 136) | G | 0.22 | 0.22 | 0.22 | 0.17 | - | **0.83** |
| Water Withdrawal Expenses (refer Table 139) | H | - | - | - | 0.04 | 0.22 | **0.25** |
| Repair & Maintenance (refer Table 142) | I | 3.97 | 2.25 | 3.28 | 6.01 | 8.23 | **23.74** |
| Runaway Re-carpeting (refer Table 144) | J | - | - | - | 12.34 | 16.78 | **29.11** |
| **Total Aeronautical O&M Expenses** | **K=Sum(B:J)** | **13.52** | **12.08** | **13.59** | **29.17** | **40.55** | **108.91** |
| *Difference* | *L=K-A* | *-3.49* | *-7.67* | *-8.57* | *-1.26* | *1.88* | *-19.12* |

9.2.77 As can be seen above, the Authority proposed a total O&M expense for the First Control Period amounting to ₹ 108.91 crores as against ₹ 128.03 crores submitted by MADC. The difference in O&M Expenses as per the Authority vis-à-vis MADC was mainly due to the following adjustments, revisions and rationalization in O&M expenses carried out by the Authority:

- Exclusion of expenses related to legal fees, rationalization of consultancy charges and provision of additional increase of 100% in A&G expenses amounting to ₹ 0.95 crores due to increase in Terminal Building area in FY 2026-27.
- Exclusion of expenses related to CNS/ ATM & outsourcing of vehicle expenses (CNS) amounting to ₹ 21.94 crores in Airport Operating Expenses.
- Rationalization of employee head count and resulting employee cost amounting to ₹ 14.55 crores.
- Adjustment of power recovery and rationalization of additional increase of 100% in power expenses amounting to ₹ 2.01 crores.
- Reduction in water expenses due to revised submission by MADC amounting to ₹ 0.56 crores.
- Reduction in water withdrawal expenses due to revised submission by MADC amounting to ₹ 9.55 crores.
- Runway recarpeting expenses shifted from RAB to Operating Expenses (₹ 29.11 crores).
- Re-allocation of the expenses into aeronautical and non-aeronautical expenses.
- Revision of Y-o-Y growth rates of various expenses as per the Inflation rates proposed by AERA.

9.2.78 The Authority expects MADC to bring in efficiencies in the incurrence of O&M expenses and cost relatedness for the benefit of airport users and in line with AERA Guidelines & International Civil Aviation Organization (ICAO) Principles relating to airport user charges.

## 9.3 Stakeholders' comments regarding Operating and Maintenance Expenses for the First Control Period

9.3.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024. The stakeholders' comments are as follows.

9.3.2 FIA's comment on TBLR is as follows:

*"FIA submits that, AERA have considered the Terminal Building Ratio ('TBLR') of 95:5 for 1st November 2021 to 31st March 2022 and for First Control Period.*

*However, it is important to recognize the significance of Shirdi as a prominent pilgrimage destination and a vital hub in Maharashtra. With its revered status and the constant influx of devotees from around the world, Shirdi plays a crucial role in spiritual tourism. Its strategic location and the growth of Shirdi Airport further highlight its potential for increased non-aeronautical revenue. The current nonaeronautical ratio proposed by AERA may not fully reflect the extensive economic opportunities Shirdi presents as a burgeoning pilgrimage centre.*

*Further, as observed by AERA itself, in comparison to the other airports such as DIAL, MIAL, BIAL etc., the TBLR was considered above 10%, as per the IMG norms, which are applied and adhered by AERA for all other airports. In view of the above, we request AERA to kindly allot the best possible ratio towards NAR while keeping a consistent approach of applying IMG norms. Accordingly, we request AERA to consider the highest possible non-aeronautical allocation in the case of SAG and/or request to conduct an independent study for the same. We further recommend that SAG should utilize such aspects and space towards increasing their non-aeronautical activities."*

9.3.3 FIA's comment on power expenses is as follows:

*"SAG is requested to constitute a committee to verify the bills relating to Power expenses or submit a report on the same to AERA, if the same has already been conducted as part of Stakeholder comments / feedback."*

9.3.4 FIA's comment on conducting independent study for true up of O&M expenses is as follows:

*"FIA respectfully urges AERA to further explore avenues to minimizing escalations across the expense categories. This action would significantly enhance our ability to manage overall costs more effectively.*

*It is further submitted that the current estimated O&M expenses necessitate additional scrutiny through an Independent Study in this Control Period. This measure is vital to prevent deviations from being carried forward to the Second Control Period, doing so would help avoid over recovery of ARR in the control period under the guise of True up.*

*FIA wishes to highlight that the same has been proven in cases of other PPP Airports like DIAL, MIAL, BIAL that while truing up the O&M in subsequent control periods, it always leads to over-estimation which has been observed leading to higher tariff in past control periods.*

*We further submit that, while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, the Airport operator on the other hand seems to have incurred/will incur incremental expenses which may not appear prudent considering the significant losses incurred by the aviation sector.*

*In view of the reasons, we request AERA to conduct an independent study for determining the true value of the O&M expenses before approving the tariff for the First Control Period."*

9.3.5 AIAL's comment on non-consideration of CNS/ATM revenue as part of ARR is as follows:

*"The Authority has not considered the expenses related to CNS/ATM services being paid to AAI while determining the Operating & Maintenance (O&M) expenses for True-up period as well as First Control Period. These expenses should not be disallowed or be put on hold awaiting the review of policy at AAI level as these are legitimate and also one of the major expenses in the overall expenses of the Airport Operator. The Airport Operator needs to adhere to the Concession Agreement requirements which is also a mandate for the Authority to consider under Section 13 (1)(a)(vi). Not allowing the same would put the Airport Operator in a situation where it needs to incur the expenses as per the Concession agreement and it would not be able to recover them. These are genuine expenses incurred for Airport Operations. We request the Authority to consider the expenses related to CNS/ATM services as submitted by the Airport Operator and allow it as part of ARR."*

9.3.6 DIAL's comment on exclusion of legal expenses from operating expenses is as follows:

*"The Authority proposes to exclude the legal expenses incurred by the Airport Operator as a part of operating expenses in line with the position considered in other similar airports. This approach of AERA is contrary to the Tariff computation guidelines which suggest that the operation and maintenance expenditure shall include all expenditures incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandated operating cost."*

9.3.7 DIAL's comment on non-consideration of CNS/ATM revenue as part of ARR is as follows:

*"AERA has not considered the CNS/ATM Costs payable by the MADC to AAI because at present policy of AAI relating to provision of CNS/ATM Facilities & Services, at the non-AAI airports on the Cost*

*Recovery Basis is under review, in consultation with AAI. This approach of AERA is contrary to the Tariff computation guidelines which suggest that the operation and maintenance expenditure shall include all expenditures incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandated operating costs. Non allowance of charges may impact the viability of the Airport Operator. Further, it is important to note that, true-up of these expenses will always be an option for AERA, however, such major costs can lead to financial stress for Airport Operators."*

## 9.4 MADC responses to Stakeholders' comment regarding Operating and Maintenance Expenses for the First Control Period

9.4.1 MADC's response to FIA's comment regarding TBLR is as follows:

*"The existing terminal building of the Shirdi Airport is highly congested and not having enough space for generating non-aeronautical revenue. The current space occupied for non-aeronautical services is less than 5%. We request the Authority to consider the actual ratio for the New Integrated Terminal Building post completion as part of the true-up the exercise"*

9.4.2 MADC's response to FIA's comment regarding power expenses is as follows:

*"The independent consultant appointed by the AERA has already verified the power expenses bills and considered for the purpose of the tariff determination."*

9.4.3 MADC's response to FIA's comment regarding conducting independent study for true up of O&M expenses is as follows:

*"The expenses proposed by Shirdi Airport are duly verified and considered by the independent consultant appointed by the Authority. Irrespective, of this fact it is required to be noted that the tariff proposed by the Shirdi Airport is with a nominal increase and MADC has proposed to carry forward the shortfall of ARR recovery (based on the proposed rate card) to the next control period in the interest of all the stakeholders and viability of the Shirdi Airport."*

9.4.4 MADC's response to AIAL/DIAL's comment regarding non-consideration of CNS/ATM revenue and exclusion of legal expenses is as follows:

*"MADC has received comments from Ahmedabad International Airport Ltd and Delhi International Airport Ltd with which we completely concur."*

## 9.5 Authority's Analysis of Stakeholders' comment regarding Operating and Maintenance Expenses for the First Control Period

<u>Terminal Building Allocation Ratio</u>

9.5.1 The Authority has noted the comments by FIA with respect to Terminal Building allocation ratio and MADC's counter comments on the same. The Authority has, as detailed in Para 5.8.8 decided to not consider the new terminal building as part of RAB for the First Control Period. The existing terminal building is a small structure which is congested with limited space for non-aero activities. The benchmarking with IMG norms/ practice followed in other airports. Hence, the Authority decides to consider TB ratio 95%:5% for the First Control Period, also noting that the existing terminal building is expected to be used till the end of the First Control Period. This will be reviewed during determination of tariff for the next control period, when the new terminal building is expected to be commissioned.

Verification of Power Bills

9.5.2 The Authority notes the comments of FIA and the counter comments by MADC. The Authority has, through its Independent Consultant, examined the expenses of SAG and benchmarked wherever possible, with similar airports. The Authority also notes that the books of SAG are audited by independent auditors, whose report on such expenses notes no qualifications/ exceptions. The independent consultant has sought explanations, invoices etc. wherever needed and reviewed the same. Hence, the Authority does not find the need to verify the bills relating to power expenses of Shirdi International Airport.

Independent Study for true up of O&M expenses

9.5.3 The Authority has examined in detail each component of the O&M expenses submitted by the AO for its essentiality & reasonableness of cost and has rationalized it to the extent of its requirement for smooth conduct of airport operations. As regard to FIA comment on conducting an independent study on O&M expenses, the Authority believes that the requirement for an independent study will depend upon the size and the scale of operations. If AERA feels such need in the future, it may commission an independent study for the future Control Periods of Shirdi International Airport.

Consideration of CNS/ ATM expenses

9.5.4 The Authority notes DIAL and AIAL's comments on consideration of CNS/ ATM expenses as part of O&M expenses and MADC's counter comments on the same. The Authority's decision on the same has been discussed in detail in Para 3.8.45.

Consideration of legal charges

9.5.5 The Authority has considered expenses to be incurred towards Personnel costs for the employees deployed across all departments including legal department. Further, the Authority has also considered reasonable cost towards corporate cost allocation which includes various support functions. Hence, the Authority is of the view that providing additional legal expenses would be inappropriate.

9.5.6 Based on the Authority's decision to not capitalize the NITB in the First Control Period and considering the revised costs of assets added in the FAR for FY 2023-24, the Authority has recomputed the Gross block ration for the First Control Period as detailed in the table below.

**Table 146: Revised Gross Block Ratio proposed by the Authority for the First Control Period**

| Particulars | Ref. | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 |
|---|---|---|---|---|---|---|
| Aeronautical Gross Block | A | 183.41 | 215.68 | 286.68 | 399.98 | 399.98 |
| Non-Aeronautical Gross Block | B | 1.61 | 1.71 | 2.12 | 3.02 | 3.02 |
| Total Gross Block | C=A+B | 185.02 | 217.39 | 288.80 | 403.00 | 403.00 |
| *Percentage Aeronautical* | D=A/C | 99.13% | 99.21% | 99.27% | 99.25% | 99.25% |
| **5-year average Gross Block Ratio** | **E** | | | | | **99.22%** |

**Table 147: Revised Allocation ratio decided by the Authority for the First Control Period**

| Particulars | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 |
|---|---|---|---|---|---|
| Employee Head Count Ratio (EHCR) | 95.00% | 95.00% | 95.00% | 95.00% | 95.00% |
| Terminal Building Ratio (TBLR) | 95.00% | 95.00% | 95.00% | 95.00% | 95.00% |
| Gross Block Ratio (GBR) | 99.22% | 99.22% | 99.22% | 99.22% | 99.22% |

9.5.7 Upon request, MADC submitted actual Operating & Maintenance Expenses incurred for the financial year 2023-24, vide mail dated 24th April 2024. The Authority had reviewed the actual expenses incurred by the

MADC and decides to consider the actuals for FY 2023-24 as submitted by MADC. The projection of Operation & Maintenance Expenses for the remaining years of the Control Period is based on actual numbers of FY 2023-24.

9.5.8 Considering the Authority's decision not to consider the capitalization of the NITB in the First Control Period, O&M Costs estimated on account of NITB at CP Stage have been now excluded from the projected O&M Expenses.

**a. Administration & General Expenses and Power Expenses**

During the consultation stage, Administration & General Expenses and power expenses were increased by 100% in FY 2026-27 on account of the NITB. However, the same has been eliminated and the Y-o-Y increase on the basis of inflation has now been considered taking FY 2023-24 actual numbers as the base. The revised Administration & General Expenses and Power Expenses are as per the table below:

**Table 148: Revised Administration & General Expenses and Power Expenses for the First Control Period**

*(₹ in crores)*

| Particulars | FY 23* | FY 24* | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|
| Administration & General Exp. | 0.65 | 0.35 | 0.36 | 0.38 | 0.39 | **2.13** |
| Power Expenses | 1.78 | 2.07 | 2.13 | 2.20 | 2.27 | **10.44** |

** The expenses for FY 23 & FY 24 are based on actual expenses incurred for the year.*

**b. Employee Costs**

During the Consultation Stage, the employee count was increased to 45% in FY 2026-27 on account of operationalization NITB. However, considering the Authority's decision to not capitalize NITB in the First Control Period, the Authority has decided to retain the same number of employees as per MADC's submission for FY 2023-24 of 107 employees for the entire First Control Period. The average salary per employee for 107 employees in FY 2023-24 was taken as a basis for applying the Y-o-Y increase of 6%.

**Table 149: Revised Employee costs decided by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | Ref | FY 23* | FY 24* | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| Employee Costs – Aero (refer Table 131) | A | **4.95** | **7.48** | **8.05** | **12.59** | **13.55** | **46.62** |
| **As per the Authority** | | | | | | | |
| Total No. of Employees | B | 107 | 107 | 107 | 107 | 107 | |
| Average Cost per employee – Aeronautical after applying EHCR | C | 0.049 | 0.050 | 0.053 | 0.056 | 0.060 | |
| Total Aeronautical Employee Cost | D=B*C | 4.95 | 5.09 | 5.39 | 5.72 | 6.06 | **27.20** |
| Others - Employee Related (re-classified) | E | 0.25 | 0.22 | 0.23 | 0.24 | 0.26 | **1.20** |
| **Aeronautical Employee Costs proposed by the Authority** | **F=D+E** | **5.20** | **5.30** | **5.62** | **5.96** | **6.32** | **28.40** |
| ***Difference*** | **G=F-A** | ***0.25*** | ***-2.18*** | ***-2.43*** | ***-6.63*** | ***-7.23*** | ***-18.22*** |

** The expenses for FY 23 & FY 24 is based on actual expenses incurred for the year.*

9.5.9 On runway recarpeting expenses, as discussed in paragraph 9.2.75 the return on the unamortized portion during the consultation stage was computed at the FRoR of 9%. However, the revised FRoR of 10.83%

has resulted in a change in the unamortized portion. The revised runway recarpeting expenses for the First Control Period are as in the table below:

**Table 150: Return on unamortized portion of Runway recarpeting expenses decided by the Authority for Shirdi International Airport for the First Control Period**

*(₹ in crores)*

| Particulars | Ref | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| Opening Balance | A | - | - | - | - | 49.34 | |
| Runway recarpeting expenses estimated to be incurred during the year | B | - | - | - | 61.68 | - | **61.68** |
| Runway recarpeting expenses amortized during the year | C | - | - | - | 12.34 | 12.34 | **24.67** |
| Closing Balance | D=A+B-C | - | - | - | 49.34 | 37.01 | |
| FRoR (Refer para 7.6.4) | E | 10.83% | 10.83% | 10.83% | 10.83% | 10.83% | |
| Return on unamortised portion of runway recarpeting expenses | F=A*E | - | - | - | - | **5.34** | **5.34** |

**Table 151: Runway recarpeting expenses decided by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | Ref | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| Runway recarpeting costs | A | - | - | - | 12.34 | 12.34 | **24.67** |
| Return on unamortised portion of recarpeting expenses | B | - | - | - | - | 5.34 | **5.34** |
| **Total runway recarpeting expenses decided by the Authority** | **C=A+B** | **-** | **-** | **-** | **12.34** | **17.68** | **30.02** |

9.5.10 Considering the changes above, the Authority has re-computed the Aeronautical Operating and Maintenance (O&M) Expenses for the First Control Period, as detailed in the table below.

**Table 152: Aeronautical Operating and Maintenance expenses decided by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | Ref | FY 23* | FY 24* | FY 25 | FY 26 | FY 27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| Total Aeronautical O&M Expenses | A | 17.01 | 19.75 | 22.16 | 30.44 | 38.67 | **128.03** |
| **As per the Authority** | | | | | | | |
| Administration & General Exp. | B | 0.65 | 0.35 | 0.36 | 0.38 | 0.39 | **2.13** |
| Airport Operating Expenses | C | 1.67 | 1.66 | 1.76 | 1.85 | 1.97 | **8.91** |
| License Fees | D | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | **0.16** |
| Employee Cost | E | 5.20 | 5.30 | 5.62 | 5.96 | 6.32 | **28.40** |
| Power Expenses | F | 1.78 | 2.07 | 2.13 | 2.20 | 2.27 | **10.44** |
| Water Expenses | G | 0.22 | 0.29 | 0.30 | 0.23 | - | **1.03** |
| Water Withdrawal Expenses | H | - | - | - | 0.04 | 0.22 | **0.25** |
| Repair & Maintenance | I | 3.97 | 2.21 | 3.23 | 5.96 | 8.18 | **23.54** |
| Runaway Re-carpeting | J | - | - | - | 12.34 | 17.68 | **30.02** |
| **Total Aeronautical O&M Expenses** | **K=Sum(B:J)** | **13.53** | **11.91** | **13.43** | **28.97** | **37.05** | **104.89** |
| ***Difference*** | ***L=K-A*** | ***-3.48*** | ***-7.84*** | ***-8.73*** | ***-1.47*** | ***-1.62*** | ***-23.14*** |

** The expenses for FY 23 & FY 24 is based on actual expenses incurred for the year.*

9.5.11 As can be seen above, the total O&M expenses decided by the Authority for the First Control Period is ₹ 104.89 crores as compared to ₹ 108.91 crores proposed by the Authority at the Consultation Stage. Following are the key reasons based on the adjustments, revisions and rationalization carried out by the Authority:

a) Consideration of actual expenses for FY 2023-24, resulting into reduction in expenses amounting to ₹ 0.17 crores as compared to Consultation Stage.
b) Impact of change in the Inflation rates considered for the Tariff Order (refer Table 119).
c) Reduction in employee cost due to non-consideration of one time increase of 45% in employee count in FY 2026-27 on account of shifting of New Integrated Terminal Building (NITB) to the next control period amounting to ₹ 3.70 crores as compared to Consultation Stage.
d) Reduction in Administration and General Expenses due to non-consideration of one time increase in FY 2026-27 on account of Operationalization of New Integrated Terminal Building (NITB) amounting to ₹ 1.58 crores as compared to Consultation Stage.
e) Increase in Return on unamortized portion of Runway re-carpeting expenses due to change in FRoR (refer Table 116) amounting to ₹ 0.91 crores as compared to Consultation Stage.

## 9.6 Authority's decisions regarding Operating and Maintenance Expenses for the First Control Period

Based on the material before it and on its examination, the Authority decides the following with regard to O&M expenses for the First Control Period for Shirdi International Airport:

9.6.1 To consider Aeronautical O&M Expenses for the First Control Period as per Table 152.

9.6.2 To consider the True up of O&M expenses incurred by MADC during the First Control Period subject to evaluation of reasonableness and efficiency, at the time of tariff determination for the next Control Period.

# 10 NON-AERONAUTICAL REVENUE (NAR) FOR THE FIRST CONTROL PERIOD

## 10.1 MADC's submission regarding Non-Aeronautical Revenue for the First Control Period

10.1.1 MADC's submission on Non-Aeronautical Revenue estimation comprises the following:

- Revenue related to existing terminal building
- Revenues estimated due to extension of existing terminal building
- Revenues arising from New Integrated Terminal Building (NITB) that is proposed to be commissioned in FY 2025-26. (All Non-Aeronautical Revenue arising from new terminal building have been projected for FY 2026-27 by MADC)

10.1.2 MADC had considered the following streams of Non-Aeronautical Revenue in its submission under each category:

**Table 153: Streams of Non-Aeronautical Revenue projected by MADC for the First Control Period**

| Streams of Revenue | Existing Terminal Building | Extension to Existing Terminal Building | New Integrated Terminal Building |
|---|---|---|---|
| Area (Sq.m.) | 2,750 | 2,250 | 53,349 |
| License Fee – Airlines | ✓ | ✓ | ✓ |
| License Fee – Concessionaire | ✓ | ✓ | ✓ |
| Advertisement | ✓ | ✓ | ✓ |
| Taxi Rentals | ✓ | × | × |
| Food Court and Utility Block | × | × | ✓ |
| Miscellaneous Income | ✓ | ✓ | ✓ |

10.1.3 In its submission for the First Control Period, MADC had considered actual non-aeronautical revenue for FY 2022-23 and projections for the period from FY 2023-24 to FY 2026-27, as detailed below:

**Table 154: MADC's Submission on Non-Aeronautical Revenue for Shirdi International Airport for the First Control Period**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| **Existing Terminal** | | | | | | |
| License Fee - Airlines | 0.76 | 0.84 | 0.92 | 1.02 | 1.12 | **4.66** |
| License Fee - Concessionaire | 0.69 | 0.73 | 0.79 | 0.85 | 0.91 | **3.96** |
| Advertisement | - | 0.42 | 0.44 | 0.46 | 0.48 | **1.80** |
| Taxi Rentals | 0.01 | - | - | - | - | **0.02** |
| Miscellaneous Income | 0.41 | - | - | - | - | **0.41** |
| **Total - A** | **1.87** | **1.99** | **2.15** | **2.33** | **2.51** | **10.85** |
| **Extension to Existing Terminal** | | | | | | |
| License Fee - Airlines | - | 0.17 | 0.76 | 0.83 | 0.91 | **2.67** |
| License Fee - Concessionaire | - | 0.15 | 0.65 | 0.69 | 0.75 | **2.24** |
| Advertisement | - | 0.10 | 0.44 | 0.46 | 0.48 | **1.48** |
| Miscellaneous Income | - | 0.03 | 0.14 | 0.15 | 0.17 | **0.49** |
| **Total - B** | **-** | **0.45** | **1.99** | **2.13** | **2.31** | **6.88** |
| **New Terminal** | | | | | | |
| License Fee - Airlines | - | - | - | - | 7.54 | **7.54** |
| License Fee - Concessionaire | - | - | - | - | 10.05 | **10.05** |
| Advertisement | - | - | - | - | 3.83 | **3.83** |
| Miscellaneous Income | - | - | - | - | 1.76 | **1.76** |

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Revenue from Food Court and Utility Block | - | - | - | - | 0.53 | **0.53** |
| **Total - C** | - | - | - | - | **23.71** | **23.71** |
| **Total NAR (A+B+C)** | **1.87** | **2.44** | **4.14** | **4.46** | **28.53** | **41.44** |

10.1.4 The growth rates assumed by MADC were as presented in the table below:

**Table 155: Y-o-Y Growth Rate assumed by MADC for Non-Aeronautical Revenue for the First Control Period**

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| **Existing Terminal** | | | | | |
| License Fee – Airlines | - | 10.00% | 10.00% | 10.00% | 10.00% |
| License Fee – Concessionaire | - | 7.50% | 7.50% | 7.50% | 7.50% |
| Advertisement | - | - | 5.00% | 5.00% | 5.00% |
| Taxi Rentals | - | - | - | - | - |
| Miscellaneous Income | - | - | - | - | - |
| **Extension to Existing Terminal** | | | | | |
| License Fee – Airlines | - | - | 10.00% | 10.00% | 10.00% |
| License Fee – Concessionaire | - | - | 7.50% | 7.50% | 7.50% |
| Advertisement | - | - | 5.00% | 5.00% | 5.00% |
| Miscellaneous Income | - | - | 8.85% | 8.85% | 8.85% |

## 10.2 Authority's examination regarding Non-Aeronautical Revenue for the First Control Period at Consultation Stage

10.2.1 The Authority sought information such as concessionaire wise breakup, ledger extracts, sample agreements etc., to review the nature of revenue and the assumptions made by MADC in its MYTP submission.

10.2.2 The Authority noted that, MADC, in its submission to the Authority vide letter dated 7th July 2023, had stated that it had cancelled the plan of extension of the existing terminal building as it is planning to manage with temporary seating lounge, cost for which had been projected as part of the Capital Expenditure in MADC's revised MYTP submission. Hence the Authority proposed not to consider Non-Aeronautical Revenue amounting to ₹ 6.88 crores pertaining to extension of existing terminal building submitted by MADC, for arriving at the Non-Aeronautical Revenue and ARR for the First Control Period.

10.2.3 The Authority had further analyzed each head of income and its assumptions (Existing Terminal Building and NITB) and its analysis is presented in the following paragraphs.

**License Fee – Airlines & Concessionaires**

**A. Existing Terminal**

10.2.4 The Authority noted that, for FY 2022-23, MADC had segregated the total actual license fee received including license fee from airlines, other aeronautical concessionaires (CGF service providers) and non-aeronautical concessionaires of ₹ 1.45 crores in the proportion 53:47 between "License Fee – Airlines" and "License Fee – Concessionaires" respectively. This was done in line with the actual proportion of such heads to the total license fee in FY 2021-22.

10.2.5 The Authority further noted that MADC had projected the "License Fee – Airlines" at an escalation of 10% p.a. and projected the "License Fee – Concessionaires" at an escalation of 7.50% p.a., with FY 2022-23 as the base (refer para 10.2.4).

10.2.6 The Authority sought the party wise breakup of the license fee from MADC for FY 2022-23. From the breakup provided by MADC, the Authority noted that the following is the actual classification for FY 2022-23:

**Table 156: Comparison of License fee for FY23 as provided by MADC and as proposed by the Authority**

*(₹ in crores)*

| Particulars | Ref. | FY23 | | Classification | |
|---|---|---|---|---|---|
| | | As per MADC | As per the Authority | As per MADC | As per the Authority |
| License Fee - Airlines | A | 0.76 | 0.41 | Non-Aeronautical | Aeronautical |
| License Fee - Refueller | B | - | 0.66 | - | Aeronautical |
| License Fee - Ground Handling | C | - | 0.01 | - | Aeronautical |
| License Fee – Concessionaires | D | 0.68 | 0.26 | Non-Aeronautical | Non-Aeronautical |
| License Fee - Car Parking | E | | 0.10 | - | Non-Aeronautical |
| **Total** | **F=A+B+C +D+E** | **1.44** | **1.44** | | |

10.2.7 The Authority, in line with its decision taken in other Airports, proposed to consider the license fee from airlines and other aeronautical concessionaires (CGF service providers) as aeronautical revenue and exclude the same from non-aeronautical revenue similar to that considered in other airports.

10.2.8 On analysis of sample agreements with two of the major non-aeronautical concessionaires forming part of item D of Table 156, the Authority noted that the escalation is at 10% p.a. Hence, the Authority proposed to project the license fee from non-aeronautical concessionaires at an escalation of 10% p.a., with the actual license fee from concessionaires (excl. car parking) of ₹ 0.26 crores for FY 2022-23 as the base. With respect to license fee from car parking, the same had been dealt with separately in para 10.2.18 and 10.2.19.

10.2.9 Based on the above facts and analysis, the Authority proposed the following license fee from non-aeronautical concessionaires (excl. car parking) and corresponding escalation Y-o-Y for the First Control Period:

**Table 157: License fee from Non-Aeronautical Concessionaires from the existing terminal proposed by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| License Fee – Concessionaire | 0.26 | 0.28 | 0.31 | 0.34 | 0.37 | **1.56** |
| Escalation Percentage | - | 10% | 10% | 10% | 10% | |

**B. New Integrated Terminal Building (NITB)**

10.2.10 The Authority noted that MADC has projected license fee from airlines for FY 2026-27 in the NITB based on area allocation of 1,875 Sq.m. and rental of ₹ 2,500 per Sq.m. per month with an escalation of 5% p.a. (Base Year - 2021).

10.2.11 Similarly, the Authority also noted that MADC has projected license fee from concessionaires for FY 2026-27 based on the area allocation of 1,250 Sq.m. and rental of ₹ 5,000 per Sq.m. per month at an escalation of 5% p.a. (Base Year 2021).

10.2.12 The Authority noted that as per the terminal building ratio of 95%:5% proposed by it for the First Control Period, the non-aeronautical portion (5%) of the total area of the proposed NITB of 53,349 Sq.m. works out to 2,667 Sq.m however, the Authority for its analysis had considered 2,600 Sq.m. The Authority proposed considering 2,600 Sq.m. as the area allocated for non-aeronautical concessionaires in the NITB.

10.2.13 Based on the Authority's proposal to consider capitalization the NITB from 1st October 2026, the license fee was considered for a period of 6 months from Oct 26 to Mar 27.

10.2.14 As indicated in para 10.2.7, the Authority proposed to consider the license fee from airlines as aeronautical revenue and exclude the same from non-aeronautical revenue.

10.2.15 Based on the analysis of the agreement with one of the concessionaires of existing terminal, the Authority proposed that the rate of ₹ 5,000 per Sq.m. per month (Base Year 2021) adjusted for inflation as per Table 118 as a reasonable rate.

10.2.16 Based on the above facts and analysis, the Authority proposed the following license fee from non-aeronautical concessionaires for NITB for FY 2026-27:

**Table 158: License fee from non-aeronautical concessionaires proposed by the Authority for FY27 at Consultation Stage**

| Particulars | Ref. | Unit | Values |
|---|---|---|---|
| Projected area for non-aeronautical portion out of total 53,349 Sq.m. of built-up area of new terminal building | A | Sq.m. | 2,600 |
| Inflation adjusted Rate per Sq.m. per month for FY27 | B | ₹ | 6,453 |
| No. of months | C | - | 6 |
| License Fee from non-aeronautical concessionaire for FY27 | D = (A*B*C)/10^7 | ₹ in Crores | 10.07 |

10.2.17 The Authority's proposal of license fee from non-aeronautical concessionaires for the First Control Period is as follows:

**Table 159: License fee from Non-Aeronautical Concessionaires from the new terminal proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| License Fee – Concessionaire | - | - | - | - | 10.07 | **10.07** |

**License Fee – Car Parking**

**A. Existing Terminal**

10.2.18 The Authority noted that MADC has not projected the license fee income from car parking for the First Control Period. On discussion with MADC, the Authority was informed that car parking was not concessioned out yet and the tender was floated only in December 2023.

10.2.19 However, the Authority proposed to consider the minimum reserved license fee of ₹ 1,00,000 per month for FY 2024-25 and escalation of 5% and 10% for FY 2025-26 and FY 2026-27 respectively based on the tender floated by MADC, as given below:

**Table 160: License fee from Car Parking from the existing terminal proposed by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| License Fee – Car Parking | 0.10 | - | 0.12 | 0.13 | 0.14 | **0.49** |

**B. New Integrated Terminal Building (NITB)**

10.2.20 The Authority noted that MADC had not projected any revenue from car parking for the new terminal building. Since the same had not been tendered yet, the Authority proposed not to consider any revenue from car parking for the new terminal for the First Control Period. However, the Authority proposed to true up the same based on actual revenue in the First Control Period at the time of determination of tariff for the Second Control Period.

**Revenue from Advertising**

**A. Existing Terminal**

10.2.21 The Authority noted that MADC had projected revenue from advertising considering a revenue of ₹ 300 per Sq.ft. per month for 1,000 Sq.ft. for existing terminal, at an inflation of 5% p.a. (Base Year 2021).

10.2.22 On discussion with MADC, the Authority was informed that advertising space is not concessioned yet, however the tender had been floated for the same in December 2023. Hence, the Authority proposed to consider the minimum reserved license fee of ₹ 5,00,000 per month and escalation of 10% annually based on the tender floated by MADC. Considering that the tender had been floated only in Q3 of FY 2023-24, the revenues were projected from FY 2024-25 only.

10.2.23 Based on the above facts, the Authority proposed the following revenue from advertising in existing terminal for the First Control Period:

**Table 161: Revenue from Advertising in the existing terminal proposed by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Advertising Revenue | - | - | 0.60 | 0.66 | 0.73 | **1.99** |

**B. New Integrated Terminal Building (NITB)**

10.2.24 The Authority noted that MADC had projected revenue from advertising based on ₹ 300 per Sq.ft. per month (Base Year 2021) for 6,000 Sq.ft. in NITB, together with an escalation of 10% p.a. year on year for FY 2026-27.

10.2.25 The Authority noted that the area of 6,000 Sq.ft. for advertising space in the new terminal building was reasonable to the total proportion of area of NITB considering a built-up area of 53,349 Sq.m. as per the area projected by MADC. Since the NITB capitalization was proposed only in the second half of FY 2026-27, only 6 months' revenue was projected for advertising revenue.

10.2.26 The Authority noted that the revenue per sq ft in the contract in the existing terminal building works out to ₹ 500 per Sq.ft. per month (i.e. ₹ 5,00,000 of minimum guarantee for 1,000 Sq.ft.). The Authority estimated that the contract for NITB when negotiated will at least be ₹ 500 per Sq.ft. Hence, the Authority proposed to estimate advertising revenue in NITB for FY 2026-27 at ₹ 550 (post adjustment of inflation as per Table 118 considering base year as FY24) for 6 months for 6,000 Sq.ft.

10.2.27 Based on the above facts and analysis, the Authority proposed the following advertising revenue in NITB for FY 2026-27:

**Table 162: Advertising revenue in new terminal building proposed by the Authority for FY27 at Consultation Stage**

| Particulars | Ref. | Unit | Values |
|---|---|---|---|
| Area of advertising space in new terminal building | A | Sq.ft. | 6,000 |
| Unit rate | B | ₹ | 500 |
| Inflation adjusted Rate per Sq.ft. per month for FY27 | C = B*(1+Inflation Rate as per Table 118) | ₹ | 550 |
| No. of months | D | - | 6 |
| License Fee from non-aeronautical concessionaire for FY27 | E = (A*C*D)/10^7 | ₹ in Crores | 1.98 |

10.2.28 Based on the above, the Authority proposed to consider the advertisement revenue for the First Control period from new terminal as follows:

**Table 163: Revenue from advertising in the new terminal proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Advertising Revenue | - | - | - | - | 1.98 | **1.98** |

**Taxi Rentals**

**A. Existing Terminal**

10.2.29 The Authority noted that MADC has considered the actual taxi rentals for FY 2022-23 and had not made any projections from FY 2023-24 to FY 2026-27 as it had not entered into any contract with any taxi operator and the revenue in the nature of taxi rentals had ceased to accrue from May 2022.

10.2.30 However, the Authority proposed to consider the revenue from taxi rentals as per actuals for the year ending FY 2022-23 and project the revenue from taxi rentals from FY 2023-24 to FY 2026-27 based on the inflation rates as per Table 118, which is as follows:

**Table 164: Taxi Rentals from the existing terminal proposed by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Taxi Rentals | 0.01 | 0.01 | 0.02 | 0.02 | 0.02 | **0.08** |

**B. New Integrated Terminal Building (NITB)**

10.2.31 The Authority noted that MADC had not projected any taxi rental revenue when NITB becomes operational.

10.2.32 The Authority proposed not to consider any taxi rental for FY 2026-27 based on the fact that the tendering process for the same had not been initiated considering that the NITB is proposed to be considered in FY 2026-27. However, the Authority proposed to true up the same based on actual revenues for the First Control Period at the time of determination of tariff or the Second Control Period.

**Miscellaneous Income**

**A. Existing Terminal**

10.2.33 The Authority noted that MADC had not projected any miscellaneous income from FY 2023-24 onwards. The Authority sought the breakup of the miscellaneous income for FY 2022-23. Based on the breakup received from MADC, the Authority noted that miscellaneous income primarily consists of recovery of electricity charges and interest income from FD.

10.2.34 The Authority noted that MADC had considered the recovery of electricity of ₹ 0.02 crores out of total recovery of ₹ 0.12 crores as reduction from O&M Expenses. The Authority proposed to consider the remaining ₹ 0.10 crores also as reduction from O&M Expenses. Accordingly, the Authority proposed to consider recovery of electricity expenses as a deduction from O&M Expenses of the respective years and exclude the same from Non-Aeronautical Revenue.

10.2.35 The Authority noted that the Fixed deposits were proposed to be deployed for funding the Capital Expenditure. Hence, no interest income was projected currently. The Authority noted that the same will be considered based on actuals at the time of true up, during determination of tariff for the second control period.

10.2.36 Based on the above analysis, the Authority proposed the following miscellaneous income from existing terminal for the First Control Period:

**Table 165: Miscellaneous from the existing terminal proposed by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| Miscellaneous Income | 0.29 | - | - | - | - | **0.29** |

**B. New Integrated Terminal Building (NITB)**

10.2.37 The Authority noted that MADC had projected miscellaneous income at 10% of total license fee together from airlines and concessionaires in FY 2026-27, amounting to ₹ 1.76 crores. The nature of such miscellaneous income in MADC's MYTP submission, over and above lease rentals and other heads considered was not explained. Considering that NITB was only proposed to be operational for 6 months, the Authority proposed to consider the miscellaneous income considered by MADC and true up the same at the time of determination of tariff for the Second Control Period.

**Revenue from Food Court and Utility Block**

**A. New Integrated Terminal Building (NITB)**

10.2.38 The Authority noted that MADC had projected revenue from Food Court and Utility Block in the NITB amounting to ₹ 0.53 crores. The Authority noted that MADC plans to have a food court and utility block as per the master plan for NITB.

10.2.39 The Authority noted that the exact area of the food court and utility block in the new terminal building was yet to be firmed up. However, the Authority proposed to consider the amount of revenue projected by MADC for the First Control Period and true up the same based on actual revenues for the First Control Period at the time of determination of tariff for Second Control Period.

10.2.40 Based on the above analysis and facts, the Authority proposed the following Non-Aeronautical Revenue for the First Control Period:

**Table 166: Non-Aeronautical Revenue for Shirdi International Airport proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Table/Para Ref | Ref. | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | | |
| Non-Aeronautical Revenue | Table 154 | A | **1.87** | **2.44** | **4.14** | **4.46** | **28.53** | **41.44** |
| **As per the Authority** | | | | | | | | |
| **Existing Terminal** | | | | | | | | |
| License Fee – Concessionaire | Table 157 | B | 0.26 | 0.28 | 0.31 | 0.34 | 0.37 | **1.56** |
| License Fee – Car Parking | Table 160 | C | 0.10 | - | 0.12 | 0.13 | 0.14 | **0.49** |
| Advertising Revenue | Table 161 | D | - | - | 0.60 | 0.66 | 0.73 | **1.99** |
| Taxi Rentals | Table 164 | E | 0.01 | 0.01 | 0.02 | 0.02 | 0.02 | **0.08** |
| Miscellaneous Income | Table 165 | F | 0.29 | - | - | - | - | **0.29** |
| **Total I - Existing Terminal** | | **G=Sum (B:F)** | **0.66** | **0.29** | **1.05** | **1.15** | **1.26** | **4.41** |
| **New Terminal** | | | | | | | | |
| License Fee – Concessionaire | Table 159 | H | - | - | - | - | 10.07 | **10.07** |
| Advertising Revenue | Table 163 | I | - | - | - | - | 1.98 | **1.98** |
| Miscellaneous Income | 10.2.37 | J | - | - | - | - | 1.76 | **1.76** |
| Revenue from Food Court and Utility Block | 10.2.38 | K | - | - | - | - | 0.53 | **0.53** |
| **Total II – New Terminal** | | **L=Sum (H:K)** | - | - | - | - | **14.34** | **14.34** |
| **Non-Aeronautical Revenue proposed by the Authority** | | **M=G+L** | **0.66** | **0.29** | **1.05** | **1.15** | **15.60** | **18.75** |
| **Difference *** | | **N=M-A** | ***-1.21*** | ***-2.15*** | ***-3.09*** | ***-3.31*** | ***-12.93*** | ***-22.69*** |

10.2.41 As can be seen above, the Authority proposed to consider the Non-Aeronautical Revenue for the First Control Period amounting to ₹ 18.75 crores as against ₹ 41.44 crores submitted by MADC. The difference is mainly due to the following adjustments, revisions, and rationalization carried out by the Authority:

- License fee – Airlines considered by MADC as Non-Aeronautical Revenue whereas the Authority proposed to consider the same as Aeronautical Revenue amounting to ₹ 12.20 crores.
- Exclusion of revenue pertaining to extension of existing terminal by MADC, not considered by the Authority amounting to ₹ 6.88 crores (refer para 10.2.2).
- Reduction in revenue proposed by the Authority for License Fees collected from Concessionaires amounting to ₹ 2.38 crores due to various factors, such as, consideration of actual Y-o-Y escalation rates as per contracts by the Authority and shifting of NITB capitalisation to FY 2026-27 (leading to projections non-aero revenue only for 6 months in FY 2026-27 against full year revenue considered by MADC).
- Reduction in revenue from advertisements in respect of New Terminal Building proposed by the Authority amounting to ₹ 1.66 crores, due to various factors (i.e. actual escalation rates taken by the Authority on based on tenders floated by MADC and shifting of capitalisation of NITB to second half of FY 2026-27, leading to revenue projections only for 6 months).

- Inclusion of revenue proposed by the Authority for Car Parking towards existing terminal from FY 2025-26 based on tenders floated by MADC amounting to ₹ 0.39 crores.

## 10.3 Stakeholders' comments regarding Non-Aeronautical Revenue for the First Control Period

10.3.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024.

10.3.2 FIA's comment on Royalty is as follows:

*"Any attempt to award the contracts by the airport operator on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers have no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.*

*As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers.*

*The rates of royalty at the airport are as high as up to 36.3% for some services. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.*

*In view of the above, we humbly urge AERA to abolish such royalty which may be included in any of the cost items."*

10.3.3 FIA's comment on NAR projection is as follows:

*"It is observed that the non-aeronautical revenues projected by SAG are significantly low / conservative. It is requested that SAG explores all avenues to maximise revenue from the utilisation from the NITB for non-aeronautical purposes. The non-aeronautical revenue projected by SAG for First Control Period is substantially lower as compared to other airports and from its projected O&M expenses.*

*Accordingly, we request AERA to mandate SAG to enter into suitable agreements with concessionaires to exploit the potential/ growth of non-aeronautical revenue at Shirdi airport.*

*In this regard we also request AERA to kindly undertake detailed examination with the assistance of an independent study to be conducted on the Non-Aeronautical Revenue ('NAR') before the tariff determination of the First Control Period.*

*Without prejudice to the above, we submit that increase in NAR is a function of increase in terminal building area, passenger traffic growth, inflationary increase and real increase in contract rates. Despite all these factors increasing during the control period, on examination of the non-aeronautical revenue projected for the First control period by AERA, it was noted that a conservative approach has been taken by AERA.*

*It may be noted that, in other Airports, while truing up the NAR in subsequent control periods have always been the under-estimation and leads to higher tariff in the control periods. FIA submits that Shirdi is widely* *recognized as one of the most popular religious destinations and pilgrimage globally. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically.*

*Accordingly, we request AERA:*

*a) To mandate SAG to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at SAG*

*b) To kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the First Control Period.*

*c) To further determine and re-assess their estimates in line with other comparable airports. It may also include the impact of the tourism lineage that Shirdi has to increase their NAR in accordance with the submissions above.*

*AERA is requested to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires.*

*In view of the above, we request AERA to allow higher non-aeronautical revenues being not less than 50% of the projected O&M expenses for SAG, as approved by AERA for other airports."*

## 10.4 MADC responses to Stakeholders' comment regarding Non-Aeronautical Revenue for the First Control Period

10.4.1 MADC's response to FIA's comment regarding Royalty is as follows:

*"FIA comment is informative. No comments from Shirdi Airport."*

10.4.2 MADC's response to FIA's comment regarding NAR projections is as follows:

*"The existing terminal building of the Shirdi Airport is highly congested and not having enough space for generating non-aeronautical revenue. The current space occupied for non-aeronautical services is less than 5%. The new integrated terminal building is proposed to completed by the end of this control period. The Shirdi Airport is taking extensive efforts to increase the non-aeronautical revenue.*

*However, Shirdi Airport do not agree with the FIA proposal to consider the 50% of the projected O&M as non-aeronautical revenue, since it doesn't have any basis to it and it is completely proposed without understanding the ground level difficulties of the Shirdi Airport. Further, on one side FIA is arguing that O&M expenses should be reduced and on the other side insisting on considering non aeronautical revenue as 50% of O&M expenses."*

## 10.5 Authority's Analysis of Stakeholders' comment regarding Non-Aeronautical Revenue for the First Control Period

10.5.1 The Authority notes the comments of FIA on the issue of revenue share payable to Airport Operators by the Service Providers. In this regard, it is informed that the Royalty paid by the ISPs on the Cargo Handling Services, Ground Handling Services and Supply of Fuel to aircraft services (CGF services) to the Airport Operators are considered as Aeronautical Revenue in the hands of AO, by the Authority during tariff determination exercise, thus, helping the Airport Users by way of lowering of Aero charges.

10.5.2 In the case of Non-Aeronautical Revenues, the Revenue Share (Royalty) is a commercial arrangement between the Concessionaires and Airport Operators. The Authority considers 30% of the Non-Aeronautical Revenues after due evaluation, for cross subsidization of Aeronautical charges.

10.5.3 The Authority has carefully studied the comments of FIA and counter comments submitted by MADC with respect to non-aeronautical revenues (NAR). The Authority is of the view that the AO should optimize Revenue from non-aeronautical services/ activities, as being done by other airports, so that the proportion of non-aeronautical revenue projected by the AO is comparable to such revenues at other similar airports. However, considering the fact that the existing terminal building, which is very congested, with limited scope for non-aero activities, is expected to remain in use till the end of the current Control Period, the Authority considers that the potential for NAR in existing terminal is very limited. The Authority, through its Independent Consultant, has reviewed the existing commercial contracts. Necessary clarifications, additional details were called from the AO, where felt necessary, while proposing non-aero revenue for the First Control Period.

10.5.4 As regards the comments of FIA on conducting an independent study on the Non-Aeronautical Revenue, the Authority believes that the requirement for an independent study will depend upon the size and the scale of operations. AERA, may commission an independent study for the future Control Periods of Shirdi International Airport, if considered necessary.

10.5.5 The Authority has decided not to consider revenue projections from License Fees – Concessionaires, Advertising Revenue, Misc. Income and revenue from Food Court and Utility Block pertaining to the New Integrated Terminal Building (NITB), in line with its decision to not consider the capitalization of NITB in the First Control Period.

10.5.6 The Authority notes that MADC has submitted actual Non-Aeronautical Revenue for the financial year 2023-24 vide mail dated 24th April 2024. The Authority has reviewed the actual non-aeronautical revenue by the MADC, noted no abnormal variations and decided to consider actual non-aeronautical revenue earned by MADC for the financial year 2023-24. The Growth rates for each stream of revenue as discussed in the consultation stage has been applied on the actual numbers of FY 2023-24 for projecting the non-aeronautical revenue of the remaining years of the control period. The details of re-computed Non-Aeronautical Revenue (NAR) after considering actual numbers of FY 2023-24 and non-consideration of non-aeronautical revenue projected on account of NITB are as follows:

**Table 167: Non-Aeronautical Revenue for Shirdi International Airport decided by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | Ref. | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| **As per MADC** | | | | | | | |
| Non-Aeronautical Revenue | A | 1.87 | 2.44 | 4.14 | 4.46 | 28.53 | **41.44** |
| **As per the Authority** | | | | | | | |
| License Fee – Concessionaire | B | 0.26 | 0.38 | 0.42 | 0.47 | 0.53 | **2.06** |
| License Fee – Car Parking | C | 0.10 | - | 0.12 | 0.13 | 0.14 | **0.49** |
| Advertising Revenue | D | - | - | 0.60 | 0.66 | 0.73 | **1.99** |
| Taxi Rentals | E | 0.02 | - | - | - | - | **0.02** |
| Miscellaneous Income | F | 0.29 | 0.56 | - | - | - | **0.84** |
| **Non-Aeronautical Revenue proposed by the Authority** | **G=Sum (B:F)** | **0.66** | **0.94** | **1.14** | **1.25** | **1.39** | **5.38** |
| ***Difference*** | ***H=G-A*** | ***-1.21*** | ***-1.50*** | ***-3.00*** | ***-3.21*** | ***-27.14*** | ***-36.06*** |

10.5.7 As can be seen above, the total Non-Aeronautical Revenue decided by the Authority for the First Control Period is ₹ 5.38 crores as compared to ₹ 18.75 crores proposed by the Authority at the Consultation Stage.

Following are the key reasons based on the adjustments, revisions and rationalization carried out by the Authority:

a) Consideration of actual revenue for FY 2023-24 resulting in an increase in revenue amounting to ₹ 0.96 crores as compared to Consultation Stage.
b) Reduction in revenue due to non-consideration of Revenue from New Integrated Terminal Building (NITB), by ₹ 14.34 crores as compared to Consultation Stage.

## 10.6 Authority's decisions regarding Non-Aeronautical Revenue for the First Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Non-Aeronautical Revenue for the First Control Period for Shirdi International Airport:

10.6.1 To consider Non-Aeronautical Revenue for the First Control Period in respect of the Shirdi International Airport as per Table 167.

10.6.2 To true up the non-aeronautical revenues for the First Control Period at the time of determination of tariff for the Second Control Period, subject to evaluation of efficiency and reasonableness.

# 11 TAXATION FOR THE FIRST CONTROL PERIOD

## 11.1 MADC's submission regarding Taxation for the First Control Period

11.1.1 MADC had submitted the computation of income tax based on the PBT which is arrived at after considering aeronautical revenues, non-aeronautical revenues, total operating expenses and depreciation computed separately for the purpose of tax. The computation of income tax submitted by MADC is as follows:

**Table 168: Taxation submitted by MADC for Shirdi International Airport for the First Control Period**

*(₹ in crores)*

| Particulars | Ref. | FY23 | FY24 | FY25 | FY26 | FY27* | Total |
|---|---|---|---|---|---|---|---|
| Aeronautical Revenue | A | 8.77 | 6.09 | 8.21 | 15.5 | - | **38.52** |
| Non-Aeronautical Revenue | B | 1.87 | 2.45 | 4.13 | 4.46 | - | **12.91** |
| **Total Revenue** | **C=A+B** | **10.64** | **8.54** | **12.3** | **19.9** | - | **51.43** |
| Total O&M Expenses | D | 17.9 | 20.8 | 23.3 | 32.1 | - | **94.08** |
| **EBITDA** | **E=C-D** | **-7.26** | **-12.3** | **-11** | **-12.1** | - | **-42.7** |
| Depreciation (ARR) | F | 10.52 | 13.2 | 18.4 | 39.9 | - | **82.05** |
| **EBIT** | **G=E-F** | **-17.78** | **-25.5** | **-29.4** | **-52.1** | - | **-125** |
| Interest Cost on Debt | H | - | - | - | - | - | - |
| Interest Cost on Working Capital | I | - | - | - | - | - | - |
| **PBT** | **J=G-H-I** | **-17.78** | **-25.5** | **-29.4** | **-52.1** | - | **-125** |
| Add: Depreciation (ARR) | F | 10.52 | 13.2 | 18.4 | 39.9 | 59.9 | **142** |
| Less: Depreciation for Taxation | K | 8 | 10.9 | 15 | 35.7 | 52.6 | **122.2** |
| **PBT for Taxation** | **L=J+F-K** | **-15.26** | **-23.2** | **-26** | **-47.9** | **7.33** | **-105** |
| Loss Carried Forward (Opening) | M | -100.07 | -115 | -139 | -164 | -212 | - |
| New Loss | N | -15.26 | -23.2 | -26 | -47.9 | - | **-112** |
| Set Off | O | - | - | - | - | 7.33 | **7.33** |
| Loss Carried Forward (Closing) | **P=M+N+O** | -115.33 | -139 | -164 | -212 | -205 | - |
| Net Taxable Income | **Q** | - | - | - | - | - | - |
| Tax Rate Applicable | R | 34.94% | 34.94% | 34.94% | 34.94% | 34.94% | - |
| **Tax (As per normal provisions)** | **S=Q*R** | - | - | - | - | - | - |
| MAT Rate | T | 17.47% | 17.47% | 17.47% | 17.47% | 17.47% | - |
| **MAT** | **U=Q*T** | - | - | - | - | - | - |
| **Tax Payable (Higher of S or U)** | | - | - | - | - | - | - |

**The Authority notes that in the MYTP submission of MADC, the PBT for FY27 is inadvertently taken as '0' due to error in formula. However, the actual loss worked out separately by MADC for FY27 amounts to ₹ 46.46 crores.*

## 11.2 Authority's examination regarding Taxation for the First Control Period at Consultation Stage

11.2.1 The Authority noted that MADC has carried forward loss of ₹ 100.07 Crores from FY 2017-18 till the beginning of the First Control Period. The Authority also noted that MADC has submitted NIL tax for all the years of the First Control Period.

11.2.2 As stated in para 3.11.3, MADC had considered Shirdi Airport as a whole (including Non-Aeronautical Revenue, cost etc.) for the purpose of determining the aeronautical taxation. However, The Authority proposed to consider only the Aeronautical P&L for the purpose of arriving at the aeronautical taxation. Further, the Authority took cognizance of the fact that Aeronautical Taxation is dependent upon the tariff rate card to be approved by the Authority for Shirdi International Airport for the current control period. Therefore, the Authority proposed to determine the Aeronautical taxes for the current control period after its examination of the Tariff Rate Card to be submitted by MADC for the current control period (which is within 7 days from the issuance of this consultation paper), post the completion of stakeholders' consultation process.

11.2.3 For the purposes of this consultation paper, the Authority proposed to consider the Aeronautical taxation as NIL for the First Control period for reasons stated in para 11.2.2.

## 11.3 Stakeholders' comments regarding Taxation for the First Control Period

11.3.1 No comments were received from the Stakeholders regarding Taxation for the First Control Period.

## 11.4 Authority's Analysis of Stakeholders' comment regarding Taxation for the First Control Period

11.4.1 Based on the revision in the O&M expenses, Aeronautical Capex and the Projected Revenue, the Authority has re-computed the Taxation for the First Control Period which indicates NIL Income tax for the control period, noting that there could be an incidence of Minimum Alternate Tax payable, which is dependent on various factors including carry forward loss etc. The Authority notes that this will be trued up based on actuals at the end of the control period, at the time of determination of tariff for the Second Control Period.

## 11.5 Authority's decisions regarding Taxation for the First Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Taxation for the First Control Period for Shirdi International Airport:

11.5.1 To consider Aeronautical Tax as NIL for the First Control Period.

11.5.2 To true up the Aeronautical Tax amount appropriately taking into considerations all relevant facts at the time of tariff determination for the Second Control Period.

# 12 QUALITY OF SERVICE FOR THE FIRST CONTROL PERIOD

## 12.1 MADC's submission regarding Quality of Service for the First Control Period

12.1.1 MADC had not made any submissions related to Quality of Service as part of its MYTP submission for the First Control Period. MADC clarified that they have not performed any ASQ Survey for Shirdi International Airport and are in the process of getting registered for evaluation.

## 12.2 Authority's examination regarding Quality of Service for the First Control Period at Consultation Stage

12.2.1 The Authority notes that:

- As per section 13 (1) (d) of the AERA Act, 2008, the Authority shall "monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf."
- As per section 13(1)(a)(ii), the Authority is required to determine the tariff for Aeronautical services taking into consideration *"the service provided, its quality and other relevant factors."*

12.2.2 The Authority noted that ACI World has developed an Airport Service Quality barometer that is released quarterly which enables airports worldwide to evaluate themselves against their competition and gain insights on enhancing customer experience.

12.2.3 The Authority noted that Shirdi International Airport is a relatively new airport and ASQ ratings were not available. The Authority would review the Quality-of-Service parameters based on the ASQ ratings achieved by Shirdi International Airport and would take action as appropriate at a later stage. Therefore, the Authority did not propose any adjustment in the tariff determination for the First Control Period on account of quality of services of Shirdi International Airport.

12.2.4 The Authority directed AO to conduct ASQ rating survey as is being carried out in other major airports and submit the same to the Authority.

## 12.3 Stakeholders' comments regarding Quality of Service for the First Control Period

12.3.1 No comments were received from the Stakeholders regarding Quality of Service for the First Control Period.

## 12.4 Authority's Analysis of Stakeholders' comment regarding Quality of Service for the First Control Period

12.4.1 The Authority notes that there are no stakeholder comments regarding Quality of Service for the First Control Period. The Authority has decided that no adjustment will be made towards tariff determination for the First Control Period on account of Quality of Service for Shirdi International Airport.

## 12.5 Authority's decisions regarding Quality of Service for the First Control Period

Based on the material before it and its analysis, the Authority decides the following regarding Quality of service for the First Control Period for Shirdi International Airport:

12.5.1 Not to consider any adjustment in the tariff determination for the First Control Period with regard to Quality of Services at Shirdi International Airport.

12.5.2 AO is directed to conduct ACI ASQ survey and submit quarterly report to the Authority.

# 13 AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE FIRST CONTROL PERIOD

## 13.1 MADC's submission regarding Aggregate Revenue Requirement (ARR) for the First Control Period

13.1.1 MADC has submitted ARR and UDF for the First Control Period as per the table below:

**Table 169: MADC's submission regarding ARR and UDF for the First Control Period**

*(₹ in crores)*

| Particulars | Ref. | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| Average RAB | A | 138.81 | 214.26 | 320.56 | 608.00 | 841.12 | |
| FRoR | B | 9.85% | 9.85% | 9.85% | 9.85% | 9.85% | |
| Return on RAB | C = A*B | 13.68 | 21.11 | 31.59 | 59.92 | 82.89 | **209.19** |
| Depreciation | D | 9.49 | 11.95 | 16.57 | 36.03 | 54.07 | **128.11** |
| Amortization owing to land cost | E | 6.13 | 6.13 | 6.13 | 6.13 | 6.13 | **30.65** |
| O & M Expenses | F | 17.01 | 19.76 | 19.12 | 30.44 | 38.67 | **125.00** |
| Taxation | G | - | - | - | - | - | - |
| Less: 30% of Non-Aeronautical Revenue | H | 0.56 | 0.73 | 1.24 | 1.34 | 8.56 | **12.43** |
| **Net ARR** | **I = Sum(C:G)-H** | **45.75** | **58.21** | **72.17** | **131.19** | **173.21** | **480.53** |
| **Additional revenue for initial years loss** | **J** | **278.70** | - | - | - | - | |
| **Total Forecasted ARR** | **K = I+J** | **324.45** | **58.21** | **72.17** | **131.19** | **173.21** | |
| **Discount Factor** | **L** | **1.00** | **0.91** | **0.83** | **0.75** | **0.69** | |
| **PV of Forecasted ARR** | **M = K*L** | **324.45** | 52.99 | 59.80 | 98.95 | 118.93 | **655.12** |
| **Average Domestic UDF** | | | | | | | **2,690** |
| **Average International UDF** | | | | | | | **5,380** |

13.1.2 MADC had mentioned in its submission dated 3rd April 2023, that *"the airport is proposing to work on a cost recovery model in the initial phase of operations and will eventually move to cost plus model once the traffic reaches the projected levels and operational efficiencies improve. MADC, thus proposes to charge a nominal UDF which will support the airport operations in the initial stage. The actual losses as per the building blocks will be trued-up in the subsequent control period."*.

## 13.2 Authority's examination regarding Aggregate Revenue Requirement (ARR) for the First Control Period at Consultation Stage

13.2.1 The Authority's various proposals regarding tariff determination exercise, based on examination/ review of regulatory building blocks, impact the computation of ARR and Yield. With respect to each element of the regulatory building blocks considered by MADC for computation of ARR and Yield as indicated in the Table 169, the Authority proposed to consider the regulatory building blocks as discussed in the previous chapters.

13.2.2 The Authority noted that Shirdi International Airport has very low traffic volumes etc., which may not make the complete recovery of ARR possible, by way of Aeronautical charges. This will be evaluated in detail based on the Annual Tariff Proposal to be submitted by the Airport Operator. Determination of Aeronautical charges, including UDF, requires a delicate balance between cost recovery and its potential impact on air traffic demand. This balance is crucial for the financial viability of the airport and its ability to sustain operations while also ensuring that the tariffs remain competitive enough to attract and retain airlines and passengers. Therefore, the Authority, based on the Tariff Rate Card to be submitted by MADC, proposed to decide the balance between cost recovery and its potential impact on air traffic demand.

13.2.3 In this regard, the Authority had drawn reference to the guiding principles issued by the International Civil Aviation Organization ("ICAO") on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight, which is to achieve a balance between the interest of Airports and the Airport Users. The said policy document also emphasizes balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States. This should be applied particularly during periods of economic difficulty. Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner.

13.2.4 This may also be read in conjunction with the objectives of the National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/ masses. As per para 12 (c) of the NCAP, *"In case the tariff in one particular year or contractual period turns out to be excessive, the Airport Operator and the Regulator will explore ways to keep the tariff reasonable and spread the excess amount over the future."* The above has also been conveyed by AERA vide its Order No. 14/2016-17 dated 12th January 2017.

**Air Freight Station (AFS)**

13.2.5 The Authority noted the Policy Guidelines on 'Air Freight Station' (AFS) issued by MoCA in October 2014. This Policy shall create an off Airport Common User facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

- Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/ export goods, loaded and empty Unit Load Devices (ULD) and Cargo in bulk/ loose for outright export.
- Create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the Country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.
- Authorizing some of the Inland Container Depots (ICD) to cater to the International Air Cargo operations, the existing facilities in these ICDs could be fully utilized.

13.2.6 The Authority noted that the above Policy Guidelines on AFS has larger national intent and it aims to strengthen and develop air cargo logistics in the Country and the same is expected to reduce the bottlenecks in air cargo logistics and help in ease of doing business, particularly for exporters.

13.2.7 The Authority directed MADC to submit a separate tariff rate in case the cargo is received from the approved AFS and factor it in the Tariff Rate Card. The Authority also sought comments from the stakeholders on application of tariff on AFS Cargo, as the Authority felt that the tariff on AFS Cargo should be significantly lesser than the tariff levied on the General Cargo (non-AFS cargo).

13.2.8 The following table shows the proposed ARR as per the Authority.

**Table 170: ARR proposed by the Authority for the First Control Period at Consultation Stage**

*(₹ in crores)*

| Particulars | Table Ref. | Ref. | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|---|
| Average RAB | Table 101 | A | 146.82 | 152.05 | 191.08 | 268.24 | 637.56 | |
| FRoR | | B | 9% | 9% | 9% | 9% | 9% | |
| RAB * FRoR | - | C = A*B | 13.21 | 13.68 | 17.20 | 24.14 | 57.38 | **125.62** |
| (+) Depreciation | Table 100 | D | 9.75 | 9.85 | 12.74 | 17.24 | 43.81 | **93.39** |
| (+) Return on Land | Table 112 | E | 5.27 | 5.33 | 5.52 | 5.89 | 5.95 | **27.96** |
| (+) Operating Expenses * | Table 145 | F | 13.52 | 12.08 | 13.59 | 29.17 | 40.55 | **108.91** |
| (+) Taxation | - | G | - | - | - | - | - | - |
| **ARR** | - | **H = Sum (C:G)** | **41.75** | **40.94** | **49.05** | **76.44** | **147.69** | **355.88** |
| (+) PV of Under recovery of the period from 1st November 2021 to 31st March 2022 | Table 50 | I | 17.74 | - | - | - | - | **17.74** |
| **ARR** | - | **J = H+I** | **59.49** | **40.94** | **49.05** | **76.44** | **147.69** | **373.62** |
| NAR | Table 166 | K | 0.66 | 0.29 | 1.05 | 1.15 | 15.60 | **18.75** |
| 30% of NAR | - | L= K*30% | 0.20 | 0.09 | 0.32 | 0.35 | 4.68 | **5.64** |
| **Net ARR** | - | **M = J-L** | **59.29** | **40.85** | **48.73** | **76.09** | **143.01** | **367.98** |
| Discount factor @ 9.00% | - | N | 1.00 | 0.92 | 0.84 | 0.77 | 0.71 | |
| **PV of ARR** | - | **O= M*N** | **59.29** | **37.48** | **41.01** | **58.76** | **101.31** | **297.86** |
| **Sum of PV of ARR** | - | **P** | | | | | | **297.86** |
| Total passenger traffic (MPPA) | Table 65 | **Q** | | | | | | **5.53** |
| Yield per passenger (YPP) | | **R=P/Q** | | | | | | **538.42** |
| Total departing passenger traffic | | **S** | | | | | | **2.77** |
| **Yield per departing passenger** | | **T=P/S** | | | | | | **1,076.85** |

13.2.9 The Authority noted that, it is necessary to have the individual year-wise Tariff Card laying down the different aeronautical charges and the workings for the aeronautical revenues, in order to have a constructive stakeholder discussion and hence MADC was directed to submit the detailed Annual Tariff proposals in line with the ARR and Yield arrived at by the Authority within 7 days of issue of the Consultation Paper.

13.2.10 The Authority directed Airport Operator (MADC) to submit the Annual Tariff Proposal (Tariff Rate Card) within 7 days from issue of the Consultation Paper which will be put up for stakeholders' consultation.

## 13.3 Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for the First Control Period

13.3.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024.

13.3.2 FIA's comment on Aeronautical Revenue is as follows:

*"AERA has also observed and considered the "guiding principles issued by the International Civil Aviation Organization (ICAO) on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users."*

*This policy document categorically specifies "that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users". This should be applied particularly during periods of economic difficulty (i.e., airlines incurring adverse financial impact post Covid-19).*

*FIA requests AERA that, keeping in view the adverse financial health of the airlines as mentioned in this letter, no higher tariff shall be fixed for this control period."*

13.3.3 FIA's comment on shrinkage in control period is as follows:

*"FIA submits that the Hon'ble TDSAT Order dated 16 December 2020 for BIAL stated as follows: '100...However, there is substance in this grievance and AERA will do well to ensure that if delay is caused by the Airport operator, its consequences should not fall upon the users. Tariff orders should be prepared well in time so that the burden of recovery is spread over the entire period for which the order is passed...'*

*In view of the above, AERA is requested to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines, as the AERA Tariff Order for SAG – FIRST Control Period, will now be issued after the commencement of the Control Period i.e., 1 April 2022."*

## 13.4 MADC responses to Stakeholders' comment regarding Aggregate Revenue Requirement (ARR) for the First Control Period

13.4.1 MADC's response to FIA's comment on increase in rates is as follows:

*"The Shirdi Airport has proposed the tariff rate card with the nominal increases in the interest of all the stakeholders of the Shirdi Airport and has requested for carry forward of this deficit to the next control period. The Shirdi Airport has considered these factors and proposed accordingly."*

13.4.2 MADC's response to FIA's comment regarding shrinkage in control period is as follows:

*"Since the time period for implementation of new tariff rate card is limited, Shirdi Airport has proposed nominal increase in the tariff and recovering only part of the ARR proposed by AERA. Further, Shirdi Airport has voluntarily proposed carry forward of the part of eligible ARR to the next control period."*

## 13.5 Authority's Analysis regarding Aggregate Revenue Requirement (ARR) for the First Control Period

13.5.1 The Authority has carefully reviewed the comments submitted by the all the stakeholders including the AO, and the response of the AO on other Stakeholders' comments on each building block, which has been analyzed in the relevant chapters. The Authority has also reviewed the tariff rate card submitted by MADC which indicates a carry forward of 33.21% ARR to the next control period (refer Para 14.1.1).

13.5.2 The Authority noted FIA's concerns on the recovery burden on account of shrinkage in the Control Period. In this regard, it is to be highlighted that AERA generally mandates early submission of the tariff proposals by the Airport Operators. AERA would like to emphasize that the tariff determination process for MADC was conducted in strict adherence to the AERA Act and AERA Guidelines. Also, the analysis is exhaustive in nature and requires a reasonable amount of time to examine and evaluate each building block, keeping in mind the need to balance the interests of all stakeholders. During the process of evaluation, the Authority has sought various clarifications from time to time (refer Para 2.5.2), from MADC on the various regulatory building blocks, based on which aeronautical tariff has been determined by the Authority.

13.5.3 As detailed in the Consultation Paper (refer Para 13.2.2 and 13.2.3 of this Order), it is reiterated that the tariff determined has to ensure balancing of interests of all stakeholders, which will also ensure viable operations at the Airport. In view of this, the Authority's analysis and views regarding carry forward of some portion of the ARR to the next control period is as under.

**<u>Carry forward of Shortfall</u>**

13.5.4 AERA is generally not in favour of carrying forward some portion of ARR of a Control Period to the subsequent Control Period, as it may entail additional burden to users due to the application of carrying cost on such shortfall. In normal circumstances, AERA aims to ensure that the Aeronautical Revenues computed as per the Tariff Rate Card approved by the Authority results in full recovery of the Aggregate Revenue Requirement for the Control Period. It is only in unique / extraordinary circumstances, the Authority may consider carrying forward some portion of ARR (as shortfall in Revenue Recovery) to subsequent Control Periods.

As regard to Shirdi International Airport, the AO himself requested ~ 33% carry forward of the ARR to the next Control Period. The Authority, while analyzing the request of the AO, observed the following.

- Shirdi International Airport was a non-major airport, which has been notified as a major airport by MoCA.
- The traffic handled by the airport in FY 2023-24 is only 0.7 million and is estimated to reach only to 1.7 million by the end of the current control period, which is still lower than the 3.5 million threshold limit for qualifying as a major airport (on the basis of annual passenger throughput).
- ATM traffic in Shirdi International Airport has a significant proportion of "less than 80-seater aircrafts" (operated by domestic scheduled operators) which are exempted from Landing Charges. The higher proportion of exempted category aircraft burden the other stakeholders with higher rates. The considerable number of less than 80-seater aircrafts, which is approximately 25% of the projected Aircraft Traffic has a significant impact on the revenue recovery as per entitled ARR.

Considering the above, the Authority has evaluated various scenarios of Tariff Rate Card, so as to balance the interest of various stakeholders, including airlines, passengers, airport operator etc. and has arrived at an optimum level of Tariff as detailed in Annexure-IA. Accordingly, the Authority has decided to carry forward a portion of the ARR, amounting to ₹ 39.59 crores i.e., **15% of ARR**. The revised Tariff is effective from **1st September, 2024.**

The Authority expects MADC to ensure significant traffic growth in the coming years, as the current traffic level is much lower than the minimum threshold limit of 3.5 million passenger per annum (qualifying parameter for considering any airport as a major airport based on annual passenger throughput), in order to ensure viability of the airport operations. As a result, AERA may review the aspect of carry forward of Shortfall in ARR, together with carrying cost on such shortfall, appropriately at the time of tariff determination of the next Control Period, subject to evaluation of traffic scenario prevalent at that time and all relevant factors, based on merit.

13.5.5 Based on the decisions taken by the Authority with respect to the various regulatory building block in the First Control Period and the tariff rates for aeronautical services considered by the Authority, the recomputed ARR for the First Control Period is given below:

**Table 171: ARR decided by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | Table Ref. | Ref. | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|---|
| Average RAB | Table 109 | A | 146.82 | 153.04 | 193.51 | 271.08 | 309.60 | |
| FRoR | | B | 10.83% | 10.83% | 10.83% | 10.83% | 10.83% | **10.83%** |
| RAB * FRoR | - | C = A*B | 15.90 | 16.58 | 20.96 | 29.36 | 33.54 | **116.34** |
| (+) Depreciation | Table 108 | D | 9.75 | 10.50 | 11.83 | 17.33 | 18.93 | **68.34** |
| (+) Return on Land | Table 114 | E | 5.27 | 5.33 | 5.52 | 5.89 | 5.89 | **27.90** |
| (+) Operating Expenses | Table 152 | F | 13.53 | 11.91 | 13.43 | 28.97 | 37.05 | **104.89** |
| (+) Taxation | - | G | - | - | - | - | - | **-** |
| **ARR** | - | **H = Sum (C:G)** | **44.45** | **44.32** | **51.74** | **81.55** | **95.41** | **317.46** |
| (+) PV of Under recovery of the period from 1st November 2021 to 31st March 2022 | Table 51 | I | 19.30 | - | - | - | - | **19.30** |
| **ARR** | - | **J = H+I** | **63.75** | **44.32** | **51.74** | **81.55** | **95.41** | **336.76** |
| NAR | Table 167 | K | 0.66 | 0.94 | 1.14 | 1.25 | 1.39 | **5.38** |
| 30% of NAR | - | L= K*30% | 0.20 | 0.28 | 0.34 | 0.38 | 0.42 | **1.62** |
| **Net ARR** | - | **M = J-L** | **63.55** | **44.04** | **51.40** | **81.17** | **94.99** | **335.14** |
| Discount factor @ 10.83% | - | N | 1.00 | 0.90 | 0.81 | 0.73 | 0.66 | |
| **PV of ARR** | - | **O= M*N** | **63.55** | **39.73** | **41.84** | **59.62** | **62.95** | **267.70** |
| **Sum of PV of ARR** | - | **P** | | | | | | **267.70** |
| Total passenger traffic (mppa) | Table 69 | **Q** | | | | | | **5.45** |
| Yield per passenger (YPP) | | **R=P/Q** | | | | | | **491.19** |
| Total departing passenger traffic(mppa) | | **S** | | | | | | **2.73** |
| **Yield per departing passenger** | | **T=P/S** | | | | | | **982.38** |
| **PV of Aeronautical Revenue** | | **U** | | | | | | **228.11** |
| **PV of Shortfall** | | **V=P-U** | | | | | | **39.59** |

## 13.6 Authority's decisions regarding Aggregate Revenue Requirement (ARR) for the First Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to ARR for the First Control Period for Shirdi International Airport:

13.6.1 To consider ARR and YPP for the First Control Period for Shirdi International Airport as per Table 171.

# 14 AERONAUTICAL REVENUE FOR THE FIRST CONTROL PERIOD

## 14.1 MADC's submission regarding Aeronautical Revenue for the First Control Period

14.1.1 MADC, along with submission of Tariff card for the ARR proposed at Consultation Stage, has also submitted their detailed revenue projections considering the various streams of revenue as per the tariff card. MADC has also projected a shortfall of ₹ 98.91 crores which accounts for 33.21% of the Net ARR at Consultation Stage of ₹ 297.86 crores. MADC's aeronautical revenue workings are as given in the table below:

**Table 172: MADC's submission of Aeronautical Revenue for the First Control Period**

*(₹ in crores)*

| Particulars | Ref. | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| **Landing Charges** | | | | | | | |
| - Domestic Landing | | 3.57 | 4.63 | 8.95 | 12.03 | 19.49 | **48.66** |
| - International Landing | | - | - | - | - | 2.08 | **2.08** |
| **Parking Charges** | | | | | | | |
| - Domestic Parking | | 0.00 | 0.06 | 0.15 | 0.20 | 0.27 | **0.69** |
| - International Parking | | - | - | - | - | 0.02 | **0.02** |
| **Housing Charges** | | | | | | | |
| - Domestic Parking | | - | - | - | - | 0.05 | **0.05** |
| - International Parking | | - | - | - | - | 0.00 | **0.00** |
| **Aero Bridge Charges** | | | | | | | |
| - Domestic | | - | - | - | - | 0.36 | **0.36** |
| - International | | - | - | - | - | 0.25 | **0.25** |
| **User Development Fee – Departure** | | | | | | | |
| - Domestic | | 5.11 | 17.34 | 28.95 | 36.80 | 55.64 | **143.83** |
| - International | | | | | | 5.56 | **5.56** |
| **User Development Fee – Arrival** | | | | | | | |
| - Domestic | | - | - | 6.18 | 13.25 | 19.87 | **39.30** |
| - International | | - | - | - | - | 1.99 | **1.99** |
| Extension of watch hour charges | | - | 0.09 | 0.09 | 0.09 | 0.09 | **0.36** |
| **Total of Traffic Revenue** | A | **8.68** | **22.12** | **44.32** | **62.37** | **105.69** | **243.17** |
| **Revenue from License Fees - Existing** | | | | | | | |
| License Fee - Airlines | | 0.40 | 0.57 | 0.59 | 0.62 | 0.65 | **2.84** |
| License Fee - Refueller | | 0.67 | 0.75 | 0.79 | 0.83 | 0.87 | **3.90** |
| License Fee - Ground Handling | | 0.01 | 0.27 | 0.28 | 0.30 | 0.31 | **1.16** |
| License Fee - Cargo | | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | **0.11** |
| **Total of Revenue from License Fees - Existing** | B | **1.09** | **1.61** | **1.69** | **1.77** | **1.86** | **8.01** |
| **Revenue from License Fees - Proposed** | | | | | | | |
| License Fee - Airlines (NITB) | | - | - | - | - | 3.77 | **3.77** |
| License Fee - Cargo (Cargo Complex) | | - | - | - | 0.19 | 0.23 | **0.42** |
| **Total of Revenue from License Fees - Proposed** | C | - | - | - | **0.19** | **4.00** | **4.19** |
| **Total Revenue from License Fee** | D=B+C | **1.09** | **1.61** | **1.69** | **1.96** | **5.86** | **12.19** |
| **Total Aeronautical Revenue** | E=A+D | **9.77** | **23.72** | **46.01** | **64.32** | **111.54** | **255.37** |
| Discounting Factor – 9% | F | 1.00 | 0.92 | 0.84 | 0.77 | 0.71 | |
| **PV of Aeronautical Revenue** | G=E*F | **9.77** | **21.77** | **38.72** | **49.67** | **79.02** | **198.95** |
| **PV of ARR** (refer Table 170) | H | **59.29** | **37.48** | **41.01** | **58.76** | **101.31** | **297.86** |
| **Shortfall Carried Forward** | I=G-H | | | | | | **98.91** |
| **Shortfall %** | J=I/H*100 | | | | | | **33.21%** |

## 14.2 Stakeholders' comments regarding Aeronautical Revenue for the First Control Period

14.2.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2024-25 dated 18th June 2024. The stakeholders' comments are as follows.

14.2.2 FIA's comment on the tariffs on AFS cargo is as follows:

*"The tariffs on the AFS cargo should be significantly lesser than the tariff levied on General cargo. FIA submits that:*

*1) AFS should have 50% or lesser rates from the Terminal.*

*2) Processing of such Cargo may be considered for direct access to the Aircraft, thereby avoiding the charges levied by Custodian.*

*3) Subsidize and incentivize a certain % of cargo tonnage processed out of AFS for better sustainability to Airlines, this may boost further AFS stations in terms of revenue as well."*

14.2.3 FIA's comment on Aeronautical Revenues is as follows:

*"We submit that cost of operations for the airlines are increasing continuously every year and airlines are incurring losses in the current challenging scenario, even while airport operators have an assured rate of return on their investment. At the same time, it is projected by most agencies that over 1,200 new civil aviation aircraft will be inducted by airlines in India over the next 5 years.*

*While economies of scale are a big factor for the airlines to keep the cost of operations low, this applies to airport operators as well. With the huge increase in aircraft, there is bound to be huge benefits for the airport operators as well due to economies of scale.*

*Hence, we request AERA to conduct a study of the passengers and air traffic at selected airports taking data over the past 20 years wherein it may please be made transparent as to what is the cost of one take off separately to the airport operator and an airline, for various class of aircraft, at a periodicity of every 5 years (excluding the pandemic times period).*

*It is felt that cost of business is simply passed on to the airlines by some airport operators, as it appears that there are multi layered companies undertaking various activities at the same airport, which not only add to the cost of doing business, but also force airlines to pay tax on tax for availing services though multi-layered companies. This study will then make it evident who is actually bearing the cost of doing business at the airport, and whether the same is justified."*

14.2.4 FIA's comment on Tariff Rate Card is as follows:

*"In accordance with the preamble of the National Civil Aviation Policy, which envisages to make air travel affordable and sustainable, AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above which is likely to reduce the ARR. This will further ensure the lowering of tariffs including UDF, which will be beneficial to passengers and airlines.*

*It is in the interest of all the stakeholders that the proposed excessive hikes in the tariffs be reduced and also in order to encourage middle class people to travel by air, which will help in sharp post-COVID-19 recovery of the aviation sector.*

*It is the stated vision of the government to make UDAN ("Ude Desh ka Aam Naagrik") a reality and this can only happen if we have the lowest possible cost structure, such that we can bring more and more people to airports to travel by air.*

*In addition, we request AERA and SAG to clarify the following:*

***1. Ref: Notes to User Development Fee (UDF) Charges:***

***Collection Charges:** We would like to invite AERA's attention to notes 1 of UDF charges in the public notice 07/2024-25, wherein the rate of collection of UDF charges is not mentioned by MADC. We request AERA to consider the collection charges at Rs. 5.00 embarking and disembarking passengers. Collection charges also need to be published for arrival Passengers as well.*

*Further, AERA is kindly requested to consider that in light of the increasing administrative expenses due to inflation and other reasons (example - 5% inflationary / administrative increase each year), the collection charges may kindly be increased to keep pace with the proposed increase in UDF, as airlines only get a fixed rate, which results in disincentivizing the airlines.*

***a. Ref: Notes to User Development Fee (UDF) Charges:***

*We further request that in the Collection Charges, the entitlement by airlines for the same may kindly be against MADC having received the 'undisputed' invoiced UDF amount within the applicable due date.*

*i. Disembarkation: - MADC has also proposed UDF charges on disembarkation as well at the Airport. AERA is requested to kindly review this trend as this will be discouraging for passengers to take flights to Shirdi because of the increase in total cost to fly to Shirdi.*

*Hence, it is submitted that the Authority keeping in view the principles of efficiency and reasonableness should not allow the UDF collection charges on disembarking passengers as proposed in the CP.*

*ii. Also, considering that UDF has also been levied on disembarking passengers, clarification w.r.t the exemption categories be extended to disembarking passengers as well is sought.*

*iii. UDF effective from 1st September 2024 to 31st March 2027: -*

*Comment to No. 1. of Collection Charges: Please note that the same is paid by the airport operator to airlines separately after airlines raise an invoice against the same as a standard industry practice. We request the same practice be applied.*

*iv. There is no mention of Collection charges for PSF in the MYTP submitted by the Airport operator. In the event the PSF is subsumed in the UDF, then airlines may kindly be eligible to claim collection charges at 2.5% of PSF per passenger, which is being done currently. If PSF is not subsumed in the UDF, then current practices may kindly be continued.*

*v. It is requested to define the applicability or exemption of any of the tariff charges pertaining to RCS Flights which have been excluded.*

*2. UDF for International Passenger is not available in the tariff card for FY 2024-25 and FY 2025-26. Please clarify w.r.t UDF applicability in both below scenarios:*

- *Passenger embarking from SAG on a domestic flight and then a connecting flight to international destination.*
- *Passenger disembarking in SAG from a domestic flight, however he originated his journey from an international destination.*

*3. Landing charges:*

*AERA has proposed to increase the Landing Charges for all flights between 75% to 111% approx.- from the existing charges. We request AERA to kindly consider rationalising the same."*

14.2.5 FIA's comment on increase in Aeronautical Rates is as follows:

*"FIA submits that, according to the Investment Information and Credit rating Agency of India ('ICRA') the industry is estimated to report a net loss of INR 5,000-6,000 crores in FY24 and FY25. However, it may be noted that, while the aviation industry may have reached stability, it has not yet fully recovered from the strong financial headwinds caused by many factors such as the hostile financial environment of the economy, geo-political instability, fallout from the devastating COVD-19 pandemic, significant global supply chain issues, increased Aviation Turbine Fuel (ATF) prices, limited government financial support, limited capacity of customer to pay, and foreign exchange fluctuations etc.*

*It may be noted that, despite the gradual improvement in passenger traffic the elevated ATF prices and depreciation of INR will have a major bearing on airlines. As the airline's cost is rendered due to ATF and other operational costs which are majorly denominated in dollar terms.*

*In view of the above, it is submitted that this Public Notice No.07/2024-25 dated 26th June 2024 to the CP proposes a significant increase in the aeronautical tariffs at SAG – as mentioned under **Annex – A**, AERA is kindly requested to take note of our observations mentioned therein. In this regard, we further humbly request AERA to not implement any increase in the aeronautical tariff in the First Control Period and defer any increase in the same to subsequent control period, if any, given the adverse financial impact on airlines as discussed above.*

*Without prejudice to the above, FIA requests AERA to kindly note their detailed submissions and not increase any tariffs.*

***TABLE A:***

***Landing Charges:*** *(Refer Public Notice no 07/2024-25– Annexure A)*

| ***Particulars*** | ***Unit*** | ***Tariff Proposed by Airport Operator*** | | | |
|---|---|---|---|---|---|
| | ***MT*** | ***Existing Rates*** | ***FY 2024 25 (Tariff w.e.f. 01.09.2024 to 31.03.2025)*** | ***FY 2025- 26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)*** | ***FY 2026- 27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)*** |
| ***LANDING CHARGES*** | ***MT*** | ***LANDING CHARGES*** | | | |
| ***Domestic (INR/MT)*** | | - | - | | |
| ***Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)*** | *30MT* | *5,083* | *8,445* | *8,445* | *10,136* |
| ***Variance % from existing*** | *Q-400* | *0%* | *66%* | *66%* | *99%* |
| ***Variance % from YoY*** | | *0%* | *66%* | *0%* | *20%* |
| ***Eg: Impact on B737-800 (AUW 79016) (Rs.)*** | *79MT* | *26,192* | *31,426* | *31,426* | *37,723* |
| ***Variance % from existing*** | *B737-800* | *0%* | *20%* | *20%* | *44%* |
| ***Variance % from YoY*** | | *0%* | *20%* | *0%* | *20%* |

| | | | | | |
|---|---|---|---|---|---|
| *International (INR/MT)* | | - | - | - | - |
| *Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)* | *30MT* | - | - | - | *10,505* |
| *B737-800 (AUW 79016) (Rs.)* | *79MT* | - | - | - | *29762* |

***TABLE B:***

*__Parking Charges:__ (Refer Public Notice no 07/2024-25– Annexure A)*

| | *Unit* | | *Tariff Proposed by Airport Operator* | | | |
|---|---|---|---|---|---|---|
| ***Particulars*** | ***MT*** | ***RATES W.E.F 1ST oct 2021 TO 31.03.2023*** | ***FY 2023-24 (Tariff w.e.f. 16.06.2023 to 31.03.2024) Existing Rates*** | ***FY 2024-25 (Tariff w.e.f. 01.09.2024 to 31.03.2025)*** | ***FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)*** | ***FY 2026-27 (Tariff w.e.f. 01.04.2026to 31.03.2027*** |
| ***PARKING Charge*** | ***INR/Hr /MT*** | ***PARKING CHARGES - Per Hr. per MT*** | | | | |
| ***DOMESTIC ( INR Per HOUR /MT) ( for 1st 2 chargeable hrs)*** | | | - | - | - | - |
| ***Eg: Impact on Q400 Parking charges for 80 & PLUS seater (Rs.)*** | *30MT* | *63* | *78* | *90* | *90* | *120* |
| ***Variance % from existing*** | *Q-400* | | *24%* | *15%* | *15%* | *54%* |
| ***Variance % from YoY*** | | | *24%* | *15%* | *0%* | *33%* |
| ***Eg: Impact on B737-800 (AUW 79016) (Rs.)*** | *79 MT* | *299* | *299* | *354* | *354* | *433* |
| ***Variance % from existing*** | *B737-800* | | *0%* | *18%* | *18%* | *45%* |
| ***Variance % from YoY*** | | | *0%* | *18%* | *0%* | *22%* |

***TABLE C:***

*__UDF Charges:__ (Refer Public Notice no 07/2024-25– Annexure A)*

| *Particulars* | *Unit* | *Tariff Proposed by Airport Operator* | | | | |
|---|---|---|---|---|---|---|
| | *MT* | ***RATES W.E.F 1ST oct 2021 TO 31.03.2023*** | ***FY 2023-24 (Tariff w.e.f. 01.04.2023 to 31.03.2024) Existing Rates*** | ***FY 2024-25 (Tariff w.e.f. 01.09.2024 to 31.03.2025)*** | ***FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)*** | ***FY 2026-27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)*** |
| ***UDF*** | ***Per Embarking*** | ***UDF*** | | | | |
| ***DOMESTIC*** | *Inr/Embarking pax* | ***600*** | ***600*** | ***625*** | ***625*** | ***700*** |
| ***Variance % from existing*** | | | *0%* | *4%* | *4%* | *17%* |
| ***Variance from YOY*** | | | *0%* | *317%* | *0%* | *12%* |
| ***DOMESTIC*** | *Inr/DisEmbarking pax* | ***0*** | ***0*** | ***225*** | ***225*** | ***250*** |
| ***Variance % from existing*** | | | | *225%* | *225%* | *250%* |
| ***Variance from YOY*** | | | | *225%* | *0%* | *11%* |
| ***INTERNATIONAL*** | *Inr/Embarking pax* | ***600*** | ***600*** | ***625*** | ***625*** | ***1400*** |
| ***Variance % from existing*** | | | *0%* | *4%* | *4%* | *133%* |
| ***DOMESTIC*** | *Inr/DisEmbarking pax* | ***0*** | ***0*** | ***225*** | ***225*** | ***500*** |
| ***Variance % from existing*** | | | | *225%* | *0%* | *122%* |

***Refer the above displayed Tables A, B and C, kindly note the following from the above tables:***

1. *Tables A: MADC has proposed an increase in the Landing Charges (Domestic) on Q-400 (80 & above seater) & onB-737-800 approximately increasing from 20% to 99 % from existing charges.*
2. *Tables B: MADC has proposed to increase the Parking Charges (Domestic) on Q-400 (80 & above seater) approximately increase between 15% to 54 % from existing charges; and on B-737-800 approximately increase between 18 % to 45% from existing charges.*
3. *Table C: MADC has proposed an increase in the UDF of between 4% to 17% for Domestic Embarking Passengers.*
4. *Table C: MADC has proposed UDF for Disembarking passengers for both Domestic and International passengers.*

*It is in the interest of all the stakeholders that the proposed tariffs as noted above may not be implemented as the proposals are excessive.*

*AERA is requested to reconsider the proposed tariff structure in view of the points mentioned above."*

## 14.3 MADC responses to Stakeholders' comment regarding Aeronautical Revenue for the First Control Period

14.3.1 MADC's response to FIA's comment regarding the tariffs on AFS cargo is as follows:

*"The proposed rate card for AFS shall be provided to AERA once the concession for operating Cargo terminal is awarded."*

14.3.2 MADC's response to FIA's comment regarding Tariff Rate Card (Public Notice 7/2024-25) is as follows:

*"<u>Response on Collection Charges:</u> Shirdi Airport will release a separate credit policy along with the details of the collection charges in the due course and will be applicable immediately on the new rate card.*

*<u>Response to Ref: Notes to User Development Fee (UDF) Charges:</u>*

*In this regard it is stated that the passenger terminal is being used by both embarking & disembarking passengers. Hence, the UDF charges are proposed to be collected from both embarking & disembarking passengers. Further, in case of Chandigarh International Airport bearing no. 07/2021-22 dated August 20, 2021 AERA also approved UDF for embarking and disembarking passenger along with distance based separate tariff. The similar approach has also been adopted in case of Manohar International Airport, Goa and Jaipur International Airport.*

*<u>Response on UDF effective from 1st September 2024 to 31st March 2027:-</u>*

*Same response as above*

*<u>Response on collection charges for PSF: In</u> this regard it is stated that PSF/ASF is charged by National Aviation Security Force Trust (NASFT) and not by Shirdi Airport. Shirdi Airport is only facilitating in generating the invoice on behalf of NASFT. Payment by the Airlines will be directly made to NASFT.*

*<u>Response on RCS flight:</u> Currently, there are no RCS flight routes for Shirdi Airport. However, in case of applicability of RCS in future, same will be levied at the prevailing RCS policy.*

*<u>Response on UDF for International Passenger:</u> Shirdi Airport doesn't have international passenger during the FY 2024-25 and FY 2025-26. Further, in case of the connecting flights the Shirdi Airport will follow the rate card as proposed in the tariff proposal.*

*<u>Response on Landing Charges:</u>*

*We did not understand the basis of arriving 75% to 111% approx. We request further information on this. Upon receipt of the detailed information, we reserve our right to submit our response.*

*However, Shirdi Airport has proposed nominal increase in landing, parking and UDF in proposed tariff rate card in the interest of all the stakeholders and viability of the Shirdi Airport. Further, requested Authority to carry forward the resultant deficit."*

14.3.3 MADC's response to FIA's comment regarding Tariff Rate Card is as follows:

*"Shirdi Airport has proposed landing charges, parking charges, UDF at nominal increase in the proposed tariff card and recovering only part of the ARR proposed by AERA. Further, Shirdi Airport has voluntarily proposed carry forward of the part of eligible ARR to the next control period in the interest of all the stakeholder & viability of the Shirdi Airport.*

*We request the Authority to consider the same for the determination of tariff for Shirdi Airport."*

## 14.4 Authority's Analysis of Stakeholders' comment regarding Aeronautical Revenue for the First Control Period

14.4.1 The Authority during its review of FIA comments on tariff increase and the response submitted by MADC notes that MADC has proposed Capital Expenditure in the current control period, which has resulted in need to increase the Aeronautical tariff. The Authority has performed a comprehensive review, balancing the interest of various stakeholders and decided the Tariff rate card. Refer discussions detailed in para 13.5.4.

Air Freight Station (AFS)

14.4.2 The Authority has noted comments of FIA on tariff rates in respect of the AFS Cargo and the response thereto by the AO. As for the cargo handling rates for AFS Cargo, the Authority has drawn inference from the Policy guidelines on 'Air Freight Station' (AFS) issued by Ministry of Civil Aviation (MoCA) in October 2014. This Policy shall create an off airport common user facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry.

At the Consultation stage (refer Para 13.2.5 of this Order), AERA had directed the AO to submit a separate tariff rate in case the cargo is received from the approved AFS and factor it in the Tariff Rate Card. However, AERA notes that the AO has not submitted a separate tariff rate for the Cargo received from an approved AFS, in its Tariff Rate Card.

The Authority notes that the AO has not proposed International Cargo volume in the current control period. Hence, decisions on AFS will be premature for Shirdi International Airport. This will be reviewed by the Authority at the appropriate time.

In case the International Cargo Handling Services commences in the current control period, then the TSP Charges related to the Cargo received at the airport from approved Air Freight Stations shall be considered at 30% lower than the applicable Terminal Storage and Processing (TSP) Charges for normal Cargo (i.e. Cargo directly received at Cargo Terminal).

14.4.3 The Authority has reviewed FIA's comments, and the responses provided by MADC on various charges detailed in the tariff card. With respect to FIA's comment on payment of collection charges, the Authority is of the opinion that the UDF collection charges is a policy matter between the Airport Operator and the Airlines.

UDF on Disembarking passengers

14.4.4 The Authority has noted FIA's comment regarding not to collect UDF on disembarking passengers. As detailed in the Tariff Orders for other airports, the levy of portion of UDF on the disembarking passengers helps in proportionate recovery of charges relating to Aeronautical services from disembarking passengers, as such passengers also use the airport facilities, to lesser extent. UDF levy to disembarking passengers help in recovery of ARR for the Control Period and put lesser burden on the Airlines and other Airport Users.

However, the facility used by disembarking passengers is comparatively lesser as compared to those used by embarking passengers, hence the Authority is of the view that lesser UDF may be levied on the disembarking passengers.

It is to be noted that the operations at Shirdi Airport have commenced in 2017 and that in the initial phase of the airport operations the need for recovery of ARR by way of levying Landing, Parking and UDF charges may necessitate certain unique approaches. Therefore, in order to maintain a balanced approach, the need for levying UDF on disembarking arises in the case of Shirdi Airport or any other airport which is unique by virtue of their topography, traffic pattern or operations.

14.4.5 The Authority has analyzed the computation of Aeronautical Revenue submitted by MADC together with the rate card. Analysis of Aeronautical revenue submitted by MADC and the Authority's decision is as detailed below:

a) Landing and Parking Charges: The Authority notes that MADC has considered only NBA aircrafts for their computation of Landing and Parking charges, whereas as per MADC's model and historic data, there are non-scheduled ATR landings which are not exempted from levy of landing charges. Accordingly, the rationalized ATR traffic and the applicable ATR:NBA ratio (refer Table 66) has been used by the Authority while computing aeronautical revenue from landing and parking charges.

b) UDF: The Authority notes that MADC has excluded 7% of the projected passenger traffic as exempt passengers while computing the aeronautical revenue. However, the Authority, consistent with the stand taken in other airports, decided to not consider any exempt passengers for the purpose of computing UDF revenues.

c) Aerobridge Charges: MADC has computed revenue from Aerobridge charges for FY 2026-27, which is in line with the capitalization of the NITB in that year as proposed in the consultation stage. It is to be noted that Aerobridge charges cannot be levied without the operationalization of the NITB. Hence, the Authority, in line with its decision to shift the capitalization of NITB to the next control period, has decided not to consider any aerobridge charges in the First Control Period.

d) License Fee

- License fee from Airlines/Refuellers/GHA (Existing building/contracts): MADC has considered a 5% increase year on year in the license fee for all concessionaires. However, the Authority has considered the rates of increase embedded in the contract with the respective concessionaires for projection of license fee revenue for the First Control Period.
- License fee for Airlines/Refuellers/GHA (NITB): MADC has considered ₹ 3.77 Crores on account of license fee from concessionaires in NITB. However, the Authority has not considered the same on account of shifting of capitalization of the NITB.

e) The Authority also notes that International Traffic would commence at Shirdi International Airport only on operationalization of NITB. Due to shifting of capitalization of NITB, the Authority has not considered revenues from international traffic/ ATM including Landing/ Parking/ Housing and UDF which was considered by MADC in their Aeronautical Revenue projections.

14.4.6 Considering the above, the Authority has recomputed the Aeronautical Revenue to be collected in the form of Landing, Parking, UDF etc. based on the tariff rate card placed at Annexure-1A. The Aeronautical Revenue and the shortfall vis a vis ARR is as detailed below:

**Table 173: Aeronautical Revenue decided by the Authority for the First Control Period**

*(₹ in crores)*

| Particulars | Ref. | FY23* | FY24* | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|---|
| Landing Revenue | A | 3.57 | 4.63 | 14.63 | 28.26 | 44.33 | 95.41 |
| Parking Revenue | B | 0.00 | 0.06 | 0.06 | 0.10 | 0.12 | 0.35 |
| **Total Landing & Parking Revenue** | **C=A+B** | **3.57** | **4.69** | **14.69** | **28.36** | **44.45** | **95.77** |
| **Revenue from User Development Fee (UDF)** | **D** | **5.11** | **17.34** | **39.25** | **58.88** | **81.20** | **201.77** |
| Cargo | E | 0.01 | 0.03 | 0.05 | 0.37 | 0.48 | 0.93 |
| Ground Handling | F | 0.08 | 0.10 | 0.17 | 0.21 | 0.28 | 0.85 |
| License Fee | G | 1.09 | 1.61 | 1.74 | 1.89 | 2.05 | 8.37 |
| Aerobridge Charges | H | - | - | - | - | - | - |
| Extension of Watch Hours | I | - | 0.09 | 0.09 | 0.09 | 0.09 | 0.36 |
| **Revenue from Others** | **J=Sum(E:I)** | **1.18** | **1.83** | **2.04** | **2.55** | **2.90** | **10.50** |
| **Total Revenue** | **K=C+D+J** | **9.86** | **23.85** | **55.99** | **89.80** | **128.54** | **308.04** |
| PV Factor @ 10.83% | L | 1.00 | 0.90 | 0.81 | 0.73 | 0.66 | |
| **PV of Projected Aero Revenue** | M=K*L | 9.86 | 21.52 | 45.58 | 65.96 | 85.19 | **228.11** |
| **PV of ARR** (refer Table 171) | N | 63.55 | 39.73 | 41.84 | 59.62 | 62.95 | **267.70** |
| **Carry forward on NPV terms as on 31st March 2023** | O=M-N | | | | | | **-39.59** |

*Based on actual numbers submitted by MADC

14.4.7 The Authority has rationalized the Tariff Rate Card taking into consideration the views of all the stakeholders and the response thereon from AO, with a view to maintain a balanced approach in the interests of various stakeholders and to avoid steep increase in tariff rates for full recovery of ARR, decides to carry forward portion of the ARR amounting to **₹ 39.59 Crores** (14.79 %). Accordingly, the Tariff Rate Card decided by the Authority for Shirdi Airport in respect of its First Control Period is presented at **Annexure 1A.**

14.4.8 In case of the International Operations commences at Shirdi Airport, during the Current Control Period, then the Tariff Rates in respect of Landing, Parking Charges, UDF etc. applicable to Domestic Operations will be applicable to International Flights/ Passengers.

**Variable Tariff Plan (VTP)**

14.4.9 The Authority notes that the Tariff Rate Card proposed by MADC includes a Variable Tariff Plan till March 2027. The VTP proposes a lower Landing Charges based on the volume of flights. Shirdi International Airport is a new airport and traffic for the airport is yet to be stabilized. The Authority has examined the Variable Tariff Plan (VTP) submitted by MADC and notes that the purpose of introducing VTP is to attract additional flights and generate additional revenue, which will help to reduce Aeronautical Charges in the long run. Accordingly, the Authority agrees to accept the Variable Tariff Plan submitted by MADC with effect from the effective date of the tariff till 31st March 2027, as detailed in the Tariff card in **Annexure 1B.**

The Authority also directs MADC to keep a separate record of accounts for incentives granted, revenue generated, and the expenditure incurred in this regard during the First Control Period, for the information of all stakeholders and the Authority, so as to take a considered view for determination of aeronautical tariff for the next Control Period. The Authority also directs MADC to ensure that the proposed VTP is in line with the ICAO Guidance on the non-discrimination.

### 14.5 Authority's decisions regarding Aeronautical Revenue for the First Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Aeronautical Revenue for the First Control Period for Shirdi International Airport:

14.5.1 To consider Aeronautical revenue based on Tariff Card as detailed in **Annexure 1A**.

14.5.2 To consider the Variable Tariff Plan (VTP) for the First Control Period as detailed in **Annexure 1B** and directs the AO to ensure that the proposed VTP is in line with the ICAO Guidance on non-discrimination.

14.5.3 The Authority also directs MADC to keep a separate record of accounts for incentives granted, revenue generated, and the expenditure incurred in this regard during the First Control Period for the information of all stakeholders and the Authority so as to take a considered view for determination of aeronautical tariff for the next control period.

14.5.4 To true up Aeronautical Revenue based on actual numbers for the First Control Period at the time of determination of tariff for the next Control Period.

# 15 SUMMARY OF AUTHORITY'S DECISIONS

### Chapter 2: Tariff Determination of Shirdi International Airport

2.11.1 To consider the First Control Period in respect of Shirdi International Airport effective from FY 2022-23 to FY 2026-27.

### Chapter 3: Determination of Tariff for the period from 1st November 2021 to 31st March 2022

3.13.1 To consider the shortfall for the period from 1st November 2021 to 31st March 2022 to be carried forward to the First Control Period.

3.13.2 To consider Traffic as per Table 8.

3.13.3 To consider RAB and depreciation as per Table 17.

3.13.4 To consider FRoR as per Table 23.

3.13.5 To consider Return on land as per Table 21.

3.13.6 To consider Aeronautical O&M Expenses as per Table 34.

3.13.7 To consider Non-Aeronautical Revenue as per Table 38.

3.13.8 To consider the Aeronautical Tax as per Table 49.

3.13.9 To consider the Aeronautical Revenue as per Table 42.

3.13.10 To consider under recovery of ₹ 19.30 crores as per Table 51 and adjust the same in the ARR for the First Control Period.

### Chapter 4: Traffic for the First Control Period

4.6.1 To consider the Passenger Traffic, ATM, Belly Cargo volume and Air Cargo volume for the First Control Period for Shirdi International Airport as per Table 69.

4.6.2 To true up the traffic pertaining to the First Control Period, based on actual traffic, while determining the Tariff for the Second Control Period.

### Chapter 5: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

5.9.1 To consider the aeronautical capital expenditure for the First Control Period as per Table 107 for Shirdi International Airport.

5.9.2 To consider depreciation and average RAB for the First Control Period as per Table 108 and Table 109 for Shirdi International Airport.

5.9.3 To True up the Capital Expenditure, RAB and Depreciation at the time of determination of Aeronautical Tariff in the next control period, based on evaluation of reasonableness and efficiency.

5.9.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. The same will be examined during the true up of the First Control Period, at the time of determination of tariff for the next control period.

### Chapter 6: Return on Land for the First Control Period

6.5.1 To consider Return on Land for the First Control Period for Shirdi International Airport as per Table 114.

**Chapter 7: Fair Rate of Return (FRoR) for the First Control Period**

7.6.1 To consider the Cost of Equity at 14.00% for the First Control Period.

7.6.2 To consider notional cost of debt of 7.40% for the First Control Period.

7.6.3 To consider the notional debt to equity (gearing) ratio of 48:52 in line with target gearing ratio being considered in case of other airports.

7.6.4 To consider Fair Rate of Return (FRoR) of 10.83% for Shirdi International Airport for the First Control Period based on Cost of Equity, Cost of Debt and gearing ratio as per Table 116.

**Chapter 8: Inflation for the First Control Period**

8.6.1 To consider Inflation rates as per Table 119 for the First Control Period for Shirdi International Airport.

**Chapter 9: Operating & Maintenance (O&M) Expenses for the First Control Period**

9.6.1 To consider Aeronautical O&M Expenses for the First Control Period as per Table 152.

9.6.2 To consider the True up of O&M expenses incurred by MADC during the First Control Period subject to evaluation of reasonableness and efficiency, at the time of tariff determination for the next Control Period.

**Chapter 10: Non-Aeronautical Revenue (NAR) for the First Control Period**

10.6.1 To consider Non-Aeronautical Revenue for the First Control Period in respect of the Shirdi International Airport as per Table 167.

10.6.2 To true up the non-aeronautical revenues for the First Control Period at the time of determination of tariff for the Second Control Period, subject to evaluation of efficiency and reasonableness.

**Chapter 11: Taxation for the First Control Period**

11.5.1 To consider Aeronautical Tax as NIL for the First Control Period.

11.5.2 To true up the Aeronautical Tax amount appropriately taking into considerations all relevant facts at the time of tariff determination for the Second Control Period.

**Chapter 12: Quality of Service for the First Control Period**

12.5.1 Not to consider any adjustment in the tariff determination for the First Control Period with regard to Quality of Services at Shirdi International Airport.

12.5.2 AO is directed to conduct ACI ASQ survey and submit quarterly report to the Authority.

**Chapter 13: Aggregate Revenue Requirement (ARR) for the First Control Period**

13.6.1 To consider ARR and YPP for the First Control Period for Shirdi International Airport as per Table 171.

**Chapter 14: Aeronautical Revenue for the First Control Period**

14.5.1 To consider Aeronautical revenue based on Tariff Card as detailed in **Annexure 1A**

14.5.2 To consider the Variable Tariff Plan (VTP) for the First Control Period as detailed in **Annexure 1B** and directs the AO to ensure that the proposed VTP is in line with the ICAO Guidance on non-discrimination.

14.5.3 The Authority also directs MADC to keep a separate record of accounts for incentives granted, revenue generated, and the expenditure incurred in this regard during the First Control Period for the information of all stakeholders and the Authority so as to take a considered view for determination of aeronautical tariff for the next control period.

14.5.4 To true up Aeronautical Revenue based on actual numbers for the First Control Period at the time of determination of tariff for the next Control Period.

## 16 ORDER

16.1.1 In exercise of power conferred by section 13 (1) (a) of the AERA Act 2008 and based on the above decisions, the Authority hereby determines the aeronautical tariff to be levied at Shirdi International Airport for the First Control Period as placed in Annexure – 1A and 1B.

16.1.2 In exercise of power conferred by section 13 (1) (b) of the AERA Act, 2008, read with rule 89 of the Aircraft Rules,1937 made under the Aircraft Act,1934, the Authority hereby determines the rate of UDF as indicated in the tariff rate card at Annexure – 1A and 1B to the Order for the current Control Period.

16.1.3 The tariff determined herein are ceiling rates, exclusive of taxes, if any.

16.1.4 The order shall be made effective from 1st September 2024.

16.1.5 Airport operator shall submit its MYTP to the Authority for the Second Control Period in a timely manner as per the Authority's Guideline, 2011.

सत्यमेव जयते

By the Order and in the name of the Authority

(Suyash Narain)
Secretary

To,

Mr. Sanjay Kangne
Chief Financial Officer
Maharashtra Airport Development Company Limited,
Mumbai, Maharashtra.

भा.वि.आ.वि.प्रा.

Copy to:

1. **Secretary,** Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi – 110003
2. **Directorate General of Civil Aviation:** for issuance of AIC

AERA

# 17 ANNEXURE

## Annexure 1A: Tariff Card

**Tariff Rate Card approved by the Authority for Shirdi International Airport for the First Control Period (01st April 2022 to 31st March 2027) - (effective from 01st September 2024)**

### 17.1.1 Landing Charges - Domestic

**Applicable rates from 1st September 2024 to 31st March 2027**

(Rate in ₹)

| Weight of Aircraft | 1st September 2024 to 31st March 2025 | 1st April 2025 to 31st March 2026 | 1st April 2026 to 31st March 2027 |
|---|---|---|---|
| Up to 10 MT | 249.70 per MT | 287.16 per MT | 321.62 per MT |
| Above 10 MT up to 20 MT | 2,497.00 + 438.68 per MT in excess of 10 MT up to 20 MT | 2,871.60 + 504.48 per MT in excess of 10 MT up to 20 MT | 3,216.20 + 565.02 per MT in excess of 10 MT up to 20 MT |
| Above 20 MT | 6,883.80 + 859.98 per MT in excess of 20 MT | 7,916.40 + 988.98 per MT in excess of 20 MT | 8,866.40 +1,107.66 per MT in excess of 20 MT |

**Notes:**

1. Weight of an aircraft means Maximum Take-Off Weight (MTOW) in MT (i.e. 1,000 Kg) as indicated in the Certificate of Airworthiness (CoA) with DGCA.
2. Landing charges shall be calculated on the basis of nearest MT (i.e., 1,000 kg)
3. Above mentioned Landing charges are considered as Rack Rates (RR) for the purpose of Variable Tariff Plan (VTP) Tariff (Annexure 1B).
4. Landing Charges shall be higher of the charges derived as per the above matrix or minimum landing charges as mentioned in table below:

| Particulars | 1st September 2024 to 31st March 2025 | 1st April 2025 to 31st March 2026 | 1st April 2026 to 31st March 2027 |
|---|---|---|---|
| **Minimum Landing Fees** | ₹ 6,000 | ₹ 6,000 | ₹ 6,500 |

5. Domestic legs of international routes flown by Indian operators to be treated as domestic flights as far as landing charges are concerned, irrespective of the flight numbers assigned to such flights.
6. No landing charges shall be payable in respect of:
   a. Aircrafts with a maximum certified passenger capacity of less than 80 seats, being operated by domestic scheduled operators at the airport.
   b. Training flights operated by DGCA approved flying schools/flying training institutes.
   c. Helicopters of all types (not applicable to non-scheduled operators).
   d. Military aircraft (Government of India) including para-military forces such as BSF, Coast Guard etc.

### 17.1.2 Parking Charges - Domestic

**Applicable rates from 1st September 2024 to 31st March 2027**

(Rate in ₹ per MT per hour)

| Details | Weight of Aircraft | 1st September 2024 to 31st March 2025 | 1st April 2025 to 31st March 2026 | 1st April 2026 to 31st March 2027 |
|---|---|---|---|---|
| **Parking charges (First two hours after free parking period)** | Up to 40 MT | 5.72 per MT | 6.58 per MT | 7.37 per MT |
| | Above 40 MT Up to 100 MT | 228.80 + 11.00 per MT in excess of 40 MT up to 100 MT | 263.20 + 12.65 per MT in excess of 40 MT up to 100 MT | 294.80 + 14.17 per MT in excess of 40 MT up to 100 MT |
| | Above 100 MT | 888.80 + 16.72 per MT in excess of 100 MT | 1,022.20 + 19.23 per MT in excess of 100 MT | 1,145.00 + 21.54 per MT in excess of 100 MT |
| **Parking charges (beyond four hours)** | Up to 40 MT | 11.44 per MT | 13.16 per MT | 14.74 per MT |
| | Above 40 MT Up to 100 MT | 457.60 + 22.00 per MT in excess of 40 MT up to 100 MT | 526.40 + 25.30 per MT in excess of 40 MT up to 100 MT | 589.60 + 28.34 per MT in excess of 40 MT up to 100 MT |
| | Above 100 MT | 1,777.60 + 33.44 per MT in excess of 100 MT | 2,044.40 + 38.46 per MT in excess of 100 MT | 2,290.00 + 43.08 per MT in excess of 100 MT |
| **Night Parking Charges between 2200 hours and 0600 hours** | Up to 40 MT | 5.72 per MT | 6.58 per MT | 7.37 per MT |
| | Above 40 MT Up to 100 MT | 228.80 + 11.00 per MT in excess of 40 MT up to 100 MT | 263.20 +12.65 per MT in excess of 40 MT up to 100 MT | 294.80 + 14.17 per MT in excess of 40 MT up to 100 MT |
| | Above 100 MT | 888.80 + 16.72 per MT in excess of 100 MT | 1,022.20 + 19.23 per MT in excess of 100 MT | 1,145.00 + 21.54 per MT in excess of 100 MT |

**Notes:**

1. Weight of an aircraft means MTOW in MT (1,000 kg) as indicated in the certificate of airworthiness with DGCA.
2. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
3. Charges shall be calculated based on nearest rounded off MT.
4. Charges for each period parking shall be rounded off to nearest rupee.
5. No charge shall be applicable for the first two (2) hours of parking, fifteen (15) minutes shall be added to free parking time of two hours as mentioned herein, on account of arrival taxi time (time from touch down to parking stand) for calculation of free parking period. Another (15) minutes shall be added on account of departure taxi time (time from parking stand to take off point).
6. Arrival taxi time & departure taxi time as mentioned above shall be applicable for each aircraft irrespective of actual arrival & departing taxi time.
7. At the contact stands after free parking, charges shall be double the normal parking charges.

### 17.1.3 User Development Fee (UDF)

**Applicable rates for travel date from 1st September 2024 to 31st March 2025**

(Rate in ₹)

| Type of Passenger | Domestic |
|---|---|
| **Embarking Passenger** | 630 |
| **Disembarking Passenger** | 270 |

**Applicable rates for travel date from 1st April 2025 to 31st March 2026**

(Rate in ₹)

| Type of Passenger | Domestic |
|---|---|
| **Embarking Passenger** | 650 |
| **Disembarking Passenger** | 280 |

**Applicable rates for travel date from 1st April 2026 to 31st March 2027**

(Rate in ₹)

| Type of Passenger | Domestic |
|---|---|
| **Embarking Passenger** | 665 |
| **Disembarking Passenger** | 285 |

**Notes:**

1. Collection Charges – As per the agreement between MADC and the Airlines.
2. For calculating UDF in Foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the first fortnight and rate as on 15th of the month for tickets issued in the second fortnight shall be adopted.
3. Above UDF charges will be applicable on the tickets issued on or after 1st September 2024.

**Other Terms and Conditions**

4. Exemptions in Payment of User Development Fee (UDF) - In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide order no. AV 29012/39/2018-AD dated 30.10.2019) the following categories of persons are exempted from levy and collection of UDF:
   a. Children (Under the age of 2 years)
   b. Holders of Diplomatic Passport.
   c. Airlines crew on duty including sky marshals and airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
   d. Persons travelling on official duty on aircraft operated by Indian Armed Forces.
   e. Persons travelling on official duty for United Nations Peace Keeping Missions.
   f. Transit/transfer passengers (A person is treated in-transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket. In case two separate tickets are issued, it would not be considered as Transit passenger.)
   g. Passengers Embarking from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

17.1.4 **Aviation Security Fees (ASF):** ASF shall be applicable as prescribed by Govt. of India from time to time.

### 17.1.5 Charges for Extension of Watch Hours

Charges for Extension of Watch Hours beyond designated watch hours irrespective of weight of the aircraft are as under:

| Particulars | 1st September 2024 to 31st March 2025 | 1st April 2025 to 31st March 2026 | 1st April 2026 to 31st March 2027 |
|---|---|---|---|
| Rate/Hour in ILS Station | ₹ 22,000 | ₹ 22,000 | ₹ 24,000 |
| Rate/Hour in Non-ILS Station | ₹ 5,000 | ₹ 5,000 | ₹ 6,000 |

a) The charges are payable by all operators/ agencies operating outside the watch hours, except aircraft belonging to any armed force of the Union, including BSF & NCC.

b) The charges are payable at the Airports where extension is availed at the time of landing/ taking off as the case may be.

c) When the two aircraft use the facility at the same time, Changes for Extension of Watch hours for each Airline/ aircraft should be charged separately and no sharing of charges between the Users is permissible.

d) Fraction of hours may be rounded off to the next half an hour and charged accordingly.

e) If the aircraft has taken off just before the closing of watch hours, watch hours should be extended at least for a period of 30 minutes after take-off as is the normal practice, this will not attract extra service charge. If the aircraft returns to land due to any technical reason, extended period beyond the normal watch hour, if any, should not be charged. However, any extension required after such landing should be charged as per rates applicable.

f) Any extension Of Watch Hours provided to accommodate an aircraft experiencing technical problem and requesting emergency landing should not be charged. Any extension required after such landing should be charged as per rates applicable.

g) No Charges will be levied for extension of Watch hours due to inescapable delays because of runway block/ WIP Movements/ weather conditions at the station.

h) If any Operator, after obtaining approval of MADC for extension of Watch hours, subsequently intends to withdraw the request under any circumstances, shall inform MADC at least 6 hours in advance of the scheduled departure or arrival time. If the Operator fails to do so, he shall be charged Charges for Extension of Watch Hours for a period of 4 hours as penalty.

i) The charges for Extension of Watch hours shall be levied as per revised rates per hour basis for a minimum period for one hour.

j) The charges for Extension of Watch Hours are applicable to the airports which are having designated watch hours.

k) In case when ILS is not operational, rates for non-ILS station is to be charged.

### 17.1.6 Cargo Screening Charges for Domestic Cargo

| Name of Services | 1st September 2024 to 31st March 2025 | 1st April 2025 to 31st March 2026 | 1st April 2026 to 31st March 2027 |
|---|---|---|---|
| X-BIS Charges | ₹ 2.50 per Kg. or Min. of ₹ 200 per AWB | ₹ 2.50 per Kg. or Min. of ₹ 200 per AWB | ₹ 3.00 per Kg. or Min. of ₹ 225 per AWB |
| ETD Charges | ₹ 3.00 per Kg. or Min. of ₹ 200 per AWB | ₹ 3.00 per Kg. or Min. of ₹ 200 per AWB | ₹ 3.50 per Kg. or Min. of ₹ 225 per AWB |

**General Condition:**

1. All the above charges are excluding GST. GST at the applicable rates are payable in addition to above charges. Further, all the bills shall be rounded off to the nearest rupee.
2. In case of the International Operations commences, during the current control period, the rates of Landing / Parking charges, UDF etc. applicable to Domestic Operations will also be applicable to international flights/passengers.

## Annexure 1B: Variable Tariff Plan for Scheduled Airlines

### 17.1.7 VTP Applicable Rates for Scheduled Passenger Airlines

Variable Tariff Plan shall be limited to below mentioned categories only and applicable for Scheduled domestic passenger airlines.

| Type | Rack Rate (RR) per MT in ₹ | Existing Flight | FY 2025-26 | FY 2026-27 |
|---|---|---|---|---|
| **Landing Charges** | | | | |
| **Domestic Flights** | | | | |
| No. of Arrivals per annum – More than 720 and upto 1,440 | RR | 0 | 0.75 * RR | 0.90 * RR |
| No. of Arrivals per annum – More than 1,440 | RR | 0 | 0.60 * RR | 0.80 * RR |

**Validity**

The Variable Tariff Plan (VTP) shall be valid till 31st March 2027

**Notes:**

1. Scheduled domestic airlines must operate VTP eligible flights for a minimum of 42 weeks within a rolling 12-month period to qualify for the incentive.
2. Eligible VTP flights shall be calculated considering all the new routes operated by a scheduled airline operator during the financial year.
3. The payment of landing charges at RR shall be made by the scheduled domestic airline in full without any deduction within the credit period approved by the Shirdi International Airport and there shall not be any delay/default in payment for the said financial year. The Settlement of above VTP shall be made through the credit note after verifying the eligibility and terms condition after completion of the financial year.
4. Any change in term or condition of this VTP, shall be applicable only after the prior approval of AERA.

**Definition of Category**

1. **Existing flights:** Flights that are currently being operated at Shirdi International Airport i.e. Delhi, Hyderabad, Chennai, Bengaluru, Vijayawada and Indore.
2. **New Route:** A flight to a new destination that is currently unserved (no scheduled operations) from Shirdi International Airport by any Scheduled Domestic Airline Operator. (list of existing routes mentioned in point no. 1 above).
3. **RR:** Rates mentioned in Para 17.1.1 of the Tariff Order.

## Annexure 2: Extract of AUCC Presentation by MADC

**Construction of New Terminal Building**

MADC

- **Cost of Project: INR 722.50 Cr**
- **LOA date: 07.12.2023**
- **Work Order Date: Yet to be issued**
- **Targeted Work Completion: March 2027**

**Need of the Project**

- Over 2 crore devotees from India and abroad visit Shirdi annually with daily average of around 60,000 devotees and numbers go up to 3 lakh per day during weekends, vacations and festive seasons.
- Existing terminal covers 2,750 square meters (29,600 sq ft). Passenger traffic grown from 2,29,040 in 2018-19 to 7,33,038 in 2022-23, i.e. more than 3 times in a span of 4 years.
- The current terminal can only accommodate domestic flights with a capacity of 300 passengers per hour (PHP). However, the airport currently serves around 500 PHP, causing significant inconvenience to passengers.
- Based on traffic projections, the airport anticipates a need to handle approximately 3.4 million passengers per annum (MPPA) by fiscal year 2036-37.
- To meet these demands, plans are underway for a new integrated terminal building capable of accommodating both domestic and international operations. This new terminal is designed to handle 1200 PHP initially by FY 2036-37 and is projected to scale up to 4.4 MPPA by FY 2041-42.

## Construction of Isolation Bay

- **Estimated Cost of Project: INR 9.50 Cr (for balanced works)**
- **Work Award Date: 12.07.2017**
- **Targeted Work Completion: December 2025**

- Designated isolation aircraft parking position is mandatory, as per regulatory norms.
- At present, Dumbell at RWY 09 is declared as isolated aircraft parking position bay.
- In view of having designated isolation bay to comply with norms, MADC has planned construction of isolation bay on south of runway 09-27.
- Initially, construction work was combined with runway extended work, but due non-performance by contractor during COVID period, work was terminated.
- At present civil work up to sub base level has been completed, by previous contractor.
- MADC has planned to re-tender the balance work.

## Ongoing Projects at Shirdi Airport

| Sl. No. | Project | Estimated Cost In INR (Crores) | Targeted Completion |
|---|---|---|---|
| 1 | Development/Redevelopment of cityside infrastructure and ancillary buildings at Airside & cityside of Shirdi Airport | 63.21 | Dec'24 |
| 2 | Extension of Apron for accommodating additional remote parking stands (total apron area-480 m x 105 m) | 29.01 | Commissioned for VFR operation |
| 3 | Extension of existing runway and RESA including AGL (RWY length from 2500m to 3200m) | 35.09 | Mar'25 |
| 4 | Construction of Isolation Bay | 9.50 | Dec'25 |
| 5 | Seating Lounge for additional capacity | 8.87 | Aug'24 |
| 6 | Air Cargo Facility and Apron | 51.59 | Sept'25 |
| 7 | Runway Recarpeting | 61.68 | Mar'25 |