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भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA
दौर अंतरराष्ट्रीय हवाईअड्डा, इंदौर (आईडीआर) के लिए द्वितीय नियंत्रण अवधि (01 अप्रैल,
2023 से 31 मार्च, 2028) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF
DETERMINATION OF AERONAUTICAL TARIFF FOR
INDORE INTERNATIONAL AIRPORT, INDORE (IDR) FOR
THE SECOND CONTROL PERIOD
(01st APRIL, 2023 TO 31st MARCH, 2028)

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उड़ान भवन / Udaan Bhawan
सफदरजंग हवाईअड्डा /Safdarjung Airport
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List of Abbreviations

Abbreviation	Expansion
A&G	Administration & General
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
AC	Air Conditioning
ACFT	Airfield Crash Fire Tender
ACI	Airports Council International
AERA / the Authority	Airports Economic Regulatory Authority of India
AIASL	AI Airport Services Limited
AIC	Aeronautical Information Circular
ALCMS	Airfield Lighting Control and Monitoring System
AMC	Annual Maintenance Contract
ANS	Air Navigation Services
AO	Airport Operator
APHO	Airport Health Organization
APSU	Airport Security Unit
ARR	Aggregate Revenue Requirement
ASF	Aviation Security Fee
ASFT	Airport Surface Friction Tester
ASG	Aviation Security Group
ASQ	Airport Service Quality
ATC	Air Traffic Control
ATF	Aviation Turbine Fuel
ATM	Air Traffic Movement
ATR	Avions de Transport Regional
AUCC	Airport Users Consultative Committee
AVDGS	Advanced Visual Docking Guidance Systems
AVSEC	Aviation Security
BAOA	Business Aircraft Operators Association
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BHS	Baggage Handling System
BIAL	Bangalore International Airport Limited
BOT	Build Operate Transfer
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAMC	Comprehensive Annual Maintenance Contract
CAPEX	Capital Expenditure
CCTV	Closed Circuit Television
CFT	Crash Fire Tender
CGF	Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft
CHQ	Corporate Headquarters
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CNS	Communication, Navigation and Surveillance
CoD	Cost of Debt
COVID-19	Corona Virus Disease of 2019



Abbreviation	Expansion
CP	Consultation Paper
CP & MS Dept.	Corporate Planning & Management Services Department
CSR	Corporate Social Responsibility
CSS	Corporate Support Service
CUTE	Common User Terminal Equipment
DA	Dearness Allowance
DABH Airport	Devi Ahilya Bai Holkar Airport
DFMD	Door Frame Metal Detector
DG sets	Diesel Generator sets
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
EHCR	Employee Head Count Ratio
ESS	Energy Store System
ETD	Explosive Trace Detectors
FA	Financing Allowance
FAR	Fixed Asset Register
FBS	Full Body Scanners
FCP	First Control Period
FIA	Federation of Indian Airlines
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GA	General Aviation
GBR	Gross Block Ratio
GDP	Gross Domestic Product
GHA	Ground Handling Agency
GHIAL/ HIAL	GMR Hyderabad International Airport Limited
GoI	Government of India
GST	Goods & Service Tax
HPCL	Hindustan Petroleum Corporation Limited
HR	Human Resources
HRA	House Rent Allowances
IATA	International Air Transport Association
ICAI	Institute of Chartered Accountants of India
ICAO	International Civil Aviation Organization
ICMAI	Institute of Cost Accountants of India
IDC	Interest During Construction
IDR (IATA Code)	Indore International Airport
ILBS	Inline Baggage Screening
IMG	Inter-Ministerial Group
INR	Indian Rupees
IT	Information Technology
IT Act	Income Tax Act
JVC	Joint Venture Company
MIAL	Mumbai International Airport Limited
MoCA	Ministry of Civil Aviation
MRO	Maintenance, Repair, and Overhaul
MYTP	Multi-Year Tariff Proposal
NAR	Non-Aeronautical Revenue



Abbreviation	Expansion
NASFT	National Aviation Security Fee Trust
NCAP	National Civil Aviation Policy
NITB	New Integrated Terminal Building
NLJD	Non-Linear Junction Detector
NPV	Net Present Value
O&M	Operation and Maintenance
OMCs	Oil Marketing Companies
OMDA	Operation, Management & Development Agreement
OTB	Old Terminal Building
PBB	Passenger Boarding Bridge
PBT	Profit Before Tax
PBTS	Passenger Baggage Trolleys
PF	Provident Fund
PLF	Passenger Load factor
PPP	Public Private Partnership
PSF	Passenger Service Fee
PSU	Public Sector Undertaking
PV	Present Value
R&M	Repair and Maintenance
RAB	Regulatory Asset Base
RBI	Reserve Bank of India
RHQ	Regional Headquarters
RPK	Revenue Passenger-Kilometres
SBD	Self-Baggage Drop
SBI	State Bank of India
SCCTV	Security CCTV
SCP	Second Control Period
SITC	Supply, Installation, Testing and Commissioning
SQTR	Staff Quarter Ratio
SSA	State Support Agreement
TB	Terminal Building
TBLR	Terminal Building Ratio
TCV	Threat Containment Vessel
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
TR stalls	Travellers Requisite Stalls
UDF	User Development Fee
UPS	Uninterruptible Power Supply
VIP	Very Important Person
WDV	Written Down Value
WPI	Wholesale Price Index
XBIS	X-ray Baggage Inspection Systems
YPP	Yield Per Passenger
Units of measurement	
FY	Financial Year
Ha.	Hectare
KL	Kilo Litre
MPPA	Million Passengers per Annum
MT	Metric Tonnes



Abbreviation	Expansion
Nos.	Numbers
PAX	Passenger
Y-o-Y	Year on Year



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AERA



1. INTRODUCTION

1.1 Background

- 1.1.1 Devi Ahilya Bai Holkar International Airport, owned and operated by Airport Authority of India (AAI). Indore International airport is located in the city of Indore, Madhya Pradesh, India.
- 1.1.2 Indore International Airport has a total land area of 748.58 acres and is situated 8 kilometers (5 miles) west of Indore city. The total area of the Passenger Terminal Building is 18,000 sq. meters. Indore International Airport has recorded a passenger traffic of 2.82 MPPA in FY 2022-23 and 3.46 MPPA in FY 2023-24. Currently, the airport serves twenty-two domestic and two international destinations, making it the 19th busiest airport in India for passengers handled, 15th busiest airport for total aircraft movement and cargo handled as per FY 2023-24.
- 1.1.3 Tariff for the First Control Period from FY 2018-19 to FY 2022-23 (together with the period FY 2016-17 and FY 2017-18) was determined by AERA through Order No. 45/2018-19 dated 8th March 2019. Pursuant to the amendment of the AERA Act in 2019, airports with a designated passenger throughput of over 3.5 MPPA are considered Major Airports. AERA, vide amended public notice 17/2019-20 dated 16th March 2020, conveyed that even though Indore Airport is not a 'major airport' under the amended AERA Act (2019), the tariff as already determined by AERA shall continue to be applicable for the current control period. The Authority noted that the passenger throughput was only 0.89 MPPA in FY 2020-21, and its designated passenger handling capacity was 2.5 MPPA which was below the threshold limit of 3.5 MPPA defined under the AERA Amendment Act, 2019. Subsequently, AAI, in a letter dated 28th March 2023, communicated that the passenger handling capacity of Indore International Airport has been increased to 4 MPPA from the existing 2.5 MPPA through certain infrastructural developments/ modifications at the Airport. However, the Authority noted that these infrastructural changes to enhance the passenger handling capacity were primarily carried out during FY 2021-22.
- 1.1.4 The Authority had taken cognizance of this fact, in its examination of regulatory building blocks for the true-up of the First Control Period, while determining the tariff for the Second Control Period, and accordingly, had excluded the under/over recovery of FY 2020-21 at Consultation stage, as Indore International Airport was a Non-Major Airport during FY 2020-21. This has been explained in the respective chapters. AAI's comments on this specific matter and the Authority's analysis on the same has been detailed in Para 4.11.10 to this Tariff Order.

1.2 Profile of Indore International Airport (IDR)

- 1.2.1 Devi Ahilya Bai Holkar International Airport has a designated passenger handling capacity of 4 MPPA from FY 2022-23 and achieved total passenger traffic of 2.82 million in FY 2023-24, approximately 99.5% of which constituted domestic passenger traffic.
- 1.2.2 Actual Passenger and Aircraft handled by Indore International Airport are given below:

Table 1: Passenger & ATM Traffic for the First Control Period submitted by AAI

Year	Passenger (In Nos.)			ATMs (In Nos.)		
	Domestic	International	Total	Domestic	International	Total
FY19	31,58,938	-	31,58,938	26,442	-	26,442
FY20	28,93,449	25,522	29,18,971	22,722	213	22,935



Year	Passenger (In Nos.)			ATMs (In Nos.)		
	Domestic	International	Total	Domestic	International	Total
FY21	8,95,391	913	8,96,304	9,944	22	9,966
FY22	16,22,682	6,986	16,29,668	16,429	69	16,498
FY23	28,13,144	15,443	28,28,587	25,062	122	25,184

1.2.3 Technical and Terminal Building details of IDR submitted by AAI are provided in the table below:

Table 2: Technical and Terminal Building details of IDR submitted by AAI

Particulars	Details
Total airport land area	748.58 acres
Terminal Building Area	18,000 sqm
Designated Passenger Handling Capacity	4.00 MPPA
Peak hour passenger	Domestic: 1,172 pax International: 150 pax
Runway Orientation & Length	Runway 07/25, dimension 2754m x 45m
Taxiway	9 Nos.
Parking Bays	26 Nos
Boarding Gates	Domestic – 4 Nos. International - 1 Nos.
Check-in counters	18 Nos.
Immigration Counters	8 Nos.
Custom Counters	3 Nos.
Departure Conveyor	1 Nos.
Arrival Conveyor	3 Nos.
Security Gates	Domestic – 9 Nos. International - 2 Nos.
Operation Hours	24 Hrs
Conveyor Belt	04
Escalators	06
Elevators	07
No of trolleys	1000
Entry/ Exit Gates	02/02

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

Cargo Handling Services

1.3.1 M/s AAI Cargo Logistics and Allied Service Company Limited (AAICLAS) is a 100% subsidiary of the Airports Authority of India (AAI) providing cargo handling services at Indore International Airport. AAI had considered a revenue share of 30% from AAICLAS as part of Aeronautical revenues as per AAI's agreement with AAICLAS.

Ground Handling Services

1.3.2 Currently, AI Airport Services Limited (AIASL) provides Ground Handling services at Indore International Airport.

1.3.3 The Authority, vide Order No. 10/2024-25 dated 26th September 2024 in respect of AIASL, has extended the interim arrangement for existing tariff, for a further period of 6 months, to be valid up to 31st March 2025.



Supply of Fuel to the Aircraft

- 1.3.4 Oil Marketing Companies (OMCs) such as M/s Indian Oil Corporation Limited, M/s Bharat Petroleum Corporation Limited and M/s Reliance Industries Limited are providing Aviation Fuel Facility at Indore International Airport. M/s Indian Oil Corporation Limited has set up its Fuel storage facility, with three fuel storage tanks totaling to 470 KL storage capacity. (i.e., 2 tanks with 200 KL and 1 tank with 70 KL).



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2. TARIFF DETERMINATION OF INDORE 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 Airports 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 tariff, 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 The terms "aeronautical services" and "Major Airports" are defined in Sections 2(a) and 2(i) of the Act, respectively.

2.1.3 As per the AERA Act, 2008, "Aeronautical Service" means any service provided

- i. for navigation, surveillance and supportive communication thereto for air traffic management;
- ii. for the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at an airport;
- iii. for ground safety services at an airport;
- iv. for ground handling services relating to aircraft, passengers and cargo at an airport;
- v. for the cargo facility at an airport;
- vi. for supplying fuel to the aircraft at an airport; and
- vii. for a stakeholder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority;



2.1.4 Tariff determination for Air Navigation Services is presently carried out by the Ministry of Civil Aviation (MoCA) across all airports, to maintain uniformity in ANS charges.

2.2 Authority's Orders applied in determination of Tariff of Indore 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) (AERA Guidelines) 011.
- 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 Tariff Determination History

2.3.1 AAI submitted Multi Year Tariff Proposal (MYTP) for the First Control Period from 1st April 2018 to 31st March 2023. AERA vide its Order No. 45/2018-19 dated 8th March 2019, determined tariff for aeronautical services for Indore International Airport for the First Control Period from 1st April 2018 to 31st March 2023. The following were the tariff orders for aeronautical charges issued by the Authority for Indore International Airport:

Table 3: Details of Tariff Orders issued by the Authority for Indore International Airport

Tariff Orders	Applicability Period
Order No. 45/2018-19 8 th March, 2019	1 st April 2018 to 31 st March 2023
Order No. 28/2020-21 9 th July, 2020	Revision in Landing charges w.e.f. 15 th July 2020, in lieu of abolition of Fuel Throughput Charges
Order No. 19/2023-24 20 th September, 2023	1 st October 2023 to 31 st March 2024
Order No. 40/2023-24 15 th March, 2024	1 st April 2024 to 30 th September 2024
Order No. 09/2024-25 24 th September, 2024	1 st October 2024 to 31 st March 2025, or, till the determination of regular tariff for their respective Control Period, whichever is earlier.



2.4 Issuance of Consultation Paper and receipt of Stakeholders' comments

- 2.4.1 As per the proviso to clause 3.1 of the Airport Guidelines, the airport operator(s) are required to submit a Multi-Year Tariff Proposal (MYTP) for the respective control periods to the Authority for its consideration within the due date specified by the Authority. AAI submitted its MYTP on 2nd January 2024 for the Second Control Period, commencing from 1st April 2023 to 31st March 2028, for Indore International Airport.
- 2.4.2 The Authority had appointed an independent consultant, M/s PKF Sridhar & Santhanam LLP, to assess the MYTP submitted by AAI for Indore International Airport for the Second Control Period. Accordingly, M/s PKF Sridhar & Santhanam LLP assisted the Authority in examining the true-up submission of AAI by comparing each regulatory building block with the Tariff Order for the First Control Period, reviewing the MYTP of AAI for the current Control Period, and verifying the data from various supporting documents submitted by AAI, such as the trial balance and the Fixed Asset Register (FAR). They also ensured that the building blocks in tariff determination were consistent with the Authority's methodology and approach.
- 2.4.3 The Authority, through its Independent Consultant, examined the MYTP submitted by AAI, including obtaining clarifications on the information shared by AAI over time, to review the appropriateness of asset classification, the reasonableness of the proposed capital expenditure, operation and maintenance expenditure, etc. for finalizing this Tariff Order.
- 2.4.4 The sequential timeline of the above events has been presented in the table below:

Table 4: Sequence of events with regard to true-up and MYTP submission of AAI

Event	Date
MYTP submissions of AAI received for the Second Control Period and true up of the First Control Period.	02-Jan-24
Receipt of Financial Model from AAI	09-Jan-24
Initial Data Requirement - First Set of queries raised by the Authority related to NAR, Opex, Capex & Traffic	07-Feb-24
Partial data shared by AAI related to Opex	13-Feb-24
Partial data shared by AAI related to Capex, Opex & NAR	15-Feb-24
Partial data shared by AAI related to Capex & Opex	16-Feb-24
Partial data shared by AAI related to NAR	28-Feb-24
Responses to queries shared by AAI related to NAR, Opex, Capex & Traffic	01-Mar-24
Follow-up mail sent along with additional queries raised related to NAR, Opex & Capex	06-Mar-24
Follow-up mail sent along with additional queries raised related to NAR, Opex & Capex	12-Mar-24
Follow-up mail sent along with additional queries raised related to FRoR, NAR, Opex & Capex	20-Mar-24
Follow-up mail sent along with additional queries raised related to NAR, RAB & FRoR	03-Apr-24
Partial data shared by AAI related to NAR & Aero Revenue	08-Apr-24
Partial data and Responses to Queries shared by AAI related to NAR, Aero Revenue & Capex	12-Apr-24
Partial data shared by AAI related to Capex	18-Apr-24
Partial data shared by AAI related to Capex & NAR	19-Apr-24
Responses to Queries shared by AAI related to NAR, Opex, FRoR and Capex	24-Apr-24
Partial data shared by AAI related to Land Return	29-Apr-24
Follow-up mail sent along with additional queries raised related to NAR, Aero Revenue & Capex	03-May-24
Partial data shared by AAI related to Capex	06-May-24
Partial data shared by AAI related to Capex	07-May-24
Partial data shared by AAI related to Capex	08-May-24
Request for Additional Capex for SCP submitted by AAI relating to Digi Yatra	10-May-24
Request from AAI for revision in NAR	15-May-24
Request for Revision in Cost related to Digi Yatra submitted by AAI	27-May-24
Query raised on traffic projection for Second Control Period	24-Jun-24



TARIFF DETERMINATION OF INDORE INTERNATIONAL AIRPORT

Event	Date
Request for Revision in Traffic projections submitted by AAI	03-Jul-24
Query raised on Capex for the Second Control Period	16-Aug-24
Response to query shared by AAI related to Capex	21-Aug-24
Study on Allocation of CHQ/RHQ Expenses	21-Aug-24
Minutes of AUCC meeting submitted by AAI	4-Oct-2024

2.4.5 AAI informed the Authority that the accounts of AAI are audited by the Comptroller and Auditor General of India (CAG), as mandated by the AAI Act. The CAG audits the financial records and statements of AAI airports, as well as regional and field offices. However, the CAG issues a final audit certificate for AAI as a whole, and only the trial balance is available for Indore International Airport. The Authority examined the audited trial balance (FY 2018-19 to FY 2022-23) submitted by AAI for the determination of tariff.

2.4.6 All figures presented in this Tariff Order have been rounded off to two decimal places.

2.4.7 After examining the MYTP and other details submitted by AAI, the Authority had issued Consultation Paper No. 04/2024-25 on 05th September 2024. Stakeholder comments and AO counter-comments were scheduled for submission by 4th October 2024 and 14th October 2024 respectively. Following the release of the Consultation Paper, the Authority convened a meeting with stakeholders on 20th September 2024. The minutes of the meeting are available on AERA's website. During the Stakeholders Consultation Meeting, stakeholders requested for extension of timelines due to proposed AUCC meeting and accordingly, the timelines for submission were extended to 11th October 2024 for stakeholder comments and 21st October 2024 for counter-comments.

2.4.8 The following stakeholders provided comments on the Consultation Paper No. 04/2024-25 dated 05th September 2024, and their responses are available on AERA's website:

1. Airports Authority of India (AAI)
2. Federation of Indian Airlines (FIA)
3. International Air Transport Association (IATA)
4. Business Aircraft Operators Association (BAOA)
5. Hindustan Petroleum Corporation Limited (HPCL)

Table 5: Names of Stakeholders who submitted comments/views on Regulatory building blocks

Name of the stakeholders who commented/ submitted views on regulatory building blocks/ tariff determination process.	Component impacting tariff determination of the First Control Period/ Second Control Period
FIA	Tariff determination process
FIA	Framework for determination of Tariff
AAI, FIA and IATA	True up of the First Control period
FIA	Traffic for the Second Control Period
AAI, FIA, IATA and BAOA	Capital Expenditure (Capex), Depreciation and Regulatory Asset Base (RAB) for Second Control Period
FIA and IATA	Fair Rate of Return for the Second Control Period
FIA	Inflation for the Second Control Period
AAI and FIA	Operation and Maintenance (O&M) Expenses for the Second Control Period
FIA	Non-Aeronautical revenue for the Second Control Period
No Comments	Taxation for the Second Control Period



Name of the stakeholders who commented/ submitted views on regulatory building blocks/ tariff determination process.	Component impacting tariff determination of the First Control Period/ Second Control Period
No Comments	Quality of Service for the Second Control Period
No Comments	Return on Land for the Second Control Period
AAI and FIA	ARR for the Second Control Period
IATA, FIA, BAOA and HPCL	Aeronautical Revenue/Tariff Rate Card

2.4.9 The counter comments from AAI on the comments from other stakeholders were received on 18th October 2024. Thus, the stakeholders' consultation process concluded on the receipt of counter comments by AAI.

2.4.10 No input was received from Ministry of Civil Association (MoCA) as part of the consultation process.

2.5 Construct of this Tariff Order

2.5.1 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. The background of the Authority's Tariff Determination process is explained in this Chapter i.e. Chapter 2 and in Chapter 3, wherein the framework for determination of tariff is discussed.
- ii. Chapter 4 presents the submissions of AAI for True-up for the First Control Period from FY 2018-19 to FY 2022-23. This is followed by the Authority's examination of the same as set out in Consultation Paper No. 04/2024-25 dated 05th September 2024. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- i. Chapter 5 discusses the submissions of AAI and the Authority's examination regarding Traffic Projections for the Second Control Period as set out in Consultation Paper No. 04/2024-25 dated 05th September 2024. Thereafter, comments from other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- ii. Chapter 6 discusses the submissions of AAI regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Second Control Period along with the Authority's detailed examination, adjustments, rationalization and proposals on the Aeronautical Capital Expenditure, Depreciation and RAB for the Second Control Period as set out in Consultation Paper No. 04/2024-25 dated 05th September 2024. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- iii. Chapter 7 to 13 includes the submissions of AAI regarding various building blocks pertaining to the Second Control Period including Fair Rate of Return, Inflation, Operation and Maintenance (O&M) Expenses, Non-Aeronautical Revenue, Taxation, Quality of Service and Return on land along with the Authority's examination and proposals regarding the same as set out in Consultation Paper No. 04/2024-25 dated 05th September 2024. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- iv. Chapter 14 presents the Aggregate Revenue Requirement (ARR) as determined by the Authority, based on various proposals of the Authority and adjustments considered by the Authority for the Second Control Period at the Consultation Stage. Thereafter, the Authority's analysis and final decisions are set out.



- v. Chapter 15 presents the Aeronautical Revenue decided by the Authority for the Second Control Period of Indore International Airport.
- vi. Chapter 16 summarizes the Authority's decisions on all matters related Tariff computation and Chapter 17 is the Tariff Order issued by the Authority for the Second Control Period of Indore International Airport.
- vii. Chapter 18 contains Annexure:
 - Annexure: Tariff Rate Card approved by the Authority for Indore International Airport for the Second Control Period.

2.6 Stakeholders' comments regarding Tariff Determination of Indore International Airport for the Second Control Period

During the stakeholders' consultation process, the Authority has received comments/view from FIA in response to the proposals of the Authority in the Consultation Paper No. 04/2024-25 dated 05th September 2024. The comment of stakeholder is presented below.

- 2.6.1 FIA's comment on delay in Multi Year Tariff Plan 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."

2.7 AAI's response to Stakeholders' comments regarding Tariff Determination of Indore International Airport for the Second Control Period

- 2.7.1 No counter comments were received from AAI in response to FIA's comments regarding delay in submission of MYTP by AO for the Second Control Period.

2.8 Authority's analysis on Stakeholders' comments regarding Tariff Determination of Indore International Airport for the Second Control Period

- 2.8.1 The Authority notes the comments of FIA regarding delay in submitting the MYTP.

In this regard, it is highlighted that AERA, tries to determine the tariff in a time-bound manner, keeping in mind the interest of all the stakeholders. However, in some cases, due to non-availability of correct and timely submission of required information by AO, the tariff determination process becomes more time consuming. Further, the tariff determination process is very exhaustive, as there is a very detailed evaluation process for analysis of regulatory building blocks, followed by user consultation, culminating in review and issuance of the Tariff Order.

Hence, the timely completion of tariff determination depends upon various factors. The sequence of events relating to the tariff determination process has been elaborated in Para 2.4.4 of this Tariff Order. AERA keeps advising all Airport Operators to submit MYTPs well in advance i.e., 6 months before the commencement of the new Control Period.

It is clarified that the Regulatory Asset Base (RAB), on which FRoR is allowed to Airport Operator, is finalized based on the review of actual capitalization done/ Capex projected to be capitalized during the Control Period. The issue raised by the stakeholder, i.e. delay in the tariff determination process leading to an increase in adjusted deemed initial RAB does not arise in this case.



3. FRAMEWORK FOR DETERMINATION OF TARIFF FOR INDORE INTERNATIONAL AIRPORT

3.1 Methodology

- 3.1.1 The Methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 read with AERA (Amendment) Act 2019 and 2021, the AERA (Terms and Conditions for determination of Tariff for Airport Operators) Guidelines, 2011 and further Guidelines issued by AERA from time to time.
- 3.1.2 As per the guidelines, for the First Control Period, the Authority has adopted the Hybrid-Till mechanism for tariff determination, wherein, only 30% of the non-aeronautical revenues is to be used for cross-subsidizing the aeronautical charges. The Authority has considered the same methodology in the true-up of the First Control Period and for Tariff Determination in the Second Control Period.
- 3.1.3 The Aggregate Revenue requirement (ARR) for a given Control Period, under Hybrid Till is calculated as given below:

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

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

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 Operation and Maintenance expenditure for the tariff year 't'
 T_t is the Aeronautical Taxation expense for the tariff year 't'
 α 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'.

- 3.1.4 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 for all the tariff years. 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'

3.1.5 All figures presented in this Tariff Order have been rounded off to two decimal places.

3.1.6 As per the provisions of Section 13(2) of the AERA Act, 2008, the tariff so determined under the Tariff Order can be reviewed and revised.

3.2 Control Period

3.2.1 In terms of Direction No. 5 issued on 28th February 2011, Control Period means "a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant to such order shall subsist". The First Control Period for Indore International Airport commenced from 1st April 2018 and the Second Control Period has commenced from 1st April 2023.

3.3 Revenues from Air Navigation Services (ANS) and Cargo facility

3.3.1 AAI provides Air Navigation Services (ANS) in addition to other Aeronautical services at Indore International Airport. AAI submitted that the tariff proposal does not consider assets, expenses and revenues on account of ANS. This Tariff Order discusses the determination of tariffs for Aeronautical services at the airport excluding ANS, as tariff for ANS is presently approved by the Ministry of Civil Aviation for all the airports. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. The tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity in ANS charges across all the airports in the country. In view of the above, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

3.3.2 AAI further submitted that all Cargo Operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), a wholly owned subsidiary of AAI and the tariff proposal does not account for expenditure and assets related to cargo operations. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's agreement with AAICLAS.

3.3.3 This Tariff Order discusses the determination of tariff for aeronautical services at Indore International Airport, excluding ANS and Cargo Operations. The tariff related to Cargo Operations at Indore International Airport will be determined separately, as Cargo Operations are carried out by AAICLAS.

3.4 Stakeholders' comments regarding Framework for Determination of Tariff of Indore International Airport for the Second Control Period

During the stakeholders' consultation process, the Authority has received comments/views from FIA in response to the proposals of the Authority in the Consultation Paper No. 04/2024-25 dated 05th September 2024. The comments of FIA are presented below.

3.4.1 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."



3.4.2 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."

3.5 AAI's response to Stakeholders' comments regarding Framework for Tariff Determination of Indore International Airport for the Second Control Period

3.5.1 AAI's response to FIA's comment on using hybrid till model is as follows:

"As per National Civil Aviation Policy (NCAP)-2016 there should be uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges. In case the tariff in one particular year or contractual period turns out to be excessive, the same will be trueing up and adjusted in next control period by AERA.

AERA vide Order No. 14/2016-17 dated January 12th, 2017, conveyed that to determine the future tariffs using Hybrid Till Methodology in line with the policy of Government of India directed Airport operator to submit the proposal on the lines of above said order. Accordingly, the proposal has been submitted by using Hybrid Till Methodology based on the above said directions of AERA."

3.5.2 AAI's response to FIA's comment on non-consideration of revenue from ANS is as follows:

"Air Navigation Services (ANS) are a separate segment of services provided by AAI in addition to Airport Services. AAI does not consider the assets, expenses and revenue pertaining to ANS while submitting the tariff proposal to AERA for determining of tariff for Airport Services. The ANS charges have been fixed MoCA".

3.6 Authority's analysis on Stakeholders' comments regarding Framework for Tariff Determination of Indore International Airport for the Second Control Period

3.6.1 The Authority notes the comments of FIA on Hybrid Till applicable to major airports and AAI's response to the same.

The determination of tariff for major airports under the Hybrid Till Mechanism is in line with the National Civil Aviation Policy 2016 (NCAP 2016) of Government of India and the consequent amendment to the tariff guidelines issued vide AERA Order No. 14/2016-17 dated 12th January 2017. The excerpt of the same is reproduced as under:

"(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."

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



It is also relevant to note that the 30% Hybrid Till model, as currently implemented in the background of NCAP, ensures an appropriate balance between the interests of the airport operator and airport users. This provides a transparent framework for tariff determination that considers both aero and non-aero activities and ensures fairness and competitiveness in the aviation sector.

3.6.2 The Authority notes the comments of FIA pertaining to Air Navigation Services (ANS) and AAI's response on the same.

In this regard, it is to be noted that the tariff for ANS is presently being determined and approved by the Ministry of Civil Aviation (MoCA) for all the airports in India, to ensure uniform ANS Charges across the Country. MoCA, while fixing tariff for ANS services being 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.



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4. TRUE UP OF THE FIRST CONTROL PERIOD

4.1 AAI's submission on True up of the First Control Period for Indore International Airport

4.1.1 AAI had submitted the shortfall of ₹ 378.09 Crores for Indore International Airport for the First Control Period as part of its MYTP submission for the Second Control Period:

Table 6: True up for the First Control Period submitted by AAI

(₹ in Crores)

Particulars	Ref	FY19	FY20	FY21	FY22	FY23	Total
Total Revenue from Regulated Services	A	35.16	68.98	25.60	40.46	67.67	237.87
30% of Total Revenue from services other than Regulated Services (30% considered as per Hybrid Till)	B	5.78	6.92	2.30	2.90	6.07	23.96
Operation & Maintenance Expenditure	C	48.25	65.69	60.34	67.44	73.96	315.68
Depreciation	D	10.13	9.71	10.85	9.05	10.84	50.58
Total Expenditure	E= C+D	58.38	75.4	71.19	76.49	84.8	366.26
Regulatory Operating Profit	F = A+B-E	-17.44	0.50	-43.29	-33.14	-11.06	-104.43
Average RAB	G	86.39	93.29	100.77	132.16	164.72	577.33
Return on Average RAB	H=G*14%	12.10	13.06	14.11	18.50	23.06	80.83
Corporate Tax	I	-	-	-	-	-	-
Shortfall (True up of Previous to FCP)	J	54.50	-	-	-	-	54.50
Interest on Working Capital	K	0.36	-	0.41	1.42	0.18	2.37
Return on Land	L	-	-	0.17	0.17	0.19	0.53
ARR	M=E+ Sum(H:L)-B	119.56	81.55	83.57	93.69	102.16	480.53
(Excess)/Shortfall	N=M-A	84.40	12.57	57.97	53.23	34.49	242.66
PV of (Excess)/Shortfall	O	162.47	21.23	85.91	69.16	39.32	378.09

4.2 Authority's examination of True up of the First Control Period at Consultation Stage

4.2.1 The decisions taken at the time of determination of tariff for Aeronautical Services for the First Control Period vide Order No. 45/ 2018-19 dated 8th March 2019 have been reproduced below:

Decision No. 1a – The Authority decides to determine aeronautical tariffs at Indore International Airport for the first control period on Hybrid Till basis.

Decision No. 2a – **Consideration of ANS and AAICLAS operations:** The Authority decides to not consider the assets, expenses and revenues pertaining to ANS and AAICLAS operations for the purposes of aeronautical tariff determination of Indore International Airport except for monies earned by AAI from AAICLAS for transfer of cargo business at Indore International Airport.

Decision No. 3a – **Traffic Forecast:** The Authority decides to consider ATM and passenger traffic as per Table 7.

Decision No. 3b – **Traffic Forecast:** The Authority decides to true-up the traffic volume (ATM and passengers) on the basis of actual traffic in first control period while determining the tariffs for the second control period.



Decision No. 4a – Allocation of assets between aeronautical and non-aeronautical: The Authority decides the allocation of gross block of assets as on 1st April 2019 between aeronautical and non-aeronautical assets as detailed in Table 14.

Decision No. 5a – Initial RAB: The Authority decides to consider the initial RAB for the first control period as INR 92.13 crores in accordance with Table 16.

Decision No. 6a – Capital Expenditure: The Authority decides to adopt the capital expenditures in accordance with Table 18.

Decision No. 7a – Depreciation: The Authority decides to adopt depreciation rates as per table 25 for the first control period.

Decision No. 7b – Depreciation: The Authority decides the depreciation amount as per table 26 for the first control period.

Decision No. 8a – RAB: The Authority decides to consider average RAB for the 1st control period in respect of Indore International Airport as per Table 29.

Decision No. 9a – FRoR: The Authority decides to consider FRoR at 14% for Indore International Airport for the first Control Period.

Decision No. 10a – Non-Aeronautical revenues: The Authority decides to consider Non-Aeronautical Revenues for the first control period in accordance with Table 36.

Decision No. 11a – O&M expenses: The Authority decides to consider O&M expenses as per Table 46.

Decision No. 12a – Taxation: The Authority decides to consider the tax expense as per Table 51.

Decision No. 13a – True up – The Authority decides to consider the true up calculations as per Table 54.

Decision No. 14a – Aggregate Revenue Requirement – The Authority decides to determine the Aggregate Revenue Requirement in respect of Indore International Airport as per Table 57.

Decision No. 15a – Tariff rate card– To fix the tariff for first control period as per Tariff Card given in Annexure-2.

Decision No. 15b – Tariff rate card– The Authority decides to set tariff for international operations at the same levels as for domestic operations at Indore International Airport.

Decision No. 16a – Annual Compliance– Indore International Airport shall submit the Annual Compliance Statements as per the Guidelines for all the tariff years from FY 2018-19 to FY 2022-23 of the first control period along with the MYTP for the next control period.

4.3 True up of Traffic

4.3.1 AAI had submitted actual Passenger Traffic and ATM for Indore International Airport for the First Control Period as follows:

Table 7: AAI's submission for True up of traffic for the First Control Period for Indore International Airport

Particulars	FY19	FY20	FY21	FY22	FY23
Passengers (In millions)					
Domestic	3.16	2.89	0.90	1.62	2.81
International	-	0.03	0.00	0.01	0.02



Particulars	FY19	FY20	FY21	FY22	FY23
Total	3.16	2.92	0.90	1.63	2.83
ATM (In Nos)					
Domestic	26,442	22,722	9,944	16,429	25,062
International	-	213	22	69	122
Total	26,442	22,935	9,966	16,498	25,184

Authority's examination and proposal regarding true up of Traffic of the First Control Period at Consultation Stage

4.3.2 The traffic approved by the Authority in the Tariff Order No. 45/ 2018-19 dated 8th March 2019 for the First Control Period is shown in table below:

Table 8: Passenger traffic and ATM approved by the Authority in the Tariff Order for First Control Period

Particulars	FY19	FY20	FY21	FY22	FY23
Passengers (In millions)					
Domestic	3.08	3.63	4.27	5.03	5.93
International	-	-	-	-	-
Total	3.08	3.63	4.27	5.03	5.93
ATM (In Nos)					
Domestic	20,161	21,774	23,516	25,398	27,429
International	-	-	-	-	-
Total	20,161	21,774	23,516	29,974	27,429

4.3.3 The Authority had considered the following facts regarding the variation in the passenger traffic and ATM for the First Control Period (actual traffic versus projections approved in the Tariff Order for the First Control Period):

- The adverse impact of the COVID-19 pandemic had affected traffic in March 2020 and FY 2020-21 due to travel restrictions and reduced air traffic movements, leading to a significant decline in the projected passenger numbers and ATMs for the control period.
- Passenger and ATM traffic had improved in the following two years (FY 2021-22 and FY 2022-23) of the Control Period, with domestic passenger traffic growing by 73% and international passenger traffic by 121% in FY 2022-23. Similarly, domestic ATM traffic grew by 53% and international ATM traffic by 77% in FY 2022-23 compared to FY 2021-22.
- By FY 2022-23, domestic passenger traffic had reached 97% and international passenger traffic had reached 61% of pre-COVID levels (FY 2019-20). Likewise, domestic ATM traffic reached 110%, and international ATM traffic had reached 57% of pre-COVID levels in FY 2022-23.
- The Authority had verified the actual Passenger traffic and ATM (as per Table 7) for the First Control Period, based on the data available on AAI's website, and noted no significant variances.

4.3.4 Based on the above analysis, the Authority proposed to consider the actual traffic submitted by AAI for the First Control Period, as shown in Table 7, in line with its decision no. 3b of the Tariff Order No. 45/ 2018-19 dated 8th March 2019.

Stakeholders' comments regarding True-up of Traffic for the First Control Period

4.3.5 No comments have been received from stakeholders on Traffic for the First Control Period.

Authority's analysis on Stakeholders' comments regarding True-up of Traffic for First Control Period

4.3.6 The Authority notes that no comments were received from the Stakeholders on the true up of traffic for the First Control Period. Hence, the Authority decides to consider the traffic based on actuals for true-up of the First Control Period, consistent with the proposal made in the Consultation Paper No. 04/2024-25 dated 05th September 2024. The traffic considered by the Authority for true-up of the First Control Period has been shown in Table 7.

4.4 True up of Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB)

4.4.1 The actual CAPEX submitted by AAI for the true up of the First Control Period for Indore International Airport is as follows:

Table 9: Capital Additions during the First Control Period submitted by AAI for Indore International Airport

(₹ in crores)

Particulars	Planned	Unplanned	Total Capex
Runways/Taxiway	53.19	10.63	63.82
Terminal Building	3.46	4.95	8.41
Temp. Building	0.10	0.47	0.57
Residential Building	5.20	3.80	9.00
Operational Boundary Wall	1.99	1.22	3.21
Computers: End User Devices	0.40	-	0.40
Computers: Servers & Networks	-	0.12	0.12
Machinery	8.10	7.28	15.38
Tools & Plant	1.43	7.19	8.62
Furniture-Office	0.85	2.66	3.51
Vehicles	6.98	-	6.98
Electrical Installation	1.23	9.96	11.19
Solar Power Plant	4.17	-	4.17
Office Eqpt/Appliances	0.13	-	0.13
X-Ray Baggage Inspection System (X-Bis)	-	2.44	2.44
CFT & Fire Fighting Equipment	-	0.30	0.30
Total	87.23	51.02	138.25

4.4.2 The Authority noted that the total capex amounting to ₹ 138.25 Crores indicated above included assets that AAI had considered as part of additions to capex assets that were acquired prior to FY 2018-19, amounting to ₹ 4.01 crores.

Table 10: Details of assets capitalized prior to First Control Period submitted by AAI during True-up

(₹ in crores)

Particulars	FY17	FY18	Total
Boundary Wall: Operational	-	1.08	1.08
CFT & Fire Fighting Equipment	-	0.30	0.3
Computers - End User Devices	-	0.04	0.04
Electrical Installation	-	0.03	0.03
Furniture & Fixtures - Other than trolleys	-	0.06	0.06
Tools & Equipment	0.72	0.17	0.89
X-Ray Baggage Inspection System (X-BIS)	1.61	-	1.61
Grand Total	2.33	1.68	4.01

4.4.3 In response to queries raised by the Independent Consultant, AAI had via mail dated 16th May 2024 given the asset-category wise planned and unplanned additions. The same had been presented in table below together with capex approved by the Authority in the First Control Period Tariff Order:

Table 11: Capital Additions – asset category wise submitted by AAI for the true up of the First Control Period

(₹ in Crores)

S. No.	Asset Category	Capex approved by AERA (1)	Actual CAPEX incurred (2)	Variance [(2) - (1)]	Financing Allowance excluded in actual CAPEX
A	CAPEX incurred by AAI towards projects approved by AERA (Planned expenditure) for the First Control Period				
A.1	Runway, Taxiway, Apron	62.95	53.19	-9.76	-
A.2	Roads, Bridges & Culverts	7.51	-	-7.51	-
A.3	Building – Terminal	-	3.46	3.46	-
A.4	Building – Temporary	-	0.10	0.10	-
A.5	Building – Residential	6.36	5.20	-1.16	-
A.6	Boundary Wall - Operational	4.00	1.99	-2.01	-
A.7	Computers - End User Devices	-	0.06	0.06	-
A.8	Plant & Machinery	19.82	8.11	-11.71	-
A.9	Tools & Equipment	4.50	1.15	-3.35	-
A.10	Vehicle – Others	-	6.98	6.98	-
A.11	Electrical Installations	0.78	1.25	0.47	-
A.12	Solar Power Plant	4.03	4.17	0.14	-
A.13	Office Equipment	-	0.03	0.03	-
A.14	Furniture & Fixtures - Other than trolleys	-	0.85	0.85	-
A.15	CFT/Fire Fighting Equipment	4.03	-	-4.03	-
A.16	Other Building	0.45	-	-0.45	-
	Subtotal (a)	114.43	86.54	-27.89	-
B	Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period				
B.1	Runway, Taxiway, Apron	-	5.37	5.37	5.27
B.2	Building - Terminal	-	4.46	4.46	0.50
B.3	Building - Temporary	-	0.48	0.48	-
B.4	Building - Residential	-	2.70	2.70	1.10



S. No.	Asset Category	Capex approved by AERA (1)	Actual CAPEX incurred (2)	Variance [(2) - (1)]	Financing Allowance excluded in actual CAPEX
B.5	Boundary Wall - Operational	-	1.08	1.08	0.13
B.6	Computers - End User Devices	-	0.34	0.34	-
B.7	Computers - Servers and Networks	-	0.12	0.12	-
B.8	Plant & Machinery	-	6.30	6.30	0.96
B.9	Tools & Equipment	-	7.34	7.34	0.13
B.10	Electrical Installations	-	9.77	9.77	0.15
B.11	Office Equipment	-	0.10	0.10	-
B.12	Furniture & Fixtures - Other than trolleys	-	2.66	2.66	-
B.13	X-Ray Baggage System	-	2.44	2.44	-
B.14	CFT/Fire Fighting Equipment	-	0.30	0.30	-
	Subtotal (b)	-	43.45	43.46	8.25
	Total CAPEX incurred [(a) + (b)]	114.43	129.99	15.57	8.25

4.4.4 The Authority had approved CAPEX of ₹ 114.43 crores in Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period. The year wise details of the approved CAPEX are given below:

Table 12: Capital Expenditure approved in the Tariff Order for the First Control Period

(₹ in Crores)

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Runways/Taxiway	-	62.95	-	-	-	62.95
Roads Bridges & Culverts	7.51	-	-	-	-	7.51
Residential Building	5.96	-	-	0.40	-	6.36
Boundary Wall: Operational	4.00	-	-	-	-	4.00
Other Building	-	-	-	0.45	-	0.45
Machinery	19.82	-	-	-	-	19.82
Tools & Plant	4.49	0.01	-	-	-	4.50
Electrical Installation	4.81	-	-	-	-	4.81
CFT & Fire Fighting Equipment	4.03	-	-	-	-	4.03
Total	50.62	62.96	-	0.85	-	114.43

Authority's examination and proposal regarding true up of Capital expenditure (CAPEX), Depreciation and RAB of the First Control Period at Consultation Stage

4.4.5 The Authority analyzed Form 10 of AAI's MYTP submission, which includes asset-wise capital additions for the First Control Period. It was noted that the actual additions during the First Control Period also included assets totaling ₹ 4.01 crores, which relate to assets capitalized in FY 2016-17 and FY 2017-18 (pre-control period). These assets were not included in the Opening RAB (Regulated Asset Base) of the First Control Period. Instead, AAI had classified these pre-control period assets as additions in FY 2018-19 (the first tariff year of the First Control Period). The depreciation on these assets amounted to ₹ 0.50 crores for FY 2016-17 and FY 2017-18.

Upon inquiry, AAI responded via email dated 21st August 2024, stating: "The assets mentioned in the trailing mail are left-out assets and have been accounted for in FY 2018-19. It is therefore requested to



consider the same." From AAI's response, it is evident that these assets were inadvertently left out by AAI during the First Control Period.

Since these assets (from FY 2016-17 and FY 2017-18) were capitalized in the books of accounts of Indore International Airport in FY 2018-19 and are reflected in the Fixed Asset Register (FAR), the Authority proposed to consider these assets, net of depreciation amounting to ₹ 3.53 crores, as additions to the opening RAB of ₹ 82.60 crores for the First Control Period. The revised opening RAB as of 1st April 2018, including these additions, amounts to ₹ 86.13 crores.

- 4.4.6 The Authority noted that there is a difference between the amount of planned and unplanned additions submitted by AAI as per MYTP in Table 9 and the asset-wise additions provided by AAI via mail dated 16th May 2024 in Table 11. While the total additions between the 2 tables tally, the difference was on account of AAI considering certain additions as "planned" in MYTP, whereas in the detailed asset wise classification, the same had been submitted as "unplanned" and vice versa.
- 4.4.7 Upon analyzing the planned and unplanned additions submitted by AAI in Table 11, the Authority noted that the entire financing allowance of ₹ 8.25 crores had been categorized as unplanned capex, according to AAI's submission, even though it pertained to planned assets. After reviewing the nature of certain assets, the Authority reclassified some of the assets under different categories compared to AAI's submission in Table 10. The Authority also adjusted the classification between planned and unplanned assets, taking into account the description of assets that were approved in the First Control Period tariff order. The financing allowance related to planned assets were moved to the planned capex section. The asset category-wise additions, following the reclassification, were detailed in the table below:

Table 13: Asset category wise additions to First Control Period as re-classified by the Authority at Consultation Stage

(₹ in Crores)

S. No.	Asset Category	Capex approved by AERA (1)	Actual CAPEX incurred (2)	Variance [(2) - (1)]	Financing Allowance excluded in actual CAPEX
A	CAPEX incurred towards projects approved by AERA for the First Control Period				
A.1	Runway, Taxiway, Apron	62.95	48.93	-14.02	4.86
A.2	Roads, Bridges & Culverts	7.51	4.26	-3.25	0.41
A.3	Building – Terminal	-	3.46	3.46	0.17
A.4	Building - Residential	6.36	5.20	-1.16	1.10
A.5	Boundary Wall - Operational	4.00	3.20	-0.80	0.28
A.6	Plant & Machinery	19.82	8.11	-11.71	0.96
A.7	Tools & Equipment	4.50	1.52	-2.98	-
A.8	Vehicle – Others	-	6.36	6.36	-
A.9	Electrical Installations	0.78	0.71	-0.07	0.03
A.10	Solar Power Plant	4.03	4.17	0.14	-
A.11	Furniture & Fixtures - Other than trolleys	-	0.11	0.11	-
A.12	CFT/Fire Fighting Equipment	4.03	-	-4.03	-
A.13	Other Building	0.45	-	-0.45	-
	Subtotal (a)	114.43	86.04	-28.39	7.81
B	Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period				
B.1	Runway, Taxiway, Apron	-	5.37	5.37	-



TRUE UP OF THE FIRST CONTROL PERIOD

S. No.	Asset Category	Capex approved by AERA (1)	Actual CAPEX incurred (2)	Variance [(2) - (1)]	Financing Allowance excluded in actual CAPEX
B.2	Building - Terminal	-	2.06	2.06	0.11
B.3	Building - Temporary	-	0.39	0.39	-
B.4	Building - Residential	-	2.70	2.70	-
B.5	Security Fencing	-	0.18	0.18	-
B.6	Computers - End User Devices	-	0.36	0.36	-
B.7	Computer Software	-	0.12	0.12	-
B.8	Computers - Servers and Networks	-	0.00	0.00	-
B.9	Plant & Machinery	-	6.30	6.30	-
B.10	Tools & Equipment	-	6.09	6.09	0.12
B.11	Vehicle - Others	-	0.62	0.62	-
B.12	Electrical Installations	-	10.27	10.27	0.13
B.13	Office Equipment	-	0.13	0.13	-
B.14	Furniture & Fixtures - Other than trolleys	-	3.34	3.34	-
B.15	X-Ray Baggage System	-	0.83	0.83	-
B.16	Other Building	-	1.20	1.20	0.07
	Subtotal (b)	-	39.95	39.95	0.43
	Total CAPEX incurred [(a) + (b)]	114.43	125.99*	11.56	8.24

*Excluding assets totaling ₹ 4.01 crores, which relate to assets capitalized in FY 2016-17 and FY 2017-18 (pre-control period)

4.4.8 The Authority analyzed the variances between the approved capex (as per Tariff Order No. 45/ 2018-19 dated 8th March 2019 for the First Control Period) and the total actual capex incurred for the First Control Period (refer Table 13) and noted that AAI had not implemented 19.55% of the approved capex. The major capital items were examined in detail and presented asset-wise in the paragraphs below in the following order:

- A. CAPEX incurred towards projects approved by AERA (Planned expenditure) in the Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period
- B. Unplanned /Unapproved CAPEX incurred by AAI during the First Control Period

4.4.9 The Authority proposed to consider various ratios for the purpose of allocation of Capital Expenditure for true up of the First Control Period. The ratios applied are presented in the table below:

Table 14: Various Ratios computed by the Authority for allocation of CAPEX into Aero and Non-Aero at Consultation Stage

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23
Employee Ratio (EHCR) (Aero: Non-Aero)		98.91%:	97.83%:	97.98%:	97.83%:	98.85%:
		1.09%:	2.17%:	2.02%:	2.17%:	1.15%:
Employee Ratio (EHCR) (Aero: Non-Aero: ANS)	Table 32	61.49%:	59.60%:	62.99%:	64.29%:	61.87%:
		0.68%:	1.32%:	1.30%:	1.43%:	0.72%:
		37.84%:	39.07%:	35.71%:	34.29%:	37.41%:
Staff Quarters Ratio (SQTR) (Aero: Non-Aero: ANS)	Table 35	83.33%:	84.21%:	84.21%:	85.00%:	86.05%:
		2.78%:	2.63%:	2.63%:	0.00%:	0.00%:
		13.89%:	13.16%:	13.16%:	15.00%:	13.95%:
Terminal Building Ratio (TBLR) (Aero: Non-Aero)	Para 4.7.8	92.00%:	92.00%:	92.00%:	92.00%:	92.00%:
		8.00%:	8.00%:	8.00%:	8.00%:	8.00%:



A. CAPEX incurred towards projects approved by AERA (Planned Expenditure) in Tariff Order no. 45/2018-19 dated 8th March 2019 for the First Control Period

4.4.10 The Authority noted that there were variances between the costs approved by the Authority in the First Control Period Tariff Order and the actual cost incurred by AAI. The capex incurred by AAI had been capitalized in the books of account, based on work orders issued by AAI for each component of capex. The Authority, through its Independent Consultant, had examined and verified the capex incurred by AAI in First Control Period from the FAR. The project-wise planned capex of Indore International Airport is discussed in the following paragraphs:

A.1 Runway/Taxiway/Apron - ₹ 48.93 crores

4.4.11 The Authority had approved capex amounting to ₹ 62.95 crores towards construction of 15 number parking bays, parallel taxi track and other associated works in the First Control Period Tariff Order. In this regard, the Authority noted that AAI had capitalized cost amounting to ₹ 48.93 crores towards development of 15 number parking bays and parallel taxi track, which was lower by ₹ 14.02 crores than the amount approved. Considering that the above capex is essential for runway/ airside operations, the Authority proposed to consider the actual cost capitalized as per the FAR of ₹ 48.93 crores as addition to RAB in FY 2020-21. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

A.2 Roads, Bridges & Culverts - ₹ 4.26 crores & A.3 Building Terminal - ₹ 3.46 crores

4.4.12 In the First Control Period Tariff Order, the Authority had approved Capex amounting to ₹ 7.51 crores towards the following capex:

- Development of Pucca Drain
- Fixed Finger for Rotunda Passenger Boarding Bridge (PBB)

In this regard, the Authority noted that AAI had capitalized cost amounting to ₹ 7.72 crores, towards Development of Pucca Drain (FY 2020-21) and 2 fixed fingers for Rotunda PBB (FY 2021-22), which is higher by ₹ 0.21 crores than the amount approved by the Authority in the First Control Period Tariff Order. Considering that the above is essential operational requirement/ passenger convenience, the Authority proposed to consider the actual cost capitalized as per the FAR of ₹ 7.72 crores as additions to RAB in FY 2020-21 and FY 2021-22 respectively. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

While the Authority in the First Control Period Order had classified all the above capex under the Category "Roads, Bridges & Culverts", the Authority proposed to re-classify additions pertaining to "Fixed Finger for Rotunda Passenger Boarding Bridge (PBB)" under the head "Building – Terminal" amounting to ₹ 3.46 Crores while retaining development of Pucca Drain under the head "Roads, Bridges & Culverts" based on the nature of such expenses.

A.4 Building - Residential - ₹ 5.20 crores

4.4.13 The Authority had approved a capex of ₹ 6.36 crores for the construction of staff quarters and civil works related to existing residential accommodations, including security arrangements for CISF, in the First Control Period Tariff Order. AAI, however, capitalized ₹ 5.20 crores, which was ₹ 1.16 crores lower than the approved amount. This capital expenditure included ₹ 0.23 crores for the construction of the CISF



Barrack in FY 2018-19 and ₹ 4.97 crores (aeronautical) for the construction of 16 Type-B and 2 Type-D staff quarters in FY 2019-20.

Considering that the above capex relates to essential security and employee accommodation requirements, the Authority proposed to include the actual capitalized cost of ₹ 5.20 crores, as per FAR, as an addition to RAB for FY 2018-19 and FY 2019-20, respectively. AAI classified the CISF Barrack as 100% aeronautical and allocated the construction cost of the staff quarters based on the SQTR.

The Authority proposed to consider the CISF Barrack (₹ 0.23 crores) as 100% aeronautical, while the construction of the 16 Type-B and 2 Type-D staff quarters (₹ 4.97 crores) was proposed to be allocated based on the SQTR for FY 2019-20, which is as follows: Aeronautical - 84.21%, ANS - 13.16%, and Non-Aeronautical - 2.63%.

A.5 Boundary Wall – Operational - ₹ 3.20 crores

- 4.4.14 The Authority had approved capex amounting to ₹ 4.00 crores towards construction of Aluminum composite panel cladding on the exterior wall (₹ 1.50 crores) and construction of boundary wall for perimeter road (₹ 2.50 crores) in First Control Period Tariff Order. In this regard, the Authority noted that AAI had capitalized cost amounting to ₹ 3.20 crores towards construction of boundary wall for perimeter road and construction of aluminum composite panel cladding on the exterior wall, which was within the amount approved. It was noted that AAI in their submission had stated “construction of Aluminum composite panel cladding on the exterior wall” to be unplanned capex, however, in the First Control Period tariff order this was specifically approved. Thereby the Authority proposed to consider the same as planned capex additions. Considering that the above capex was required from safety perspective, the Authority proposed to consider the actual cost capitalized as per FAR of ₹ 3.20 crores as addition to RAB in FY 2018-19. The Authority also proposed to consider the above capital expenditure as 100% aeronautical, in line with AAI’s proposal.

A.6 Plant & Machinery - ₹ 8.11 crores & A.8 Vehicle – Others - ₹ 6.36 Crores

- 4.4.15 In the First Control Period Tariff Order, the Authority had approved Capex amounting to ₹ 19.82 crores which included the following:

- SITC of PBBs and AVDGS,
- Grass Cutting Machines, and
- Tractors

In this regard, the Authority noted that AAI had capitalized cost amounting to ₹ 14.47 crores on account of Grass Cutting Machine, SITC of PBBs and AVDGS, procurement of Tractors, which was lower by ₹ 5.35 crores than the amount approved. Considering that the above capex was relating to passenger facilitation and other operational requirements, the Authority proposed to consider actual cost capitalized as per FAR of ₹ 14.47 crores as addition to RAB under the head Plant & Machinery (₹ 8.11 crores) in FY 2018-19, FY 2019-20 & FY 2020-21 and Vehicle – Others (₹ 6.36 crores) in FY 2017-18 & FY 2018-19. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

A.7 Tools & Equipment - ₹ 1.52 crores & A.11 Furniture & Fixture – Other than trolleys – ₹ 0.11 Crores

- 4.4.16 The Authority had approved capex amounting to ₹ 4.50 crores in First Control Period Tariff Order towards the following:



- Walkie Talkies
- CCTV Cameras
- DFMD
- SITC of smart dustbin project
- BDDS cum dog squad vehicles and
- Mobile Command Post

In this regard, the Authority noted that AAI had capitalized aeronautical capex of ₹ 1.63 crores towards such capex, which was lower by ₹ 2.87 crores than the amount approved. Considering that the above capex relates to security requirements, the Authority proposed to consider the actual cost capitalized as per FAR of ₹ 1.63 Crores as addition to RAB in FY 2018-19 and FY 2019-20. Out of the actual expenses incurred, ₹ 0.11 Crores incurred towards "Smart Dustbin" was classified by AAI in the FAR as "Furniture & Fixture – Other than trolleys" and other capex being classified under the head "Tools & Equipment". The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI except for capex related to SITC of smart dustbin where the Authority proposed to use TBLR/EHCR as the basis of allocation. The Authority, therefore, proposed to consider aeronautical additions to RAB amounting to ₹ 1.59 Crores post such allocation.

A.9 Electrical Installation - ₹ 0.71 crores & A.10 Solar Power Plant - ₹ 4.17 crores

- 4.4.17 The Authority had approved a capex of ₹ 4.81 crores for the installation of a Solar Power Plant (₹ 4.03 crores) and other electrical installations (₹ 0.78 crores) in the First Control Period Tariff Order. Upon review, the Authority noted that AAI had capitalized ₹ 4.88 crores towards solar streetlights, perimeter streetlights, high mast floodlights, and the provision of air conditioning (AC) in the residential guest house (the amount for AC was approved under the "Plant & Machinery" head in the First Control Period Tariff Order). This actual capital expenditure exceeded the approved amount by ₹ 0.07 crores.

Considering that this capex relates to essential operational requirements of the airport, including the Solar Power Plant and solar streetlights as part of a green initiative for a sustainable environment, the Authority proposed to consider the actual cost capitalized as per FAR.

AAI had considered above capex as 100% aeronautical in nature. However, the Authority proposed to allocate the capex related to solar power plant on the basis of TBLR, as the major consumption of power is within the terminal building and consider the re-allocated amount of ₹ 3.84 crores as per TBLR (for solar plant). In respect of other electrical installations amounting to ₹ 0.69 crores, the Authority proposed to consider the same as 100% aeronautical capex, except in case of provision of AC in guest house, where SQTR had been considered. Accordingly, Aeronautical capex pertaining to Solar Power Plant and electrical installation totaling to ₹ 4.53 crores (as per following table) had been proposed for true up in FY 2018-19 & FY 2022-23 respectively.

Table 15: Allocation of electrical installations and Solar Power Plant as submitted by AAI and as considered by the Authority at the Consultation Stage

(₹ in crores)

Asset Description	Gross Amount	Submitted by AAI		Proposed by the Authority	
		Aeronautical allocation	Aeronautical Amount	Aeronautical allocation	Aeronautical Amount
Electrical Installation	0.71	100%	0.71	Aero, SQTR	0.69
Solar Power Plant	4.17	100%	4.17	92% (TBLR)	3.84
Total			4.88		4.53



B. Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period

4.4.18 The Authority noted that AAI had incurred unplanned capex amounting to ₹ 39.95 crores (i.e. 34.91% of the approved capex), which was not part of the total capex amounting to ₹ 114.43 crores approved in the Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period. This unplanned expenditure was an addition to the planned Capex (refer para 4.4.1).

Upon examining the unplanned capex, the Authority noted that it was primarily incurred for safety, security, and the smooth functioning of airport operations.

4.4.19 In the following paragraphs, the Authority discussed the major unplanned capex additions in categories where the total value exceeds ₹ 1 crore.

B.1 Runway/Taxiway/Apron - ₹ 5.37 crores

4.4.20 The Authority noted that the AAI had capitalized cost amounting to ₹ 5.37 crores towards widening, strengthening & recarpeting of Perimeter, Extension of Turn pad, fillets for link taxi track and Construction of new exit road near car parking in different tariff years of the First Control Period. Further, it was noted that although the aforementioned CAPEX had been submitted by AAI as unapproved, they were related to the projects which were approved in the First Control Period Tariff Order. Considering that the above capex was required for airside operations and passenger convenience, the Authority proposed to consider the actual cost capitalized as per the FAR of ₹ 5.37 Crores as addition to RAB in FY 2018-19, FY 2020-21 and FY 2021-22. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

B.2 Building - Terminal - ₹ 2.06 crores

4.4.21 The Authority noted that the AAI had capitalized cost amounting to ₹ 2.06 crores as unplanned capex towards Terminal Building, which includes the following:

- Construction of Toilet Complex in NITB - ₹ 2.04 crores and
- New Exit Gate near car parking area - ₹ 0.02 crores

Considering that the above capex was necessary for operational requirements, addressing vehicle congestion, and enhancing airport services, the Authority proposed to include the actual capitalized cost of ₹ 2.06 crores, as per the FAR, as an addition to the RAB for FY 2021-22. Although AAI had considered the above capex as 100% aeronautical in nature, and the Authority proposed to allocate the same in TBLR as it pertains to capex incurred within and around the Terminal Building. The Aeronautical Expenditure proposed to be considered by the Authority after applying TBLR amounted to ₹ 1.90 crores.

B.4. Building - Residential - ₹ 2.70 crores

4.4.22 The Authority noted that AAI had capitalized capex amounting to ₹ 2.70 crores towards construction of additional CISF barracks, as CISF personnel are essential for airport security, providing adequate accommodation supports their operational readiness and effectiveness in maintaining a secure environment. Considering that the above capex was required for security purposes at the airport, the Authority proposed to consider the actual cost capitalized in the FAR of ₹ 2.70 Crores as addition to RAB in FY 2020-21. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.



B.8 Plant & Machinery- ₹ 6.30 crores

4.4.23 The Authority noted that AAI had capitalized cost amounting to ₹ 6.30 Crores towards the following major projects in different tariff years of the First Control Period:

- Additional passenger boarding bridges (2 no's) - ₹ 5.13 crores (this is in addition to Capex for SITC of PBBs considered under para 4.4.13)
- Additional check-in conveyer system - ₹ 0.44 crores
- Provision for de-watering pumping station - ₹ 0.35 crores
- Others - ₹ 0.38 crores

Considering that the above capex was essential for operational requirements and passenger facilitation at the airport, the Authority proposed to consider the actual cost capitalized in FAR of ₹ 6.30 Crores as addition to RAB in the relevant tariff years in First Control Period. The Authority also proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

B.09 Tools & Equipment - ₹ 6.09 crores

4.4.24 The Authority noted that AAI had capitalized ₹ 6.09 crores for the procurement of various tools and equipment during the different tariff years of the First Control Period, which had not been approved in the original tariff order. The major expenses incurred were for the supply of equipment such as PBTS with brakes, SITC of FIDS (Infosoft Digital), and hydraulic tyre killers and bollards.

Considering that this capex was essential for airport operations, the Authority proposed to consider the actual cost of ₹ 6.09 crores, as recorded in the FAR, as an addition to the RAB for the various tariff years of the First Control Period. The Authority also proposed to classify this expenditure as 100% aeronautical, except for the capex related to the car washer, which was allocated based on EHCR. Accordingly, the Authority proposed to consider the aeronautical capex of ₹ 6.08 crores for the true-up of the First Control Period.

B.11 – Electrical Installation - ₹ 10.27 crores

4.4.25 The Authority noted that AAI capitalized aeronautical capex amounting to ₹ 10.27 crores on account of various electrical installations incurred in different years of the First Control Period. The nature of the major expenses incurred pertain to purchase and installation of CCTV 126 nos. amounting to ₹ 2.24 crores, provision of air conditioning amounting to ₹ 6.31 crores and Antique lamp post & additional electrical works amounting to ₹ 1.25 crores.

In reply to queries raised by the Independent consultant, AAI had submitted that it had classified assets amounting to ₹ 1.04 Crores as planned additions. However, the Authority noted that these assets were not specifically approved in the First Control Period tariff order and hence proposed to treat the same as unplanned Capex.

Considering that all the above capex was required for facilitation of airport operations/security requirements, the Authority proposed to consider the actual cost capitalized as per FAR of ₹ 10.27 Crores as addition to RAB in relevant tariff years of First Control Period. AAI had allocated some of these capital expenditures as 100% aeronautical, and some on the basis of EHCR, TBLR or SQTR. The Authority proposed to consider the same basis of allocation as submitted by AAI, except for the following assets:



Table 16: Allocation of unplanned electrical installations as submitted by AAI and as considered by the Authority at Consultation Stage*(₹ in crores)*

Asset Description	Gross Amount	Submitted by AAI		Proposed by the Authority	
		Aeronautical allocation	Aeronautical Amount	Aeronautical allocation	Aeronautical Amount
Prov of Video Conferencing System	0.04	100%	0.04	EHCR	0.02
Prov of Lift In 16 Nos Type B Staff Quarters at Indore	0.22	100%	0.22	SQTR	0.19
Prov. of Led Illumination in place of Conventional lights in NITB	0.13	100%	0.13	TBLR	0.12
Total	0.39	100%	0.39		0.33

Further, AAI had allocated a capital expenditure pertaining to "Provision of Air Conditioning" amounting to ₹ 0.06 crores with aeronautical ratio of 42.86% and a capital expenditure pertaining to "Provision of air conditioners and water purifiers" amounting to ₹ 0.09 crores at an aeronautical ratio of 70.80% on the basis of their respective usage for ANS purposes. However, the Authority proposed to allocate these expenses on the basis of EHCR.

Accordingly, the Authority proposed to consider the total aeronautical capex on the above Electrical Installations amounting to ₹ 10.21 crores for true up of the First Control Period.

B.13 Furniture & Fixtures – Other than Trolleys - ₹ 3.34 crores

- 4.4.26 AAI had capitalized aeronautical capex amounting to ₹ 3.34 crores towards furniture & fixtures which included chairs and tables for employees and passengers, almirah, lockers, etc., which was not approved in the First Control Period Tariff Order across various tariff years of the First Control Period. Considering that the above capex was required to facilitate passengers, usage by employees and security personnel, the Authority proposed to consider the actual cost capitalized as per the FAR of ₹ 3.34 Crores as addition to RAB in different tariff years in First Control Period. AAI had allocated some of these assets as 100% aeronautical and some on the basis of EHCR. The Authority proposed to consider the same basis of allocation as AAI. Accordingly, the Authority proposed to consider the aeronautical capex on the above Furniture and Fixtures amounting to ₹ 3.02 crores for true up of the First Control Period.

B.15 X-Ray Baggage System - ₹ 0.83 crores

- 4.4.27 AAI had leased the XBIS system for a period of 6 years with an annual lease payment of ₹ 0.21 crores commencing from FY 2018-19. During FY 2018-19, AAI had considered this lease payment as part of O&M expenses in its books of accounts. In FY 2019-20, due to the implementation of accounting standard on finance lease, AAI had reclassified the lease from an operating lease to a "Finance Lease". Consequently, the asset value of ₹ 0.83 crores was included as additions to the Regulated Asset Base (RAB) in FY 2019-20.

Since the assets had been leased under the contract, the Authority proposed not to consider the RAB value of these assets capitalized in the books and instead, continued with the original treatment of accounting for the annual lease expenses of ₹ 0.21 crores as O&M expenses for the period until the completion of six years from FY 2018-19, i.e., until FY 2023-24.

B. Other Buildings - ₹ 1.20 crores

- 4.4.28 The Authority noted that AAI had capitalized capex amounting to ₹ 1.20 crores towards construction of cooling pit, construction of new conference hall and welcome board at entrance gate and opposite arrival hall. Considering that the above capex was required for operational/administrative requirements, the Authority proposed to consider the actual cost capitalized in the FAR of ₹ 1.20 crores as addition to RAB in FY 2019-20, FY 2021-22 and FY 2022-23. The Authority also proposed to consider the above capital expenditure as 100% aeronautical, in line with AAI's proposal.
- 4.4.29 The Authority observed that there were minor projects undertaken by AAI with respect to Security hut /canopy work, procurement of portable shed, temporary fencing in garden, procurement of desktops, printer, scanners and software etc. for office purpose, procurement of ambulance, electric vehicle and buggy for passenger facilitation. Considering that the above capex was required for operational requirements of the airport, the Authority proposed to consider the actual cost capitalized as per the FAR of ₹ 1.80 Crores as addition to RAB in various tariff years of the First Control Period.
- 4.4.30 The Authority noted that Indore International Airport had claimed Financing Allowance of ₹ 8.24 crores in the MYTP submitted for the true up of the First Control Period. The Authority examined AAI's claim towards Financing Allowance and had the following views:
- The Authority considered that providing return on capital expenditure from the very beginning of construction would significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class would then be equated to risk free rate of return.
 - Further, discouraging grant of financing allowance to the Airport Operators would ensure timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that would have to be incurred if debt is used for funding projects.
 - Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.
 - Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had provisioned Financing Allowance in the initial stages to such airports. It may be further noted that the Authority has never provided a Financing Allowance in the case of brownfield airports and airport of AAI, in any of the Tariff Orders. Further, the Financing Allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.
 - It was pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers till the same is capitalized and put to use. Brownfield and Greenfield airports cannot be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical



services had been created and put to use. However, in the case of brownfield airports, in a scenario where the AO brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remain functional, and the AO keeps on enjoying the charges from the users. Indore International Airport, being a brownfield airport, is not eligible for Financing Allowance.

- Financing Allowance is a notional allowance. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt. Further, the Authority opined that only IDC should be provided on the debt availed for execution of a project.
- AERA Guidelines, 2011 did not specifically state that Financing Allowance is to be provided on equity portion of the capital expenditure. The proviso to Section 13 (1) (a) of the AERA Act stated 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) of Section 13 (1) (a)”.

4.4.31 Therefore, based on the above analysis, the Authority proposed not to allow the Financing Allowance of ₹ 8.24 crores claimed by AAI for the First Control Period.

4.4.32 Also, the Authority noted that AAI had availed debt amounting to ₹ 22.94 crores during the First Control Period (from FY 2020-21 to FY 2022-23), as per the Financial Model submitted by AAI. Further, AAI had confirmed that the interest on debt had already been capitalized in the books of account along with the respective assets and the same had been claimed as part of RAB for the First Control Period.

4.4.33 The Authority proposed to consider IDC (Interest During Construction) amounting to ₹ 0.91 crores on debts totaling ₹ 22.94 crores, which were used for the execution of capital projects during the First Control Period and had been included in the asset costs.

4.4.34 The Authority noted that AAI had submitted an average Terminal Building Ratio of 92.82%:7.18% based on the actual commercial area let out during the First Control Period. The Authority proposed to consider the ratio of 92%:8% for apportionment of common assets within the Terminal Building (Aeronautical: Non-aeronautical).

4.4.35 AAI had considered staff quarter ratio as average 82.56%:15.44% for allocation of assets. The Authority, through its Independent Consultant, had verified the computation and proposed to consider the same allocation ratio as submitted by AAI for the True-up of Capital Addition pertaining to employee quarters during the First Control Period.

4.4.36 Based on the above factors, the Authority proposed to consider the actual capex for the purpose of true up of the First Control Period as follows:

Table 17: Capital Addition proposed by the Authority for True up of the First Control Period at Consultation Stage

(₹ in crores)

S. No.	Asset Category	FY19	FY20	FY21	FY22	FY23	Total
A	CAPEX incurred by AAI towards projects approved by AERA for the First Control Period						
A.1	Runway, Taxiway, Apron	-	-	-	48.93	-	48.93
A.2	Roads, Bridges & Culverts	-	-	4.26	-	-	4.26



TRUE UP OF THE FIRST CONTROL PERIOD

S. No.	Asset Category	FY19	FY20	FY21	FY22	FY23	Total
A.3	Building - Terminal	-	-	-	-	3.46	3.46
A.4	Building - Residential	0.23	4.97	-	-	-	5.20
A.5	Boundary Wall - Operational	-	3.20	-	-	-	3.20
A.6	Plant & Machinery	0.12	0.77	7.22	-	-	8.11
A.7	Tools & Equipment	0.87	0.66	-	-	-	1.52
A.8	Vehicle - Others	6.00	0.36	-	-	-	6.36
A.9	Electrical Installations	0.19	-	-	-	0.50	0.69
A.10	Solar Power Plant	3.84	-	-	-	-	3.84
A.11	Furniture & Fixtures - Other than trolleys	0.07	-	-	-	-	0.07
	Subtotal (a)	11.32	9.95	11.47	48.93	3.97	85.65
B	Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period						
B.1	Runway, Taxiway, Apron	-	0.52	-	3.25	1.6	5.37
B.2	Building - Terminal	-	-	-	-	1.90	1.90
B.3	Building - Temporary	0.10	0.08	-	-	0.21	0.39
B.4	Building - Residential	-	-	-	2.70	-	2.70
B.5	Computers - End User Devices	0.05	0.05	0.06	0.02	0.15	0.32
B.6	Computer Software	-	0.04	-	-	0.06	0.10
B.7	Computers - Servers and Networks	-	-	-	-	-	-
B.8	Plant & Machinery	0.06	0.44	0.58	0.09	5.13	6.30
B.9	Tools & Equipment	0.23	0.9	3.64	0.73	0.58	6.08
B.10	Vehicle - Others	0.37	0.13	-	-	-	0.51
B.11	Electrical Installations	0.34	1.25	0.48	1.20	6.94	10.21
B.12	Office Equipment	0.05	0	0.01	0	0.03	0.09
B.13	Furniture & Fixtures - Other than trolleys	0.46	0.28	2.27	-	0.01	3.02
B.14	Other Building	-	0.10	-	0.85	0.24	1.20
	Subtotal (b)	1.65	3.8	7.03	8.84	16.86	38.19
	Total CAPEX incurred [(a) + (b)]	12.97	13.75	18.51	57.78	20.83	123.84

4.4.37 The Authority proposed to consider CAPEX of ₹ 123.84 crores as against capex of ₹ 138.25 crores claimed by AAI (including Financing Allowance) for True up of the First Control Period. The variance amounted to ₹ 14.41 crores is mainly on account of the following:

- Not considering the Financing Allowance of ₹ 8.24 crores in RAB as claimed by AAI for the First Control Period.
- Not considering Finance Lease assets of ₹ 0.83 crores in RAB as claimed by AAI for the First Control Period excluded from RAB (considered as part of Operation & Maintenance Expenses)
- Change in the allocation ratio of various assets resulting in variance of ₹ 1.13 crores.
- Considering assets capitalized in FY 2016-17 and FY 2017-18 amounting to ₹ 4.01 Crores as additions to opening RAB (1st April 2018) thereby not considering the same as additions in the First Control Period.

Stakeholders' comments regarding true-up of Capital Expenditure for the First Control period

4.4.38 AAI's comment on Financing Allowance is as follows:

- "Direction 5 of 2010-11 of AERA, which entails the methodology of aeronautical tariff determination, allows Airport operators to be eligible for Financing Allowance as a return on the value invested in construction phase of an asset including the Equity portion, before the Asset is put to use.



- The concept of Financing Allowance, its computation and how the Work in Progress Asset includes the Financing Allowance is provided in Paragraph 5.27 of the Direction No,05-2010-11. Extract of the same is provided below: "5.27. Work In Progress assets (a) Work in Progress Assets (WIPA) are such assets as have not been commissioned during a Tariff Year or Control period, as the case may be. Work in Progress assets shall be accounted for as:

$$WIPA_t = WIPA_{t-1} + \text{Capital expenditure} + \text{Financing allowance} - \text{Capital receipts of the nature of contributions from stakeholders (SC) - Commissioned Assets (CA)}$$

Where:

$WIPA_t$ = Work in progress Assets at the end of Tariff Year t

$WIPA_{t-1}$ = Work in progress Assets at the end of the Tariff Y

Capital Expenditure = Expenditure on capital projects and capital items made during Tariff Year t .

The Financing allowance shall be calculated as follows:

$$\text{Financing Allowance} = R_d * (WIPA_{t-1} + \text{Capex} - \text{SC} - \text{CA})$$

Where:

R_d is the cost of debt determined by AERA according to Clause 5.1.4.

SC are capital receipts of the nature of contribution from stakeholders (including capital grants and subsidies) pertaining to the capital expenditure incurred in Tariff year t .

CA are Commissioned Assets which pertain to the accumulated value of the WIPA attributable to all assets that have been put into effective operation during Tariff Year t .

- AERA has further provided an Illustration on Page 28 of the Guidelines detailing the working. The extract of the illustration is as follows:

Illustration 7: The following example illustrates this approach for calculation of Work in progress assets, financing allowance and commissioned assets. The numbers in the illustration have been rounded to the nearest integers.

Forecast Work in Progress Assets		2014	2015	2016	2017	2018
		Asset 1	Asset 2	Asset 3	Asset 4	Asset 5
Opening WIP (WIPA)	0	0	0	0	0	0
Capital Expenditure	100	100	100	100	100	100
Financing Allowance	100	100	100	100	100	100
Capital Receipts (SC)	0	0	0	0	0	0
Commissioned Assets (CA)	0	0	0	0	0	0
Closing WIP (WIPA)	100	100	100	100	100	100

- The cost of debt, R_d , used for calculation of financing allowance, is the cost of debt determined by the Authority under Clause 5.1.4.
- The example illustrates that those assets, which have been acquired or commissioned within the same Tariff Year (i.e. Tariff Year 1), have been included both in Capital Expenditure and Commissioned Assets.
- The value of commissioned assets, as calculated, shall be used for forecasting RAB for the Control Period.

- Further, Para 5.2.5 of Direction 05 details the forecasting of RAB wherein the commissioned assets (including the Financing Allowance) on the assets, when it was Work in Progress stage) has been added to RAB and forms part of the closing and average RAB workings. The Illustration in Page 23 is given below:



		Forecast RAB					
		2020-21	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Opening RAB _t	OR	22,750	20,500	18,826	16,462	13,998	12,277
Commissioned Assets	CA	-	611	-	-	581	-
Depreciation	DR	2,250	2,307	2,364	2,384	2,402	731
Disposal	DI	-	-	-	100	-	-
Incentive Adjustments	IA	-	-	-	-	-	-
Closing RAB	CR=(OR+CA-DR+DI+IA)	20,500	18,826	16,462	13,998	12,277	11,547
RAB for calculating ARR	RA=(CR+CA)/2	19,561	17,644	15,206	13,138	11,012	

- The Clause (d) of Para 5.2.6 defines Commissioned Assets as below: "Commissioned Assets: Represents investments brought into use during Tariff Year t, consistent with Clause 5.2.7 herein below."
- Thus, from the above clauses it is clear that the Financing Allowance is computed on the Work in Progress balance based on Capital Expenditure incurred which is funded by Equity/internal accruals and is capitalized as part of Commissioned assets for RAB Computation. In the case of AAI financing allowance is computed on the equity portion and IDC is computed on the debt portion of the capital spend.
- Thus, Direction 5 provides an explicit, detailed elaboration of Financing allowance. Manner and formulae of computation and addition of the "commissioned assets" into RAB including the Financing allowance are elucidated in detail with examples is contained in the same Direction.
- The regulatory principles laid down by AERA and based on which the tariff orders are determined, provide a fundamental foundation of regulatory clarity to the stakeholders on the manner in which different components of costs and revenues are treated. Following are the examples and extracts of inclusion of financing allowance in RAB by AERA in various Orders:
- CIAL 3rd CP Order: Vide para 4.4.52 of CIAL order for third control period, for true up of SCP, AERA noted that, in the tariff order for the SCP, it was decided that FA would be trued up based on the final capex. In its MYTP submission, CIAL had proposed an addition of Rs. 11.9 Crore in FY 2020-21 as Financing Allowance for true up of 2nd CP. Accordingly, AERA recomputed FA based on actual WIP capitalized and allowed for inclusion in the true up amount...
- BIAL 3rd CP Order: Vide para 3.3.78 of BIAL Order for the third control period, AERA has agreed to allow the financing allowance for the second control period.
- Financing allowance was approved and given by AERA in the First and Second Control period for BIAL and in second control period order CIAL.
- MIAL and DIAL: It is further to be noted that MIAL and DIAL are governed by tariff determination principles set forth in SSA and OMDA. SSA and OMDA do not contain the concept of financing allowance. Hence, AAI submits that these 2 airports are not comparable with AAI airports.

AAI's Request

- The AERA Act requires AERA to consider "timely investment in improvement of airport facilities"; and "economic and viable operation of major airports", The statement of objects and reasons of the AERA



Act requires Authority to encourage investment in airport facilities, create a level playing field and foster healthy competition. The Airports Infrastructure Policy of 1997 and NCAP 2016 also emphasize the need to provide commercial orientation and encourage private sector participation in the airport sector.

- *Financing allowance computation is fully in compliance with Direction 5, affirmed by Authority in its various Orders in the past.*
- *Based on the above submissions, AAI submits that non-consideration of Financing allowance amounts to contradiction of AERA's own guidelines. Further, treating the Financing Allowance proposed by private airports and AAI airports differently vitiates the services expected to be provided by the airport and violates the principle that allows a level playing field for all airports. Also, all airports would be denied of revenues that they are rightfully entitled to.*

AAI therefore requests AERA to consider the financing allowance of Rs. 8.24 Crore computed for true up of FCP additions.”

4.4.39 AAI's comment on Terminal Building Ratio is as follows:

- *“AERA has considered Rs. 4.45 crore (Table 46 of CP) as aeronautical revenue and excluded the same non-aeronautical revenue from the first control period.*
- *AAI has proposed the above amount as Non-Aero in line with the previous order issued by AERA. (earlier Tariff orders of PPP airports-Mangalore, Ahmadabad).*
- *It is to mention here that space allotted to Airlines is 25% of total Non-Aero area considering 5 years average.*
- *On the other hand, AERA had considered Terminal Building Ratio 92%:8% (Aero: Non Aero) against actual from 92.82%: 7.18% (Aero Non-Aero) (which includes Average space allotted to Airlines 312.52 sqm was considered as Non-Aero).*
- *AAI agree with the change of stand of AERA considering Aeronautical revenue from Space Rental from Airlines and other GHA Service provider, but it is worthwhile to mention that AERA has considered the area allotted to Airlines as Non-Aero. So, we urge AERA to consider the space allotted to Airlines and other GHA Service provider as aeronautical.*
- *AERA is requested to revise the TB Ratio in line with its consideration of Space rental income received from Airlines as Aero revenue instead of Non-Aero revenue.”*

Authority's analysis on Stakeholders' comments regarding true-up of Capital Expenditure for the First Control Period

4.4.40 The Authority has examined the comments of AAI on Financing Allowance. In this regard, the Authority is of the view that the challenges faced by greenfield airports are significantly greater and distinct from brownfield airports. Accordingly, financing allowance is considered by AERA for greenfield airports. The detailed analysis by AERA on the aspect of financing allowance is given at Para 4.4.30 of this Tariff Order. Therefore, the Authority sees no merit in AAI's contention.

4.4.41 The Authority notes comments of AAI on Terminal Building ratio. However, the Authority is not inclined to accept the ratios provided by Airport Operator as it would not bring efficiencies in the airport operations.



Further, it is incumbent on AERA to consider factors such as IMG recommendations, IATA norms and practice followed in other similar airports for deciding appropriate aero and non-aero ratio, for determining the non-aeronautical areas in the terminal building.

There should be continuous efforts by AAI to increase the efficiency in Airport operation by generating sufficient non-aeronautical revenue for cross subsidization of aeronautical charges. The Authority, therefore, after considering the factors submitted by AAI, decides to consider the Terminal Building Ratio as 92:8 (Aeronautical: Non – aeronautical) for true up of the First Control Period.

- 4.4.42 The Authority notes AAI comments in Para 4.7.38 on the classification of XBIS, suggesting it should be considered a finance lease rather than an operating lease comment. Based on AAI's comments, the Authority has detailed its analysis on considering XBIS as Finance Lease and as part of Fixed Assets as detailed in Para 4.7.43. Accordingly, the same is being considered as part of addition to RAB in F 2019-20 amounting to ₹ 0.83 Crores. After inclusion of XBIS as part of capital addition, the revised capital expenditure for the purpose of true-up of the First Control Period is as follows:

Table 18: Capital Addition decided by the Authority for True up of the First Control Period

(₹ in crores)

S. No.	Asset Category	FY19	FY20	FY21	FY22	FY23	Total
A	CAPEX incurred by AAI towards projects approved by AERA for the First Control Period						
A.1	Runway, Taxiway, Apron	-	-	-	48.93	-	48.93
A.2	Roads, Bridges & Culverts	-	-	4.26	-	-	4.26
A.3	Building - Terminal	-	-	-	-	3.46	3.46
A.4	Building - Residential	0.23	4.97	-	-	-	5.20
A.5	Boundary Wall - Operational	-	3.20	-	-	-	3.20
A.6	Plant & Machinery	0.12	0.77	7.22	-	-	8.11
A.7	Tools & Equipment	0.87	0.66	-	-	-	1.52
A.8	Vehicle - Others	6.00	0.36	-	-	-	6.36
A.9	Electrical Installations	0.19	-	-	-	0.50	0.69
A.10	Solar Power Plant	3.84	-	-	-	-	3.84
A.11	Furniture & Fixtures - Other than trolleys	0.07	-	-	-	-	0.07
	Subtotal (a)	11.32	9.95	11.47	48.93	3.97	85.65
B	Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period						
B.1	Runway, Taxiway, Apron	-	0.52	-	3.25	1.6	5.37
B.2	Building - Terminal	-	-	-	-	1.90	1.90
B.3	Building - Temporary	0.10	0.08	-	-	0.21	0.39
B.4	Building - Residential	-	-	-	2.70	-	2.70
B.5	Computers - End User Devices	0.05	0.05	0.06	0.02	0.15	0.32
B.6	Computer Software	-	0.04	-	-	0.06	0.10
B.7	Computers - Servers and Networks	-	-	-	-	-	-
B.8	Plant & Machinery	0.06	0.44	0.58	0.09	5.13	6.30
B.9	Tools & Equipment	0.23	0.9	3.64	0.73	0.58	6.08
B.10	Vehicle - Others	0.37	0.13	-	-	-	0.51
B.11	Electrical Installations	0.34	1.25	0.48	1.20	6.94	10.21
B.12	Office Equipment	0.05	0	0.01	0	0.03	0.09
B.13	Furniture & Fixtures - Other than trolleys	0.46	0.28	2.27	-	0.01	3.02
B.14	Other Building	-	0.10	-	0.85	0.24	1.20
B.15	X-Ray Baggage System	-	0.83	-	-	-	0.83
	Subtotal (b)	1.65	4.63	7.03	8.84	16.86	39.02
	Total CAPEX incurred [(a) + (b)]	12.97	14.59	18.51	57.78	20.83	124.67



True up of Depreciation for the First Control Period

4.4.43 AAI had submitted the following depreciation for the First Control Period for Indore International Airport.

Table 19: Depreciation for the First Control Period submitted by AAI for Indore International Airport

(₹ in Crores)

S. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
1	Runways/Taxiway	0.09	0.10	0.19	1.21	2.19	3.79
2	Roads Bridges & Culverts	0.34	0.33	0.31	0.23	0.23	1.43
3	Terminal Building	2.00	2.03	2.05	2.07	2.18	10.34
4	Temporary Building	0.02	0.05	0.06	0.06	-	0.18
5	Residential Building	0.03	0.13	0.23	0.28	0.33	1.01
6	Boundary Wall: Operational	0.38	0.51	0.62	0.52	0.52	2.55
7	Other Building	0.14	0.14	0.14	0.14	0.14	0.72
8	Computers: End User Devices	1.64	0.14	0.15	0.09	0.16	2.18
9	Computers: Servers & Networks	-	-	-	-	0.00	0.00
10	Computer Software: Intangible Assets	0.00	0.01	0.01	0.01	0.02	0.05
11	Machinery	0.21	0.25	0.57	0.86	1.04	2.94
12	Tools & Plant	0.18	0.30	0.47	0.62	0.67	2.24
13	Furniture: Office	0.07	0.15	0.34	0.50	0.50	1.56
14	Vehicles	0.43	0.87	0.91	0.91	0.91	4.02
15	Vehicles: Cars/Jeeps	0.01	-	-	-	-	0.01
16	Electrical Installation	3.66	3.58	3.66	0.46	0.84	12.20
17	Solar Power Plant	0.08	0.17	0.17	0.17	0.17	0.75
18	Office Equipment/Appliances	0.05	0.06	0.06	0.06	0.06	0.29
19	Furniture: Other Than Trolley	0.03	0.03	0.03	0.03	0.03	0.16
20	Furniture: Trolley	0.04	0.04	0.04	-	-	0.13
21	X-Ray Baggage Inspection System (X-BIS)	0.07	0.15	0.18	0.18	0.18	0.77
22	CFT & Fire Fighting Equipment	0.65	0.66	0.66	0.66	0.66	3.28
	Total	10.13	9.71	10.85	9.05	10.84	50.58

4.4.44 The Authority noted that AAI had considered Useful Life as per Order No. 35/2017-18 dated 12th January 2018 read with Amendment No. 01 to Order No. 35/2017-18 on 'Determination of Useful Life on Airport Assets' while determining the Depreciation for the First Control Period. Accordingly, the rates of depreciation approved by the Authority had been applied by AAI from FY 2018-19 onwards.

The Authority also noted that AAI had depreciated assets at 50% of depreciation rates in the year of capitalization of the asset. However, the Authority proposed to consider the depreciation based on the date of capitalization of the asset and accordingly recompute the depreciation for the First Control Period.

4.4.45 Based on the above factors, the Authority had recomputed the depreciation as ₹ 48.28 crores and the same is presented below:

Table 20 : Depreciation proposed by the Authority for True-up of the First Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Runway, Taxiway, Apron	0.09	0.09	0.21	1.06	2.29	3.75
Roads, Bridges & Culverts	0.28	0.28	0.25	0.25	0.19	1.26
Building - Terminal	1.92	1.92	1.92	1.94	1.98	9.69
Building - Temporary	-	0.01	0.02	0.02	0.02	0.07
Building - Residential	0.03	0.20	0.20	0.25	0.29	0.98
Boundary Wall - Operational	0.40	0.48	0.69	0.69	0.62	2.89
Computers - End User Devices	1.64	0.13	0.09	0.05	0.07	1.96
Computer Software	0.00	0.01	0.01	0.01	0.02	0.05
Computers - Servers and Networks	-	-	-	-	0.00	0.00
Plant & Machinery	0.19	0.99	1.25	1.55	1.58	5.55
Tools & Equipment	0.22	0.36	0.48	0.69	0.71	2.46
Vehicle - Others	0.03	0.09	0.09	0.09	0.09	0.39
Vehicle - Cars & Jeeps	0.01	0.01	0.01	0.01	0.01	0.04
Electrical Installations	2.73	2.80	2.80	2.91	0.88	12.13
Solar Power Plant	0.04	0.15	0.15	0.15	0.15	0.65
Office Equipment	0.04	0.05	0.05	0.04	0.03	0.21
Furniture & Fixtures - Other than trolleys	0.06	0.11	0.34	0.46	0.46	1.43
Furniture & Fixtures - Trolleys	0.04	0.04	0.04	-	-	0.13
X-Ray Baggage System	0.12	0.12	0.12	0.12	0.12	0.59
CFT/Fire Fighting Equipment	0.67	0.67	0.67	0.67	0.67	3.36
Other Building	0.14	0.14	0.14	0.14	0.14	0.69
Total	8.66	8.66	9.54	11.11	10.32	48.28

4.4.46 Variance in the depreciation between the amount proposed by the Authority i.e. ₹ 48.28 crores as against the amount proposed by AAI ₹ 50.58 crores was on account of the following factors:

- Not considering Financing Allowance of ₹ 8.24 crores in RAB as claimed by AAI for the First Control Period and thereby its impact on depreciation.
- Not considering Finance lease assets of ₹ 0.83 crores in RAB as claimed by AAI for the First Control Period and thereby its impact on depreciation.
- Reclassification and reallocation of assets resulting in variance of ₹ 1.46 crores resulting in a corresponding impact on depreciation.
- Re-computation of depreciation based on the date of capitalization of the asset/ assets put to use instead of 50% as claimed by AAI as part of its true up submission for the First Control Period.

Stakeholders' comments regarding true-up of Depreciation for the First Control Period

4.4.47 No comments have been received from stakeholders on depreciation for the First Control Period.

Authority's analysis on Stakeholders' comments regarding true-up of Depreciation for the First Control Period

- 4.4.48 The Authority notes that no comments were received from the Stakeholders on the true up of depreciation for the First Control Period.
- 4.4.49 The Authority decides to compute revised depreciation based on its decision to include XBIS assets as part of RAB as per Authority's decision detailed in para 4.4.42. Consequently, the revised depreciation computation including the depreciation on XBIS for the true-up of the First Control Period., is as shown in the table below:

Table 21: Depreciation decided by the Authority for True-up of the First Control Period*(₹ in Crores)*

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Runway, Taxiway, Apron	0.09	0.09	0.21	1.06	2.29	3.75
Roads, Bridges & Culverts	0.28	0.28	0.25	0.25	0.19	1.26
Building - Terminal	1.92	1.92	1.92	1.94	1.98	9.69
Building - Temporary	-	0.01	0.02	0.02	0.02	0.07
Building - Residential	0.03	0.20	0.20	0.25	0.29	0.98
Boundary Wall - Operational	0.40	0.48	0.69	0.69	0.62	2.89
Computers - End User Devices	1.64	0.13	0.09	0.05	0.07	1.96
Computer Software	0.00	0.01	0.01	0.01	0.02	0.05
Computers - Servers and Networks	-	-	-	-	0.00	0.00
Plant & Machinery	0.19	0.99	1.25	1.55	1.58	5.55
Tools & Equipment	0.22	0.36	0.48	0.69	0.71	2.46
Vehicle - Others	0.03	0.09	0.09	0.09	0.09	0.39
Vehicle - Cars & Jeeps	0.01	0.01	0.01	0.01	0.01	0.04
Electrical Installations	2.73	2.80	2.80	2.91	0.88	12.13
Solar Power Plant	0.04	0.15	0.15	0.15	0.15	0.65
Office Equipment	0.04	0.05	0.05	0.04	0.03	0.21
Furniture & Fixtures - Other than trolleys	0.06	0.11	0.34	0.46	0.46	1.43
Furniture & Fixtures - Trolleys	0.04	0.04	0.04	-	-	0.13
X-Ray Baggage System	0.12	0.17	0.17	0.17	0.17	0.81
CFT/Fire Fighting Equipment	0.67	0.67	0.67	0.67	0.67	3.36
Other Building	0.14	0.14	0.14	0.14	0.14	0.69
Total	8.66	8.71	9.59	11.17	10.38	48.51

True up of Regulatory Asset Base for the First Control Period

- 4.4.50 After considering the aforementioned analysis and adjustments, the Authority had re-computed the RAB at Consultation stage as presented in the table below:



Table 22: RAB proposed by the Authority for True up of the First Control Period at Consultation Stage

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Opening RAB (A)	86.12 [^]	90.44	95.53	104.51	151.17	
Additions (B)	12.97	13.75	18.51	57.78	20.83	123.84
Disposal/Transfer (C)	-	-	-	-	-	-
Depreciation (D)	8.66	8.66	9.54	11.11	10.32	48.28
Closing RAB (E = A + B - C - D)	90.44	95.53	104.51	151.17	161.68	
Average RAB (F = [A+E]/2)	88.28	92.99	100.02	127.84	156.42	

[^]Includes capital additions pertaining to FY 2016-17 & FY 2017-18 amounting to ₹ 3.53 crores, which has been considered as additions to Opening RAB (refer para 4.4.5).

Stakeholders' comments regarding true-up of Regulatory Asset Base (RAB) for the First Control Period

4.4.51 No comments have been received from stakeholders on Regulatory Asset Base (RAB) for the First Control Period.

Authority's analysis on Stakeholders' comments regarding true-up of Regulatory Asset Base (RAB) for the First Control Period

4.4.52 The Authority notes that no comments were received from the Stakeholders regarding true-up of Regulatory Asset Base (RAB) for the First Control Period.

4.4.53 The Authority decided to include XBIS as part of capital additions in the First Control Period (as detailed in Para 4.7.43). Based on this decision, the Authority decides to consider the revised Regulatory Asset Base (RAB), as shown in the table below, for the true-up of the First Control Period.

Table 23: RAB decided by the Authority for True up of the First Control Period

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Opening RAB (A)	86.12 [^]	90.44	96.31	105.23	151.84	
Additions (B)	12.97	14.59	18.51	57.78	20.83	124.67
Disposal/Transfer (C)	-	-	-	-	-	-
Depreciation (D)	8.66	8.71	9.59	11.17	10.38	48.51
Closing RAB (E = A + B - C - D)	90.44	96.31	105.23	151.84	162.29	
Average RAB (F = [A+E]/2)	88.28	93.37	100.77	128.53	157.06	
Average RAB at Consultation Stage (G) (Table 22)	88.28	92.99	100.02	127.84	156.42	
Diff (H=F-G)	-	0.39	0.75	0.69	0.64	

[^]Includes capital additions pertaining to FY 2016-17 & FY 2017-18 amounting to ₹ 3.53 crores, which has been considered as additions to Opening RAB (refer para 4.4.5).

4.5 True up of Return on Land

4.5.1 AAI had acquired land of 31.38 acres (12.70 Ha.), for the development of Indore International Airport for ₹ 1.64 crores in FY 2020-21 (ref. para 13.2.2)

4.5.2 Return on Land computation submitted by AAI is as below:



Table 24: Return on Land Submitted by AAI

(₹ in crores)

Particulars	Ref.	Unit	FY21	FY22	FY23	Total
Cost of Land to be considered	A	₹ in crores	1.64	1.64	1.64	
SBI Rate	B	%	7.56%	7.46%	8.41%	
Rate considered for Equated Annual Instalment	C = B+2%	%	9.56%	9.46%	10.41%	
AAI cost of Debt	D		6.21%	6.21%	6.21%	
Rate Considered	F		9.56%	9.46%	10.41%	
Equated Annual instalments (for 30 years)	E=A*F	₹ in crores	0.17	0.17	0.19	0.53

- 4.5.3 The Authority noted that in AAI's MYTP submission, the addition of land was not reflected in Form F9 under the category "Land". AAI had accounted for ₹ 1.50 crores during FY 2019-20 and ₹ 0.16 crores during FY 2020-21 pertaining to purchase of land as "Other Sundry expenses" as part of O&M expenses in its submission. The Authority therefore proposed to exclude the cost of land from O&M expenses as discussed in para 4.7.25.
- 4.5.4 The Authority noted that the AAI had acquired additional land during the 2 years i.e. FY 2019-20 and FY 2020-21 and claimed return from FY 2020-21 when the costs were completely recorded. The Authority also noted that the Return on land was not part of tariff order of the First Control Period.
- 4.5.5 With respect to AAI's claim towards Return on Land for the First Control Period, the Authority had examined the relevant clauses prescribed in its Order No.42/2018-19 dated 5th March 2019 on "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", which is as follows:
- "As per clause 4.1.8., of the aforementioned order, this order of the Authority will take effect from the next control period."*
- 4.5.6 Based on the facts as stated above, the Return on Land should be provided prospectively and not retrospectively (as per clause 4.1.8 of the Order No. 42/ 2018-19). Therefore, the Authority proposed not to consider Return on Land claimed by the AAI as part of True up of the First Control Period.

Stakeholders' comments regarding true-up of Return on Land for the First Control Period

- 4.5.7 AAI's comment on Return on Land is as follows:

"Cost of Land:

"AAI has acquired land of 31.38 acres (12.70 Hectares), for the development of Indore International Airport for Rs.1.64 crores in FY 2020-21. Out of this, 20.48 acres is for ESS substation for terminal building, forecourt for movement of passengers in front of terminal building, APHO, Surface parking, Metro Station and Multi level car parking etc."

AERA is requested to consider return on land since the claim of AAI is subsequent to the AERA order No. 42/2018-19 dated 05.03.2019 wherein it is written in para 4.1.4 that " in case Land is purchased by the Airport operating company either from private parties or from the government, the compensation shall be



in the form of equated annual instalment computed at actual cost at debt or SBI base rate plus 2% whichever is lower over a period of 30 years.”

Authority’s analysis on Stakeholders’ comments regarding true-up of Return on Land for the First Control Period

4.5.8 The Authority notes the comments submitted by AAI regarding Return on Land.

In this regard, the Authority notes that in Para 4.1.8 of Order No 42/2018-19 dated 5th March 2019 which states that return on land will be given from the next control period. Further, Para 4.1.2 of above Order dated 5th March 2019, states that “*The return will be given only on the cost of land used for aeronautical activities*”. However, it is noted that the said land is yet to be put to use for the aeronautical activities.

Based on the above analysis, the Authority decides not to consider return on Land for the true of First Control Period for Indore International Airport. However, the same will be considered in the subsequent control period after the said land is put to use for aeronautical activities.

4.6 True up of Fair Rate of Return (FRoR)

4.6.1 AAI in its MYTP submission had mentioned that “*AAI had considered the FRoR at 14% in line with decision taken by AERA taken for Chennai, Kolkata, Guwahati and Lucknow Airports for the First Control Period*”.

4.6.2 The Authority noted that AAI had claimed 14% as Fair Rate of Return, as part of its True up submission for the First Control Period. AAI had not factored any debt as part of their MYTP submission for FRoR. Hence, the cost of equity considered at 14% was taken as FRoR, assuming that there was no debt.

4.6.3 However, in the financial model submitted by AAI, the Authority noted that AAI had availed debt of ₹ 22.94 crores during the First Control period from FY 2020-21 to FY 2022-23. A query was raised to AAI seeking clarity on the cost of debt, to which AAI vide mail dated 24th April 2024 had replied that the cost of debt workings as shared for Coimbatore International Airport may be considered for Indore International Airport.

4.6.4 The Authority had therefore computed FRoR taking into consideration the debt availed by AAI during the First Control Period of ₹ 22.94 Crores as submitted by AAI in the financial model. For the purpose of computation of FRoR, the cost of debt was taken as 7.25% (similar to that taken for Coimbatore International Airport) and cost of Equity was taken as 14%. Total equity for a financial year was computed by taking closing RAB and subtracting the closing debt for that particular financial year. Accordingly, the computation of FRoR for Indore International Airport is shown as follows:

Table 25: FRoR proposed to be considered by the Authority for True up of the First Control Period at Consultation Stage

(₹ in Crores)

Particulars	Reference	FY19	FY20	FY21	FY22	FY23	Total
Debt	A	-	-	13.95	20.57	22.94	
Equity	B	90.44	95.53	90.55	130.60	138.74	
Debt + Equity	C = A + B	90.44	95.53	104.51	151.17	161.68	603.32
Cost of Debt (%)	D	7.25%	7.25%	7.25%	7.25%	7.25%	
Cost of Equity (%)	E	14.00%	14.00%	14.00%	14.00%	14.00%	



Particulars	Reference	FY19	FY20	FY21	FY22	FY23	Total
Gearing (%)	$F = A \div C$	0.00%	0.00%	13.35%	13.61%	14.19%	
Weighted Average Gearing (%)	$G = \sum (F * C) \div \sum C$						9.52%
Cost of Debt (%)	H						7.25%
Cost of Equity (%)	I						14.00%
FRoR (%)	(J = H * G + I * [1 - G])						13.36%

4.6.5 AAI was directed to submit complete details of actual debt availed from various banks pertaining to First Control Period, along with interest details, repayment schedules etc. during the consultation process which would be reviewed by the Authority and appropriately considered for FRoR computation at the Order stage for Indore International Airport. The Authority proposed to consider 13.36% as FRoR at Consultation stage for true up of the First Control Period for Indore International Airport.

Stakeholders' comments regarding true-up of Fair Rate of Return (FRoR) for the First Control Period

4.6.6 AAI's comment on Fair Rate of Return is as follows:

- "The Equity estimation can also yield a range of values depending on the assumptions employed.
- COE depends on ownership structure, Comparable Airports & Revenue Till.
- Asset Beta plays an important role in determination of Equity Beta even if Debt/Equity Ratio is low (low gearing). Cost of Equity depends on both Asset Beta and Equity Beta.
- In 1st Control Period of Chennai Airport, AAI had submitted a study conducted by M/s KPMG in regard to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98. The cost of Equity submitted by AAI works out to 15.64%.
- In MIAL, DIAL, HIAL and CIAL the Cost of Equity has been considered @ 15+%. Thus, AERA is requested to consider the FRoR @ 14% as submitted by AAI instead of an Average FRoR @ 13.36% for FCP."

4.6.7 FIA's comment on FRoR is as follows:

"It is submitted that:

(a) We observe that the Fair Rate of Return (FRoR) of 13.36% provided to the Airport Authority of India ("AAI") is higher in comparison to some of the Airports such as Chennai and Pune. Without prejudice to above, there appears no rationale to provide higher return to AAI for IDR and accordingly AERA may reduce FRoR suitably.

(b) We do appreciate that AERA have tried to rationalize the same, however we request AERA to consider an independent study to assess the proposed FRoR as AAI has not factored any debt as part of the MYTP submission for FRoR, and Indore Airport has one of the lowest debt components of all AAI airports of similar capacity."

AAI's response to Stakeholders' comments regarding true-up of Return on Land for the First Control Period

4.6.8 AAI's response to FIA's comment on FRoR is as follows:

"1. The FRoR for an airport depends upon the cost of equity and cost of debt.



2. In the 1st Control Period of Chennai Airport, AAI submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98.

3. AERA has been considering cost of equity at 13.36% as against 15.64% as per study report submitted by M/s KPMG. The variation in the FRoR rates at the airport is due to the gearing ratio and the actual cost of debt which is taken at varied rates over the years."

Authority's analysis on Stakeholders' comments regarding true-up of Fair Rate of Return (FRoR) for the First Control Period

- 4.6.9 The Authority notes AAI's comment regarding FRoR for true up of First Control Period. The Authority notes that AAI's capital structure is predominantly equity based and therefore is not efficient. Considering low gearing in case of Indore International Airport, as per the Authority, the claim of AAI of higher cost of equity is not justifiable. Further, the study report on Cost of Equity by M/s KPMG referred to by AAI in First control period is over 10 years now.

It may be noted that the debt-equity ratio considered by the Authority for Indore International Airport for the First Control Period is on an actual basis. Further, while considering cost of equity for major PPP airports like MIAL, DIAL, BIAL, HIAL and CIAL, a notional debt-equity ratio of 48%:52% is also applied.

Thus, the Authority for the purpose of true up of First Control Period decides to consider Cost of Equity @ 14% and the actual gearing ratio as recomputed, based on information given by AAI relating to actual debt and repayment schedule (refer para 4.6.11).

- 4.6.10 The Authority has reviewed the submission made by FIA regarding the Fair Rate of Return (FRoR) and AAI's response to the same.

Cost of debt and gearing plays an important role in determination of FRoR. FIA has compared the FRoR of Indore International Airport with other airports such as Chennai and Pune. The Authority notes that the FRoR for AAI at Indore is computed at 13.33% (Table 27) which is in fact lower than the FRoR for Chennai (13.92%- True up of FRoR of SCP decided by the Authority) and Pune (13.77%- True up of FRoR of SCP). The Authority is of the opinion that each airport operates with a distinct financial structure. As a result, the gearing for each airport for every year in the control period has to be examined to derive the weighted average FRoR.

The Authority emphasizes that the FRoR is determined not only by comparative analysis but also by considering the unique financial circumstances and operational conditions of each airport. Therefore, the Authority does not see any merit for revising the FRoR for Indore International Airport.

As per the Authority, the requirement for an independent study will depend upon the size of the airport and the scale of operations. AERA, may commission an independent study for the future Control Periods of Indore International Airport, if considered necessary.

- 4.6.11 At the Consultation stage, based on AAI's submission, the Authority had considered the cost of debt for Indore Airport as applicable to Coimbatore International Airport. The amount of debt was as per the financial model submitted by AAI at consultation stage. The Authority, in the Consultation Paper 04/2024-25 dated 5th September 2024 vide para 4.6.5 (as well as vide mail date 23rd September 2024), directed AAI to submit the actual cost of debt and its repayment structure for the purpose of true-up for the First Control Period. AAI vide mail dated 21st October 2024 provided the cost of debt for term loan taken from SBI and



Axis Bank together with the repayment schedule. Based on the details received, the Authority has recomputed the weighted average cost of debt for the true up of the First Control Period which works out to 6.92%. The revised schedule of debt is as presented in table below:

Table 26: Revised Schedule of Debt for Indore International Airport for true up of the First Control Period

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Opening Debt	-	-	-	13.95	20.57	
Drawdown (additional loan taken)	-	-	13.95	6.62	2.37	22.94
Repayment	-	-	-	-	-	
Closing Debt	-	-	13.95	20.57	22.94	
Average Debt	-	-	6.98	17.26	21.76	
Cost of Debt (%)	6.92%	6.92%	6.92%	6.92%	6.92%	

4.6.12 Based on the information provided by AAI, the Authority recalculated the Fair Rate of Return (FRoR) for the true-up of the First Control Period, as follows:

Table 27: FRoR decided by the Authority for the First Control Period

(₹ in Crores)

Particulars	Reference	FY19	FY20	FY21	FY22	FY23	Total
Debt (Table 26)	A	-	-	13.95	20.57	22.94	
Equity	B	90.44	96.31	91.27	131.26	139.35	
Debt + Equity	C = A + B	90.44	96.31	105.23	151.84	162.29	606.09
Cost of Debt (%)	D	0.00%	0.00%	6.92%	6.92%	6.92%	
Cost of Equity (%)	E	14.00%	14.00%	14.00%	14.00%	14.00%	
Gearing (%)	F = A ÷ C	0.00%	0.00%	13.26%	13.55%	14.14%	
Weighted Average Gearing (%)	$G = \sum (F * C) \div \sum C$						9.48%
Cost of Debt (%)	H						6.92%
Cost of Equity (%)	I						14.00%
FRoR (%)	(J = H * G + I * [1 - G])						13.33%

4.7 True up of Aeronautical Operation and Maintenance (O&M) expenses

4.7.1 AAI submitted the actual O&M expenses for Indore International Airport for true up of the First Control Period of ₹ 315.68 crores and the same is presented in table below:

Table 28 : Actual O&M expenses submitted by AAI for Indore International Airport for the First Control Period

(₹ in Crores)

Sl. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
1	Payroll Expenses (Other than CHQ/RHQ)	13.53	16.07	15.08	15.14	16.72	76.54
2	Retirement benefits of employees	4.65	2.62	0.42	0.50	(0.00)	8.18
A	Total Payroll Expenditure (1+2)	18.18	18.69	15.50	15.64	16.72	84.72
3	Admin & General Expenses (Other than CHQ/RHQ)	6.54	7.44	5.01	11.56	8.80	39.36
4	Admin & General Expenses (CHQ/RHQ)	11.39	29.11	27.36	28.73	30.16	126.75
B	Total Admin & General Expenditure (3+4)	17.93	36.55	32.37	40.29	38.96	166.11



Sl. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
C	Repairs & Maintenance Expenditure	8.04	6.14	8.11	6.73	11.88	40.90
D	Utilities & Outsourcing Expenditure	3.83	3.73	4.28	4.44	5.77	22.06
E	Other Outflows	0.26	0.59	0.08	0.34	0.63	1.90
	Total (A+B+C+D+E)	48.24	65.70	60.35	67.43	73.96	315.68

- 4.7.2 The O&M expenses approved by the Authority in the Tariff Order for First Control Period was ₹ 183.12 crores. Components wise details of the O&M expenses approved by the Authority in the Tariff Order No.45/2018-19 dated 8th March 2019 for the First Control Period were as follows:

Table 29 : O&M expenses as per the Tariff Order for the First Control Period

(₹ in Crores)

Sl. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
1	Payroll Expenses (Other than CHQ/RHQ)	12.78	13.65	14.61	15.63	16.72	73.39
2	Payroll Expenses (CHQ/RHQ)	2.54	2.72	2.91	3.11	3.33	14.61
A	Total Payroll Expenditure (1+2)	15.32	16.37	17.52	18.74	20.05	88.00
3	Admin & General Expenses (Other than CHQ/RHQ)	2.97	3.49	3.84	4.22	4.65	19.17
4	Admin & General Expenses (CHQ/RHQ)	2.32	2.44	2.56	2.69	2.82	12.83
B	Total Admin & General Expenditure (3+4)	5.29	5.93	6.40	6.91	7.47	32.00
C	Repairs & Maintenance Expenditure	8.19	8.78	9.43	8.67	8.80	43.87
D	Utilities & Outsourcing Expenditure	3.41	3.48	3.55	3.63	3.73	17.80
E	Other Outflows	0.25	0.27	0.29	0.31	0.33	1.45
	Total (A+B+C+D+E)	32.46	34.83	37.19	38.26	40.38	183.12

- 4.7.3 The Authority noted a difference of ₹ 132.56 crores between the O&M expenses submitted for true up by AAI for Indore International Airport and expenses approved by the Authority in the Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period. The Authority examined the variances and the same had been explained in the following paragraphs:

Authority's examination and proposal regarding true up of O&M expenses of the First Control Period at Consultation Stage:

The Authority had discussed AAI's submission of O&M expenses under various heads for the First Control Period in the following sequence:

- Allocation Ratios
- Assessment, Rationalization & Reallocation of O&M expenses

a) Allocation Ratios

Employee Head Count Ratio (EHCR)

- 4.7.4 There are two different EHCR ratios applied by AAI. One EHCR has been applied for an apportionment of payroll expenses (Aero: Non-Aero) and the other was for apportionment of expenses other than payroll (Aero: Non-Aero: ANS) e.g. telephone charges, printing and stationery etc.

The EHCR submitted by AAI in its MYTP proposal was as presented below:



Table 30: EHCR Allocation % as submitted by AAI in MYTP proposal

Particulars	FY19	FY20	FY21	FY22	FY23
EHCR (Aero: Non-Aero)					
Aero	98.95%	97.96%	98.08%	97.94%	98.90%
Non-Aero	1.05%	2.04%	1.92%	2.06%	1.10%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
EHCR (Aero: Non-Aero: ANS)					
Aero	63.51%	63.58%	66.23%	67.38%	64.75%
Non-Aero	0.68%	1.32%	1.30%	1.42%	0.72%
ANS	35.81%	35.10%	32.47%	31.21%	34.53%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

4.7.5 The Authority analyzed the above EHCR computations submitted by AAI and noted that AAI had considered all common employees as aeronautical in nature instead of apportioning the same to other segments before computation of ratios. Therefore, the Authority re-computed the EHCR after apportioning the common employees between Aero: Non-Aero: ANS segments as shown in the table below:

Table 31: Re-computation of EHCR after apportionment of common employees at Consultation Stage

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23
Aero Employees	A	79	74	80	74	72
Non-Aero Employees	B	1	2	2	2	1
ANS Employees	C	53	53	50	44	48
Common Employees	D	15	22	22	21	18
Total Employees	E=Sum(A :D)	148	151	154	141	139
Total other than common	F=E-D	133	129	132	120	121
Apportionment of Common Employees						
Aero Employees	G	9	13	14	13	11
Non-Aero Employees	H	0	0	0	0	0
ANS Employees	I	6	9	8	8	7
Total Employees		15	22	22	21	18
Total Employees after apportionment						
Aero Employees	J=A+G	88	87	94	87	83
Non-Aero Employees	K=B+H	1	2	2	2	1
ANS Employees	L=C+I	59	62	58	52	55
Total Employees	M=Sum(J :L)	148	151	154	141	139
EHCR recomputed by the Authority						
Aero %	J/(J+K)	98.88%	97.75%	97.92%	97.75%	98.81%
Non-Aero %	K/(J+K)	1.12%	2.25%	2.08%	2.25%	1.19%
Total % (Aero: Non-Aero)		100.00%	100.00%	100.00%	100.00%	100.00%
Aero %	J/M	59.46%	57.62%	61.04%	61.70%	59.71%
Non-Aero %	K/M	0.68%	1.32%	1.30%	1.42%	0.72%
ANS %	L/M	39.86%	41.06%	37.66%	36.88%	39.57%
Total % (Aero: Non-Aero: ANS)		100.00%	100.00%	100.00%	100.00%	100.00%

4.7.6 However, AAI had vide email dated 1st March, 2024 submitted that, "It is also requested that three number CNS employee working in Airports system department, therefore the same may please be considered in



AERO. In model, we have erroneously shown in ANS. Accordingly, salary amount of 3 employees may be shifted to AERO from ANS in the First Control Period (i.e. Basic pay, DA, other allowance, HRA and PF) & also applicable revised ratio may be considered for truing up as well as projections on Second Control Period as AERO expenses”.

- 4.7.7 Accordingly, three employees were shifted from “Other than Airport” to “CNS-Airport Systems” and the proportionate expenses were re-classified from ANS to aeronautical segment. Thus, the revised EHCR computed for the First Control Period was as presented in the table below:

Table 32: Revised EHCR considered by the Authority for true up of the First Control Period at Consultation Stage

Particulars	FY19	FY20	FY21	FY22	FY23
EHCR (Aero: Non-Aero)					
Aero	98.91%	97.83%	97.98%	97.83%	98.85%
Non-Aero	1.09%	2.17%	2.02%	2.17%	1.15%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
EHCR (Aero: Non-Aero: ANS)					
Aero	61.49%	59.60%	62.99%	64.29%	61.87%
Non-Aero	0.68%	1.32%	1.30%	1.43%	0.72%
ANS	37.84%	39.07%	35.71%	34.29%	37.41%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Terminal Building Ratio (TBLR)

- 4.7.8 AAI had submitted an average Terminal Building Ratio of 92.82%:7.18% (Aero: Non-Aero) based on the actual commercial area let out during the First Control Period. The Authority proposed to consider the ratio as 92%:8% for apportionment of common assets within the Terminal Building (Aeronautical: Non-aeronautical).

Computation of Gross Block Ratio (GBR)

- 4.7.9 The Authority noted that AAI had not submitted Gross Block Ratio computation and consequently no expenses were allocated using GBR. However, the Authority proposed to compute GBR and apply the same on allocation of expenses such as Municipal Taxes, Consultancy fees etc. The GBR computed by the Authority was as follows:

Table 33 : GBR Allocation % as computed by the Authority at Consultation Stage

Particulars	FY19	FY20	FY21	FY22	FY23
Aero	94.45%	94.29%	94.57%	95.34%	94.87%
Non-aero	2.64%	2.88%	2.74%	2.36%	2.34%
Others*	2.91%	2.82%	2.69%	2.31%	2.79%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

*Includes both ANS and Cargo Assets

Vehicle Ratio

- 4.7.10 AAI submitted the following vehicle ratios for the apportionment of "R&M-Vehicle Expenses" during the First Control Period. The ratios, as allocated by AAI and proposed by the Authority at the consultation stage, were as follows:



Table 34: Vehicle Ratio as submitted by AAI and proposed by the Authority for the First Control Period at Consultation Stage

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23
As allocated by AAI & Proposed by the Authority					
Aero	100.00%	96.43%	96.00%	96.00%	96.15%
Non-aero	0.00%	0.00%	0.00%	0.00%	0.00%
ANS	0.00%	3.57%	4.00%	4.00%	3.85%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

4.7.11 The Authority reviewed the vehicles owned by AAI, which were used by employees across various segments, and found the ratio submitted by AAI to be justifiable. Therefore, the Authority proposed to consider the ratio as submitted.

Staff Quarters Ratio (SQTR)

4.7.12 AAI submitted the following Staff Quarters Ratio (SQTR) for the true-up of the First Control Period. The SQTR was computed based on the number of staff quarters utilized by employees categorized under various segments, i.e., Aeronautical, Non-Aeronautical, and ANS. The SQTR was used for allocating expenses related to staff residences, such as residential telephone and security (watch & ward) expenses.

Table 35: Staff Quarter Ratio as submitted by AAI

Particulars	FY19	FY20	FY21	FY22	FY23
Aero	83.33%	84.21%	84.21%	85.00%	86.05%
Non-Aero	2.78%	2.63%	2.63%	0.00%	0.00%
ANS	13.89%	13.16%	13.16%	15.00%	13.95%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

4.7.13 The Authority re-computed the SQTR based on the number of staff quarters utilized by employees in various segments, as submitted by AAI, and found the ratios to be reasonable. Therefore, the Authority proposed to use these ratios for the true-up of the First Control Period.

Electricity Ratio

4.7.14 The Electricity Ratio was computed based on electricity consumption for Aeronautical, Non-Aeronautical, and ANS segments. This ratio was used for allocating power charges and R&M (Repair and Maintenance) – Electrical expenses.

Table 36: Electricity Ratio as submitted by AAI and proposed by the Authority at Consultation Stage

Particulars	FY19	FY20	FY21	FY22	FY23
Aero	87.00%	88.00%	86.00%	89.00%	89.00%
Non-Aero	1.00%	1.00%	1.00%	1.00%	1.00%
ANS	12.00%	11.00%	13.00%	10.00%	10.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

4.7.15 The Authority re-computed the Electricity Ratio based on the number of electricity units consumed by each segment. The ratios submitted by AAI were found to be reasonable and thus the Authority proposed to use these ratios for the true-up of the First Control Period.

Hired Vehicle Ratio

- 4.7.16 The Hired Vehicle Ratio was used to allocate the hire charges for cars and jeeps. This ratio was calculated based on the number of hired vehicles used by employees assigned to the Aeronautical, Non-Aeronautical, and ANS segments.
- 4.7.17 However, during FY 2018-19, a vehicle that was used for CNS operations was incorrectly classified as being used for "Aeronautical" purposes. The Authority proposed to reallocate this vehicle to the "ANS" segment and adjust the Vehicle Ratio accordingly, as shown in the table below:

Table 37: Hired Vehicle Ratio as submitted by AAI and proposed by the Authority at Consultation Stage

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23
As allocated by AAI					
Aero	100.00%	87.50%	85.71%	85.71%	85.71%
Non-aero	0.00%	0.00%	0.00%	0.00%	0.00%
ANS	0.00%	12.50%	14.29%	14.29%	14.29%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
As recomputed by the Authority					
Aero	87.50%	87.50%	85.71%	85.71%	85.71%
Non-aero	0.00%	0.00%	0.00%	0.00%	0.00%
ANS	12.50%	12.50%	14.29%	14.29%	14.29%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

b) Assessment, Rationalization & Reallocation of O&M expenses**Payroll Expenses - ₹ 84.72 crores**

- 4.7.18 The Authority observed that the actual total payroll expenses (both other than CHQ/RHQ and CHQ/RHQ) for the First Control Period submitted by AAI for Indore International Airport was ₹ 84.72 crores, as presented in the table below:

Table 38 : Payroll expenses submitted by AAI for True up of the First Control Period*(₹ in crores)*

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Payroll expenses (Other than CHQ/RHQ)	13.53	16.07	15.08	15.14	16.72	76.54
Retirement benefits of employees	4.65	2.62	0.42	0.50	(0.00)	8.18
Total	18.18	18.69	15.50	15.64	16.72	84.72

As explained in para 4.7.6, AAI had requested to shift 3 employees classified as "Other than Airport" in their MYTP submission to "CNS-Airport Systems" (aeronautical segment) on account of erroneous classification.

Accordingly, 3 employees were shifted from "Other than Airport" to "CNS-Airport Systems" and the proportionate expenses were re-classified from ANS to aeronautical segment. Accordingly, the revised payroll expenses for Indore International Airport for the First Control Period was as presented in the table below:



Table 39: Revised Payroll expenses proposed to be considered by the Authority for the First Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Payroll expenses (Other than CHQ/RHQ)	13.53	16.07	15.08	15.14	16.72	76.54
Retirement Benefits of Employees	4.65	2.62	0.42	0.50	(0.00)	8.18
Payroll expenses as per MYTP submission	18.18	18.69	15.50	15.64	16.72	84.72
(Add:) Re-classification from ANS	0.92	1.10	1.00	0.88	0.62	4.51
Revised Payroll Expenses	19.10	19.78	16.50	16.52	17.33	89.23

The revised payroll expenses (₹ 89.23 crores) for Indore International Airport were reasonably in line with the expense approved by the Authority in the First Control Period Tariff Order (₹ 88.00 crores). The Authority, therefore, proposed to consider the actual payroll expenses submitted by AAI from FY 2018-19 to FY 2022-23 for true up of the First Control Period.

Apportionment of Administration & General expenditure of CHQ/RHQ - ₹ 126.75 crores

4.7.19 The Authority reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to Indore International Airport and other airports and noted the following:

- All expenses incurred by CHQ and RHQ (like staff costs, Admin and General expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) were allocated to all the AAI airports, in the ratio of revenues earned by each Airport.
- Expenses such as legal costs, interest/ penalties are related to some specific airports. However, these had been allocated to the common pool and apportioned to all the AAI airports. The Authority was of the view that the above process followed by AAI for allocating the expenses is on the higher side and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports.
- The Authority proposed the following towards allocation of CHQ and RHQ to airport (under Administration and General expenses (CHQ/RHQ):

a) Pay and Allowances of CHQ/RHQ

- AAI had considered payroll expenses of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses are non-aeronautical in nature.
- AAI had excluded payroll expenses of employees involved in ANS and Cargo departments at CHQ and RHQs, while working out the allocation of expenses to the airports. However, no exclusion was done for support services of the departments of HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- Manpower of CHQ and RHQ also provide services to non-aeronautical activities, ATC, and CNS cadres at respective airports. Hence, pay and allowances need to be adjusted accordingly.
- Considering all the facts and figures as stated above, the Authority was of the view that 20% of pay and allowances of CHQ and RHQ is to be excluded towards the following:
 - Support services to ANS, Cargo and Commercial at CHQ, RHQ and Airports.



ii. Employees of the commercial department

A balance of 80% of pay & allowances of CHQ/RHQ are to be allocated to the airports.

b) Administration & General Expenses of CHQ and RHQ

- AAI had incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority was of the view that this expense should be analyzed and distributed to stations on a case-to-case basis. As the above details were not provided by AAI, the same had not been allocated to the stations.
- AAI had paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority was of the view that the stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on the part of the Airport Operator. Hence the Authority proposed to not consider interest/penalties appearing in AAI submission.

4.7.20 The Authority is of the view that the users should pay only for the services availed by them. This view was also consistent with the International Civil Aviation Organization's (ICAO) principle of 'Cost-relatedness'. Based on the above principles, the Authority had rationalized the CHQ/ RHQ expenses being allocated to Indore International Airport.

4.7.21 The Authority also feels that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue is on higher side, as it brings large variation in such expenses Y-o-Y, due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Users of the Major Airports have to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. Further, as the revenue from these airports goes up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect.

The Authority, through past tariff orders had been advising AAI to examine these issues in detail and devise a foolproof method for allocation of CHQ & RHQ expenses on priority.

4.7.22 In this regard, AERA had received a study report from AAI vide letter dated 21st August 2024, on the methodology for allocation of RHQ/ CHQ expenses to AAI airports. The Authority would examine the study report in detail, and based on the outcome of review exercise, appropriate decision would be taken accordingly.

Based on the above, the Authority had derived the revised allocation of Administration & General Expenses (CHQ and RHQ) and the same was as presented in the table below:

Table 40: Re-allocation of CHQ/RHQ – Administration & General expenses proposed by the Authority for the First Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
CHQ/RHQ - Admin & General expenses (as allocated by AAI) (A)	11.39	29.11	27.36	28.73	30.16	126.75
Revised allocation of CHQ/RHQ expenses proposed by the Authority (B)	4.12	12.30	23.02	24.18	25.38	89.01
Variance (A-B)	7.27	16.81	4.34	4.55	4.78	37.74



Administration expenses (Other than CHQ/RHQ) - ₹ 39.36 crores

- 4.7.23 There was a variance of ₹ 20.19 crores between the Administration Expenses approved in the Tariff Order No.45/2018-19 dated 8th March 2019 of the First Control Period of ₹ 19.17 crores and actual expense claimed by AAI of ₹ 39.36 Crores for true up of the First Control Period.

Table 41: Administration & General expenses (other than CHQ/RHQ) submitted by AAI for true up of First Control Period

Particulars	(₹ in Crores)					Total
	FY19	FY20	FY21	FY22	FY23	
Administration & General Expenses (Other than CHQ/RHQ) submitted by AAI for True Up	6.54	7.44	5.01	11.56	8.80	39.36

The Authority noted that the increase in Administration Expenses was due to incurrence of higher upkeep expenses, office expenses, CSR expenses and expenses related to installation of “May I Help You” counters in the terminal building to facilitate and provide information relating to passengers.

- 4.7.24 The Authority noted that AAI had claimed ₹ 4.10 crores towards CSR expenses in the True up of the First Control Period.

The Authority took cognizance of the statutory provisions of the Companies Act, 2013 towards allowance of CSR expenses and the extract of the same had been provided as follows:

‘Section 135 (1) of Companies Act, 2013 states that ‘Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one shall be an independent director.’ Further section 135(5) states that ‘The Board of every company referred in section 135(1), shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility’.

In this regard, the Authority was of the view that as the CSR is a mandatory Social Responsibility of the Companies (covered under Section 135(1) of Companies Act). As the CSR expenditure is to be incurred by Companies out of their net profits, it is to be regarded as an essential element of the appropriation of Net Profits and not as a part of their Operating Expenditure. Therefore, CSR expenses could not be construed as a pass-through expenditure of the companies. Otherwise, it would defeat the very purpose of the social responsibility entrusted on the companies.

Section 37(1) of the Income Tax Act also disallows CSR expenses, as these are not considered expenses incurred wholly and exclusively for the purpose of business of the entity.

In view of the above, henceforth, the Authority would not consider CSR expenses under the O&M Expenditure.

- 4.7.25 AAI had apportioned Telephone charges, Printing & stationery and other expenses based on Employee ratio. The Authority proposed to allocate these expenses on the same ratios as enumerated in Table 14. The Authority also proposed not to consider ₹ 7.47 crores of Bad debts written off during FY 2021-22, which was included under Office Expenses as part of Administration & General expenses.



The Authority observed that AAI had accounted for ₹ 1.50 crores during FY 2019-20 and ₹ 0.16 crores during FY 2020-21 pertaining to purchase of land as "Other Sundry expenses" as part of Office expenses, which was found to be erroneous and hence, the Authority proposed not to consider the same towards O&M expenses.

The Authority also proposed to apportion Municipal taxes based on Gross Block Ratio, Printing & Stationery, travelling expenses, Telephone charges & Office expenses based on Employee ratio instead of considering such expenses as 100% aeronautical as submitted by AAI, consistent with other airports.

On the basis of above-mentioned considerations, the Admin. & General expenses computed by the Authority at consultation stage is as follows:

Table 42: Admin. & General expenses (other than CHQ/RHQ) computed by the Authority after rationalization of expenses at Consultation Stage

Particulars	Ref	Amount	Remarks
Admin. & General expenses (other than CHQ/RHQ) submitted by AAI	Table 41	39.36	
Less:			
(-) Non-Consideration of CSR expenses		4.10	On account of losses during the First Control Period
(-) Non-consideration of Bad debts written off		7.47	Users not to be burdened with costs of bad debts written off
(-) Cost of land purchases		1.66	Erroneous accounting cost of purchase land in "Other Sundry Expenses"
(-) Variance due to changes in allocation ratios		2.56	Due to the change in ratios used for allocation of certain expenses and re-computation of certain ratios
Admin. & General expenses after rationalization as per the Authority	Table 44	23.56	

Interest on Finance Lease

4.7.26 The Authority noted that Interest on Finance Lease in respect of X-Ray Baggage Inspection System (X-BIS) is another component of Admin. & Gen. Expenses which is discussed below:

The Authority noted that the interest on finance lease of ₹ 0.15 crores had been recorded by AAI in FY 2019-20 to FY 2022-23 as part of Administration & General expenses. It was noted that AAI made adjustments to its treatment of lease expense due to the requirements of the provisions of the accounting standard. In FY 2017-18, AAI entered into a contract to operate X-ray Baggage Inspection Systems (XBIS) on a Build-Operate-Transfer (BOT) model basis. Under this contract, AAI leased the XBIS system for a period of 6 years at an annual lease payment of ₹ 0.21 crores.

Initially, AAI accounted for this lease as an operating lease and accounted for it under the head of Repair & Maintenance (R&M) – Electrical expenses until FY 2018-19. However, in FY 2019-20, due to the change in accounting standards, AAI changed the lease classification from operating lease to "Finance lease." As a result of this change in accounting treatment, AAI had made the following changes in the MYTP:

- Addition to Regulated Asset Base (RAB): Assets amounting to ₹ 0.83 crores were added to the RAB as of 1st April 2019, considering its useful life as 15 years.



- Depreciation: AAI charged depreciation of ₹ 0.09 crores per year from FY 2019-20 onwards on the capitalized asset.
- Interest on the finance lease was recognized as Admin & General expense from FY 2019-20 with corresponding adjustments entries for previous years i.e., FY 2017-18 and FY 2018-19.
- Liability Recognition: A liability of ₹ 0.58 crores was recognized in FY 2019-20 to account for the finance lease obligation.

4.7.27 Based on the above data, it was observed that the accounting did not reflect the lease commitment of ₹ 0.21 crores payable annually to the vendor every year. Therefore, it was proposed to consider the value of lease payment as part of the O&M expenses by adjusting the following:

- Recategorizing the amount of ₹ 0.23 crores shown under R&M head to A&G expense head.
- In RAB, excluding the amount of ₹ 0.83 crores considered as an addition in FY 2019-20 along with the depreciation.
- Removing the liability so recognized from the books (which does not have an impact on ARR)
- Excluding Interest on Finance lease and recognizing Lease rent of ₹ 0.21 crores per annum.

After incorporating the above adjustment, the lease expense under A&G expense was as follows:

Table 43: Lease expense adjustment as per the Authority for the First Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
R&M BOT XBIS Lease as per AAI Submission (A)	0.21	0.01	-	-	-	0.23
Operational Lease payment to be adjusted (B)	-	0.20	0.21	0.21	0.21	0.84
Lease expenditure as per the Authority (A +B)	0.21	0.21	0.21	0.21	0.21	1.07

The revised Administration & General expenses after carrying out the above-mentioned adjustments proposed by the Authority for True up of First Control Period was as per table below:

Table 44: Administration & General expenses (Other than CHQ/RHQ) proposed by the Authority for True up of First Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Administration & General expenses after change in allocations and other adjustments (Table 42)	3.44	4.64	3.81	3.96	7.71	23.56
Less: Interest on finance lease (accounted by AAI)	-	(0.05)	(0.04)	(0.03)	(0.02)	(0.15)
Add: Lease expenses recomputed by the Authority (Table 43)	0.21	0.21	0.21	0.21	0.21	1.07
Administration & General expenses (Other than CHQ/RHQ) proposed by the Authority for True up	3.65	4.80	3.98	4.15	7.90	24.48

Repairs and Maintenance (R&M) - ₹ 40.90 crores

4.7.28 The Authority noted that the actual R&M cost for the First Control Period was ₹ 40.90 crores and the same was within the amount of ₹ 43.87 crores approved by the Authority in the Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period.



The Authority observed that R&M expenses comprise of special repairs for Operational Boundary Wall & Runway Apron Boundary, various Annual Maintenance Contracts (AMCs) pertaining to DG sets, Air conditioners, UPS, PBB, drinking fountain, etc., for electrical maintenance. The Authority reviewed these expenses and proposed to consider the same.

The Authority also noted that AAI had apportioned R&M – Equipment & Furniture expenses pertaining to Computers, IT Hardware and Communication equipment based on Employee Ratio for apportionment into Aeronautical, Non-Aeronautical and ANS segments.

As explained in para 4.7.26, the lease interest expenses on XBIS BOT had been recomputed by the Authority to reflect the actual yearly lease expenses as part of the administration & general expenses (Comprising of rent, rates & taxes, insurance, advertising expenses etc.). Accordingly, the lease expenses accounted under R&M for FY 2018-19 and FY 2019-20 had been reduced from R&M expenses for the purposes of true up of First Control Period.

AAI had allocated common R&M expenses on the basis of TBLR, SQTR and Electricity ratio, as appropriate. The Authority, after using revised ratios computed by it, proposed to consider R&M expenses of ₹ 40.57 crores for true-up of the First Control Period. The reason for the variance was due to Terminal Building Ratio recomputed by the Authority is explained in para 4.7.8.

Table 45: R&M expenses proposed by the Authority for True up of First Control Period at Consultation Stage

₹ in Crores)						
Particulars	FY19	FY20	FY21	FY22	FY23	Total
R&M expenses after change in allocations and other changes	8.13	6.12	8.04	6.69	11.83	40.80
Less: XBIS BOT lease	(0.21)	(0.02)	-	-	-	(0.23)
Revised R&M expenses	7.92	6.11	8.04	6.69	11.83	40.57

Utilities & Outsourcing Expenses - ₹ 22.06 crores

4.7.29 Utilities & Outsourcing Expenses consisted of Power charges, Water charges, Consumption of stores & spares and Hiring charges for manpower. AAI had submitted a total of ₹ 22.06 crores during the First Control Period as compared to ₹ 17.80 crores approved in the tariff order No. 45/2018-19 dated 8th March 2019 for the First Control Period.

The Utilities & Outsourcing Expenses submitted by AAI was as summarized in the table below:

Table 46: Utilities & Outsourcing expenses submitted by AAI for true-up of First Control Period

(₹ in Crores)						
Particulars	FY19	FY20	FY21	FY22	FY23	Total
Utilities & Outsourcing Expenses submitted by AAI for True Up	3.83	3.73	4.28	4.44	5.77	22.06

I. Power Charges

4.7.30 The Authority noted that AAI had incurred Actual Power Charges of ₹ 16.61 crores during First Control Period out of which ₹ 3.74 crores had been recovered from concessionaires, and the Net Power Charges of ₹ 12.91 crores had been claimed by AAI for true up of the First Control Period. The total power cost



incurred, recoveries made from concessionaires and the net power cost were as summarized in the table below:

Table 47: Details of power costs incurred and recoveries made from Concessionaires for the First Control Period

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Total Power Costs	3.89	3.46	2.51	2.73	4.02	16.61
(-) Recoveries from Concessionaires	(0.82)	(1.21)	(0.57)	(0.52)	(0.62)	(3.73)
Net Power Costs	3.07	2.25	1.95	2.21	3.40	12.88
Recoveries %	21%	35%	23%	19%	15%	

The Authority found the net power costs submitted by AAI for true up to be reasonable and proposed to consider the same for the true-up of First Control Period.

II. Water Charges

- 4.7.31 The Authority noted that AAI had incurred Water charges of ₹ 0.60 crores during the First Control Period. The Authority found the same to be reasonable and proposed to consider the same for true up of the First Control Period.

III. Consumption of Stores & Spares

- 4.7.32 AAI had submitted actual expenses amounting to ₹ 1.42 crores for the consumption of Stores & Spares which include fuel expenses and other consumables. Expenses towards consumption of stores and spares had not been separately approved in the Tariff Order for the First Control Period. The Authority noted the actual expenses towards consumption of Stores and spares to be reasonable and therefore proposed to consider the same for true -up of the First Control Period.

IV. Hiring Charges - Manpower

- 4.7.33 AAI had submitted actual expenses amounting to ₹ 7.16 crores towards hiring of outsourced manpower for the True-up of First Control Period. As per the discussion with AAI, it was noted that this cost includes hiring charges pertaining to drivers for vehicles, manpower for electrical installation etc. for running the operations at the airport seamlessly. Based on the above, the Authority considered the expenses incurred by AAI to be reasonable and therefore proposed to consider the same for the purpose of true up.

Table 48: Utilities & Outsourcing expenses proposed by the Authority for True up of First Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Power Charges	3.07	2.25	1.95	2.21	3.40	12.88
Water Charges	-	0.15	0.19	0.11	0.15	0.60
Consumption of Stores & Spares	0.20	0.28	0.32	0.22	0.40	1.42
Hiring Charges – Manpower	0.56	1.05	1.83	1.90	1.83	7.16
Total	3.83	3.73	4.28	4.44	5.78	22.06

Other Outflows - ₹ 1.90 crores

- 4.7.34 Other outflows which include collections charges on PSF and UDF submitted by AAI for true up of Indore International Airport amounting to ₹ 1.90 crores was within the limits approved by the Authority in Order



for the First Control Period ₹ 2.32 crores. AAI had considered these outflows as 100% aeronautical, which the Authority found reasonable and proposed to consider the same for true up of the First Control Period. Based on the above review and analysis, the revised O&M expenses proposed to be considered by the Authority for the First Control Period was as provided in the table below:

Table 49: O&M expenses as proposed by the Authority for True up of the First Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Payroll Costs - Other than CHQ/RHQ	14.45	17.06	16.07	16.00	17.32	80.89
Payroll Costs - CHQ/RHQ	4.65	2.72	0.43	0.52	0.01	8.34
Total Payroll Costs (A)	19.10	19.78	16.50	16.52	17.33	89.23
Admin. & General Expenses - Other than CHQ/RHQ	3.65	4.80	3.98	4.15	7.90	24.48
Admin. & General Expenses - CHQ/RHQ	4.12	12.30	23.02	24.18	25.38	89.01
Total Admin. & General Expenses (B)	7.78	17.10	27.01	28.32	33.28	113.49
Repairs & Maintenance (C)	7.92	6.11	8.04	6.69	11.83	40.57
Utilities & Outsourcing (D)	3.83	3.73	4.28	4.44	5.78	22.06
Other Outflows (E)	0.26	0.59	0.08	0.34	0.63	1.90
Total (A+B+C+D+E)	38.88	47.31	55.91	56.30	68.85	267.25

4.7.35 Reasons for variance in O&M expenses as submitted by AAI of ₹ 315.68 crores and as proposed by the Authority ₹ 267.25 crores for true up of the First Control Period was as follows:

- Administration & General Expenses (CHQ/RHQ) – Rationalization by ₹ 37.74 crores due to rationalization of expenses on account of CHQ/RHQ cost allocation, legal & arbitration expenses and fines/penalties, consistent with proposals at other similar airports.
- Administration & General Expenses (Other than CHQ/RHQ) – Rationalization of costs to the tune of ₹ 14.88 crores due disallowance of CSR expenses, re-computation of EHCR, considering TBLR as 92%:8% and usage of GBR for certain expense heads.
- Payroll Expenses (Other than CHQ/RHQ) & Payroll Expenses (CHQ/RHQ) – Increase in cost by ₹ 4.51 crores & ₹ 0.15 crores on account of re-classification of 3 employees from ANS to aeronautical segment and their related payroll costs.
- Repairs & Maintenance Expenses - Rationalization of expenses to the extent of ₹ 0.33 crores due to the consideration of various ratios that had been recomputed.

Stakeholders' comments regarding true-up of Operation and Maintenance (O&M) expenses for the First Control period

4.7.36 AAI's comment on Apportionment of Administration & General expenditure of CHQ/RHQ is as follows:

"AERA has reduced the allocation of CHQ/RHQ Administration and General Expenses to the tune of 29.78% for 1st control period (FY 2018-19 to FY 2022-23). It is worthwhile to mention here that AAI has already consider 5% reduction while allocating the CHQ/RHQ expenditure and reducing further by 29.78% by AERA for the first control period is on the higher side. AAI has engaged the Institute of Cost Accountants (ICMA) (on direction of AERA) to study the methodology CHQ/RHQ allocations. The report has already been submitted to AERA.



<i>Apportionment of Admin & General expenses of CHQ/RHQ in 1st Control Period</i>						
<i>Year</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>Total</i>
<i>AAI (Table 22) [A]</i>	<i>11.39</i>	<i>29.11</i>	<i>27.36</i>	<i>28.73</i>	<i>30.16</i>	<i>126.75</i>
<i>AERA (Table 34)</i>	<i>4.12</i>	<i>12.3</i>	<i>23.02</i>	<i>24.18</i>	<i>25.38</i>	<i>89.01</i>
<i>Difference</i>	<i>7.27</i>	<i>16.81</i>	<i>4.34</i>	<i>4.55</i>	<i>4.78</i>	<i>37.74</i>
<i>%</i>	<i>63.83%</i>	<i>57.75%</i>	<i>15.86%</i>	<i>15.84%</i>	<i>15.85%</i>	<i>29.78%</i>

AERA is requested to relook into the allocation of CHQ/RHQ expenses.

4.7.37 AAI's comment on Municipal taxes is as follows:

"At present, there is no clarity about Gross Block Ratio with respect to calculation of Municipal Taxes. AAI is not in position to offer comment on the same."

4.7.38 AAI's comment on Interest and Finance lease is as follows:

"AAI placed order for supply, commissioning, testing, installation and comprehensive maintenance of XBIS on BOT for 6 years at various airports in India.

AAI treated contracts as operating lease and accounting treatment was done accordingly in the books of AAI.

CAG on while conducting audit of the annual accounts of AAI for FY17-18, observed that assets procured under the above contract of XBIS should have been classified as finance lease under AS-19 and accordingly remarked that profit for FY17-18 is overstated by the difference of depreciation and R&M as depreciation is understated.

Further, management of AAI assured to CAG that fact of the case will be referred to Expert Advisory committee of ICAI to decide its appropriate accounting treatment either as operating lease or finance lease.

As per the opinion of Expert Advisory committee of ICAI the leases of XBIS machineries was required to be classified as finance lease and accounting for the same needs to be done as per the same.

Expert Advisory committee of ICAI after going through relevant provisions of AS-19 and different clauses of contract with the parties opined that the arrangement with the two supplier companies for XBIS machines in the extant case would, in substance, satisfy the tests laid down in paragraphs 8 and 9 of AS 19 and hence would need to classify as Finance Lease.

AAI has considered both capital model and BOT (lease model) for the purpose of consideration of procurement of machineries. The management has compared the cash outflow under capital model and BOT model and concluded that PV of cash outflow under BOT is less than PV of cash outflow under capital model. Accordingly, PV of minimum lease payments was computed for the recognition of leased assets and liability under finance lease obligation in the books of AAI.

AERA is requested to consider the XBIS machines on Finance lease as per the CAG observation as well as and opinion of Expert Advisory committee of ICAI."

4.7.39 IATA's comment on allocation of CHQ/RHQ expenses is as follows:

"We appreciate AERA for excluding unjustifiable costs from RAB that were proposed by the airport operator, such as cost related to CSR, legal, as well as costs incurred due to penalties.

IATA supports the proposal to review CHQ/RHQ costs allocation methodology and would request AERA to subject the proposed approach to consultation. The consultation can either be to review the proposal by AAI or to provide feedback on AERA's preliminary view of the proposal by AAI."

AAI's response to Stakeholders' comments regarding true-up of Operation and Maintenance (O&M) expenses for the First Control Period

4.7.40 No counter comments were received from AAI in response to IATA's comments regarding allocation of CHQ/RHQ expenses for the First Control Period.

Authority's analysis on Stakeholder' comments regarding true-up of Operation and Maintenance (O&M) for the First Control period

4.7.41 The Authority notes the comment of AAI on CHQ/RHQ Administration and General expenses for the true-up of the First Control Period.

- i. The Authority has reviewed AAI's existing methodology for allocation of CHQ/RHQ expenses to airports and separately computed the CHQ/RHQ expenses which includes the following adjustments:
 - Payroll Expenses reduced by 20% pertaining to common employees cost which has been followed in other AAI airports (Explained in detail in Para 4.7.19 (iii) of this Tariff Order).
 - Legal and Arbitration expenses has been reduced as the same has to be allocated to specific airports pertaining to which cost has been incurred (Explained in detail in Para 4.7.19 (iii) of this Tariff Order)
 - Expenses of Mumbai Coordination Cell, RHQ -Western Region: The portion of the cost pertaining to Mumbai Coordination Cell, RHQ-Western Region for FY 2018-19 & FY 2019-20 was excluded, while computing allocation of expenses of RHQ- Western Region to Indore Airport in the Consultation Paper. This exclusion was based on the understanding that the employee costs of Mumbai Coordination Cell (RHQ-Western Region) were being reimbursed by the MIAL under the Operation, Maintenance, and Development Agreement (OMDA).

The exclusion of expenses pertaining to Mumbai Coordination Cell of RHQ-Western Region is a major reason for variance between the CHQ/RHQ expenses allocated to Indore airport as per AAI and as per the Authority.

The Authority, considering the AAI's submission to review the allocation of CHQ/RHQ expenses to Indore airport proposed by the AERA in the Consultation Paper, sought details of Retirement Compensation received by AAI (in respect of Mumbai Coordination Cell, RHQ-WR) from MIAL during the First Control Period and accounting treatment of the same given by AAI in books of accounts.

AAI vide email dated 22nd October 2024 & 1st November 2024 clarified that:

- An amount of ₹ 17.88 Crores (for FY 2018-19) & ₹ 1.47 Crores (for FY 2019-20) was received from MIAL as Retirement Compensation in respect of Employees of Mumbai Coordination Cell from MIAL. The last instalment of Retirement Compensation from MIAL was received by AAI in April, 2019.

- Retirement Compensation payable by MIAL (as per OMDA) & as agreed by AAI was received during a period of ten years, which ended on April, 2019. The amount received from MIAL as retirement compensation has been adjusted against the employees' payroll cost (Coordination Cell, WR Headquarters). The remaining cost of employees of Coordination Cell (after adjustment of retirement compensation) is allocatable to airports as part of RHQ-WR Expenses, including Indore International Airport.

The Authority, based on the clarification furnished by AAI and taking into consideration the adjustment done by AAI in the employees costs of Mumbai Coordination Cell (RHQ-WR) by reducing the retirement compensation received from MIAL and allocating the remaining costs (as part of RHQ Costs) to airports including Indore airport, decides to consider revised allocation of CHQ/RHQ Costs to Indore Airport as per Table 50 for the true up of O&M Expenses for the First Control Period.

- ii. AERA has also received a study report from AAI regarding review of its existing methodology for allocation of CHQ/RHQs Expenses to AAI airports. The Authority has reviewed the study report submitted by AAI. The Study report summarizes the observations on the existing process and provides recommendations for refining the present methodology to be followed by AAI for allocation of CHQ/RHQ expenses to all airports, which includes the following:
 - i. Adoption of Weighted Average which includes quantitative factors that drive revenue such as ATM and PAX, cost of employees working at the respective airports, as against the existing process of allocating CHQ/RHQ expenses on the basis of revenue achieved by the airports.
 - ii. Identifying and booking of Legal expenses relating to respective profit centers i.e. AAI Airports, JVCs, PPP etc.
 - iii. Create separate cost Centre/segment for booking of expenses and revenue related to non-aeronautical assets.
 - iv. Penalties and Interest on delays should be excluded from the allocable CHQ/RHQ expenses.

However, AAI has not provided any detailed workings (component wise) to substantiate the allocable expenses of CHQ/ RHQ derived for FY 2021-22 based on the above study report. Therefore, the Authority is unable to draw any conclusion/ outcome regarding the computation of CHQ/ RHQ expenses that have been allocated to the AAI Airports, including Indore airport. Hence, the Authority has relied and adopted the existing methodology of computing CHQ/ RHQ expenses as being uniformly applied across all AAI airports, for determining the Administration and General CHQ/ RHQ expenses allocable to Indore International Airport.

Table 50: Re-allocation of CHQ/RHQ – Administration & General expenses decided by the Authority for the First Control Period

(₹ in Crores)

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
CHQ/RHQ - Admin & General expenses (as allocated by AAI) (A)	11.39	29.11	27.36	28.73	30.16	126.75
Revised allocation of CHQ/RHQ expenses decided by the Authority (B)	8.69	24.07	23.02	24.18	25.38	105.34
Variance (A-B)	2.70	5.04	4.34	4.55	4.78	21.41



- 4.7.42 The Authority notes the comment of AAI requesting for clarity on Gross block ratio applied to Municipal Taxes. In this regard it is informed that each asset is examined for its nature (Aero/ Non-Aero/ Common Asset) depending on its location/ usage etc. Further common assets are segregated into aero and non-aero, considering appropriate ratios (EHCR, TBLR, Staff quarter, Vehicle etc.).

The ratio is derived by dividing the closing aeronautical gross block of assets by the total closing gross block of assets for each specific year. The Authority has calculated the Gross Block Ratio following the same methodology applied at other airports. For Indore International Airport, revised Gross Block Ratio used for the true-up of the First Control Period is as follows:

Table 51: GBR Allocation % re-computed by the Authority

Particulars	FY19	FY20	FY21	FY22	FY23
Aero	94.45%	94.32%	94.59%	95.35%	94.88%
Non-aero	2.64%	2.87%	2.73%	2.35%	2.33%
Others*	2.91%	2.81%	2.68%	2.30%	2.78%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

*Includes both ANS and Cargo Assets

- 4.7.43 The Authority notes AAI's comments regarding the classification of X-BIS as a Finance lease and considering the same as a part of RAB. The Authority has reviewed the comments of AAI, including the observation of Comptroller and Auditor General of India (CAG) during the audit of accounts of AAI for FY 2017-18 wherein CAG commented that the contract of X-BIS should have been classified by AAI as Finance lease as per AS-19. Expert Advisory Committee (EAC) of ICAI on the accounting treatment for X-BIS opined that the arrangement with the supplier company of X-BIS and AAI shall be classified as Finance lease. Considering the above, the Authority decides to consider the XBIS lease as Finance lease instead of Operating lease.

Accordingly, X-BIS has been included under Finance Lease and considered it as part of Regulatory Asset Base (RAB) for FY 2019-20, with depreciation being calculated in line with Order No. 35/2017-18 dated January 12, 2018. However, the interest on the lease liability period has not been considered separately, as it has already been factored in as part of the Return on RAB. AAI cannot claim this expenditure both as an asset and as part of operating and maintenance expenses.

- 4.7.44 The Authority notes IATA's comment on review of allocation of CHQ/RHQ expenses.

It is to be noted that AERA has received a study report from AAI vide its letter dated 21st August 2024, on the methodology for allocation of RHQ/ CHQ Expenses to airports. As indicated in Para 4.7.41 (ii) of this Tariff Order, AAI's MYTP submission as well as its comments on CHQ/RHQ cost allocation lack workings/calculations substantiating the numbers in the report and data for other years to arrive at the revised CHQ/ RHQ allocation as per proposed methodology. In view of the same, the Authority is unable to draw any conclusion on the recommendations of the study report. The Authority will examine the study report in detail as stated in para 4.7.22 and appropriately decide the matter in due course.

For the purpose of this tariff order, the Authority decides to consider the current basis of allocation as per the Consultation Paper and upon review if any adjustment needs to be done, it will be tried up during tariff determination of the next control period.

- 4.7.45 The Authority also observed that interest on term loan amounting to ₹ 2.04 Crores was included as part of Admin and General Expenses for the First Control Period. However, since the same has been considered as



part of FRoR computations and in order to ensure that there is no duplication, the Authority decides to exclude the same for the true up of O&M Expenses for the First Control Period. The revised O&M Expenses after exclusion of such interest on term loan and considering other expenses as explained above are as follows:

Table 52: O&M expenses decided by the Authority for True up of the First Control Period

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total (A)	CP Stage (B)	Diff (C=A-B)
Payroll Costs - Other than CHQ/RHQ	14.45	17.06	16.07	16.00	17.32	80.89	80.89	-
Payroll Costs - CHQ/RHQ	4.65	2.72	0.43	0.52	0.01	8.34	8.34	-
Total Payroll Costs (A)	19.10	19.78	16.50	16.52	17.33	89.23	89.23	-
Admin. & General Expenses - Other than CHQ/RHQ	3.44	4.59	3.74	3.41	6.19	21.37	24.48	-3.11
Admin. & General Expenses - CHQ/RHQ (Table 50)	8.69	24.07	23.02	24.18	25.38	105.34	89.01	16.34
Total Admin. & General Expenses (B)	12.13	28.66	26.76	27.59	31.58	126.72	113.49	13.23
Repairs & Maintenance (C)	8.13	6.12	8.04	6.69	11.83	40.80	40.57	0.23
Utilities & Outsourcing (D)	3.83	3.73	4.28	4.44	5.78	22.06	22.06	-
Other Outflows (E)	0.26	0.59	0.08	0.34	0.63	1.90	1.90	-
Total (F=A+B+C+D+E)	43.45	58.88	55.67	55.57	67.14	280.71	267.25	13.46

4.7.46 Reasons for variance in O&M expenses as decided of ₹ 280.71 crores and as proposed by the Authority ₹ 267.25 crores at CP stage (Table 49) for true up of the First Control Period is as follows:

- Administration & General Expenses (CHQ/RHQ) – increased by ₹ 16.34 crores due to revision in CHQ/RHQ cost allocation, after considering employee cost of Mumbai Coordination cell as part of RHQ expenses.
- Administration & General Expenses (Other than CHQ/RHQ) – Rationalization of costs to the tune of ₹ 3.11 crores due disallowance of interest on term loan.
- Consideration of XBIS lease as finance lease instead of operating lease based on CAG observation and EAC (ICAI) opinion.

4.8 True up of Non-Aeronautical Revenue

4.8.1 The Authority noted that the actual Non-Aeronautical Revenue submitted by AAI for Indore International Airport for true-up of the First Control Period is ₹ 79.88 Crores and the same had been presented in the table below:

Table 53: Actual Non-aeronautical Revenue for the First Control Period submitted by AAI for Indore International Airport

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Trading Concessions: A	11.69	17.56	4.02	5.46	15.39	54.11
Restaurant / Snack Bars	5.79	6.97	1.48	0.84	7.09	22.17
T.R. Stall	3.23	5.08	1.36	2.41	2.65	14.72



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Particulars	FY19	FY20	FY21	FY22	FY23	Total
Hoarding & Display	2.67	5.52	1.18	2.21	5.65	17.22
Rent & Services: B	2.86	3.89	2.04	2.89	2.54	14.21
Land Leases	0.63	0.39	0.86	0.94	0.98	3.80
Building (Residential)	0.02	0.02	0.02	0.03	0.03	0.12
Building (Non-Residential)	2.22	3.48	1.16	1.91	1.53	10.30
Miscellaneous: C	4.71	1.60	1.62	1.31	2.30	11.55
Car Rentals	0.60	0.69	0.16	0.18	0.26	1.90
Car Parking	1.67	0.61	0.11	0.20	0.56	3.14
Admission Tickets	0.26	0.33	0.17	0.17	0.18	1.12
Other Income/ Sale of Scrap etc.	2.18	-0.04	1.19	0.76	1.30	5.39
Total (A+B+C)	19.26	23.05	7.68	9.65	20.23	79.88

- 4.8.2 The Non-Aeronautical Revenue approved by the Authority in the Tariff Order No - 45/2018-19 dated 8th March 2019 for the First Control Period was ₹ 133.68 Crores. The details of Non-Aeronautical Revenue approved by the Authority in the Tariff Order for the First Control Period are as follows:

Table 54: Non-Aeronautical revenue as per Tariff Order for the First Control Period

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Trading Concessions: A	16.19	18.16	19.97	21.96	24.16	100.44
Restaurant / Snack Bars	6.20	6.82	7.50	8.25	9.08	37.85
T.R. Stall	3.59	4.30	4.73	5.20	5.72	23.54
Hoarding & Display	6.40	7.04	7.74	8.51	9.36	39.05
Rent & Services: B	2.10	2.24	2.38	2.54	2.78	12.04
Land Leases	0.75	0.75	0.75	0.75	0.81	3.81
Building (Residential)	0.02	0.02	0.02	0.02	0.02	0.10
Building (Non-Residential)	1.33	1.47	1.61	1.77	1.95	8.13
Miscellaneous: C	3.52	3.85	4.20	4.60	5.03	21.20
Car Rentals	0.61	0.67	0.74	0.81	0.89	3.72
Car Parking	2.18	2.40	2.63	2.90	3.19	13.30
Admission Tickets	0.26	0.28	0.31	0.34	0.38	1.57
Other Income/ Sale of Scrap etc.	0.47	0.50	0.52	0.55	0.57	2.61
Total (A+B+C)	21.81	24.25	26.55	29.10	31.97	133.68

Authority's examination and proposal regarding the true-up of Non-Aeronautical Revenues of the First Control Period at Consultation Stage:

- 4.8.3 The Non-Aeronautical Revenue approved by the Authority in the Tariff Order for the First Control Period was ₹ 133.68 crores. The actual Non-Aeronautical Revenue amounting to ₹ 79.88 crores submitted by AAI for Indore International Airport for the First Control Period was lower than that approved by AERA in the tariff order for the First Control Period.
- 4.8.4 The Authority examined variances between projected and actual revenue from restaurants and snack bar, T.R stalls, hoardings and displays, car parking, admission tickets and observed that the same was on account of a decline in passenger traffic due to the adverse effects of the COVID-19 pandemic which led to a decline in both domestic and international passengers. For FY 2020-21 and FY 2021-22 such decline was ~71% and ~67% respectively between the actual non-aeronautical revenues and non-aeronautical revenues approved in the tariff order for the First Control Period.



- 4.8.5 The Authority, in line with its decision taken in other Airports, proposed to consider the license fee/space rentals from airlines and other aeronautical concessionaries (GHA service provider) as aeronautical revenue and exclude the same from non-aeronautical revenue amounting to ₹ 4.45 crores for the First Control Period (currently classified in Building (Non-Residential) and Land leases).

Based on the above analysis, the Authority proposed to consider the actual Non-Aeronautical Revenue as presented in table below for the purpose of true-up of the First Control Period.

Table 55: Non-Aeronautical Revenue proposed by the Authority for the First Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Trading Concessions: A	11.69	17.56	4.02	5.46	15.39	54.11
Restaurant / Snack Bars	5.79	6.97	1.48	0.84	7.09	22.17
T.R. Stall	3.23	5.08	1.36	2.41	2.65	14.72
Hoarding & Display	2.67	5.52	1.18	2.21	5.65	17.22
Rent & Services: B	2.86	3.89	2.04	2.89	2.54	14.21
Land Leases	0.63	0.39	0.86	0.94	0.98	3.80
Building (Residential)	0.02	0.02	0.02	0.03	0.03	0.12
Building (Non-Residential)	2.22	3.48	1.16	1.91	1.53	10.30
Miscellaneous: C	4.71	1.60	1.62	1.31	2.30	11.55
Car Rentals	0.60	0.69	0.16	0.18	0.26	1.90
Car Parking	1.67	0.61	0.11	0.20	0.56	3.14
Admission Tickets	0.26	0.33	0.17	0.17	0.18	1.12
Other Income/ Sale of Scrap etc.	2.18	-0.04	1.19	0.76	1.30	5.39
Total (D=A+B+C)	19.26	23.05	7.68	9.65	20.23	79.88
Less: Revenue from Space Rentals – Airlines (E)	0.81	0.53	0.93	1.05	0.75	4.08
Less: Revenue from Land Lease Rentals - Ramp Airlines (F)	-	-	-	0.09	0.28	0.37
Total (G=D-E-F)	18.45	22.52	6.75	8.51	19.20	75.43

- 4.8.6 Based on the above analysis, the Authority proposed to consider the Non-Aeronautical Revenues as per Table 55 after adjustments detailed below:

- i. Recategorizing the license fee- Ramp/space rentals from airlines amounting to ₹ 4.45 crores under Aeronautical Revenues.

Stakeholders' comments regarding true-up of Non-Aeronautical Revenue for the First Control period

- 4.8.7 No comments have been received from stakeholders on Non-Aeronautical Revenue for the First Control Period.

Authority's analysis on Stakeholder' comments regarding true-up of Non-Aeronautical Revenue for the First Control period

- 4.8.8 The Authority notes that no comments were received from the Stakeholders regarding true-up of Non-Aeronautical Revenue for the First Control Period.

4.8.9 The Authority notes from the scrutiny of documents that the nomenclature “Land Leases” in Table 55 indicates Hangar Land rent collected by AAI. The Authority upon enquiry noted that the Hangar in Indore International Airport is located in the airside and used for aeronautical activities (aircraft parking/MRO activities etc.). Accordingly, the Authority decides to consider Hangar Land Rent amounting to ₹ 0.58 Crores as Aeronautical Revenue for the true up of First Control Period. Accordingly, the Non-aeronautical revenue decided for true up of the First Control Period is given in the table below:

Table 56: Non-Aeronautical Revenue decided by the Authority for the First Control Period

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Trading Concessions: A	11.69	17.56	4.02	5.46	15.39	54.11
Restaurant / Snack Bars	5.79	6.97	1.48	0.84	7.09	22.17
T.R. Stall	3.23	5.08	1.36	2.41	2.65	14.72
Hoarding & Display	2.67	5.52	1.18	2.21	5.65	17.22
Rent & Services: B	2.86	3.89	2.04	2.89	2.54	14.21
Land Leases	0.63	0.39	0.86	0.94	0.98	3.80
Building (Residential)	0.02	0.02	0.02	0.03	0.03	0.12
Building (Non-Residential)	2.22	3.48	1.16	1.91	1.53	10.30
Miscellaneous: C	4.71	1.60	1.62	1.31	2.30	11.55
Car Rentals	0.60	0.69	0.16	0.18	0.26	1.90
Car Parking	1.67	0.61	0.11	0.20	0.56	3.14
Admission Tickets	0.26	0.33	0.17	0.17	0.18	1.12
Other Income/ Sale of Scrap Etc	2.18	-0.04	1.19	0.76	1.30	5.39
Total (D=A+B+C)	19.26	23.05	7.68	9.65	20.23	79.88
Less: Lease Rent Airlines/GHA (E)	0.81	0.53	0.93	1.05	0.75	4.08
Less: Space Rentals from Airlines (F)	-	-	-	0.09	0.28	0.37
Less: Hangar Land Rent (G)	0.02	0.36	0.09	0.09	0.02	0.58
Total (H=D-E-F-G)	18.43	22.15	6.66	8.42	19.19	74.85
NAR at CP Stage (I) (Refer Table 55)	18.45	22.52	6.75	8.51	19.2	75.43
Difference (J=H-I)	-0.02	-0.37	-0.09	-0.09	-0.01	-0.58

4.9 True up of Aeronautical Revenue

4.9.1 AAI had submitted Aeronautical Revenue for the First Control Period as follows:

Table 57: Aeronautical Revenue for the First Control Period submitted by AAI for Indore International Airport

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Landing Charges (A)	15.99	19.44	7.83	12.67	20.25	76.19
Landing Charges - Domestic	15.99	19.17	7.82	12.60	20.11	75.69
Landing Charges - International	0.00	0.27	0.02	0.07	0.14	0.50
PSF & UDF Charges (B)	11.93	42.38	12.56	23.81	40.58	131.27
PSF – Domestic	11.93	0.19	-	-	-	12.12



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Particulars	FY19	FY20	FY21	FY22	FY23	Total
PSF – International	-	-	-	-	-	-
UDF – Domestic	-	41.80	12.56	23.70	40.36	118.43
UDF – International	-	0.40	-	0.11	0.22	0.72
Parking & Housing Charges (C)	0.15	0.53	0.82	0.44	0.35	2.28
Parking & Housing Charges	0.15	0.53	0.82	0.44	0.35	2.28
Other Revenues (D)	7.10	6.62	4.39	3.54	6.49	28.13
Extension of Watch Hours	0.01	-	0.11	0.07	-	0.19
CUTE Charges	2.56	2.67	1.62	1.38	3.38	11.61
Fuel Throughput Revenue	1.93	0.63	-	-	-	2.56
Ground Handling Revenue	1.67	1.39	0.74	0.21	0.70	4.72
Cargo Revenue (Royalty from AAICLAS)	1.01	1.02	0.99	1.03	1.33	5.38
Land Lease - Oil Companies	-0.09	0.91	0.94	0.82	1.01	3.58
Land Lease - Ground Handling Agency	-	-	-	0.03	0.07	0.10
Total Aeronautical Revenue (A+B+C+D)	35.17	68.98	25.60	40.46	67.67	237.87

4.9.2 The Authority compared the actual Aeronautical Revenue submitted by AAI with the Aeronautical Revenues as per the Tariff Order for the First Control Period and the same is detailed below:

Table 58: Comparison of Aeronautical Revenue as submitted by AAI with Tariff Order of the First Control Period

(₹ in Crores)							
Particulars	Ref	FY19	FY20	FY21	FY22	FY23	Total
As per Tariff Order	A	30.40	80.10	93.10	108.20	125.70	437.50
As per true-up by AAI	B	35.17	68.98	25.60	40.46	67.67	237.87
Difference	C=B-A	4.77	-11.12	-67.50	-67.74	-58.03	-199.63
Change %	D=C/A	15.68%	-13.88%	-72.50%	-62.61%	-46.16%	-45.63%

4.9.3 The Authority noted that there was significant variance between actual Aeronautical Revenues and Aeronautical Revenues as approved by the Authority in Tariff Order for the First Control Period for FY 2020-21 to FY 2022-23, which was attributable to lower passenger traffic and ATMs due to the adverse impact of the COVID-19 pandemic on the aviation sector.

4.9.4 The Authority reviewed the Aeronautical Revenues submitted by AAI with the trial balance for FY 2018-19 to FY 2022-23 and noted no deviations. Therefore, the Authority proposed to consider the Aeronautical Revenue as submitted by AAI.

4.9.5 The Authority noted that Fuel Throughput Revenue as submitted by AAI for FY 2018-19 amounts to ₹ 1.93 crores. However, it was identified that ₹ 1.17 crores out of ₹ 1.93 Crores was pertaining to “Land Lease – Oil Companies” but wrongly classified under the head “Fuel Throughput Revenue”. Subsequently, AAI in its submission rectified this error by adding ₹ 1.17 Crores to “Land Lease – Oil Companies” account, but inadvertently missed to reduce the same from “Fuel Throughput Revenue” account. Therefore, the Authority proposed to exclude ₹ 1.17 crores from the Fuel Throughput Revenue.

4.9.6 The Authority also noted that as of 31st March 2019, ₹ 0.09 Crores (negative) was appearing in “Land Lease – Oil Companies” in FY 2018-19. This was due to a reversal of earlier years provision passed in FY 2018-19.



- 4.9.7 The Authority proposed to re-classify the space rentals and land leases from airlines/GHA – Ramp as Aeronautical Revenue from the current classification of Non-Aeronautical Revenue, in line with its decision taken in other airports as discussed in para 4.8.5. The Aeronautical Revenues post reclassification proposed by the Authority for the true-up of the First Control Period was as shown in the following table:

Table 59: Aeronautical Revenue for the First Control Period proposed by the Authority for Indore International Airport at Consultation Stage

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Landing Charges (A)	15.99	19.44	7.83	12.67	20.25	76.19
Landing Charges – Domestic	15.99	19.17	7.82	12.60	20.11	75.69
Landing Charges – International	0.00	0.27	0.02	0.07	0.14	0.50
PSF & UDF Charges (B)	11.93	42.38	12.56	23.81	40.58	131.27
PSF – Domestic	11.93	0.19	-	-	-	12.12
PSF – International	0.00	-	-	-	-	0.00
UDF – Domestic	-	41.80	12.56	23.70	40.36	118.43
UDF – International	-	0.40	-	0.11	0.22	0.72
Parking & Housing Charges (C)	0.15	0.53	0.82	0.44	0.35	2.28
Parking & Housing Charges	0.15	0.53	0.82	0.44	0.35	2.28
Other Revenues (D)	5.92	6.62	4.39	3.54	6.49	26.96
Extension of Watch Hours	0.01	-	0.11	0.07	-	0.19
CUTE Charges	2.56	2.67	1.62	1.38	3.38	11.61
Fuel Throughput Revenue	0.76	0.63	-	-	-	1.39
Ground Handling Revenue	1.67	1.39	0.74	0.21	0.70	4.72
Cargo Revenue (Royalty from AAICLAS)	1.01	1.02	0.99	1.03	1.33	5.38
Land Lease - Oil Companies	-0.09	0.91	0.94	0.82	1.01	3.58
Land Lease - Ground Handling Agency	-	-	-	0.03	0.07	0.10
Total (E=A+B+C+D)	33.99	68.98	25.60	40.46	67.67	236.70
Add: Revenue from Space Rent from Airlines (F)	0.81	0.53	0.93	1.05	0.75	4.08
Add: Revenue from Lease Rentals from Airlines – Ramp (G)	-	-	-	0.09	0.28	0.37
Total Aeronautical Revenue (H=E+F+G)	34.81	69.51	26.53	41.60	68.70	241.15

Stakeholders' comments regarding true-up of Aeronautical Revenue for the First Control Period

- 4.9.8 No comments have been received from stakeholders regarding Aeronautical Revenue for the First Control Period.

Authority's analysis on Stakeholders' comments regarding Aeronautical Revenue for the First Control Period

- 4.9.9 The Authority notes that no comments were received from the Stakeholders regarding true-up of Aeronautical Revenue for the First Control Period



4.9.10 As stated in para 4.8.9, the Authority has considered Hangar Land Rent as part of the Aeronautical Revenue. Based on the above, the Aeronautical Revenue decided by the Authority for First Control Period is shown in the table below:

Table 60: Aeronautical Revenue decided by the Authority for the First Control Period

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Landing Charges (A)	15.99	19.44	7.83	12.67	20.25	76.19
Landing Charges – Domestic	15.99	19.17	7.82	12.60	20.11	75.69
Landing Charges – International	0.00	0.27	0.02	0.07	0.14	0.50
PSF & UDF Charges (B)	11.93	42.38	12.56	23.81	40.58	131.27
PSF – Domestic	11.93	0.19	-	-	-	12.12
PSF – International	0.00	-	-	-	-	0.00
UDF – Domestic	-	41.80	12.56	23.70	40.36	118.43
UDF – International	-	0.40	-	0.11	0.22	0.72
Parking & Housing Charges (C)	0.15	0.53	0.82	0.44	0.35	2.28
Parking & Housing Charges	0.15	0.53	0.82	0.44	0.35	2.28
Other Revenues (D)	5.92	6.62	4.39	3.54	6.49	26.96
Extension of Watch Hours	0.01	-	0.11	0.07	-	0.19
CUTE Charges	2.56	2.67	1.62	1.38	3.38	11.61
Fuel Throughput Revenue	0.76	0.63	-	-	-	1.39
Ground Handling Revenue	1.67	1.39	0.74	0.21	0.70	4.72
Cargo Revenue (Royalty from AAICLAS)	1.01	1.02	0.99	1.03	1.33	5.38
Land Lease - Oil Companies	-0.09	0.91	0.94	0.82	1.01	3.58
Land Lease - Ground Handling Agency	-	-	-	0.03	0.07	0.10
Total (E=A+B+C+D)	33.99	68.98	25.60	40.46	67.67	236.70
Add: Revenue from Space Rent from Airlines (F)	0.81	0.53	0.93	1.05	0.75	4.08
Add: Revenue from Lease Rentals from Airlines – Ramp (G)	-	-	-	0.09	0.28	0.37
Add: Revenue from Hangar Land Rent (H)	0.02	0.36	0.09	0.09	0.02	0.58
Total Aeronautical Revenue (I=E+F+G+H)	34.83	69.88	26.61	41.69	68.72	241.73
Aeronautical Revenue at CP Stage (J) (Refer Table 59)	34.81	69.51	26.53	41.6	68.7	241.15
Difference (K=I-J)	0.02	0.37	0.08	0.09	0.02	0.58

4.10 True up of Taxation

4.10.1 AAI had submitted taxation for the First Control Period as follows:

Table 61: Aeronautical Taxation for the First Control Period submitted by AAI for Indore International Airport*(₹ in Crores)*

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Aeronautical Revenue		35.17	68.98	25.60	40.46	67.67	237.88
Total Revenue	A	35.17	68.98	25.60	40.46	67.67	237.88
O& M Expenses		48.24	65.7	60.35	67.43	73.96	315.68
Depreciation (As per IT Act, 1961)		11.13	12.13	12.31	14.95	17.64	68.16
Interest on Working Capital		0.36	-	0.41	1.42	0.18	2.37
Total Expenses	B	59.73	77.83	73.06	83.8	91.79	386.21
Profit/(Loss)	C=A-B	(24.57)	(8.85)	(47.46)	(43.34)	(24.12)	(148.34)
Set off of prior period tax losses	D	-	-	-	-	-	-
Profit/Loss after set off of prior period tax losses	E	(24.57)	(8.85)	(47.46)	(43.34)	(24.12)	(148.34)
Tax Rate	F	34.94%	34.94%	34.94%	34.94%	34.94%	
Aeronautical Tax	G=E*F	-	-	-	-	-	-

4.10.2 The Authority had recomputed Aeronautical Revenues based on the building blocks as discussed in previous paragraphs and the details are as below:

Table 62: Aeronautical Taxation for the First Control Period proposed by the Authority for Indore International Airport at Consultation stage*(₹ in Crores)*

Particulars	Ref.	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Revenue							
Aeronautical Revenue (Table 59)		34.81	69.51	26.53	41.60	68.70	241.15
Total Revenue	A	34.81	69.51	26.53	41.60	68.70	241.15
O&M Expenses (Table 49)		38.88	47.31	55.91	56.30	68.85	267.25
Depreciation (As per IT Act, 1961)		10.66	11.10	11.88	14.14	16.58	64.36
Interest on Working Capital [#]		0.36	-	0.41	1.42	0.18	2.37
Total Expenses	B	49.90	58.41	68.20	71.86	85.61	333.98
Profit/Loss	C=A-B	(15.09)	11.11	(41.67)	(30.26)	(16.91)	(92.82)
Prior period losses carried forward	D	(27.30) [^]	(42.39)	(31.28)	(72.95)	(103.21)	
Set off of prior period tax losses	E	-	(11.11)	-	-	-	
Profit/Loss after set off of prior period tax losses	F	(15.09)	-	(41.67)	(30.26)	(16.91)	(103.93)
Loss Carried Forward (Closing)	G=D-E+F	(42.39)	(31.28)	(72.95)	(103.21)	(120.12)	
Tax Rate	H	34.94%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	I=F*H	-	-	-	-	-	-

[^]Carried Forward Losses amounting to ₹ 27.30 crores has been obtained from tariff order 45/2018-19 dated 8th March 2019.

[#]Working capital has been taken as per AAI submission

4.10.3 The Authority noted that AAI had incurred losses during the First Control Period and had carried forward the losses to Second Control Period. Therefore, the Authority proposed to consider the Aeronautical Tax as NIL for the First Control Period as per Table 62 above at Consultation Stage.



Stakeholders' comments regarding true-up of Taxation for the First Control Period

4.10.4 No comments have been received from stakeholders regarding Taxation for the First Control Period.

Authority's analysis on Stakeholders' comments regarding true-up of Taxation for the First Control Period

4.10.5 The Authority notes that no comments were received from the stakeholders regarding true-up of taxation for the First Control Period.

4.10.6 However, based on the changes to Aeronautical Revenue, O&M Expenses etc. the Authority has recomputed the Taxation considering Interest Cost as an allowable deduction for the purpose of computing Income Tax, for true up of the First Control Period as detailed below.

Table 63: Aeronautical Taxation for the First Control Period decided by the Authority for Indore International Airport

(₹ in Crores)

Particulars	Ref.	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Revenue							
Aeronautical Revenue (Table 60)		34.83	69.88	26.61	41.69	68.72	241.73
Total Revenue	A	34.83	69.88	26.61	41.69	68.72	241.73
Expenses							
O&M Expenses (Table 52)		43.45	58.88	55.67	55.57	67.14	280.71
Depreciation (As per IT Act, 1961)		10.66	11.22	11.99	14.23	16.66	64.76
Interest on Working Capital# & term loan		0.36	-	0.44	1.94	1.67	4.41
Total Expenses	B	54.47	70.11	68.09	71.74	85.47	349.88
Profit/Loss	C=A-B	(19.64)	(0.23)	(41.48)	(30.05)	(16.76)	(108.16)
Prior period losses carried forward	D	(27.30)^	(46.94)	(47.17)	(88.65)	(118.70)	
Set off of prior period tax losses	E	-	-	-	-	-	
Profit/Loss after set off of prior period tax losses	F	(19.64)	(0.23)	(41.48)	(30.05)	(16.76)	(108.16)
Loss Carried Forward (Closing)	G=D-E+F	(46.94)	(47.17)	(88.65)	(118.70)	(135.46)	
Tax Rate	H	34.94%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	I=F*H	-	-	-	-	-	-

^Carried Forward Losses amounting to ₹ 27.30 crores has been obtained from tariff order 45/2018-19 dated 8th March 2019.

#Working capital has been taken as per AAI submission

4.11 True up of Aggregate Revenue Requirement (ARR) for the First Control Period

4.11.1 AAI submitted Aggregate Revenue Requirement (ARR) for the First Control Period as follows:

Table 64: True up of Aggregate Revenue Requirement submitted by the AAI for the First Control Period

(₹ in Crores)

Particulars	Ref.	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Average RAB	A	86.39	93.29	100.77	132.16	164.72	577.33
FRoR	B	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on RAB	C = A*B	12.10	13.06	14.11	18.50	23.06	80.83
Depreciation	D	10.13	9.71	10.85	9.05	10.84	50.58



TRUE UP OF THE FIRST CONTROL PERIOD

Particulars	Ref.	FY 19	FY 20	FY 21	FY 22	FY 23	Total
O&M Expenses	E	48.25	65.69	60.34	67.44	73.96	315.68
Taxation	F	-	-	-	-	-	-
Return on Land	G	-	-	0.17	0.17	0.19	0.53
Interest on Working Capital	H	0.36	-	0.41	1.42	0.18	2.37
Less: 30% of NAR	I	5.78	6.92	2.30	2.90	6.07	23.96
ARR	J = Sum(C:H)-I	65.06	81.55	83.57	93.69	102.16	426.03
Additional revenue for initial years loss	K	54.50	-	-	-	-	54.50
Total ARR	L=J+K	119.56	81.55	83.57	93.69	102.16	480.53
Aeronautical Revenue	M	35.16	68.98	25.60	40.46	67.67	237.87
(Excess)/Shortfall	N=L-M	84.40	12.57	57.97	53.23	34.49	242.66
PV of (Excess)/Shortfall	O	162.47	21.23	85.91	69.16	39.32	378.09

4.11.2 As stated in the para 1.1.3, Indore International Airport had become a Non-Major Airport in FY 2020-21, due to the passenger throughput and designated passenger handling capacity being lower than the threshold limit of 3.5 MPPA defined under AERA Act 2008 read with AERA Amendment Act, 2019.

In this regard, AAI, vide letter dated 23rd March 2023 informed the Authority that necessary capex had been incurred subsequently by which the design capacity of Indore International Airport is enhanced from 2.25 MPPA to 4.00 MPPA. The Authority noted that majority of these capex additions had been completed and capitalized only during FY 2021-22. Thereby, there was a gap of one complete financial year viz. FY 2020-21 that Indore International Airport remained a non-major airport.

Accordingly, in line with a uniform approach as followed in case of Srinagar International Airport while determining tariff for the third control period, (vide Tariff Order No. 16/2023-24 dated 16th September, 2023), wherein, the Authority had not considered the true up for a complete financial year (FY 2020-21), the Authority, therefore, proposed not to consider the under recovery of FY 2020-21 for the true-up of the First Control Period.

Simultaneously, the Authority proposed to calculate the compounding of under recovery for FY 2018-19 to FY 2022-23 by excluding compounding impact for FY 2020-21 (as the Airport had been a Non-Major Airport during FY 2020-21).

The Authority's noted that decision on a similar matter relating to exclusion of one financial year for the purpose of true up in case of Srinagar International Airport, is pending before the Hon'ble TDSAT and is sub-judice and accordingly, in due course, the Authority would take an appropriate decision in case of Indore International Airport also.

4.11.3 Based on the review of regulatory building blocks, the Authority had computed the ARR for the true-up of the First Control Period as given below:

Table 65: Aggregate Revenue Requirement proposed by the Authority for the First Control Period at Consultation Stage

(₹ in Crores)

Particulars	Table Ref.	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Average RAB	Table 22	A	88.28	92.99	100.02	127.84	156.42	
FRoR	Table 25	B	13.36%	13.36%	13.36%	13.36%	13.36%	
Return on Average RAB		C=A*B	11.79	12.42	13.36	17.08	20.89	75.54
Depreciation	Table 20	D	8.66	8.66	9.54	11.11	10.32	48.28



TRUE UP OF THE FIRST CONTROL PERIOD

Particulars	Table Ref.	Ref.	FY19	FY20	FY21	FY22	FY23	Total
O&M Expenses	Table 49	E	38.88	47.31	55.91	56.30	68.85	267.25
Aeronautical Tax	Table 62	F	-	-	-	-	-	-
Return on Land		G	-	-	-	-	-	-
Interest on Working Capital#		H	0.36	-	0.41	1.42	0.18	2.37
True up of prior to FCP^		I	54.50	-	-	-	-	54.50
ARR		J=Sum (C:I)	114.19	68.39	79.21	85.91	100.24	447.95
Non-Aeronautical Revenue	Table 55		18.45	22.52	6.75	8.51	19.20	75.43
30% of NAR		K	5.53	6.76	2.03	2.55	5.76	22.63
Net ARR		L=J-K	108.66	61.63	77.19	83.35	94.48	425.32
Aeronautical Revenue	Table 59	M	34.81	69.51	26.53	41.60	68.70	241.15
Under/ (Over) recovery of First Control Period		N=L-M	73.85	-7.88	50.66	41.76	25.78	184.17
Less: under-recovery not Considered (Refer Para 4.11.2)		O	-	-	50.66	-	-	50.66
Under/ (Over) recovery of First Control Period considered by the Authority		P=N-O	73.85	-7.88	-	41.76	25.78	133.51
PV Factor @ 13.36%		Q	1.65	1.46	-	1.28	1.13	
PV of Under/ (Over) recovery of First Control Period as on 31-Mar-24		R=P*Q	121.94	-11.48	-	53.66	29.23	193.34
True up of Under Recovery of First Control Period as on 31-Mar-24		S						193.34

^Under recovery of prior to First Control Period had been obtained from Table 57 of the Tariff Order No. 45/2018-19 dated 8th March 2019 for Indore International Airport for the First Control Period.

#Working capital had been taken as per AAI submission

- 4.11.4 The Authority noted that the under recovery of ₹ 193.34 crores (in NPV Terms) in the First Control Period had not factored the under recovery and compounding effect of FY 2020-21, as Indore International Airport was a Non-Major Airport during FY 2020-21 (refer para 4.11.2). The Authority proposed to re-adjust the above under recovery of the First Control Period in the ARR computation of the Second Control Period.
- 4.11.5 The variation between the ARR proposed by the Authority and claimed by the AAI was due to the below factors:
- Determination of FRoR as 13.36% by the Authority as against FRoR of 14.00% submitted by AAI.
 - Not considering FY 2020-21 for shortfall carry forward, resulting in exclusion of ₹ 50.66 Crores (under recovery as computed by the Authority).
 - Rationalization of the O&M expenses by ₹ 48.43 crores (excluding impact of removal of FY 2020-21)
 - Non-consideration of return on land amounting to ₹ 0.53 crores.
 - Impact of non-consideration of Finance allowance (₹ 8.24 crores) & return thereon.
 - Reduction in depreciation as re-computed by the Authority of ₹ 2.30 Crores.

Stakeholders' comments regarding true-up of Aggregate Revenue Requirement (ARR) for the First Control Period

- 4.11.6 AAI's comment on the treatment of Indore airport as a major airport is as follows:



“MOCA vide its letter dt 1/10/2019, exercising its power conferred to the Central Government under the definition of “Major Airports” and section 42(2) of AERA Act, 2008, AERA was directed to determine the Airport charges in respect of all six AAI Airports including Indore Airport proposed under PPP process.

Also, MOCA vide letter No AV.20036/9//2017-AD dt.14th January 2020 has clarified that tariff would continue to be applicable for the 1st Control Period i.e Up to 31st March 2023 irrespective of the passenger throughput and designated handling capacity and the tariff for the next control period would be determined based on the passenger throughput criteria as defined in the AERA Act.

It is clear from MOCA's letter that the tariff was to be determined by AERA treating Indore Airport as a major airport irrespective of the passenger throughput and the designated handling capacity, including true up of the entire control period (01st April 2018 to 31st March 2023) so that the airport operator need not go through the loss due to change in law on account of AERA act amendment.

AERA vide its order No/.45/2018-19 dated 08th March, 2019 has determined tariff for Aeronautical Services for Indore International Airport for the First Control Period of 05 years from 1st April 2018 to 31st March 2023 and in the said order, it is nowhere written that the status of the airport will be evaluated on yearly basis (major or non – major).

This has resulted in under recovery of Rs 73.96 Cr (PV factor *shortfall as computed by AERA) of FY 2020-21 which AAI will never be able to recover which is as under:

Particulars	Rs. In Crores
Return on Average RAB	13.36
Operating Expenditure	55.91
Depreciation	9.54
Interest on Working Capital	0.41
Return on Land	6.76
Less 30% of NAR	77.19
ARR	26.53
Aeronautical Revenue	50.66
PV of Shortfall	73.96

It is expected that the regulator will ensure “Neither the airport operator should suffer loss, nor the passenger should be over charged.” Being an airport operator, AAI request AERA to consider the above facts which is beyond the control of the airport operator and consider the short fall of FY 2020-21 while determining the tariff for the 2nd CP.”

4.11.7 AAI's comment on effect on compounding of tariff is as follows:

“Indore Airport was originally a major airport during the First control period but due to change in limits of passenger throughput from 1.5 MPPA to 3.5 MPPA, AERA has considered Indore Airport for FY 2020-21 as non-major airport and this year was considered outside AERA's regime which is not in line with the Public Notice 17/2019-20 issued by AERA based on the clarification of MOCA vide letter dt 14/1/2020.

Irrespective of whether FY 2020-21 is considered as Major/Non- major, the shortfall of the previous year of the control period in which AAI was a Major airport should be compounded in FY 2020-21 till the effective date of the revised tariff as per AERA order. This impact due to not compounding in FY 2020-21 has resulted in loss of Rs. 73.96 cr to AAI.



It is also very pertinent to mention that AERA has carried forward a shortfall of Rs 193.34 crores in the first control period to the second control period. AAI ought to get the compounding for the entire second control period till the year of implementation of tariff.

AERA has determined tariff of Indore Airport as major airport vide order No 45/2018-19 dated 08th March 2019 when the threshold limit was 1.5 MPPA subsequently, AERA has revised the threshold limit of passenger throughput from 1.5 MPPA to 3.5 MPPA vide order dated 06.08.2019. Since the tariff of AAI has already been determined for 05 years with the threshold of 1.5 MPPA. Therefore, evaluating the true up of the same period with the enhance limit of 3.5 MPPA and excluding FY 2020-21 based on such enhanced limit is not acceptable.

AERA has considered the compounding factor of 4th year (1.65) in 5th year resulting in loss of compounding of Rs. 16.31cr to AAI.

AAI ought to get the compounding for the entire First control period till the year of implementation of tariff.

PV of Shortfall						
Year	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Shortfall as per AERA (Rs. In Cr)	73.85	-7.88	0	41.76	25.78	133.51
Compounding year	5	4	3	2	1	
PV Factor @ 13.36%	1.65	1.46		1.28	1.13	
PV of Shortfall (A)	121.94	-11.48		53.66	29.33	193.14
Shortfall as per AAI (Rs. In Cr)	73.85	-7.88	50.66	41.76	25.78	184.17
Compounding year	5	4	3	2	1	
PV Factor @ 13.36%	1.87	1.65	1.46	1.28	1.13	
PV of Shortfall (B)	138.1	-13	73.96	54.45	29.13	184.75
Diff in PV of shortfall (B-A)	16.31	-1.52	73.96	0	0	88.6

In view of the above, AERA is requested to consider the effect of compounding for the entire control period.”

4.11.8 FIA’s comment impact of under recovery pertaining to the First Control Period is as follows:

“We appreciate that AERA holds a considered view that stakeholders should not be burdened with significant increase in the Aeronautical tariff arising on account of the NPV of the Under-recovery or due to interest/penalties paid to Government of India at both CHQ and RHQ levels due to various lapses/delays on the part of the Airport Operator, or due to deficiency to recover the ARR on account of higher O&M expenses projected for the Second Control Period caused due to under-recovery pertaining to the First Control Period.”

AAI’s response to Stakeholders’ comments regarding true-up of Operation and Maintenance (O&M) expenses for the First Control Period

4.11.9 AAI’s response to FIA’s comment on impact of under recovery pertaining to the First Control Period is as follows:

“The capital expenditure approved in the 1st CP could not be utilized because of the Covid 19, Pandemic shortage of labour and restriction imposed by GOI.”



Authority's Analysis on Stakeholders' comments regarding true-up of Aggregate Revenue Requirement (ARR) for the First Control Period

4.11.10 The Authority notes the comments of AAI regarding the exclusion of under recovery pertaining to the FY 2020-21 in the Consultation Paper while computing True-up of the First Control Period. In respect of Indore Airport, it is pertinent that the airport after achieving the earlier annual passenger throughput benchmark of 1.5 MPPA for being considered as Major Airport, had got its tariff determined by AERA for the First Control Period from 01.04.2018 to 31.03.2023. However, subsequently with the AERA (Amendment) Act 2019, the benchmark of annual passenger throughput for Major Airport got enhanced to 3.5 MPPA. Due to this, as the passenger throughput of Indore airport was below the specified new benchmark during FY 2020-21, the true-up for FY 2020-21 was not considered in the Consultation Paper issued by AERA.

In this regard, AAI submitted documentary evidences, including MoCA's letter nos. AV-24011/141/2015-AD (Vol. V) dated 01.10.2019 and AV.20036/9/2017-AD dated 14.01.2020, stating that in the light of the clarification issued by MoCA that tariff would continue to be applicable for the First Control Period i.e. upto 31.03.2023, irrespective of the passenger throughput and designated handling capacity, therefore AERA is requested to consider the shortfall of FY 2020-21 while trueing up of ARR for the First Control Period.

The AERA (Amendment) Act, 2019 came into effect from September, 2019, vide which the benchmark of annual passenger throughput of 1.5 MPPA for Major Airports got enhanced to 3.5 MPPA. From the perusal of the MoCA letter submitted by AAI, it is seen that MoCA, letter dated 01.10.2019 directed AERA to determine airport charges in respect of six AAI airports, including Indore International Airport, which were considered by AAI for leasing out as part of second phase of PPP. AERA had already determined tariff for Indore International Airport as a Major Airport for the First Control Period (01.04.2018 to 31.03.2023) but with the AERA Amendment Act 2019 w.e.f September 2019, the passenger throughput of Indore Airport for FY 2020-21 went below this benchmark of 3.5 MPPA. Subsequently, MoCA vide letter dated 14.01.2020, in respect of AAI airports for whom tariffs were already determined by AERA but having passenger throughput of less than 3.5 MPPA, clarified that tariff already determined by AERA for such airports shall continue to remain applicable for their current Control Periods. Once the current Control Period is over, the tariff determination shall take place based on the passenger throughput criteria as amended in the AERA Act.

In view of the above it is evident now that the tariff already determined by AERA for the airports having passenger throughput of less than 3.5 MPPA would continue till the end of their current Control Periods. In this background it is implied that the associated terms & conditions for the determination of tariff, including true-up, will also be applicable throughout the current Control Period. Meanwhile, Indore International Airport has again been considered as a major airport by the Authority in the FY 2021-22 i.e., during the validity of current control period, based on the enhancement in the designed passenger handling capacity of 4 MPPA by the airport operator.

Based on the facts as mentioned above, the Authority decides to true up the under recovery for the FY 2020-21 (in NPV terms), while computing the ARR for the First Control Period.

4.11.11 The Authority also notes the comments of FIA on under recovery pertaining to the First Control Period and AAI's response on the same.



It is noted that AAI has not offered any comments on the issues highlighted by FIA relating to under-recovery pertaining to FCP due to inclusion of expenses such as interest/penalties etc. paid to Government of India at both CHQ and RHQ levels and higher O&M expenses. In case of Indore International Airport, there is a shortfall in the First Control Period due to COVID-19 and other factors. However, as per Authority's methodology, various regulatory building blocks have been rationalized and the resultant under recovery after above adjustments, is included in ARR for the Second Control Period.

4.11.12 Based on the changes to various building blocks of the First Control Period as indicated in the relevant section, the following table details the true-up of ARR as decided by the Authority.

Table 66: Aggregate Revenue Requirement decided by the Authority for the First Control Period

(₹ in crores)

Particulars	Table Ref.	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Average RAB	Table 23	A	88.28	93.37	100.77	128.53	157.06	
FRoR	Table 27	B	13.33%	13.33%	13.33%	13.33%	13.33%	
Return on Average RAB		C=A*B	11.77	12.45	13.43	17.13	20.93	75.71
Depreciation	Table 21	D	8.66	8.71	9.59	11.17	10.38	48.51
O&M Expenses	Table 52	E	43.45	58.88	55.67	55.57	67.14	280.71
Aeronautical Tax	Table 63	F	-	-	-	-	-	-
Return on Land		G	-	-	-	-	-	-
Interest on Working Capital#		H	0.36	-	0.41	1.42	0.18	2.37
True up of prior to FCP^		I	54.50	-	-	-	-	54.50
ARR		J=Sum (C:I)	118.73	80.04	79.10	85.29	98.63	461.79
Non-Aeronautical Revenue	Table 56		18.43	22.15	6.66	8.42	19.19	74.85
30% of NAR		K	5.53	6.65	2.00	2.53	5.76	22.46
Net ARR		L=J-K	113.20	73.40	77.10	82.76	92.88	439.34
Aeronautical Revenue	Table 60	M	34.83	69.88	26.61	41.69	68.72	241.73
Under/ (Over) recovery of First Control Period		N=L-M	78.38	3.52	50.48	41.07	24.16	197.61
PV Factor @ 13.33%		O	1.87	1.65	1.46	1.28	1.13	
PV of Under/ (Over) recovery of First Control Period as on 31-Mar-24		P=N*O	146.51	5.80	73.48	52.75	27.38	305.93
True up of Under Recovery of First Control Period as on 31-Mar-24		Q						305.93

^Under recovery of prior to First Control Period had been obtained from Table 57 of the Tariff Order No. 45/2018-19 dated 8th March 2019 for Indore International Airport for the First Control Period.

#Working capital had been taken as per AAI submission

4.11.13 The variance of ₹ 112.59 Crores between the under recovery decided by the Authority (₹ 305.93 Crores) for true of the First Control Period and that proposed at the Consultation Stage (₹ 193.34 Crores) (refer Table 65) is on account of the following:

1. Considering shortfall amounting to ₹ 73.48 crores (in NPV terms) in respect of FY 2020-21 and consideration of PV factor for all the five years including FY 2020-21, for working out total under recovery for the First Control Period.

2. Increase in Operating & Maintenance Expenses by ₹ 16.34 crores, due to revision in CHQ/RHQ cost allocation for FY 18-19 and FY 19-20, after considering employee cost of Mumbai Coordination cell as part of RHQ expenses for allocation to airports under western region, including Indore Airport.
3. Reduction in Operating & Maintenance expenses due to non-consideration of the interest on term loan amounting to ₹ 2.04 crores (refer Table 52).
4. Decrease in Non-Aeronautical Revenue resulting from the reclassification of Hangar Land Rent to Aeronautical Revenue, amounting to ₹ 0.58 crores, and a corresponding increase in Aeronautical Revenue.
5. Change in FRoR from 13.36% to 13.33% and its consequent change on ARR.

4.12 Authority's decisions regarding True up for the First Control Period

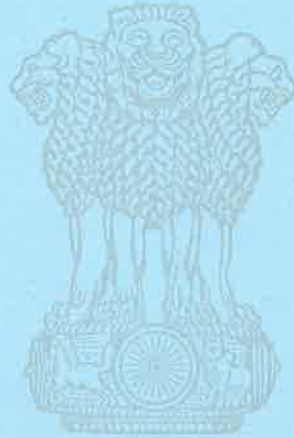
Based on the material before it and its analysis, the Authority decides the following with respect to true-up of the First Control Period:

- 4.12.1 To consider Capital Additions as per details in Table 18 for true-up of the First Control Period.
- 4.12.2 To consider Aeronautical Depreciation as per details in Table 21 for true-up of the First Control Period.
- 4.12.3 To consider RAB as per Table 23 for true-up of the First Control Period.
- 4.12.4 To consider FRoR as per Table 27 for true-up of the First Control Period.
- 4.12.5 To consider the O&M Expenses as detailed in Table 52 for the purpose of true-up of the First Control Period.
- 4.12.6 To consider the Non-Aeronautical Revenues as presented in Table 56 for the purpose of true-up of the First Control Period.
- 4.12.7 Not to consider the Return on Land for the purpose of true-up of the First Control Period.
- 4.12.8 To consider Taxation as per Table 63 for true of the First Control Period.
- 4.12.9 To consider the Aeronautical Revenue as per Table 60 for true-up of the First Control Period.
- 4.12.10 To consider ARR and Under-recovery as detailed in Table 66 for true up of the First Control Period and adjust the shortfall of First Control Period in the Second Control Period.

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EVALUATION OF MYTP FOR THE SECOND
CONTROL PERIOD

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5. TRAFFIC FOR THE SECOND CONTROL PERIOD

5.1 AAI's submission regarding Traffic for the Second Control Period for Indore International Airport

5.1.1 The historical passenger traffic* and ATM at the Airport have been shown in the table below:

Table 67: Historical passenger and ATM traffic for Indore International Airport

Year	Domestic Passengers	International Passengers	Total Passenger Traffic	Domestic ATM	International ATM	Total ATM
FY06	2,72,484	-	2,72,484	-	-	-
FY07	3,58,496	-	3,58,496	-	-	-
FY08	5,48,711	-	5,48,711	10,119	-	10,119
FY09	5,99,009	-	5,99,009	13,179	-	13,179
FY10	7,01,423	-	7,01,423	11,577	-	11,577
FY11	8,77,479	-	8,77,479	11,726	-	11,726
FY12	11,10,645	-	11,10,645	13,663	-	13,663
FY13	10,79,548	-	10,79,548	13,798	-	13,798
FY14	11,09,959	-	11,09,959	13,749	-	13,749
FY15	13,50,499	-	13,50,499	14,342	-	14,342
FY16	16,89,986	-	16,89,986	14,836	-	14,836
FY17	17,82,585	-	17,82,585	14,374	-	14,374
FY18	22,66,389	-	22,66,389	18,668	-	18,668
FY19	31,58,938	-	31,58,938	26,442	-	26,442
FY20	28,93,449	25,522	29,18,971	22,722	213	22,935
FY21	8,95,391	913	8,96,304	9,944	22	9,966
FY22	16,22,682	6,986	16,29,668	16,429	69	16,498
FY23	28,13,144	15,443	28,28,587	25,062	122	25,184

*Source: Historical passenger and ATM traffic captured from Traffic News - AAI website.

5.1.2 The traffic growth rates, passenger & ATM traffic as submitted by AAI for the Second Control Period are as per table below:

Table 68: Traffic growth rates and passenger & ATM traffic submitted by AAI for the Second Control Period.

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
FY24	19.1%	103.6%	19.6%	8.4%	113.1%	8.9%
FY25	16.0%	75.0%	16.5%	13.0%	60.0%	13.4%
FY26	14.0%	10.0%	13.9%	12.0%	8.2%	11.9%
FY27	14.0%	10.0%	13.9%	12.0%	7.8%	11.9%
FY28	12.0%	25.0%	12.2%	10.0%	24.1%	10.2%
Traffic						
FY24	33,50,838	31,437	33,82,275	27,157	260	27,417
FY25	38,86,972	55,015	39,41,987	30,688	416	31,104
FY26	44,31,149	60,516	44,91,665	34,370	450	34,820
FY27	50,51,509	66,568	51,18,077	38,494	485	38,979
FY28	56,57,691	83,210	57,40,901	42,344	602	42,946

5.1.3 AAI had projected a growth of 19.1% in domestic passenger traffic and 103.6% in international traffic in FY 2023-24 as compared to FY 2022-23. Similarly, it had projected a growth rate of 8.4% in domestic ATMs & 113.1% in international ATMs in FY 2023-24 as compared to FY 2022-23.



AAI had also projected a growth rate ranging from 12% to 16% for domestic Passengers and from 10% to 75% for international Passengers from FY 2024-25 onwards through the Second Control Period. Likewise, it had projected a growth rate range of 10% to 13% for Domestic ATMs and 7.8% to 60% for international ATMs for the above-mentioned period.

AAI had submitted that passenger traffic and aircraft movement projections were based on past trends, econometric and regression analysis and various economic factors including policy framework.

5.2 Authority's examination regarding Traffic for the Second Control Period at Consultation Stage

5.2.1 The Authority analyzed the historic traffic data and calculated the Compounded Annual Growth Rate (CAGR) for Passenger Traffic and ATM for 3 years, 5 years and 10 years computed as at the end of FY 2019-20 for Indore International Airport as per the table below:

Table 69: CAGR for Passenger Traffic and ATM

Particulars	3-Year CAGR (FY18 – FY20)	5-Year CAGR (FY16 – FY20)	10-Year CAGR (FY11 – FY20)
Passenger			
Domestic	8.48%	11.35%	12.67%
International	-	-	-
Total Passenger Traffic	8.80%	11.55%	12.77%
ATM			
Domestic	6.77%	8.90%	6.84%
International	-	-	-
Total ATM Traffic	7.10%	9.10%	6.94%

5.2.2 Since International traffic and ATM commenced only from FY 2019-20 at Indore International Airport, CAGR for International traffic had not been computed.

The CAGRs computed above were stable until FY 2019-20. However, the traffic levels from FY 2020-21 were hugely affected by the impact of the COVID-19 pandemic causing a significant decline in traffic levels which was followed by a subsequent recovery during FY 2021-22 and FY 2022-23 which makes the traffic volume volatile and skewed and hence, the Authority observed that CAGRs were not suitable for estimation of future growth rates of traffic.

International traffic, which commenced in FY 2019-20 was hugely affected by the international travel restrictions on account of COVID-19 pandemic during FY 2019-20 and FY 2020-21, and the subsequent recovery during FY 2021-22 and FY 2022-23 reflect an unreliable trend. The Authority also noted that since international traffic was at its early stages at Indore International Airport, a growth rate which would reflect a rational estimate of the future international traffic cannot be projected on the basis of the available historical data.

Further, the Authority also analyzed the actual passenger and ATM traffic for FY 2023-24 from AAI website and compared with projections submitted by AAI, which was as listed in the table below:



Table 70: Comparison of Actual Passenger traffic and ATM traffic with AAI projections for FY 2023-24

Particulars	Passenger			ATM		
	Dom.	Intl.	Total	Dom.	Intl.	Total
Projections by AAI (A)	33,50,838	31,437	33,82,275	27,157	260	27,417
Actual Data from AAI website (B)	34,22,391	42,440	34,64,831	31,680	331	32,011
Difference (C=B-A)	71,553	11,003	82,556	4,523	71	4,594
Difference % (D=C/A)	2.14%	35.00%	2.44%	16.66%	27.31%	16.76%

5.2.3 The Authority noted from the above table that the traffic projected by AAI for Indore International Airport for FY 2023-24 was less than actual data from AAI website and hence, the Authority proposed to consider traffic (Passenger and ATM) as per AAI website for FY 2023-24 and as the base for projection of traffic for the Second Control Period.

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

The revised traffic forecasts had been computed by the Authority, after considering the study and analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector:

5.2.4 Airport Council International (ACI)

ACI in its latest report had analyzed air travel outlook revealing global passenger traffic expected to recover from the impacts of COVID-19 pandemic in early 2024 as it reaches 9.4 billion passengers:

- While the Asia-Pacific region is expected to have a substantial jump in passenger traffic in the first half of 2023 along with the ongoing opening of the Chinese market, its recovery is predicted to slow down significantly in the second half of the year due to challenges in overseas tourism and looming economic concerns. The region is expected to reach approximately 3.4 billion passengers in 2024, or 99.5% of the 2019 level.
- Global passenger volume in 2023 is expected to reach 8.6 billion passengers, which is 94.2% of the 2019 level.
- The year 2024 is expected to be a milestone for global passenger traffic recovery as it reaches 9.4 billion passengers, surpassing the year 2019 that welcomed 9.2 billion passengers (102.5% of the 2019 level).

5.2.5 International Air Transport Association (IATA)

IATA in its report on 3rd July 2024 had enumerated that:

- Industry total Revenue Passenger-Kilometres (RPK) maintained a positive trajectory in May growing 10.7% annually, slightly outpacing the 8.5% Y-o-Y growth in Available Seat-Kilometre (ASK). Passenger load factors (PLF) were higher than in comparison to previous years indicating stronger demand for air travel as industry wide traffic continues to rise.
- Domestic traffic rose 4.7% over the year. PR China remained the fastest growing market among those monitored with 7.6% Y-o-Y growth. Japan RPK contracted for two (2) consecutive months; wherein May figures be 1.8% lower than the previous year.
- International traffic continued to show resilient momentum in May with 14.6% Y-o-Y growth in RPK across the region. Traffic from Asia Pacific still surges at a rapid pace with 27.0% Y-o-Y, while the remaining regions saw consistent results in regard of the previous month.



- India domestic passenger traffic continue to climb at a stable rate, increasing 4.6% Y-o-Y.
- Industry total Revenue Passenger-Kilometers (RPK) maintained a positive trajectory in March growing 13.8% annually, mostly carried by strong momentum of international traffic. Passenger load factors (PLF) were higher than in comparison to previous years while available seat capacity continue to follow increases in demand.
- Domestic traffic rose 6.6% over the year. PR China remained the fastest growing market among those monitored with 17.6% Y-o-Y growth. All markets saw solid increases in RPK, maintaining the industry total growth within the pre-pandemic average pace.
- International traffic continued to show resilient momentum in March with 18.9% Y-o-Y growth in RPK across the entire industry. Traffic from Asia Pacific still surges at a rapid pace, while the remaining regions saw consistent results in regard of the previous month.
- India passenger traffic continue to climb at a stable rate, increasing 3.8% Y-o-Y.

Conclusion on traffic forecasts based on above studies

- 5.2.6 Considering the unexpected adverse impact of COVID-19 pandemic and the resultant reductions in domestic and international air travel, the Authority had taken cognizance of the forecast/data published by ACI and IATA cited in para 5.2.4 and para 5.2.5 above for deciding on the traffic projections.
- 5.2.7 In the Authority’s opinion, with the gradual revival of the economy, the aviation industry is expected to recover at a better pace in the next few years. The Authority noted that AAI plans to operationalize the old domestic terminal building for international operations in FY 2024-25. The Authority, based on discussion with AAI, noted that on operationalizing the old domestic terminal for international operations, it would take 18-24 months to sign up with various international airlines and to exploit the full potential. Hence, a more aggressive growth rate had been adopted in FY 2027-28 vis-à-vis FY 2026-27 and FY 2025-26.
- 5.2.8 The Authority further noted that AAI in response to the Authority’s query, vide mail dated 3rd July 2024, had revised the traffic projections based on the actual traffic for FY 2023-24 as the base year thereby projecting traffic for the remaining years of the Second Control Period. The revised traffic submitted by AAI is as follows:

Table 71: Revised traffic submitted by AAI for the Second Control Period

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Domestic Passengers	3,422,391	3,964,001	4,479,321	5,061,633	5,669,029	22,596,375
International Passengers	42,440	52,120	58,896	66,552	83,190	303,198
Total Passengers	3,464,831	4,016,121	4,538,217	5,128,185	5,752,219	22,899,573
Domestic ATMs (In nos.)	31,680	32,530	35,784	39,362	42,904	182,260
International ATMs (In nos.)	331	412	458	508	630	2,339
Total ATMs (In nos.)	32,011	32,942	36,242	39,870	43,534	184,599

The Authority had reviewed the revised traffic projections and proposed to consider the revised traffic projections submitted by AAI, considering the possible demands that exists in Indore International Airport, for FY 24-25 to FY 27-28 of the Second Control Period.

- 5.2.9 The traffic projections and growth rates considered by the Authority for the Second Control Period had been given in the table below:



Table 72: Traffic proposed to be considered by the Authority for the Second Control Period at Consultation Stage

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Domestic Passengers						
As per Revised submission of AAI	34,22,391	39,64,001	44,79,321	50,61,633	56,69,029	2,25,96,375
As proposed by the Authority	34,22,391*	39,64,001	44,79,321	50,61,633	56,69,029	2,25,96,375
Y-o-Y growth of Domestic pax. submitted by AAI	21.7%	15.8%	13.0%	13.0%	12.0%	
Y-o-Y growth of Domestic pax. proposed by the Authority	21.7%	15.8%	13.0%	13.0%	12.0%	
International Passengers						
As per Revised submission of AAI	42,440	52,120	58,896	66,552	83,190	3,03,198
As proposed by the Authority	42,440*	52,120	58,896	66,552	83,190	3,03,198
Y-o-Y growth of International pax. submitted by AAI	174.8%	22.8%	13.0%	13.0%	25.0%	
Y-o-Y growth of International pax. proposed by the Authority	174.8%	22.8%	13.0%	13.0%	25.0%	
Total Passengers						
As per Revised submission of AAI	34,64,831	40,16,121	45,38,217	51,28,185	57,52,219	2,28,99,573
As proposed by the Authority	34,64,831*	40,16,121	45,38,217	51,28,185	57,52,219	2,28,99,573
Y-o-Y growth of Total pax. submitted by AAI	22.5%	15.9%	13.0%	13.0%	12.2%	
Y-o-Y growth of Total pax. proposed by the Authority	22.5%	15.9%	13.0%	13.0%	12.2%	
Domestic ATM						
As per Revised submission of AAI	31,680	32,530	35,784	39,362	42,904	1,82,260
As proposed by the Authority	31,680*	32,530	35,784	39,362	42,904	1,82,260
Y-o-Y growth of Domestic ATM submitted by AAI	26.4%	2.7%	10.0%	10.0%	9.0%	
Y-o-Y growth of Domestic ATM proposed by the Authority	26.4%	2.7%	10.0%	10.0%	9.0%	
International ATM						
As per Revised submission of AAI	331	412	458	508	630	2,339
As proposed by the Authority	331*	412	458	508	630	2,339
Y-o-Y growth of International ATM submitted by AAI	171.3%	24.5%	11.2%	10.9%	24.0%	
Y-o-Y growth of International ATM proposed by the Authority	171.3%	24.5%	11.2%	10.9%	24.0%	



TRAFFIC FOR THE SECOND CONTROL PERIOD

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Total ATM						
As per Revised submission of AAI	32,011	32,942	36,242	39,870	43,534	1,84,599
As proposed by the Authority	32,011*	32,942	36,242	39,870	43,534	1,84,599
Y-o-Y growth of Total ATM submitted by AAI	27.1%	2.9%	10.0%	10.0%	9.2%	
Y-o-Y growth of Total ATM proposed by the Authority	27.1%	2.9%	10.0%	10.0%	9.2%	

*Based on actual data from Traffic News - AAI website

5.3 Stakeholders' comments regarding Traffic for the Second Control Period

During the stakeholders' consultation process, the Authority has received comments from FIA in response to the proposals of the Authority in the Consultation Paper No. 04/2024-25 dated 05th September 2024. The comment of FIA is presented below.

5.3.1 FIA's comment on the Traffic forecast is as follows:

"While we appreciate that AERA has considered the traffic forecast data published by ACI and IATA (refer para 5.2.5 and 5.2.6), we request AERA to kindly conduct an independent study, which may also include demand drivers' that may not have been part of report issued by IATA and ACI India.

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 however there have been certain increase in the load factors, post recovery of COVID-19 period.

We request the Authority to rationalize the traffic projections by AAI with a more focused approach for Indore International Airport, especially considering plans of airlines to expand domestic and international flights from IDR, as we feel that the growth projections for IDR are very aggressive given the existing base of passenger numbers. This is with a view to further rationalize and optimize the CAPEX being undertaken and avoid more costs being passed on to airlines and passengers alike.

Hence, we request that the Authority may kindly take the same into consideration (and appoint independent consultants to evaluate the same, if deemed fit, while finalizing the projected ATM and passengers."

5.4 AAI's response to Stakeholders' comments regarding Traffic for the Second Control Period

5.4.1 AAI's response to FIA's comment on Traffic Forecast is as follows:

"Projection of traffic forecast is carried out by the AAI specialized cell i.e. CP & MS Dept. which has carried out projection of traffic on real time survey and data analysis."

5.5 Authority's analysis on Stakeholder's comments regarding Traffic for the Second Control Period

5.5.1 The Authority notes FIA's comment on conducting an independent study on traffic and AAI's response to the same.



In this regard, the Authority is of the view that the requirement for an independent study on traffic projections depends upon the size & scale of airport operations and complexity involved. Further, it is noted that Traffic projection for the Second Control Period in respect of Indore International Airport is based on Traffic forecast done by the specialized cell of AAI i.e. CP&MS.

In addition, M/s PKF Sridhar & Santhanam LLP, independent consultants appointed by AERA, have also evaluated the traffic projections submitted by AAI. The Authority has also taken cognizance of the actual traffic up to FY 2023-24 and finalized the traffic estimates for the period from FY 2024-25 onwards (refer Table 72 of this Tariff Order). 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.

5.6 Authority's decisions regarding Traffic for the Second Control Period

Based on the available facts and analysis thereupon, the Authority decides the following regarding traffic for the Second Control Period:

- 5.6.1 To consider the ATM and Passenger traffic for the Second Control Period for Indore International Airport as per Table 72.
- 5.6.2 To true up the traffic volume (Passenger traffic and ATM traffic) on the basis of actual traffic in the Second Control period while determining the tariff for the Third Control Period.

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

6. CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

6.1 Background

6.1.1 The Authority had organized the discussions in this chapter in the following Order:

- Allocation of Gross block of assets into Aeronautical and Non-aeronautical
- Capital expenditure proposed for the Second Control Period
- Depreciation for the Second Control Period
- Regulatory Asset Base (RAB) for the Second Control Period

Allocation of Gross Block of Assets into Aeronautical and Non-Aeronautical

6.1.2 AAI had submitted the following allocation of gross block of assets as on 1st April 2023 between Aeronautical and Non-aeronautical services for Indore International Airport:

Table 73: Allocation of opening gross block of assets as on 1st April 2023, between Aeronautical and Non-aeronautical as per AAI

(₹ in Crores)

Asset Category	Total Assets (Inclusive of ANS)	Other Assets	Non-Aero Assets	Pure Aeronautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Runway, Taxiway, Apron	136.65	-	-	136.65	-	-	-	136.65	100.00%
Roads, Bridges & Culverts	7.45	0.24	-	6.59	0.62	0.60	0.02	7.18	96.45%
Building - Terminal	141.58	0.47	0.40	25.96	114.74	108.48	6.26	134.44	94.96%
Building - Temporary	1.99	0.53	-	1.46	-	-	-	1.46	73.40%
Building - Residential	11.46	1.07	0.16	9.00	1.23	1.18	0.05	10.18	88.82%
Other Building	16.08	0.30	-	15.77	-	-	-	15.77	98.12%
Security Fencing	0.35	-	-	0.35	-	-	-	0.35	100.00%
Boundary Wall - Operational	4.71	-	-	4.70	0.01	0.01	-	4.71	99.94%
Boundary Wall - Residential	-	-	-	-	-	-	-	-	-
Computers - End User Devices	7.54	0.18	0.02	7.35	-	-	-	7.35	97.39%
Computer Software	0.44	0.03	-	0.41	-	-	-	0.41	93.20%
Computers - Servers and Networks	0.37	-	-	0.37	-	-	-	0.37	100.00%
Plant & Machinery	70.12	4.47	-	65.65	0.01	-	-	65.65	93.63%
Tools & Equipment	18.25	4.45	-	13.80	-	-	-	13.80	75.63%
Vehicle - Others	7.39	-	-	7.39	-	-	-	7.39	100.00%
Vehicle - Cars & Jeeps	0.46	-	-	0.46	-	-	-	0.46	100.00%



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

Asset Category	Total Assets (Inclusive of ANS)	Other Assets	Non-Aero Assets	Pure Aeronautical Assets	Common Assets	Common Assets			Total Aeronautical Assets	% Aeronautical
						Aero	Non-Aero	Other		
Electrical Installations	87.67	1.37	-	45.96	40.33	38.07	2.26	-	84.03	95.85%
Solar Power Plant	4.17	-	-	4.17	-	-	-	-	4.17	100.00%
Office Equipment	0.51	0.01	-	0.49	-	-	-	-	0.49	97.10%
Furniture & Fixtures - Other than trolleys	5.69	0.06	0.02	5.60	0.01	-	-	-	5.61	98.59%
Furniture & Fixtures - Trolleys	0.70	-	-	0.70	-	-	-	-	0.70	100.00%
X-Ray Baggage System	8.41	-	-	8.41	-	-	-	-	8.41	100.00%
CFT/Fire Fighting Equipment	27.83	-	-	27.83	-	-	-	-	27.83	100.00%
Total	559.80	13.19	0.60	389.07	156.94	148.34	8.60	-	537.41	96.00%

Authority's examination of allocation of Gross block of assets into Aeronautical and Non-aeronautical at Consultation Stage

6.1.3 The Authority noted that AAI had considered the Terminal Building ratio of 95%:5% for Indore International Airport, for modification of existing terminal building for International Operations for the Second Control Period. The Authority proposed to consider the TB ratio of 92%:8% (Aeronautical: Non-aeronautical) as reasonable for apportionment of common assets within the Terminal Building and common O&M expenses for the Second Control Period, in line with the optimum non-aeronautical area allocation of 8% to 12% as recommended by IMG norms (for airports having passenger traffic of less than 10 MPPA) as per AERA's decision for other similar airports.

6.1.4 Financing Allowance had not been considered for arriving at the Aeronautical Gross block as on 1st April 2023 as per the analysis of the Authority in para 4.4.30 of the true up for the First Control Period.

Finance Lease assets had not been considered while recomputing the Opening Gross Block as on 1st April 2023 as per the analysis of the Authority in para 4.4.27 at consultation stage.

6.1.5 Based on the above observations, the Authority had presented the allocation of Gross Block of assets as on 1st April 2023 between Aeronautical and Non-aeronautical as per table below:

Table 74: Allocation of Opening Gross Block of Assets as on 1st April 2023 between Aeronautical and Non-aeronautical proposed by the Authority at Consultation Stage

(₹ in Crores)

Asset Category	Total Assets (Inclusive of ANS)	Other Assets	Non-Aero Assets	Pure Aeronautical Assets	Common Assets	Common Assets			Total Aeronautical Assets	% Aero
						Aero	Non-Aero	Other		
	A = B+C+D+E	B	C	D	E = F+G+H	F	G	H	I=D+F	J=I/A
Runway, Taxiway, Apron	131.39	-	-	131.39	-	-	-	-	131.39	100.00%



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

Asset Category	Total Assets (Inclusive of ANS)	Other Assets	Non-Aero Assets	Pure Aeronautical Assets	Common Assets	Common Assets			Total Aeronautical Assets	% Aero
						Aero	Non-Aero	Other		
Roads, Bridges & Culverts	8.08	0.24	-	7.22	0.62	0.60	0.02	-	7.82	96.73%
Building - Terminal	138.46	0.47	0.40	20.78	116.81	109.49	7.32	-	130.27	94.08%
Building - Temporary	1.99	0.53	-	1.46	-	-	-	-	1.46	73.40%
Building - Residential	10.37	0.30	-	2.95	7.13	6.15	0.99	-	9.09	87.65%
Other Building	16.91	0.30	-	16.61	-	-	-	-	16.61	98.21%
Security Fencing	0.35	-	0.18	0.17	-	-	-	-	0.17	47.37%
Boundary Wall - Operational	7.25	0.00	-	7.24	0.01	0.01	0.00	-	7.25	99.96%
Computers - End User Devices	7.65	0.02	-	6.30	1.33	1.07	0.26	-	7.36	96.29%
Computer Software	0.45	-	-	0.33	0.12	0.07	0.05	-	0.40	89.93%
Computers - Servers and Networks	0.37	-	-	0.36	0.00	0.00	0.00	-	0.37	99.91%
Plant & Machinery	76.94	4.47	-	72.34	0.13	0.11	0.02	-	72.45	94.17%
Tools & Equipment	19.78	4.39	-	15.25	0.14	0.09	0.05	-	15.34	77.55%
Vehicle - Others	1.03	-	-	0.75	0.28	0.17	0.11	-	0.92	89.14%
Vehicle - Cars & Jeeps	0.46	-	-	0.46	-	-	-	-	0.46	100.00%
Electrical Installations	88.50	1.31	-	32.93	54.26	50.60	3.65	-	83.53	94.39%
Solar Power Plant	4.17	-	-	-	4.17	3.84	0.33	-	3.84	92.00%
Office Equipment	0.51	0.01	0.01	0.39	0.09	0.06	0.04	-	0.45	88.91%
Furniture & Fixtures - Other than trolleys	5.58	0.06	0.02	4.61	0.89	0.51	0.38	-	5.12	91.79%
Furniture & Fixtures - Trolleys	0.70	-	-	0.70	-	-	-	-	0.70	100.00%
X-Ray Baggage System	7.58	-	-	7.58	-	-	-	-	7.58	100.00%
CFT/Fire Fighting Equipment	27.83	-	-	27.83	-	-	-	-	27.83	100.00%
Total	556.34	12.11	0.61	357.65	185.96	172.75	13.22	-	530.40	95.34%



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The total Gross block of Aeronautical assets, as on 1st April 2023 was considered at ₹ 530.40 crores (which excludes Financing Allowance of ₹ 8.24 crores and Finance lease assets of ₹ 0.83 crores).

6.2 Capital Expenditure (CAPEX) for the Second Control Period

AAI's submission regarding Capital Expenditure (CAPEX) for the Second Control Period

6.2.1 AAI had submitted capital expenditure of ₹ 119.60 crores for the Second Control Period for Indore International Airport, which has been summarized in the table below:

Table 75: Summary of Capital Expenditure projects submitted by AAI for Indore International Airport for the Second Control Period

(₹ in Crores)

S. No.	Particulars	Amount
1	Modification of existing Terminal Building for International Ops.	29.61
2	Construction of New Fire Station – Civil Works	9.91
3	Provision of Rainwater Harvesting in Operational Area at D.A.B.H. Airport Indore.	0.54
4	Miscellaneous Civil Works for Security Installation i/c construction of Buffer Zones at gates & Mobile Watch Tower & other associated works at D.A.B.H. Airport, Indore.	0.10
5	Miscellaneous Civil Work near 15 no. Parking Bay to enhance aviation safety at Airport	0.06
6	Procurement of IT Equipment (base on replacement of IT Infra as per IT policy)	0.92
7	Inline Baggage Screening System (ILBS)	13.70
8	Self-Baggage Drop (SBD)	0.90
9	Non-Linear Junction Device (NLJD)	0.02
10	Explosive Trace Detector (ETD)	0.90
11	Door Frame Metal Detector (DFMD)	0.20
12	Body Scanner (4 no.)	10.00
13	Threat Containment Vehicle (TCV)	10.00
14	Security CCTV (SCCTV)	0.03
15	Bomb Detection and Disposal Squad (BDDS)	4.00
16	Hydraulic Cutter & Spreader with Pump & Accessories – 01 No.	1.80
17	Supply of 1 Nos. Airport Surface Friction Tester (ASFT) with Operation & Comprehensive Annual Maintenance Contract.	1.25
18	Replacement of Air-Conditioning units of VIP Lounges & Passenger Boarding Bridges no. 1 & 3 at DABH Airport, Indore.	0.20
19	Provision of Stand-by hydro-pneumatic water supply system for NITB at DABH Airport, Indore.	0.25
20	Replacement/addition of Internal & External Signages for Terminal Building at DABH Airport, Indore.	0.80
21	Supply and laying of runway circuit 'B' cable and associated works at DABH Airport, Indore	0.60
22	Provision of additional flood light poles for newly constructed Parking Bays at DABH Airport, Indore	0.12
23	Replacement of existing water supply pumps with energy efficient pumps & provision of additional water pump for CFT filling at Fire Station including allied works at DABH Airport, Indore	0.14
24	Refurbishment/ modification of OTB at DABH Airport, Indore. SH : Electrical works	12.93
25	SITC of ALCMS at DABH Airport, Indore	0.60
26	Construction of New Fire Station – Electrical Works	1.85
27	X Ray Baggage System	2.20



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S. No.	Particulars	Amount
28	Airfield Crash Fire Tender (ACFT) – 2 Nos. of 10 KL Water Tank Capacity	14.00
(A)	Capital expenditure proposed for the Second Control Period	117.62
(B)	Financing Allowance	1.98
	Total incl. FA (A + B)	119.60

The above table has been submitted by AAI as part of MYTP submission. It may be noted that AAI had submitted revised capex via mail dated 27th May 2024, as discussed in para 6.2.3.

Authority's examination of Capital Expenditure (CAPEX) for the Second Control Period at Consultation Stage

The Authority, while analyzing the Capital Expenditure submitted by AAI for the Second Control Period, had rationalized the proposed capex taking into cognizance of essentiality and necessity of the CAPEX for the smooth operation of the Airport as explained in the following paragraphs.

6.2.2 The Independent Consultant appointed by the Authority had evaluated each capital item on the basis of the requirements and justifications provided by AAI.

AAI, in reply to the query dated 1st March 2024, submitted the actual capital expenditure incurred for FY 2023-24 as part of its FAR. The Authority noted that the actual capital expenditure included assets that were not proposed by AAI in its MYTP submission. The Authority, based on its review of FAR, included those additional assets in its proposal for the Second Control Period.

6.2.3 AAI vide email dated 27th May 2024, had requested for inclusion of assets relating to "Implementation of Digi Yatra" amounting to ₹ 4.13 crores. This was not part of AAI's MYTP submission for the Second Control Period.

The updated list of capital expenditure for the Second Control Period considering the addition on account of Digi Yatra Assets was as presented in table below:

Table 76: Updated Project wise Capital Expenditure for Indore International Airport for Second Control Period

(₹ in Crores)

Sl. No.	Capital Expenditure Project	FY of Commissioning	Project Cost	Financing Allowance (FA)	Total CAPEX (incl. FA)
A	Building - Terminal				
A.1	Modification of existing Terminal Building	2024-25	29.61	1.42	31.03
B	Other Building				
B.1	Construction of New Fire Station – Civil Works	2024-25	9.91	0.56	10.47
B.2	Provision of Rainwater Harvesting in Operational Area	2023-24	0.54	-	0.54
B.3	Miscellaneous Civil Works for Security Installation i/c construction of Buffer Zones at gates & Mobile Watch Tower & other associated works	2023-24	0.10	-	0.10
B.4	Miscellaneous Civil Work near 15 no. Parking Bay to enhance aviation safety	2023-24	0.06	-	0.06
C	Computers - End User Devices				



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Sl. No.	Capital Expenditure Project	FY of Commissioning	Project Cost	Financing Allowance (FA)	Total CAPEX (incl. FA)
C.1	Procurement of IT Equipment (based on replacement of IT Infra as per IT policy)	Various Years of SCP	0.92	-	0.92
D	Plant & Machinery				
D.1	Inline Baggage Screening System (ILBS)	2023-24	13.70	-	13.70
D.2	Self-Baggage Drop (SBD)	2023-24	0.90	-	0.90
D.3	Non-Linear Junction Device (NLJD)	2023-24	0.02	-	0.02
D.4	Explosive Trace Detector (ETD)	2023-24	0.90	-	0.90
D.5	Door Frame Metal Detector (DFMD)	2025-26	0.20	-	0.20
D.6	Full Body Scanners (FBS) (4 no.)	2025-26	10.00	-	10.00
D.7	Threat Containment Vehicle (TCV)	2024-25	10.00	-	10.00
D.8	Security CCTV (SCCTV)	2023-24	0.03	-	0.03
D.9	Bomb Detection and Disposal Squad (BDDS)	2025-26	4.00	-	4.00
E	Tools & Equipment				
E.1	Hydraulic Cutter & Spreader with Pump & Accessories – 01 No.	2023-24	1.80	-	1.80
E.2	Supply of 01 Nos. Airport Surface Friction Tester (ASFT) with Operation & Comprehensive Annual Maintenance Contract	2023-24	1.25	-	1.25
F	Electrical Installations				
F.1	Replacement of Air-Conditioning units of VIP Lounges & Passenger Boarding Bridges no. 1 & 3	2023-24	0.20	-	0.20
F.2	Provision of Stand-by hydro-pneumatic water supply system for NITB	2023-24	0.25	-	0.25
F.3	Replacement/addition of Internal & External Signages for Terminal Building	2023-24	0.80	-	0.80
F.4	Supply and laying of runway circuit 'B' cable and associated works	2024-25	0.60	-	0.60
F.5	Provision of additional flood light poles for newly constructed Parking Bays	2023-24	0.12	-	0.12
F.6	Replacement of existing water supply pumps with energy efficient pumps & provision of additional water pump for CFT filling at Fire Station including allied works	2023-24	0.14	-	0.14
F.7	Refurbishment/ modification of OTB for International operations	2024-25	12.93	-	12.93
F.8	SITC of Airfield Lighting Control and Monitoring System (ALCMS)	2024-25	0.60	-	0.60
F.9	Construction of New Fire Station – Electrical Works	2024-25	1.85	-	1.85
G	X-Ray Baggage System				
G.1	X Ray Baggage System	2023-24 2025-26	2.20	-	2.20
H	CFT/Fire Fighting Equipment				
H.1	Airfield Crash Fire Tender (ACFT) – 02 Nos. of 10 KL Water Tank Capacity	2026-27	14.00	-	14.00



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

Sl. No.	Capital Expenditure Project	FY of Commissioning	Project Cost	Financing Allowance (FA)	Total CAPEX (incl. FA)
I	Other Assets				
I.1	Implementation of Digi Yatra*	2024-25	4.13	-	4.13
	Capital Expenditure submitted by AAI for the Second Control Period		121.75	1.98	123.73

* Not included as part of MYTP submission, based on mail dated 27th May 2024.

6.2.4 The Authority's examination of the major Capital Expenditure projected for the Second Control Period has been explained in detail in the ensuing paragraphs.

A.1 Modification of Existing Terminal Building and F.7 Refurbishment/ modification of OTB for international operations- ₹ 42.47 crores

6.2.5 AAI had submitted gross capital expenditure of ₹ 43.96 crores towards modification of terminal building which includes modification of the Existing Terminal Building (NITB) and Refurbishment/ modification of Old Terminal Building (OTB) for international operations. AAI had submitted aeronautical capex of ₹ 42.47 crores, the bifurcation of which is as presented below:

Table 77: Aeronautical portion of the Terminal building as considered by AAI

(₹ in Crores)

Particulars	Gross Amount	Aeronautical %	Aeronautical Amount
Modification of existing terminal building (NITB)	29.61	95%	28.13
Refurbishment/ modification of OTB for international operations	12.93	100%	12.93
Financing Allowance	1.42	100%	1.42
Total	43.96		42.47

The Authority noted that the designated passenger handling capacity of Indore International Airport is 4 MPPA and the actual traffic for FY 2023-24 is 3.46 million, which is expected to become 3.94 million by FY 2024-25 as enumerated in Table 72. Considering the growth in passenger traffic post-COVID, especially the international passenger growth, AAI had submitted the plan to refurbish/modify the OTB to facilitate the proposed increase in international passengers.

Presently, AAI has 2 terminal buildings. One is used for passenger movement referred to as "Existing Terminal Building/ NITB", the other one referred to as "Old Terminal Building (OTB)", which has 3 floors that are presently used by AAI offices/airline offices. As per the proposed modification submitted by AAI, the ground floor of OTB (with an area of 6,200 sqm.) would be re-configured for international passenger movement exclusively.

AAI had submitted that the expected date of completion of the modification is January 2025 (i.e. FY 2024-25). The Authority noted that the old terminal building was being refurbished/ modified to enhance airport's passenger handling capacity for international operations. The Authority had reviewed the details of cost estimates submitted by AAI and proposed to consider the aeronautical portion of ₹ 39.14 crores as addition to RAB as presented in the table below, in FY 2024-25.



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Table 78: Cost for Refurbishment/ modification of Old Terminal building as proposed by the Authority at Consultation Stage

(₹ in Crores)

Particulars	Gross Amount	Aeronautical %	Aeronautical Amount
Modification of existing Terminal Building	29.61	92% (TBLR)	27.24
Refurbishment/ modification of OTB for international Ops	12.93	92% (TBLR)	11.90
Total	42.54		39.14

B.1 and F.9 Construction of New Fire Station - (Civil & Electrical) - ₹ 12.32 crores

- 6.2.6 AAI had submitted a capital expenditure of ₹ 10.47 crores (including Financing Allowance of ₹ 0.56 crores) towards Civil works and ₹ 1.85 crores towards electrical works pertaining to construction of New Fire Station in FY 2024-25. As per discussion with AAI, it was noted that the existing fire station is congested (currently 855 Sq mt) and hence there is a need for a Fire Station of a larger area. Accordingly, AAI had proposed to construct a fire station of 5,250 Sq mt. The Authority, through its Independent Consultant, reviewed the letter of award amounting to ₹ 11.76 Crores for this project. In the letter of award dated 5th August 2022, it was mentioned that the project is expected to be completed within 20 months from the date of commencement i.e. in FY 2024-25. Considering that the above capex is required for safety of airport operations, the Authority proposed to consider ₹ 11.76 Crores as addition to RAB in FY 2024-25. The capex for Construction of New Fire Station as submitted by AAI and as proposed by the Authority was as presented in the table below:

Table 79: Capex for Construction of New Fire station as submitted by AAI and as proposed by the Authority at Consultation stage

(₹ in Crores)

Particulars	As submitted by AAI	As proposed by the Authority
New Fire Station (Civil)	9.91	9.91
New Fire Station (Electrical)	1.85	1.85
Financing Allowance	0.56	-
Total	12.32	11.76

B.2 Provision of Rainwater Harvesting in Operational Area - ₹ 0.54 crores

- 6.2.7 AAI had submitted a capital expenditure of ₹ 0.54 crores towards provision of rainwater harvesting in Operational Area in FY 2023-24. The Authority noted that implementing rainwater harvesting projects at airports can be beneficial for both environmental conservation and operational sustainability and hence proposed to consider the same as addition to RAB.

The Authority, through its Independent Consultant, had reviewed the work order issued and invoices raised for this capex. On analysis of the invoices (amounting to ₹ 1.03 Crores), it was noted that the work had been completed in December 2023. Considering that it was an environment friendly initiative, the Authority proposed to consider capex amounting to ₹ 1.03 Crores as addition to RAB in FY 2023-24. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.



B.3 Miscellaneous Civil Works for Security Installation i/c Construction of Buffer Zones at gates & Mobile Watch Tower & other associated works - ₹ 0.10 crores

6.2.8 AAI had submitted capex of ₹ 0.10 crores towards construction of buffer zones at gates, mobile watch towers and associated works in FY 2023-24. Further, the Authority, through its independent consultant had reviewed the completion certificate of this project submitted by AAI, according to which the same had been completed in August 2023 at an actual value of ₹ 0.30 crores. Considering that the above capex is required for passenger safety and operations of the airport, the Authority proposed to consider the actual cost incurred of ₹ 0.30 Crores as additions to RAB during FY 2023-24. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

B.4 Miscellaneous Civil Work near 15 no. Parking Bay to enhance aviation safety - ₹ 0.06 crores

6.2.9 AAI had submitted capex of ₹ 0.06 crores towards civil works near 15 no. Parking Bay in FY 2023-24. The Authority had reviewed the completion certificate submitted by AAI, according to which the construction had been completed in August 2023 and capitalized in the FAR at ₹ 0.42 crores. Considering that the above capex was required to enhance aviation safety, the Authority proposed to consider the actual cost incurred of ₹ 0.42 Crores as additions to RAB during FY 2023-24. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

C.1 Procurement of IT Equipment - ₹ 0.92 crores

6.2.10 AAI had submitted capex of ₹ 0.92 crores towards procurement of IT Equipment spread across various years of the Second Control Period. On review of FAR for FY 2023-24, it was noted that AAI had not incurred capex planned for FY 2023-24. Considering that the above capex was to be incurred for essential IT equipment, the Authority proposed to shift the capitalization of IT capex from FY 2023-24 to FY 2024-25. The Authority also proposed to consider the submission of AAI for the FY 2024-25 up to FY 2027-28. AAI had considered these capex as 100% Aeronautical in nature. However, the Authority proposed to allocate these assets on the basis of EHCR. The year-wise capex submitted by AAI and proposed by the Authority is presented in the table below:

Table 80: Year-wise Capex for procurement of IT Equipment as submitted by AAI and as proposed by the Authority at Consultation stage

(₹ in Crores)

Year	As submitted by AAI	Allocation as per AAI	Gross capex proposed by the Authority	Allocation as per the Authority	Aeronautical capex proposed by the Authority
2023-24	0.17	100%	-	EHCR	-
2024-25	0.10	100%	0.27	EHCR	0.26
2025-26	0.07	100%	0.07	EHCR	0.07
2026-27	0.07	100%	0.07	EHCR	0.07
2027-28	0.51	100%	0.51	EHCR	0.50
Total	0.92		0.92		0.91

D.1 Inline Baggage Screening System (ILBS) - ₹ 13.70 crores

6.2.11 The AAI had submitted capex of ₹ 13.70 crores towards SITC of Inline Baggage Screening system (ILBS) for FY 2023-24. The Authority reviewed FAR for FY 2023-24, noted that the actual amount incurred for SITC of ILBS had been capitalized at ₹ 14.81 crores. Considering that the above capex is essential for ensuring passenger safety and airport security, the Authority proposed to consider the same as addition to



RAB. Based, on the review of the FAR, the Authority proposed to consider the cost as per FAR of ₹ 14.81 Crores as additions to RAB during FY 2023-24. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

D.2 Self-Baggage Drop (SBD) - ₹ 0.90 crores

- 6.2.12 AAI had submitted capex of ₹ 0.90 crores towards procurement of 4 Nos. of Self-Baggage Drop in FY 2023-24. The Authority noted that the Self-Baggage Drop facility is available in all Major Airports and is required for enhancing passenger convenience, reducing check-in queues and to manage passenger congestion during check-in. AAI vide mail dated 24th April 2024, had requested to shift the capitalization from FY 2023-24 to FY 2024-25.

The Authority had reviewed the Purchase Order issued for Self-Baggage Drop, amounting to ₹ 1.06 crores (i.e. 4 qty. @ ₹ 0.27 crores). Based on the amount in purchase order issued for SBD the Authority proposed to consider ₹ 1.06 crores (i.e. 4 qty @ ₹ 0.27 crores) as addition to RAB in FY 2024-25. Further, The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

D.4 Explosive Trace Detector (ETD) - ₹ 0.90 crores

- 6.2.13 AAI had submitted capex of ₹ 0.90 crores (4 qty.) towards Explosive Trace Detector in FY 2023-24. On review of the work order submitted by AAI, the Authority found that the procurement cost for 4 qty. of ETDs amounts to ₹ 0.59 crores. Considering that Explosive Trace Detectors (ETD) are essential security equipment in airports, as per BCAS guidelines, the Authority proposed to consider amount as per work order issued for ₹ 0.59 crores as addition to RAB.

However, on a review of FAR for FY 2023-24 the Authority noted that ETD proposed for FY 2023-24 had not been capitalized and hence, capitalization of 4 ETD was proposed to be shifted to FY 2024-25. The Authority proposed to consider the above capital expenditure as 100% aeronautical as per AAI.

D.5 Door Frame Metal Detector (DFMD) - ₹ 0.20 crores

- 6.2.14 AAI had submitted capex of ₹ 0.20 Crores towards purchase of 10 qty. DFMD in FY 2025-26. Based on the review of the cost of DFMD procured at other similar airports, the Authority found the cost submitted by AAI to be reasonable. Considering that the above capex is required for safety and security purposes, the Authority had proposed to consider DFMD (10 Qty) amounting to ₹ 0.20 Crores as addition to RAB in 2025-26. The Authority proposed to consider the above capital expenditure as 100% aeronautical as per AAI submission.

D.6 Full Body Scanners (FBS) - ₹ 10.00 crores

- 6.2.15 AAI had submitted capex of ₹ 10.00 crores towards FBS - 4 qty in FY 2025-26. As per the requirement of BCAS guidelines, Full Body Scanners (FBS) are to be provided in hypersensitive and sensitive airports. As per such guidelines, Indore International Airport is categorized as a sensitive airport. Based on the review of the cost of FBS procured at other similar airports, the Authority found the cost submitted by AAI to be reasonable. Considering that the above capex was required for safety and security purposes, the Authority proposed to consider FBS amounting to ₹ 10.00 Crores as addition to RAB in FY 2025-26. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.



D.7 Threat Containment Vessel (TCV) - ₹ 10.00 crores

6.2.16 AAI had submitted a capital expenditure of ₹ 10.00 crores towards acquisition of Threat Containment Vessel (1 qty) in FY 2024-25. As per AVSEC circular 13/2017, Threat Containment Vessel has to be installed at all Sensitive and Hypersensitive airports. As per such guidelines, Indore International Airport is categorized as a sensitive airport. The Authority, through its Independent Consultant, had reviewed the cost estimate submitted by AAI vide e-mail dated 8th May 2024 and found the same to be reasonable. The amount as per the cost estimate was ₹ 9.57 crores. Considering that TCV was related to security requirement of the airport, the Authority proposed to consider an amount of ₹ 9.57 crores as per the cost estimate as addition to RAB in FY 2024-25. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

D.9 Bomb Detection and Disposal Squad (BDDS) - ₹ 4.00 crores

6.2.17 AAI had submitted capex of ₹ 4.00 crores towards purchase of BDDS equipment in FY 2025-26 in compliance with BCAS circular dated 20th October 2017. The Authority had reviewed the aforementioned circular and noted that BCAS had directed all airports to implement BDDS. Extract from the BCAS circular is provided below:

"In exercise of powers conferred by Section 5A of the Aircraft Act, 1934, delegated to him vide Government of India, Ministry of Civil Aviation, Notification No. 1797 dated 03rd July, 1997 and Rule 3(b) of the Aircraft (Security) Rules, 2011, Director General, BCAS, for the purpose of securing aircraft operations directs that all Airport Operators will provide BDDS equipment to ASG/APSU as mentioned in AVSEC Circular No. 14/2010".

The Authority noted that the cost submitted by AAI was in line with the cost considered in other similar airports. Considering that the above capex was required for safety/security of the Airport, the Authority proposed to consider the amount of ₹ 4.00 crores as additions to RAB in FY 2025-26. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

E.1 Hydraulic Cutter & Spreader with Pump & Accessories – 01 No. - ₹ 1.80 crores

6.2.18 AAI had submitted capex of ₹ 1.80 crores towards procurement of Hydraulic cutter & spreader with pump & accessories for FY 2023-24. The Authority, through its Independent Consultant, had reviewed the contract issued by AAI in this regard, amounting to ₹ 0.18 crores. The significant variance between the amount submitted in MYTP proposal and amount actually incurred is due to typographical error in its MYTP submission, as informed by AAI. Considering that this capex is incurred to cater to the operational requirements at the airport premises, the Authority proposed to consider ₹ 0.18 Crores as addition to RAB in FY 2023-24. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

E.2 Supply of 1 Nos. Airport Surface Friction Tester (ASFT) - ₹ 1.25 crores

6.2.19 AAI had submitted a capital expenditure of ₹ 1.25 crores towards purchase of 1 no. of ASFT in FY 2023-24. The Authority, through its independent consultant, had reviewed the award letter pertaining to this project amounting to ₹ 1.31 crores. Considering that this capex is required for reliable runway operations, the Authority proposed to consider the amount of ₹ 1.31 Crores as addition to RAB. However, on review of the FAR, it was noted that the ASFT proposed for FY 2023-24 is not capitalized during the respective year.



Hence, the Authority proposed to shift the capitalization to FY 2024-25. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

F.1 Replacement of Air-Conditioning units of VIP Lounges & Passenger Boarding Bridges no. 1 & 3 - ₹ 0.20 crores

- 6.2.20 AAI had submitted Capex of ₹ 0.20 crores towards replacement of Air-Conditioning units of VIP Lounges & Passenger Boarding Bridges during FY 2023-24. The Authority, through its Independent Consultant, had reviewed the Purchase Order issued by AAI in this regard, amounting to ₹ 0.08 crores (9 Nos. AC). Considering its necessity for operational requirements and passenger facilities, the Authority proposed to consider the cost as per Purchase Order of ₹ 0.08 Crores as additions to RAB. Further, on review of FAR, it was noted that this expenditure had not been capitalized during FY 2023-24. The Authority proposed to shift the capitalization to FY 2024-25. AAI had considered this capex as 100% Aeronautical in nature, however, the Authority proposed to allocate the same on the basis of TBLR.

F.2 Provision of Stand-by Hydro-Pneumatic Water Supply System for NITB - ₹ 0.25 crores

- 6.2.21 AAI had submitted capex of ₹ 0.25 Crores towards Standby Hydro-pneumatic water supply system for New Integrated Terminal Building in FY 2023-24. AAI vide email dated 24th April 2024, stated that the tender process had started on 27th March 2024 for this project and the estimated bid value amounts to ₹ 0.15 crores. Based on review of the tender document, the Authority proposed to shift the capitalization to FY 2024-25 instead of FY 2023-24 as submitted by AAI. Considering that this capex is required for operational requirement, the Authority proposed to consider this asset as additions to RAB in FY 2024-25 at a cost of ₹ 0.15 Crores. AAI had considered this capex as 100% aeronautical in nature, however, the Authority proposed to allocate the same on the basis of TBLR.

F.3 Replacement/addition of Internal & External Signages for Terminal Building - ₹ 0.80 crores

- 6.2.22 AAI had submitted capex of ₹ 0.80 crores towards replacement/addition of internal & external signages for Terminal Building in FY 2023-24. AAI vide email dated 8th May 2024, provided the copy of e-tender document issued for the above work on 29th April 2024 amounting to ₹ 1.62 crores. The tender document mentions that the expected date of completion of work is 5 months from the date of commencement. Assuming that the work order would be issued in FY 2024-25, the Authority noted that the completion would also be done in FY 2024-25. Considering that this capex was essential to facilitate passenger movement, the Authority proposed to consider capex amounting to ₹ 1.62 crores as addition to RAB in FY 2024-25. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

F.4 Supply and laying of runway circuit 'B' cable and associated works - ₹ 0.60 crores

- 6.2.23 AAI had submitted total capex amounting to ₹ 0.60 Crores (₹ 0.20 crores in FY 2023-24 and ₹ 0.40 crores in FY 2024-25) towards supply and laying of runway circuit 'B' cable and associated works. Further, vide email dated 24th April 2024, AAI had stated that this project was under planning stage.

On review of FAR, it was noted that the capex had not been incurred during FY 2023-24. However, considering that this capex was necessary for smooth runway operations, the Authority proposed to consider the same as part of additions to RAB in FY 2024-25 at a cost of ₹ 0.60 Crores. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.



F.6 Replacement of existing water supply pumps with energy efficient pumps & provision of additional water pump for CFT filling at Fire Station including allied works - ₹ 0.14 crores

- 6.2.24 AAI had submitted capex of ₹ 0.14 crores for the replacement of existing water supply pumps with energy efficient pumps & provision of additional water pump for CFT filling at Fire Station in FY 2023-24. The Authority, through its Independent Consultant, had reviewed the completion certificate submitted by AAI pertaining to this project, and observed that the same was completed in January 2024. Considering that the above capex facilitates water availability at the fire station for safety requirements, the Authority proposed to consider the actual expenditure incurred of ₹ 0.14 Crores as addition to RAB for FY 2023-24. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

F.8 SITC of Airfield Lightning Control Monitoring System (ALCMS) - ₹ 0.60 crores

- 6.2.25 AAI had submitted Capex of ₹ 0.60 Crores towards purchase and installation of Airfield Lightning Control Monitoring System in FY 2024-25. Considering that the above capex was required for runway operations, the Authority proposed to consider capex amounting to ₹ 0.60 Crores as addition to RAB in FY 2024-25. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

G.1 X-Ray Baggage System - ₹ 2.20 crores

- 6.2.26 AAI had submitted capex amounting to ₹ 0.70 crores in FY 2023-24 and ₹ 1.50 crores in FY 2025-26 respectively, towards acquisition of X-BIS. Considering that this capex is security equipment and supplements in decongestion of the airport, the Authority proposed to consider the above capex as addition to RAB. The Authority noted AAI's plan to procure these X-BISs in phases. On review of FAR, it was noted that 6 quantities had been capitalized during FY 2023-24 amounting to ₹ 1.66 crores and the balance quantity had been proposed to be capitalized in FY 2025-26 amounting to ₹ 0.54 crores. The Authority considered the cost submitted to be reasonable (in line with other similar airports) and proposed to consider 6 qty. amounting to ₹ 1.66 crores as addition to RAB in FY 2023-24 and to consider the balance amount of ₹ 0.54 crores (₹ 2.20 crores less ₹ 1.66 crores already capitalized in FY 2023-24) in FY 2025-26. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

H.1 Airfield Crash Fire Tender (ACFT) – 2 Nos. of 10 KL Water Tank Capacity – ₹ 14.00 crores

- 6.2.27 AAI had submitted capex of ₹ 14.00 Crores towards purchase of 2 nos. of Airfield Crash Fire Tender (ACFT) in FY 2026-27. On enquiry with AAI on the need for new ACFTs considering that there are 2 nos. ACFTs already operational at Indore International Airport, AAI had responded vide mail dated 29th July 2024 conveying that the replacement of existing 2 Nos 10KL ACFTs (commissioned in 2017) at Indore International Airport was proposed on completion of their minimum service life of 10 years, as per Discarding and Disposal Policy of AAI dated 13.10.2006.

The Authority noted that the cost estimation for ACFTs considered by AAI is in line with the cost considered in other similar airports. Considering that these ACFTs are essential items from the aspect of aircraft & passenger safety for day-to-day operations, the Authority proposed to consider the Capex on 2 nos ACFTs amounting to ₹ 14 crores as addition to RAB in FY 2026-27. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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I.1 Implementation of Digi Yatra - ₹ 4.13 crores

6.2.28 AAI had submitted capex of ₹ 4.13 crores towards implementation of Digi Yatra in FY 2024-25 vide mail dated 27th May 2024. This was in addition to the capex submitted in MYTP for the Second Control Period. This capex work includes one-time implementation of central application, SITC of Biometric Gates, Biometric Pods and CISF Tablets.

Digi Yatra is an initiative of MoCA to provide a paperless and hassle-free journey to passengers through biometric authentication. The Authority had reviewed the work orders issued in this regard and considered the cost to be reasonable. Considering that Digi Yatra helps passenger facilitation, the Authority proposed to consider the same as addition to RAB in FY 2024-25 at a cost of ₹ 4.13 Crores. The Authority proposed to consider the above capital expenditure as 100% aeronautical as per AAI.

6.2.29 The Authority observed that there are minor projects submitted by AAI amounting to ₹ 0.17 crores, towards procurement Non-Linear Junction Device (NLJD) – proposed capitalization in FY 2023-24, installation of security CCTV cameras - proposed capitalization in FY 2023-24 and Provision of additional flood light poles for newly constructed parking bays- proposed capitalization in FY 2023-24. The Authority, through its independent consultant had verified the work orders issued, completion certificates, cost capitalized as per FAR for FY 2023-24, cost of capex in other similar airports, and other relevant documents as made available and had noted that cost of ₹ 0.13 crores towards such assets was reasonable. Considering that the above capex is required for safety, security and operational requirements of the airport, and based on its analysis, the Authority proposed to consider the addition to RAB amounting to ₹ 0.13 crores in various tariff years of the Second Control Period. The Authority proposed to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

Other assets capitalized in FAR but not part of MYTP submission

6.2.30 AAI, vide reply to query dated 3rd April 2024, had shared the actual capital addition of ₹ 3.47 crores during the FY 2023-24, which was not included in MYTP. The details of such additions are as follows:

Table 81: Capital Expenditure incurred in FY 2023-24 as per FAR but not part of MYTP submission by the AAI

(₹ in crores)

Particulars	Amount Incurred	Description
Tools & Equipment	1.35	Supply of Hydraulic cutter, brush cutter machine, analog receiver, car washer and zone guns
Plant & Machinery	1.02	Procurement of VRF Air Conditioning system, Supply of Biometric Access Control Device System, RO Purifier for Security, SITC of DFMD and procurement of weighing scale
Roads, Bridges & Culverts	0.63	Construction of concrete road near parking bays
Boundary Wall - Operational	0.10	Construction of Boundary Wall in front of NITB
Other Building	0.34	Construction of Security Room near MPFC Gate
Electrical Installations	0.02	Electrical Work related to Screening Room & Refuel Room
Total	3.47	

The Authority considered these assets as justified for operational requirements and therefore proposed to consider the same as capital addition to RAB during the Second Control Period.



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6.2.31 The Authority proposed to reduce (adjust) 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 was further proposed that if the delay in completion of the project is beyond the timeline given in the capitalization schedule, due to any reason beyond the control of the AAI and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the next Control Period.

6.2.32 The Authority examined AAI's claim towards Financing Allowance (i.e. ₹ 1.98 crores) and had the following views:

- The Authority considered that providing return on capital expenditure from the very beginning of construction would significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.
- Further, discouraging grant of a financing allowance to the Airport Operators would ensure timely completion of projects and delivery of services to the users. Therefore, the Authority was of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that would had to be incurred if debt is used for funding projects.
- Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.
- Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for Financing Allowance in the initial stages to such airports. It may be further noted that the Authority had never provided a Financing Allowance in the case of brownfield airports and airports of AAI, in any of the Tariff Orders. Further, the Financing Allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.
- It was pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports cannot be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical services had been created and put to use. However, in the case of brownfield airports, in a scenario where the AO brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional, and the AO keeps on enjoying the charges from the users. Indore International Airport, being a brownfield airport, is not eligible for Financing Allowance.
- Financing Allowance is a notional allowance and is different from Interest During Construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport



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Operator funds the projects through a mix of equity and debt. Further, the Authority opined that only IDC should be provided on the debt availed for execution of a project.

- The proviso to Section 13 (1) (a) of the AERA Act stated 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) of Section 13 (1) (a)”.

6.2.33 Therefore, based on the above analysis, the Authority proposed not to consider the Financing Allowance claimed by AAI for the Second Control Period. In accordance with the above analysis, the Authority proposed capital expenditure for the Second Control Period as per the table below:

Table 82: Capital Expenditure (Project-wise) proposed by the Authority for Second Control Period at Consultation Stage

(₹ in Crores)

Sl. No.	Capital Expenditure Project	FY of Commissioning		Capitalization		
		Submitted by AAI	Proposed by the Authority	Submitted by AAI (1)	Proposed by the Authority (2)	Difference (2-1)
A	Building – Terminal					
A.1	Modification of existing Terminal Building	2024-25	2024-25	31.03	27.24	-3.79
B	Other Building					
B.1	Fire Station (civil works)	2024-25	2024-25	10.47	9.91	-0.56
B.2	Provision of Rainwater Harvesting in Operational Area at D.A.B.H. Airport Indore.	2023-24	2023-24	0.54	1.03	0.49
B.3	Miscellaneous Civil Works for Security Installation i/c construction of Buffer Zones at gates & Mobile Watch Tower & other associated works at D.A.B.H. Airport, Indore.	2023-24	2023-24	0.10	0.30	0.20
B.4	Miscellaneous Civil Work near 15 no. Parking Bay to enhance aviation safety at D.A.B.H. Airport, Indore.	2023-24	2023-24	0.06	0.42	0.37
C	Computers - End User Devices					
C.1	Procurement of IT Equipment (base on replacement of IT Infra as per IT policy)	Various Years in SCP	Various Years in SCP	0.92	0.91	-0.01
D	Plant & Machinery					
D.1	Inline Baggage Screening System (ILBS)	2023-24	2023-24	13.70	14.81	1.11
D.2	Self-Baggage Drop (SBD)	2023-24	2024-25	0.90	1.06	0.16
D.3	Non-Linear Junction Device (NLJD)	2023-24	2024-25	0.02	0.02	-
D.4	Explosive Trace Detector (ETD)	2023-24	2024-25	0.90	0.59	-0.31
D.5	Door Frame Metal Detector (DFMD)	2025-26	2025-26	0.20	0.20	-
D.6	Body Scanner (4 no.)	2025-26	2025-26	10.00	10.00	-
D.7	Threat Containment Vehicle (TCV)	2024-25	2024-25	10.00	9.57	-0.43



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Sl. No.	Capital Expenditure Project	FY of Commissioning		Capitalization		
		Submitted by AAI	Proposed by the Authority	Submitted by AAI (1)	Proposed by the Authority (2)	Difference (2-1)
D.8	Security CCTV (SCCTV)	2023-24	2024-25	0.03	0.06	0.03
D.9	Bomb Detection and Disposal Squad (BDDS)	2025-26	2025-26	4.00	4.00	-
E	Tools & Equipment					
E.1	Hydraulic Cutter & Spreader with Pump & Accessories – 01 No.	2023-24	2023-24	1.80	0.18	-1.62
E.2	Supply of 01 Nos. Airport Surface Friction Tester (ASFT) with Operation & Comprehensive Annual Maintenance Contract	2023-24	2024-25	1.25	1.31	0.06
F	Electrical Installations					
F.1	Replacement of Air-Conditioning units of VIP Lounges & Passenger Boarding Bridges no. 1 & 3 at DABH Airport, Indore.	2023-24	2024-25	0.20	0.08	-0.12
F.2	Provision of Stand-by hydro-pneumatic water supply system for NITB at DABH Airport, Indore.	2023-24	2024-25	0.25	0.14	-0.11
F.3	Replacement/addition of Internal & External Signages for Terminal Building at DABH Airport, Indore.	2023-24	2024-25	0.80	1.62	0.82
F.4	Supply and laying of runway circuit 'B' cable and associated works at DABH Airport, Indore	2023-24/ 2024-25	2024-25	0.60	0.60	-
F.5	Provision of additional flood light poles for newly constructed Parking Bays at DABH Airport, Indore	2023-24	2023-24	0.12	0.05	-0.07
F.6	Replacement of existing water supply pumps with energy efficient pumps & provision of additional water pump for CFT filling at Fire Station including allied works at DABH Airport, Indore	2023-24	2023-24	0.14	0.14	-
F.7	Refurbishment/ modification of OTB at DABH Airport, Indore. SH: Electrical works	2024-25	2024-25	12.93	11.90	-1.03
F.8	SITC of Airfield Lighting Control and Monitoring System (ALCMS)	2024-25	2024-25	0.60	0.60	-
F.9	Fire Station (electrical works)	2024-25	2024-25	1.85	1.85	-
G	X-Ray Baggage System					
G.1	X Ray Baggage System	2023-24/ 2025-26	2023-24/ 2025-26	2.20	2.20	-
H	CFT/Fire Fighting Equipment					



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Sl. No.	Capital Expenditure Project	FY of Commissioning		Capitalization		Difference (2-1)
		Submitted by AAI	Proposed by the Authority	Submitted by AAI (1)	Proposed by the Authority (2)	
H.1	Airfield Crash Fire Tender (ACFT) – 2 Nos. of 10 KL Water Tank Capacity	2026-27	2026-27	14.00	14.00	-
I	Other Assets					
I.1	Digi Yatra	2024-25	2024-25	4.13	4.13	-0.00
	Additions to FY 2023-24			-	3.47	3.47
	Capital Expenditure proposed by the Authority for the Second Control Period			123.73	122.38	-1.35

6.2.34 Based on the above analysis, the Authority proposed to consider the capital expenditure amounting to ₹ 122.38 crores as addition to RAB for the Second Control Period. Category-wise and Year wise additions were as follows:

Table 83: Year wise Capitalization of assets proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Building - Terminal	-	27.24	-	-	-	27.24
Other Building	2.09	9.91	-	-	-	12.00
Computers - End User Devices	-	0.26	0.07	0.07	0.50	0.91
Plant & Machinery	15.83	11.29	14.20	-	-	41.33
Tools & Equipment	1.53	1.31	-	-	-	2.84
Electrical Installations	0.21	16.78	-	-	-	16.99
Roads, Bridges & Culverts	0.63	-	-	-	-	0.63
Boundary Wall - Operational	0.10	-	-	-	-	0.10
Office Equipment	0.00	-	-	-	-	0.00
X-Ray Baggage System	1.66	-	0.54	-	-	2.20
CFT/Fire Fighting Equipment	-	-	-	14.00	-	14.00
Other Assets	-	4.13	-	-	-	4.13
Total	22.06	70.93	14.81	14.07	0.50	122.38

6.2.35 Clause A1.3.1 of the Appendix 1 to The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 enumerates that, “The Airport User shall undertake user consultation with AUCC on major capital projects planned at the airport. The major capital projects shall be defined as capital investment projects that may represent more than 5% of the value of the RAB at the beginning of the control period or ₹ 50 crores rupees, whichever is the lower amount”.

6.2.36 The opening RAB proposed by the Authority for the first year of Second Control Period is ₹ 161.68 crores (refer Table 88), 5% of which amounts to ₹ 8.08 crores, which was lower than ₹ 50 crores, and thus shall be considered as the threshold value for conducting AUCC by Indore International Airport for capital projects proposed in the Second Control Period.



6.2.37 As per the above criteria for Indore International Airport, AUCC Meeting is required for the following assets:

- a) Modification of existing Terminal Building for International Operations (Civil & Electrical) - ₹ 43.96 crores; year of proposed capitalization – FY 2024-25.
- b) Fire Station - ₹ 12.32 crores; year of proposed capitalization – FY 2024-25.
- c) Procurement of Threat Containment Vehicle (TCV) - ₹ 10.00 crores; year of proposed capitalization – FY 2024-25.
- d) Procurement of Body Scanner - ₹ 10.00 crores; year of proposed capitalization – FY 2025-26.
- e) Inline Baggage Screening System (ILBS) - ₹ 13.70 crores – FY 2023-24.
- f) Airfield Crash Fire Tender (ACFT) - ₹ 14.00 crores – FY 2026-27.

6.2.38 The Authority noted that AAI had not conducted an Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the proposed additions in SCP as at the date of publishing this CP. It was also noted that AUCC was not conducted for any capital additions in the First Control Period except for “15 no. parking bays, parallel taxi track and other associated works”, although there were assets above the threshold limits for conducting AUCC as per the prescribed guidelines. Thus, the Authority directed AAI to conduct an AUCC meeting in accordance with the AERA Guidelines, 2011 for applicable capex proposed and obtain inputs from all the stakeholders with respect to such projects.

6.2.39 The Authority proposed to consider aeronautical capital additions for Indore International Airport for the Second Control Period as ₹ 122.38 crores as against ₹ 123.73 crores submitted by AAI, the difference being mainly on account of the following factors:

- a. Non-consideration of Financing Allowance of ₹ 1.98 Crores proposed by AAI for the Second Control Period.
- b. Reduction in Capital Expenditure amounting to ₹ 4.82 crores on account of considering of actual cost of assets capitalized, based on completion certificate/FAR/Invoices etc. and different allocation ratios considered by the Authority.
- c. Considered actual capital expenditure incurred in FY 2023-24 amounting to ₹ 3.47 crores, which was not part AAI's MYTP submission.

6.3 Depreciation for the Second Control Period

AAI's submission regarding Depreciation for the Second Control Period

6.3.1 While submitting the Multi-Year Tariff proposal for the Second Control Period for Indore International Airport, AAI had taken cognizance of the rates of depreciation approved by the Authority in Order No. 35/2017-18 dated 12th January 2018 and Amendment No. 01 to Order No. 35/2017-18 on 'Determination of Useful Life on Airport Assets'. Accordingly, the rates of depreciation approved by the Authority had been applied by AAI from FY 2018-19 onwards.

6.3.2 The Authority considered useful life of assets as per Order No. 35/2017-18 dated 12th January 2018 and Amendment No. 01 to Order No. 35/2017-18 on 'Determination of Useful Life on Airport Assets' and details are as under:



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Table 84: Useful life considered by the Authority for proposed additions from FY24 to FY28

Particulars	Useful life
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

6.3.3 Depreciation had been computed separately on opening block of assets and on the proposed additions. The depreciation amount submitted by Indore International Airport for the Second Control Period is as presented in the table below:

Table 85: Depreciation submitted by AAI for Indore International Airport for the Second Control Period

(₹ in Crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Runway, Taxiway, Apron	2.22	2.22	2.22	2.22	2.22	11.09
Roads, Bridges & Culverts	0.23	-	-	-	-	0.23
Building Terminal	2.28	2.78	3.27	3.27	3.27	14.87
Building Residential	0.33	0.33	0.33	0.33	0.33	1.65
Boundary Wall - Operational	0.52	0.52	0.46	0.46	0.46	2.41
Computers - End User Devices	0.17	0.10	0.07	0.07	0.08	0.49
Computer Software	0.02	0.02	0.02	-	-	0.07
Computers - Servers and Networks	0.00	0.00	0.00	0.00	0.00	0.00
Plant & Machinery	1.74	2.58	3.40	3.79	3.69	15.19
Tools & Equipment	0.79	0.89	0.89	0.89	0.89	4.35
Vehicle – Others	0.91	0.91	0.91	0.49	-	3.20
Electrical Installations	1.29	2.14	2.90	2.90	2.90	12.14
Solar Power Plant	0.17	0.17	0.17	0.17	0.17	0.83
Office Equipment	0.01	-	-	-	-	0.01
Furniture & Fixtures - Other than trolleys	0.53	0.52	0.50	0.45	-	2.01
X-Ray Baggage System	0.20	0.21	0.26	0.31	0.31	1.29
CFT/Fire Fighting Equipment	0.66	0.66	0.66	1.12	1.59	4.69
Other Building	0.16	0.34	0.52	0.52	0.52	2.04
Total	12.21	14.38	16.57	16.99	16.43	76.57

Authority's examination of Depreciation for the Second Control Period at Consultation Stage

6.3.4 The Authority noted that AAI had calculated the depreciation for the Second Control Period based on the useful life of the asset as per Order No.35/2017-18 dated 12th January 2018. The Authority had reviewed



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the depreciation rates submitted by AAI for the Second Control Period with the rates as per Order No.35/2017-18 dated 12th January 2018 and noted no deviation.

- 6.3.5 Based on changes in the allocation of opening gross block of assets and proposed capital expenditure, the Authority proposed the following depreciation for the Second Control Period.

Table 86: Depreciation proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Runway, Taxiway, Apron	2.32	2.32	2.32	2.32	2.32	11.62
Roads, Bridges & Culverts	0.23	0.26	0.06	0.06	0.06	0.68
Building - Terminal	2.14	2.36	3.05	3.05	3.05	13.65
Building - Temporary	0.04	0.04	0.04	0.04	0.04	0.20
Building - Residential	0.29	0.29	0.29	0.29	0.29	1.46
Boundary Wall - Operational	0.62	0.63	0.63	0.57	0.53	2.98
Computers - End User Devices	0.07	0.08	0.07	0.06	0.11	0.38
Computer Software	0.02	0.02	0.01	0.01	0.00	0.06
Plant & Machinery	2.32	3.43	4.26	4.64	3.83	18.48
Tools & Equipment	0.81	0.89	0.93	0.92	0.86	4.41
Vehicle - Others	0.09	0.09	0.08	0.06	0.00	0.32
Vehicle - Cars & Jeeps	0.01	0.00	-	-	-	0.01
Electrical Installations	1.18	1.56	2.84	2.82	2.81	11.21
Solar Power Plant	0.15	0.15	0.15	0.15	0.15	0.77
Office Equipment	0.02	0.01	0.01	0.01	0.00	0.04
Furniture & Fixtures - Other than trolleys	0.46	0.46	0.40	0.35	0.13	1.81
X-Ray Baggage System	0.17	0.23	0.23	0.25	0.25	1.14
CFT/Fire Fighting Equipment	0.67	0.67	0.67	0.98	1.61	4.60
Other Building	0.17	0.37	0.54	0.54	0.54	2.16
Other Assets	-	0.14	0.28	0.28	0.28	0.96
Total	11.80	14.00	16.86	17.42	16.87	76.94

- 6.3.6 The Authority proposed to consider depreciation for Indore International Airport for the Second Control Period as ₹ 76.94 crores. The above depreciation was higher than that proposed by AAI of ₹ 76.57 Crores due to consideration of actual costs of some projects in FY 2023-24 and additional depreciation on Digi Yatra etc.

6.4 Regulatory Asset Base (RAB) for the Second Control Period

AAI's submission regarding RAB for the Second Control Period

- 6.4.1 AAI's submission on RAB for the Second Control Period for Indore International Airport is as follows:



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Table 87: RAB submitted by AAI for Indore International Airport for the Second Control Period

(₹ in Crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (A)	170.28	179.64	231.36	230.66	227.75	
Additions (B)	21.57	66.10	15.87	14.07	0.51	118.12^
Disposals (C)	-	-	-	-	-	-
Depreciation (D)	12.21	14.38	16.57	16.99	16.43	76.57
Closing RAB (E = A+B-C-D)	179.64	231.36	230.66	227.75	211.83	
Average RAB (F=[A+E]/2)	174.96	205.50	231.01	229.21	219.79	

^As per the initial MYTP submission made by AAI, this has been subsequently updated based on the submissions made by AAI refer para 6.2.3.

Authority's examination of RAB for the Second Control Period at Consultation Stage

- 6.4.2 The Authority proposed to adopt the capitalization of Aeronautical Expenditure in accordance with Table 83 and the depreciation amounts in accordance with Table 86.

Based on the above, the RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Second Control Period was as follows:

Table 88: RAB proposed to be considered by the Authority for the Second Control Period at Consultation Stage

(₹ in Crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (A)		161.68	171.94	228.87	226.82	223.47	
Additions (B)	Table 83	22.06	70.93	14.81	14.07	0.50	122.38
Disposals (C)		-	-	-	-	-	-
Depreciation (D)	Table 86	11.80	14.00	16.86	17.42	16.87	76.94
Closing RAB (E = A+B-C-D)		171.94	228.87	226.82	223.47	207.11	
Average RAB (F=[A+E]/2)		166.81	200.41	227.85	225.15	215.29	

6.5 Stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Second 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. 04/2024-25 dated 05th September 2024. The comments of stakeholders are presented below.

- 6.5.1 AAI's comment on Terminal Building Ratio is as follows:

•AERA has considered Rs. 8.11 crore (Table 91 of CP) as aeronautical revenue and excluded the same non-aeronautical revenue from the Second Control Period.

•AAI has proposed the above amount as Non- Aero in line with the previous order issued by AERA. (earlier Tariff orders of PPP airports-Mangalore, Ahmadabad).

•It is to mention here that space allotted to Airlines is 25% of total Non-Aero area considering 5years average.



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•On the other hand, AERA has considered Terminal Building Ratio 92%:8% (Aero: Non-Aero) against actual from 92.82%: 7.18% (Aero : Non Aero) (which includes Average space allotted to Airlines 312.52 sqm was considered as Non- Aero.

AAI agree with the change of stand of AERA considering Aeronautical revenue from Space rental from Airlines and other GHA Service provider but it is worthwhile to mention that AERA has considered the area allotted as Non – Aero. So we urge AERA to consider the space allotted Airlines and other GHA Service provider as aeronautical.”

6.5.2 AAI’s comment on Financing allowance is as follows:

“AAI submits that Direction 05 does not state FA is only for greenfield airports. Irrespective of whether it is brownfield or greenfield airports, there is outlay of funds for significant time when developing new terminals/runways/large project works. Even in CIAL and BIAL, FA has been considered till SCP. In this regard, level playing field may be ensured for AAI and private airports.”

6.5.3 FIA’s comment on Terminal Building Ratio is as follows:

“FIA submits that, AERA have considered the Terminal Building Ratio (‘TBLR’) of 92:8 for the Second Control Period.

However, it is important to recognize the significance of Indore as a prominent destination and a vital hub in Madhya Pradesh. The city is Known for its rich cultural heritage, vibrant food scene, and emerging IT and business sectors, attracting a significant number of domestic and international visitors. Additionally, Indore’s flourishing educational institutions and proximity to popular tourist attractions such as Mandau and Maheshwar further enhance its appeal.

With its growing reputation and steady influx of tourists, business travellers, and culinary enthusiasts, Indore plays a crucial role in tourism. Its strategic location and the development of Devi Ahilya Bai Holkar Airport further underscores its potential for increased non-aeronautical revenue.

The current non-aeronautical ratio proposed by AERA may not fully capture the extensive economic opportunities presented by Indore’s diverse industries, educational institutions, and the significant impact of its cultural attractions, making it a prominent centre for tourism and business.

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 IDR and/or request to conduct an independent study for the same. We further recommend that AAI should utilize such aspects and space towards increasing their non-aeronautical activities.”

6.5.4 FIA’s comment on putting on hold/deferring all non-essential capital expenditure is as follows:

“We note that AERA has conducted an in-depth analysis of the submissions made by the Airport operator, which is appreciated.



Further, it is also observed that, at the time of True-up of First Control Period ('FCP'), there is a significant amount of 'unplanned' capex additions done by AAI. Hence, it does not instill confidence in the Stakeholder (i.e., Airlines), that the capex planning has been efficient. In view of that, we request AERA to conduct an independent study for 'efficiency of capex for SCP' before issuing the final order, which may help in understanding the exact needs of the airport and lower risk of unplanned capex in the next control.

Further, 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."

6.5.5 FIA's comment on the re-adjustment (reduction) of 1% of non-completed projects costs in the 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/capitalized as per the approved capitalization 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 instead of Third Control Period."

6.5.6 FIA's comment on applying normative norms for capex projects 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 13 June 2016 in order to maintain the overall cost control and efficiencies in capex projects.

FIA notes that the normative rate for capex projects is not specified in the consultation paper (CP). We submit that there should not be any incremental normative rate for capex projects.

We request AERA to ensure that all aeronautical capex is efficient and without any unreasonable excesses. This is crucial to prevent stakeholders, including passengers, from bearing costs for services or facilities that are not utilized or availed by stakeholders."

6.5.7 IATA's comment on Airport Users Consultative Committee (AUCC) Meeting is as follows:

- *"IATA would like to highlight that there was no AUCC meeting conducted by the AO before embarking on capital expenditure projects. This was highlighted by IATA as well as by the airlines during the AERA consultation meeting held on 20th September. At the behest of AERA, the AO subsequently scheduled the AUCC meeting on 1st October 2024.*
- *During the AUCC meeting on 1st October, the misalignment of priorities between airport operator and airlines operating was evident, which could have been avoided if due consultation had been undertaken in a timely and meaningful manner.*
- *Scheduling an AUCC 5 months after the beginning of CAPEX work is too late for establishing the need and business case for any CAPEX, or to incorporate any changes into the CAPEX plan. This certainly*



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does not adhere to both the intent and due process stipulated by AERA. AO should recognize that such unsupported decisions/investments that have not been validated by airport users/airlines would run the risk of not being accepted for inclusion in the RAB and in determining the overall ARR.

We would request AERA to recognize such gaps and put in place a mechanism so that the mandated consultation protocols are respected and followed in a timely manner. IATA has previously provided AERA with our recommendation for a best practice consultation framework that facilitates ongoing engagements by an AO with its stakeholders in an inclusive and collaborative manner."

6.5.8 IATA's comment on Security Expenses related to Staff Quarters is as follows:

"We would like to understand as to why major security expenses related to the construction of CISF quarters included in the Regulatory Asset Base (RAB) are not being funded via the Aviation Security Fund (ASF)? All security related costs previously funded through the PSF-SC should rightfully be funded through the ASF. This expense should thus be disallowed by AERA."

6.5.9 Business Aircraft Operators Association comment on Stakeholders meeting is as follows:

"Stakeholder Meetings: We request that AERA issue an advisory to all airports to conduct stakeholders' meetings at least once every six months, preferably in a hybrid format with the option of virtual participation, to ensure regular feedback on ongoing services and development plans."

6.5.10 FIA's comment on Depreciation rates/ useful life of terminal buildings 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."

6.6 AAI's response to Stakeholders' comments Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Second Control Period

6.6.1 AAI's response to FIA's comment on terminal Building Ratio is as follows:

"Since the Terminal Building is old and saturated. AERA has considered Terminal Building Ratio in line with 1st CP. Due to constraints in existing buildings, it is very difficult to increase the area allocation for Non-Aero. However, AAI will make more efforts to increase its Non-Aero Revenue as per projections submitted in MYTP."

6.6.2 AAI's response to FIA's comment on putting on hold/deferring all non-essential capital expenditure is as follows:



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“AAI is incurring capital expenditure after detailed analysis and based on the need of the capex at the respective airport. The unplanned expenditure has been incurred after considering operational requirement at the airport. AAI has cautiously considered only that capex which are essential, through discussions with the Corporate Headquarters and stakeholders during these years.

Any capital investment is eligible for return & Depreciation only after the assets put to use. AERA is considering return on RAB after the assets get capitalize and put to use”.

- 6.6.3 AAI’s response to FIA’s comment on the re-adjustment (reduction) of 1% of non-completed projects costs in the ARR is as follows:

“AAI is incurring capital expenditure after detailed analysis and need of the capex at the respective airport. The unplanned expenditure has been incurred after considering operational requirement. AAI has cautiously considered only that capex which are essential, through discussions with the Corporate Headquarters and stakeholders these years.”

- 6.6.4 AAI’s response to FIA’s comment on applying normative norms for capex projects is as follows:

“FY2020-21 and 2021-22 of the first Control Period were unprecedented years affected due to the pandemic Covid-19 resulting in postponement of the capital expenditure to the future years.

Wherever the normative cost is applicable on the capital work, AAI calculate and submit the normative cost and accordingly AERA allow/approve the same. Normative cost is required for construction of Terminal Building/Apron/Taxi Way/Parallel Taxi Track etc. Since no such work is proposed in second control period and only modification of existing Terminal Building will take place. Therefore, the requirement for such working does not arise.”

- 6.6.5 AAI’s response to IATA’s comment on Airport Users Consultative Committee (AUCC) Meeting is as follows:

“AERA during consultation meeting held on 20.09.2024 has advised AAI to conduct AUCC meeting for the eligible projects before issuing of order. Accordingly, AAI has conducted AUCC meeting on 01.10.2024 at Indore Airport. The minutes of the AUCC meeting has already been shared with AERA. In the said meeting, Airport Director, Indore assured that all facilities would be provided and AAI will adhere to all norms of BCAS and that there would be no compromise with passenger experience.”

- 6.6.6 AAI’s response to IATA’s comment on Security Expenses related to Staff Quarters is as follows:

“As per National Security Fee Trust (NASFT) guidelines, all capital expenditure related to security to be borne by Airport Operator. Hence, the same has been considered in MYTP.”

- 6.6.7 AAI’s response to FIA’s comment on Depreciation rates is as follows:

“AAI has computed the depreciation rates in compliance with AERA order no 35 on various fixed assets.”

6.7 Authority’s analysis on Stakeholder’s comments regarding Capital Expenditure (CAPEX) Depreciation and Regulatory Asset Base (RAB) for the Second Control Period

- 6.7.1 The Authority notes comments of AAI on Terminal Building ratio.

There should be continued efforts by AAI to increase the efficiency in Airport operation by generating sufficient non-aeronautical revenue for cross subsidization of aeronautical charges. Merely accepting the



ratio provided by Airport Operator would not bring efficiencies in the airport operations. AERA is inclined to consider other relevant factors such as IMG recommendations, IATA norms and uniform practice followed in other similar airports relating to appropriate Terminal Building Ratio, for determining the non-aeronautical areas in the terminal building.

Considering the above, the Authority, decides to consider the Terminal Building Ratio as 92:8 (Aeronautical: Non – aeronautical) for Second Control Period, which is in line with the optimum percentage of non-aero aera in the terminal building as per IMG Norms (for airports having passenger traffic less than 10 MPPA).

6.7.2 The Authority notes the comments of AAI with regard to Financing Allowance and the Authority's detailed view in this regard has been presented in the Para 6.2.32 of this Tariff Order. The same is being followed by AERA across all airports in India.

6.7.3 The Authority notes FIA's comments with respect to Terminal Building allocation ratio and AAI's response on the same.

The area of terminal building is planned considering the estimated passenger capacity within and areas for Aeronautical and Non-Aeronautical services are identified and demarcated.

The Authority also refers to IMG recommendations as a reference and notes that as per IMG Norms (for airports having passenger traffic less than 10 MPPA), generally, 8% to 12% of overall terminal building area is earmarked for non-aeronautical services, which will generate additional revenues to the Airport and cross subsidize the Aeronautical charges.

Considering the above, the Authority decides to retain the Terminal building Ratio as 92:8 (Aeronautical: Non-Aeronautical) for the Second Control Period and First Control Period and the same is in line with the IMG recommendations and IATA norms and as followed in other similar airports.

6.7.4 The Authority has examined the comments of FIA regarding conducting an independent study on capital expenditure efficiency and AAI's response to the same.

The Authority, through aviation expert of its Independent Consultant, has examined in depth, the Capital expenditure incurred by AAI and the CAPEX proposals submitted by AAI for the Second Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX, and considered only such capital expenditure that are essential for safety/ security/ operational requirements.

Regarding FIA's concern about unplanned CAPEX during the True-up of the First Control Period (FCP), the Authority notes the importance of prudent planning and has taken steps to ensure that the approved CAPEX for the SCP is well-justified and aligned with the airport's operational needs. However, the Authority also understands that CAPEX needs may evolve based on unforeseen operational demands or compliance requirements.

Further, the Authority notes FIA's request to defer non-essential capital expenditure to avoid undue cost burdens on airlines. The Authority has carefully scrutinized AAI's CAPEX proposals to prioritize only critical investments necessary for maintaining safety and security standards.



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As regard to the requirement for an independent study for efficient capex as suggested by FIA, it may be noted that the requirement for independent study depends upon the size of the airport and the scale of operations. AERA may commission an independent study for Indore International Airport in future, if considered necessary.

- 6.7.5 The Authority notes FIA's comments regarding the re-adjustment (reduction) of 1% of non-completed projects' costs in the ARR/Target Revenue and AAI's response on the same.

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 AAI.

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. However, if any particular project is not capitalized as per the capex schedule approved in the tariff order and 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.

- 6.7.6 The Authority notes FIA's comments on the need to consider Capital Expenditure at Normative rates and AAI's response on the same.

In this regard, it is to be noted that AERA's 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 Reg." (Order available on AERA's website) applies normative costs only on capex relating to Construction of Terminal Building and Runway/Taxiway/Apron.

The Authority also notes that AAI has projected capex mainly on bought out items and refurbishment/modification of old terminal building for the Second Control Period to which AERA's Order No. 07/2016-17 dated 13th June 2016 is not applicable. However, the Authority, through aviation expert of its independent consultant, has carried out required due diligence in respect of Capex proposals with respect to its essentiality, cost reasonability as per guidelines/CPWD norms and date of commissioning etc.

Further, the Authority through aviation expert of its independent consultant has also verified the process followed and documents pertaining Capex projects followed by AAI.

- 6.7.7 The Authority notes IATA's comments on AUCC meeting and AAI's response on the same.

The Authority had emphasized the importance of conducting AUCC meetings with all the key stakeholders with respect to major capital projects planned at Indore International Airport both in the Consultation Paper No. 04/2023-24 (refer Para 6.2.38 of this Tariff Order) and during the stakeholders' consultation meeting conducted on 20th September 2024 w.r.t tariff determination process of Indore International Airport for the Second Control Period.



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The Authority notes that upon directions given by AERA, AAI held the Airports User Consultative Committee (AUCC) meeting on 1st October 2024 at Indore International Airport in hybrid mode.

A presentation was made by the AAI regarding the schemes proposed for the Second Control Period, with specific focus on the modification and expansion of the existing terminal building for International operations, procurement of fire safety and screening equipment, and the construction of a new fire station.

AAI informed that the existing building had already accommodated around 3.6 million passengers last year, with a projected growth of 12% to 14% per year. The combined capacity after reconfiguration of both terminals would enhance the airport's capacity to 5.5 million passengers, aligning with the anticipated growth during the control period (FY 2027-28).

The Authority advises AAI to follow the laid down protocol for conducting the AUCC meetings in future, as stipulated under clause A1.3 of AERA Guidelines, 2011 and ensure that the same is complied with, before filing MYTPs with the Regulator, as holding a AUCC meeting after the commencement of Capex will not serve the purpose, for which meeting has been conceptualized to be held.

- 6.7.8 The Authority notes IATA's comment on construction of CISF quarters included in the Regulatory Asset Base (RAB) and AAI's response on the same. It may be noted that the security expenses which are incurred out of Aviation Security Fee (ASF) funds is regulated by MoCA [through National Aviation Security Fee Trust (NASFT)], which has issued guidelines regarding the admissibility of capital expenditure to be met out of ASF funds.

AERA has perused the guidelines as approved by MOCA, the capital expenditure relating to CISF deployment at the airports is to be borne by the airport operators and same is not to be funded through ASF. It is clarified that no staff quarters for CISF have been constructed at Indore airport, though CISF barrack were constructed by AAI at Indore airport at a cost of Rs. 2.93 crores (refer paras 4.4.15 & 4.4.24).

- 6.7.9 The Authority notes the comments of Business Aircraft Operators Association with regard to the stakeholders meeting and AAI's response on the same. The Authority is of the view that Airport Operators are required to follow the laid down protocol for scheduling and conducting AUCC meeting, as stipulated under clause A1.3 of AERA Guidelines, 2011 and submit the requisite documents towards compliance thereof along with their MYTP submissions. Accordingly, AAI is advised to ensure the compliance of above referred AERA Guidelines.

- 6.7.10 The Authority has examined the comments of FIA on depreciation rates/ useful life of the Terminal Building and AAI's response to the same.

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 AAI are in line with the aforementioned Order of the Authority.

- 6.7.11 Consequent to the inclusion of XBIS asset as finance lease and updating the Gross block ratio workings detailed in Table 74 at Consultation stage to reflect the Gross Block of assets as on 1st April 2023, the Authority has recomputed the Gross Block of Assets as on 1st April 2023, depreciation and RAB for the



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Second Control Period. The re-computed Gross Block ratio, Depreciation and RAB for Second control period is as given below.

Table 89: Allocation of Opening Gross Block of Assets as on 1st April 2023 between Aeronautical and Non-aeronautical decided by the Authority

(₹ in Crores)

Asset Category	Total Assets (Inclusive of ANS)	Other Assets	Non-Aero Assets	Pure Aeronautical Assets	Common Assets	Common Assets			Total Aeronautical Assets	% Aero
						Aero	Non-Aero	Other		
	A= B+C+D+E	B	C	D	E= F+G+H	F	G	H	I=D+F	J=I/A
Runway, Taxiway, Apron	131.39	-	-	131.39	-	-	-	-	131.39	100.00%
Roads, Bridges & Culverts	7.45	0.24	-	6.59	0.62	0.60	0.02	-	7.18	96.45%
Building - Terminal	108.85	0.47	0.40	20.78	87.20	82.25	4.95	-	103.02	94.65%
Building - Temporary	1.99	0.53	-	1.46	-	-	-	-	1.46	73.40%
Building - Residential	10.37	0.30	-	2.95	7.13	6.15	0.99	-	9.09	87.65%
Other Building	4.91	0.30	-	4.61	-	-	-	-	4.61	93.85%
Security Fencing	0.35	-	0.18	0.17	-	-	-	-	0.17	47.37%
Boundary Wall - Operational	7.15	0.00	-	7.14	0.01	0.01	0.00	-	7.15	99.96%
Computers - End User Devices	6.90	0.02	-	6.30	0.58	0.32	0.25	-	6.62	96.01%
Computer Software	0.45	-	-	0.33	0.12	0.07	0.05	-	0.40	89.93%
Computers - Servers and Networks	0.37	-	-	0.36	0.00	0.00	0.00	-	0.37	99.91%
Plant & Machinery	35.61	4.47	-	31.02	0.13	0.11	0.02	-	31.12	87.40%
Tools & Equipment	16.94	4.39	-	12.41	0.14	0.09	0.05	-	12.50	73.79%
Vehicle - Others	1.03	-	-	0.75	0.28	0.17	0.11	-	0.92	89.14%
Vehicle - Cars & Jeeps	0.46	-	-	0.46	-	-	-	-	0.46	100.00%
Electrical Installations	70.23	1.31	-	28.05	40.88	38.49	2.38	-	66.54	94.74%
Solar Power Plant	4.17	-	-	-	4.17	3.84	0.33	-	3.84	92.00%
Office Equipment	0.51	0.01	0.01	0.39	0.09	0.06	0.04	-	0.45	88.87%
Furniture & Fixtures -	5.58	0.06	0.02	4.61	0.89	0.51	0.38	-	5.12	91.79%



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Asset Category	Total Assets (Inclusive of ANS)	Other Assets	Non-Aero Assets	Pure Aeronautical Assets	Common Assets	Common Assets			Total Aeronautical Assets	% Aero
						Aero	Non-Aero	Other		
Other than trolleys										
Furniture & Fixtures – Trolleys	0.70	-	-	0.70	-	-	-	-	0.70	100.00%
X-Ray Baggage System	6.21	-	-	6.21	-	-	-	-	6.21	100.00%
CFT/Fire Fighting Equipment	13.83	-	-	13.83	-	-	-	-	13.83	100.00%
Total	435.44	12.11	0.61	280.49	142.22	132.65	9.57	-	413.15	94.88%

Table 90: Depreciation decided by the Authority for the Second Control Period

(₹ in Crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Runway, Taxiway, Apron	2.32	2.32	2.32	2.32	2.32	11.62
Roads, Bridges & Culverts	0.23	0.26	0.06	0.06	0.06	0.68
Building - Terminal	2.14	2.36	3.05	3.05	3.05	13.65
Building - Temporary	0.04	0.04	0.04	0.04	0.04	0.20
Building - Residential	0.29	0.29	0.29	0.29	0.29	1.46
Boundary Wall - Operational	0.62	0.63	0.63	0.57	0.53	2.98
Computers - End User Devices	0.07	0.08	0.07	0.06	0.11	0.38
Computer Software	0.02	0.02	0.01	0.01	0.00	0.06
Plant & Machinery	2.32	3.43	4.26	4.64	3.83	18.48
Tools & Equipment	0.81	0.89	0.93	0.92	0.86	4.41
Vehicle - Others	0.09	0.09	0.08	0.06	0.00	0.32
Vehicle - Cars & Jeeps	0.01	0.00	-	-	-	0.01
Electrical Installations	1.18	1.56	2.84	2.82	2.81	11.21
Solar Power Plant	0.15	0.15	0.15	0.15	0.15	0.77
Office Equipment	0.02	0.01	0.01	0.01	0.00	0.04
Furniture & Fixtures - Other than trolleys	0.46	0.46	0.40	0.35	0.13	1.81
X-Ray Baggage System	0.23	0.28	0.29	0.31	0.31	1.41
CFT/Fire Fighting Equipment	0.67	0.67	0.67	0.98	1.61	4.60
Other Building	0.17	0.37	0.54	0.54	0.54	2.16
Other Assets	-	0.14	0.28	0.28	0.28	0.96
Total	11.85	14.06	16.92	17.47	16.92	77.22



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

Table 91: RAB decided to be considered by the Authority for the Second Control Period

(₹ in Crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (A)		162.29	172.50	229.37	227.27	223.86	
Additions (B)	Table 83	22.06	70.93	14.81	14.07	0.50	122.38
Disposals (C)		-	-	-	-	-	-
Depreciation (D)	Table 90	11.85	14.06	16.92	17.47	16.92	77.22
Closing RAB (E = A+B-C-D)		172.50	229.37	227.27	223.86	207.44	
Average RAB (F= A+E /2)		167.39	200.93	228.32	225.56	215.65	

6.8 Authority's decision regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Capital Expenditure, Depreciation and Regulatory Asset Base for the Second Control Period.

- 6.8.1 To consider allocation of Gross Block of Assets as on 1st April 2023 between Aeronautical and Non-aeronautical assets as detailed in Table 89.
- 6.8.2 To consider the capitalization of Aeronautical Assets for the Second Control Period as per Table 83.
- 6.8.3 To true up the Capital expenditure based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.8.4 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, as mentioned in para 6.2.31. The same will be examined during true up of the Second Control Period at the time of determination of tariff for the Third Control Period.
- 6.8.5 To consider Depreciation as per Table 90 for the Second Control Period.
- 6.8.6 To true up Depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Third Control Period.
- 6.8.7 To consider average RAB for the Second Control Period for Indore International Airport as per Table 91.
- 6.8.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.

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7. FAIR RATE OF RETURN FOR THE SECOND CONTROL PERIOD

7.1 AAI's submission regarding Fair Rate of Return for the Second Control Period for Indore International Airport

7.1.1 AAI submitted that Indore International Airport would utilize internally accrued funds to fund the capital expenditure that had been projected for the Second Control Period. Considering this AAI had submitted FRoR of 14% for the Second Control Period.

7.2 Authority's examination regarding Fair Rate of Return for the Second Control Period at Consultation Stage

Cost of Debt (CoD)

7.2.1 AAI had submitted that capital expenditure proposed for the Second Control Period will be funded through internal accruals and hence no debt component was projected by AAI in its the MYTP submission.

7.2.2 However, it was noted that AAI had availed debts of ₹ 22.94 crores during the First Control period from FY 2020-21 to FY 2022-23 as per their financial model.

7.2.3 The Authority proposed to consider Cost of Debt as 7.25% as considered for true up of First Control Period based discussed in para 4.6.3 and 4.6.4. The repayment details were considered as submitted by AAI in their financial model. The same is presented in the table below:

Table 92 : Debt computation proposed to be considered by the Authority for Second Control Period at Consultation Stage

Particulars	(₹ in Crores)				
	FY24	FY25	FY26	FY27	FY28
Opening Debt	22.94	20.95	18.01	14.73	11.45
Drawdown (additional loan taken)	-	-	-	-	-
Repayment	1.99	2.94	3.28	3.28	3.28
Closing Debt	20.95	18.01	14.73	11.45	8.18
Average Debt	21.94	19.48	16.37	13.09	9.82

7.2.4 AAI was directed to submit complete detail of actual debt availed from various banks pertaining to SCP along with interest, repayment and other terms, during the consultation process which would be reviewed by the Authority and appropriately considered for FRoR computation at the Order stage for Indore International Airport.

Cost of Equity

7.2.5 The Authority had analyzed AAI's submission relating to FRoR pertaining to Indore International Airport for the Second Control Period. The Authority proposed to consider 14% as Cost of Equity for the Second Control Period, as considered by AERA for other similar airports.

Considering the changes in the capitalization plan for the Second Control Period, the Authority recalculated the Equity as the closing RAB after adjustment of closing Debt for a particular financial year and the same was as summarized in the table below:

Table 93: Equity computation proposed to be considered by the Authority for Second Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref	FY24	FY25	FY26	FY27	FY28
Closing RAB (Refer Table 88)	A	171.94	228.87	226.82	223.48	207.11
Closing Debt (Refer Table 92)	B	20.95	18.01	14.73	11.45	8.18
Equity	C=A-B	150.99	210.86	212.09	212.03	198.93

Fair Rate of Return (FRoR)

- 7.2.6 Considering the above, the Authority, at consultation stage, proposed to consider FRoR for Indore International Airport for the Second Control Period as per table given below:

Table 94: FRoR proposed to be considered for Second Control Period for AAI by the Authority at Consultation Stage

(₹ in crores)

Particulars	Reference	FY24	FY25	FY26	FY27	FY28
Debt (Table 92)	A	20.95	18.01	14.73	11.45	8.18
Equity (Table 93)	B	150.99	210.86	212.09	212.03	198.93
Debt + Equity	C = A + B	171.94	228.87	226.82	223.48	207.11
Cost of Debt	D	7.25%	7.25%	7.25%	7.25%	7.25%
Cost of Equity	E	14.00%	14.00%	14.00%	14.00%	14.00%
Gearing (%)	F=A/C	12.18%	7.87%	6.49%	5.13%	3.95%
Weighted Average Gearing (%)	$G = \sum (F * C) \div \sum C$					6.93%
Cost of Debt	H					7.25%
Cost of Equity	I					14.00%
FRoR (%)	J = H*G+I*[1-G]					13.53%

- 7.2.7 However, the Authority noted that the capital structure of AAI airports was not efficient, and Airport Operator had considered Capex Plans of various airports considering nil or negligible debt. Taking note of inefficient Capital Structure, AERA had been advising AAI to adopt an optimal mix of Debt & Equity to rationalize FRoR. AERA, in the past tariff orders for AAI, had also indicated its intention to consider normative gearing ratio for AAI in future.
- 7.2.8 The aspect of Fair Rate of Return for AAI airports, including Cost of Equity where nil or very low debt was proposed by AAI, was also under discussion with MoCA/ Niti Aayog and FRoR was proposed to be aligned to target gearing ratio. Accordingly, the Authority indicated that the FRoR for AAI airports will be determined considering the outcome of discussions & other relevant factors.
- 7.2.9 The Authority solicited the specific views/comments of stakeholders on the FRoR for Indore International Airport on evaluation of which, a final decision would be taken by the Authority.

7.3 Stakeholders' comments regarding Fair Rate of Return for the Second 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. 04/2024-25 dated 05th September 2024. The comments of stakeholders are presented below.

- 7.3.1 IATA's comment on Fair rate of return is as follows:



"The FROR approved by AERA at 13.53% is high and does not reflect the business risk (or lack of) assumed by the airport operator, given the true-up approach adopted by AERA."

7.3.2 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 13.53%, which is based on cost of equity and cost of debt to the airport operator, for the Second Control Period. It may be noted, that AERA in the recent times, have approved lower FRoR for other AAI Airports (Third Control Period), such as Chennai (11.98%) and Pune (11.68%) on the same cost of equity and cost of debt i.e., 14% and 6.21%.

Further, it is to be noted, that 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 AAI, 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 run-away 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.*
- 4) 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. This is particularly highlighted since other AAI airports like Chennai, Kolkata and Pune have a much lower FRoR."*

7.4 AAI's response to Stakeholders' comments regarding Fair Rate of Return for the Second Control Period

7.4.1 AAI's response to FIA's comment on FRoR is as follows:

"1.The FRoR for an airport depends upon the cost of equity and cost of debt.

2.AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98.

3.AERA has been considering cost of equity at 13.66% as against 15.64% as per study report submitted by M/s KPMG. AERA has reduced FRoR to 13.36% against AAI's submission of 14%. AAI does not accept with the view of FIA that Airport industry established with lower risk. However, huge capex and operating expenses incurred to be maintain world class airport used mostly by the airlines and the pax.



The variation in the FRoR rates at the airport is due to the gearing ratio and the actual cost of debt which is taken at varied rates over the years."

7.5 Authority's analysis on Stakeholders' comments regarding Fair Rate of Return for the Second Control Period

- 7.5.1 The Authority notes the comments of IATA on FRoR. In this regard, the Authority notes that AAI's capital structure is predominantly equity based and therefore is not efficient. AERA, from time to time had been advising AAI to make its capital structure more efficient and consider appropriate proportion of debt in airport's financing requirements similar to PPP airports. However, it is noted that AAI has not yet informed the measures taken for improving its gearing ratio.

The aspect of low gearing in AAI airports and funding of capex plan of AAI airports primarily through internal accruals was also under discussion with MoCA/ Niti Aayog. It has been highlighted that generally, in the AAI airport projects, the equity portion is very significant (above 90%) while the debt portion is very nominal (below 10%) and hence applying a return on equity @14% on this very high equity portion does not bring cost efficiency as compared to the option of funding the project through a suitable mix of debt: equity as per the gearing ratio for the airport projects.

AERA, while determining the tariff for other airports, considers normative gearing ratio of 48:52 (debt: equity). Hence, in view of the aforementioned observation of NITI Aayog/MoCA, the Authority decides to apply the notional gearing ratio of 48:52 (debt: equity), for the computation of FRoR in respect of the Second Control Period of Indore International Airport.

The Authority, considering weighted average cost of debt of 7.49% (refer para 7.5.3) and Cost of Equity at 15.18% for Indore International Airport, based on average cost of Equity being considered by AERA for other PPP airport operators, has computed FRoR @ 11.49% (refer Table 96) for the Second Control Period, as against 13.53% proposed at Consultation Stage.

- 7.5.2 The Authority notes FIA's comment on Fair rate of return and AAI's response on the same.

In this regard, the Authority has rationalized the FRoR (refer Table 96) for the Second Control Period of Indore International Airport, including application of notional debt equity ratio of 48:52 (as discussed in the para 7.5.1). Further, cost of equity for Second Control Period has been considered based on the study conducted for cost equity for 5 PPP airports (DIAL, MIAL, HIAL, BIAL & CIAL)

With respect to FIA's suggestions to cap the FRoR in order to avoid burdening the stressed airlines, the Authority is of the view that investments on airports have a long gestation period, wherein investors desire a stable return on equity. Considering the business risks undertaken by the airport investors, the Authority finds that it is not pragmatic or fair to cap the FRoR for Airport Operator at 5% (comparable to bank deposit rates) as suggested by the FIA. Airport investments, which are highly capital intensive, necessitating consideration of appropriate FRoR to the Airport Operators. AERA takes a balanced view in the interest of all stakeholders in the Aviation sector while deciding the FRoR for the AO.

As per the Authority, the requirement for an independent study will depend upon the size of the airport and the scale of their operations. AERA, may commission an independent study in future for any Indore Airport, if deemed necessary.

- 7.5.3 At the Consultation stage, the Authority had considered the cost of debt as given in Coimbatore International Airport for Indore Airport also. The amount of debt was as per the financial model submitted by AAI at



FAIR RATE OF RETURN FOR THE SECOND CONTROL PERIOD

consultation stage. The Authority, in the Consultation Paper 04/2024-25 dated 5th September 2024 vide Para 7.2.4 and separately vide mail date 23rd September 2024, directed AAI to submit the actual cost of debt and its repayment structure for the purpose of true-up for the First Control Period and for projection of Second Control Period. AAI vide mail dated 21st October 2024 provided the cost of debt for term loan taken from SBI and Axis Bank together with the repayment schedule. Based on the details received, the Authority has recomputed the weighted average cost of debt for the Second Control Period which works out to 7.49%. The revised schedule of debt along with the cost of debt for the Second Control Period is presented in table below:

Table 95: Revised Schedule of Debt for Indore International Airport for the Second Control Period

(₹ in Crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Opening Debt (A)	22.94	6.52	6.52	6.01	5.07	
Drawdown (additional loan taken) (B)	1.09	-	-	-	-	1.09
Repayment (C)	17.51	-	0.52	0.93	0.93	19.89
Closing Debt (D=A+B-C)	6.52	6.52	6.01	5.07	4.14	
Average Debt (E=(A+D)/2)	14.73	6.52	6.26	5.54	4.61	
Cost of Debt (%)	7.49%	7.49%	7.49%	7.49%	7.49%	

7.5.4 The Authority upon considering weighted average cost of debt of 7.49% (refer para 7.5.3) and Cost of Equity at 15.18% (as stated in para 7.5.1), recomputed the Fair Rate of Return (FRoR), for the Second Control Period, as follows:

Table 96: FRoR decided by the Authority for the Second Control Period

Particulars	Reference	%
Cost of Debt (%)	A	7.49%
Cost of Equity (%)	B	15.18%
Weighted Average Gearing of Debt (%)	C	48%
Weighted Average Gearing of Equity (%)	D	52%
FRoR (%)	(E=A*C+B*D)	11.49%

7.6 Authority's decision regarding Fair Rate of Return for the Second Control Period

Based on the materials before it and its analysis, the Authority decides the following with respect to FRoR for the Second Control Period.

- 7.6.1 To consider the Cost of Equity as 15.18% as per para 7.5.1 for the Second Control Period.
- 7.6.2 To consider Cost of Debt of 7.49% for the Second Control Period.
- 7.6.3 To consider FRoR of 11.49% for the Second Control Period based on the Cost of Equity, Cost of Debt and notional gearing ratio as per Table 96.
- 7.6.4 To true up the FRoR while determining tariff for the next Control Period considering all the relevant factors.



8. INFLATION FOR THE SECOND CONTROL PERIOD

8.1 AAI's submissions regarding Inflation for the Second Control Period for Indore International Airport

8.1.1 AAI had not made any submission related to inflation as part of its MYTP submission for Indore International Airport for the Second Control Period.

8.2 Authority's examination regarding Inflation for the Second Control Period at Consultation Stage

8.2.1 The Authority proposed to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 89th released on 8th August 2024 published by the Reserve Bank of India (RBI). Accordingly, the Authority proposed to consider the mean of WPI inflation forecasts (All Commodities) for FY 2024-25 as given in the 89th round of survey of professional forecasters on macroeconomic indicators of RBI at the Consultation Stage.

8.2.2 The Authority had assumed that the inflation rate would be stable in line with FY 2025-26 from FY 2026-27 and FY 2027-28. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Second Control Period:

Table 97: Inflation rates proposed by the Authority for the Second Control Period at Consultation Stage

Particular	FY24	FY25	FY26	FY27	FY28
Inflation	(0.70%)	3.00%	3.20%	3.20%	3.20%

8.3 Stakeholders' comments regarding Inflation for the Second Control Period

During the stakeholders' consultation process, the Authority has received comments/views from FIA in response to the proposals of the Authority in the Consultation Paper No. 04/2024-25 dated 05th September 2024. The comments of FIA is presented below.

8.3.1 FIA's comment on 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% - 3.2 %. This proposed rate aligns closely with the current economic conditions and reflects a prudent approach towards the tariff adjustments."

8.4 AAI's response to Stakeholders' comments Inflation for the Second Control Period

8.4.1 AAI's response to FIA's comment on Inflation rate is as follows:

"We request AERA to verify the contents addressed by FIA and requested to reply accordingly."

8.5 Authority's analysis on Stakeholders' comments regarding Inflation for the Second Control Period

8.5.1 The Authority has reviewed the comments of FIA on Inflation and AAI's response to the same.

The Authority, while projecting inflation for the future periods, follows 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”. The same is considered as appropriate and is uniformly followed by AERA across all major airports. Accordingly, the Authority decides to consider the rates published by Reserve Bank of India (RBI) in “the Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 90” released on 9th October 2024 in this Tariff Order. The Authority considers that the inflation rate would remain stable in line with projection for FY 2025-26, for the remaining tariff years of the control period.

- 8.5.2 Based on the above, the Authority decides to consider Inflation rates for the Second Control Period as shown in the table below:

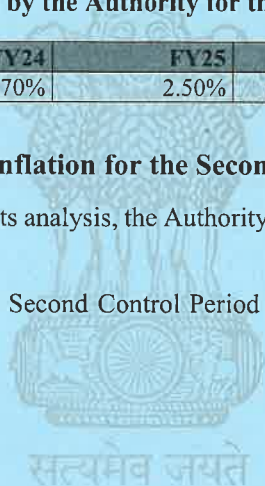
Table 98: Inflation rates decided by the Authority for the Second Control Period

Particular	FY24	FY25	FY26	FY27	FY28
Inflation	-0.70%	2.50%	3.10%	3.10%	3.10%

8.6 Authority’s decision regarding Inflation for the Second Control Period

Based on the material before it and its analysis, the Authority decides the following with regards to Inflation for the Second Control Period:

- 8.6.1 To consider Inflation factor for the Second Control Period for Indore International Airport as detailed in Table 98.



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9. OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

9.1 AAI's submission regarding Operation and Maintenance (O&M) Expenses for the Second Control Period

9.1.1 Operation and Maintenance (O&M) expenditure submitted by AAI is segregated into the following:

- Payroll Expenses
- Admin and General Expenditure
- Repairs and Maintenance Expenditure
- Utility and outsourcing Expenditure and
- Other Outflows, i.e., Collection Charges on UDF

9.1.2 AAI has segregated the expenses into Aeronautical expenses, non-aeronautical expenses and Common expenses. The Common expenses have been further segregated into Aeronautical and Non-aeronautical based on relevant ratios.

9.1.3 AAI has submitted that the allocation of CHQ/RHQ expenses among individual airports has been done based on the revenue of each Airport.

9.1.4 The summary of Aeronautical O&M expenses submitted by AAI for Indore International Airport for the Second Control Period is presented in the table below:

Table 99: Operation and Maintenance (O&M) expenditure submitted by AAI for Indore International Airport for the Second Control Period

(₹ in Crores)

Sl. No.	Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
1	Payroll Costs - Other than CHQ/RHQ	17.89	19.14	22.01	23.55	29.44	112.04
2	Retirement Benefits of employees	0.57	0.61	0.71	0.76	0.95	3.60
A	Payroll Costs – Total	18.46	19.76	22.72	24.31	30.39	115.64
3	Admin. & General - Other than CHQ/RHQ	9.53	10.33	12.79	13.92	15.17	61.74
4	Admin. & General - CHQ/RHQ	31.67	33.26	34.92	36.67	45.83	182.34
B	Admin. & General – Total	41.20	43.59	47.71	50.59	61.00	244.08
C	Repairs & Maintenance	13.31	15.38	20.04	21.91	23.97	94.61
D	Utilities & Outsourcing	6.11	6.48	7.41	7.88	8.38	36.27
E	Other Outflows	0.75	0.88	1.00	1.14	1.28	5.05
	Total (A+B+C+D+E)	79.84	86.08	98.88	105.83	125.02	495.65

9.1.5 The summary of growth rates submitted by AAI for the O&M expenses has been presented in the table below:

Table 100: Growth rates in O&M expenditure submitted by AAI for Second Control Period

Sl. No.	Particulars	FY 24	FY 25	FY 26	FY 27	FY 28
1	Payroll Expenses (Other than CHQ/RHQ)	7.00%	7.00%	15.00%	7.00%	25.00%
2	Retirement Benefits of employees	7.00%	7.00%	15.00%	7.00%	25.00%
3	Admin & General Expenses (Other than CHQ/RHQ)	10.00%	10.00%	20.00%	10.00%	10.00%
4	Admin & General Expenses (CHQ/RHQ)	5.00%	5.00%	5.00%	5.00%	25.00%
5	Repairs & Maintenance Expenditure	10.00%	10.00%	20.00%	10.00%	10.00%



OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

Sl. No.	Particulars	FY 24	FY 25	FY 26	FY 27	FY 28
6	Utilities & Outsourcing Expenditure - Power charges	3.00%	3.00%	10.00%	3.00%	3.00%
7	Utilities & Outsourcing Expenditure - Other than Power charges	10.00%	10.00%	20.00%	10.00%	10.00%
8	Other Outflows	19.57%	16.55%	13.94%	13.95%	12.17%

9.1.6 Further, the summary of allocation of expenses between Aeronautical and Non-Aeronautical as submitted by AAI is given in the table below:

Table 101: Allocation ratios for O&M expenses submitted by AAI for FY 2022-23

Particulars	Submitted by AAI for FY23
Employee Ratio (Aero: Non-Aero)	98.90%: 1.10%
Employee Ratio (Aero: Non-Aero: ANS)	64.75%: 0.72%: 34.53%
Electricity Ratio (Aero: Non-Aero: ANS)	89.00%: 1.00%: 10.00%
Quarters Ratio (Aero: Non-Aero: ANS)	86.05%: 0.00%: 13.95%
Vehicle Ratio (Aero: ANS)	96.15%: 3.85%
Hired Vehicle Ratio (Aero: ANS)	85.70%: 14.30%

9.2 Authority's examination regarding O&M expenses for the Second Control Period at Consultation Stage

9.2.1 The Authority observed that the O&M expenses approved in the Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period for Indore International Airport was ₹ 183.12 crores (refer Table 29), against which actual expenses of ₹ 315.68 crores (refer Table 28) was submitted by AAI for true up of the First Control Period and after rationalization, the Authority had proposed ₹ 267.25 crores (Table 49) to be trued up for the First Control Period. Further, AAI had submitted its O&M expenses for the Second Control Period amounting to ₹ 495.65 crores, which is 85% higher than the O&M expenses proposed by the Authority for true-up of the First Control Period.

9.2.2 The Authority had accordingly analyzed the O&M expenses in the following order:

- a) Allocation Ratios
- b) Assessment, Rationalization & Reallocation of O&M expenses

a) Allocation of O&M expenses into Aeronautical and Non-Aeronautical activities

9.2.3 The Authority examined the allocation of O&M expenses between Aeronautical and Non-aeronautical activities submitted by AAI. The same is explained in the following paragraphs.

9.2.4 AAI had segregated the payroll expenses (excluding CHQ/RHQ payroll cost) between Aeronautical and Non-Aeronautical in the employee ratio of 98.90%:1.10% for FY 2022-23, which was derived based on the actual head count of Aeronautical and Non-Aeronautical employees within the airport for that Financial Year. Based on the re-computation by the Authority, the EHCR of 98.85%:1.15% was considered for apportionment of payroll expenses as per for FY 2022-23.

Repair and Maintenance expenses include various heads of expenses such as Civil, Electrical, Electronics, etc., AAI had considered EHCR, TBLR and SQTR as appropriate for allocation.



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- 9.2.5 AAI, in its MYTP submission, had proposed Terminal Building ratio of 92.82%:7.18% for apportionment of common expenses during the Second Control Period. The Authority proposed to consider TBLR as 92%:8% for the Second Control Period. Consumption of Stores & Spares includes expenses incurred towards fuel expenses of vehicles, which had been apportioned based on Vehicle Ratio.
- 9.2.6 The Authority proposed to consider the allocation ratios pertaining to FY 2022-23 as the basis for allocation of expenses projected for the Second Control Period which is presented in the table below:

Table 102: Allocation ratios of O&M expenses proposed to be considered by the Authority for FY 2022-23 at Consultation Stage

Particulars	Submitted by AAI for FY 23	Recomputed by Authority	Basis of rationalization
Employee Ratio (Aero: Non-Aero)	98.90% : 1.10%	98.85% : 1.15%	
Employee Ratio (Aero: Non-Aero: ANS)	64.75% : 0.72% : 34.53%	61.87% : 0.72% : 37.41%	Table 32
Electricity Ratio (Aero: Non-Aero: ANS)	89.00% : 1.00% : 10.00%	89.00% : 1.00% : 10.00%	Table 36
Staff Quarters Ratio (Aero: Non-Aero: ANS)	86.05% : 0.00% : 13.95%	86.05% : 0.00% : 13.95%	Table 35
Vehicle Ratio (Aero: ANS)	96.15% : 3.85%	96.15% : 3.85%	
Hired Vehicle Ratio (Aero: ANS)	85.70% : 14.30%	85.71% : 14.29%	Table 37

b) Assessment, Rationalization & Reallocation of O&M expenses

The submission made by AAI regarding the various O&M expenses and their growth over the Second Control Period had been analyzed by the Authority and its proposals for such expenses are as elaborated below:

A. Payroll Expenses - ₹ 115.64 crores

- 9.2.7 AAI considered a growth rate of 7% in payroll expenses for the period FY 2023-24 to FY 2026-27 and 25% increase (i.e. 18% additionally on account of 8th pay commission) in FY 2027-28. AAI had also submitted an additional increase of 8% during FY 2025-26 on account of refurbishment/ modification of Old Terminal Building for International Operations.

However, the Authority proposed to consider a growth rate of 6% Y-o-Y in payroll expenses throughout the Second Control Period. Growth rate of 6% Y-o-Y is being uniformly followed in all AAI airports.

AAI had submitted that the additional one-time increase of 8% during FY 2025-26 is on account of reuse of Old Terminal Building (OTB) for International Operations to cater to the growing International passenger traffic. Such re-use increases the passenger movement area by 6,200 sqm. The Authority was of the view that such increase in the terminal area is not directly proportional to the increase in payroll costs to be incurred. Further, the proposed re-use of old domestic terminal building does not lead to significant increase in passenger handling capacity which justifies the additional increase in payroll costs submitted by AAI.

Also, AAI had not considered any increase in employee headcount for the Second Control Period as submitted in Form 11(a) "Details of Employee Staff Strength" of the MYTP submission. A total of 139 employees is submitted for each year of the Second Control Period on the basis of actual employee headcount of FY 2022-23. Hence, the Authority proposed not to consider the additional one-time increase of 8% during FY 2025-26.



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With respect to the additional increase of 25% submitted by AAI in the last tariff year, i.e. FY 2027-28 on account of 8th pay commission, the Authority proposed to consider such an increase on an actual incurrence basis.

Based on the above considerations, the Authority proposed to consider only 6% growth Y-o-Y for all the 5 years on account of Payroll Expenses for the Second Control Period and had derived the payroll expenses for the Second control period by applying the growth rate over payroll expenses proposed to be considered for First Control Period. The Authority had considered the payroll cost for FY 2022-23 as a base, for computing the payroll cost for the Second Control Period, after considering the Y-o-Y growth rate indicated above. Accordingly, the payroll expenses proposed by the Authority for the Second Control Period are as under:

Table 103: Payroll Expenses as submitted by AAI and as proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI (A)	18.46	19.76	22.72	24.31	30.39	115.64
As proposed by the Authority (B)	18.25	19.35	20.51	21.74	23.04	102.88
Variance (B-A)	(0.21)	(0.41)	(2.21)	(2.57)	(7.35)	(12.76)

9.2.8 The reason for the variance in Payroll Expenses as proposed by the Authority, compared to the costs as submitted by AAI for the Second Control Period is on account of the following:

- Non-consideration of additional increase of 8% submitted for FY 2025-26 on account of refurbishment/ modification of old terminal building.
- Non-consideration of 25% increase on account of 8th Pay commission submitted for FY 2027-28, which was proposed to be considered on actual incurrence basis.

B. Administration and General Expenses

Administration and General expenses (other than CHQ/RHQ) - ₹ 39.04 crores

9.2.9 The Authority noted that AAI had projected a 10% increase Y-o-Y in Administration and General expenses (other than CHQ/ RHQ) for all years of the Second Control Period with an additional 10% increase in FY 2025-26 on account of refurbishment/ modification of the old terminal building for international operations. However, the Authority proposed to consider only the inflationary growth rate for Administration & General Expenses (other than CHQ/RHQ) for the Second Control Period.

9.2.10 The Authority also proposed to project the yearly lease expense of ₹ 0.21 crores on lease pertaining to X-BIS as per the contract only for FY 2023-24 instead of AAI's submission, which considered the lease to be fully operational until the end of the Second Control Period.

Upkeep expenses - ₹ 22.70 crores

9.2.11 The upkeep expense is another major head of expenses under Administration and General Expenses (other than CHQ/RHQ). The Authority observed that for upkeep expenses, AAI had proposed a 10% increase Y-o-Y for all years of the Second Control Period, except for FY 2025-26, where an additional 30% increase had been proposed. AAI's justification in its MYTP for the escalation is as follows:

"An additional increase of 30% has been proposed for FY 2025-26 in proportion to increase in area of modification/reconfiguration of old terminal building".



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- 9.2.12 The proposed modification of Old Domestic Terminal Building would result in additional area for international operations (6200 Sq mt). Considering this additional area, AAI had projected a onetime increase on a proportionate basis. However, the Authority considered that the increase in expenses may not be directly proportional to the increase area for international operations in the Old Domestic Terminal Building (6200 sq mt), due to technological innovation, advancements and economies to scale. Hence, the Authority proposed to consider only 2/3rd (i.e., 66.67%) of the additional escalation claimed by AAI (30%) for Upkeep expenses which work out to 20%. AAI had also submitted that the remodification of the terminal building is expected to be completed by January 2025, and therefore the Authority proposed to consider the one-time increase in Upkeep Expenses for FY 2025-26 as appropriate.
- 9.2.13 Based on the above factors, the Authority proposed to consider the additional cost of 20% only in FY 2025-26 and consider only inflationary effect Y-o-Y across the Second Control Period, as followed in other similar airports.
- 9.2.14 Based on the above factors, the Administration & general expenses (other than CHQ/RHQ) as submitted by AAI and as proposed by the Authority for the Second Control Period is as follows:

Table 104: Administration & general expenses (other than CHQ/RHQ) as submitted by AAI and as proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
As submitted by AAI (A)	9.53	10.33	12.79	13.92	15.17	61.74
As proposed by the Authority (B)	7.85	7.86	8.69	8.97	9.26	42.63
Variance (B-A)	(1.68)	(2.47)	(4.10)	(4.95)	(5.91)	(19.11)

Administration and General expenses (CHQ/RHQ) - ₹ 182.34 crores

- 9.2.15 AAI had proposed a growth rate of 5% Y-o-Y from FY 2023-24 to FY 2026-27 and an increase of 25% in FY 2027-28 for Apportionment of Administration expenses of CHQ/RHQ (Overhead Expenses other than employees related) for the Second Control Period. The Authority noted that such an increase was consistent with growth rates allowed at similar airports except for the 25% increase submitted for FY 2027-28. Hence, the Authority proposed to consider a 5% increase Y-o-Y throughout the Second Control Period, considering the CHQ/RHQ expenses proposed by the Authority for FY 2022-23 as a base, in line with proposals at other similar AAI airports proposed to consider the same for projections for the Second Control Period.

Table 105: Administration & general expenses (CHQ/RHQ) as submitted by AAI and as proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
As submitted by AAI (A)	31.67	33.26	34.92	36.67	45.83	182.34
As proposed by the Authority (B)	26.65	27.99	29.39	30.85	32.40	147.28
Variance (B-A)	(5.02)	(5.27)	(5.53)	(5.81)	(13.43)	(35.07)

- 9.2.16 The Authority had received a report on the study of allocation of expenses incurred at CHQ/RHQ vide letter dated 21st August 2024 from the AAI. The Authority noted that AERA would examine the study report in detail, and based on the outcome of such a review, an appropriate decision would be taken accordingly.



C. Repairs & Maintenance (R&M) Expenses - ₹ 94.61 crores

9.2.17 AAI had submitted 10% Y-o-Y increase for all the years of the Second Control Period and an additional 10% during FY 2025-26 due to the modification of the Terminal Building, except for R&M – Electrical, wherein an additional increase of 30% is submitted.

9.2.18 AAI vide its MYTP proposal had provided the following reasons for the proposed 30% additional increase in R&M – Electrical expenses.

“i. Modification of existing Terminal Building/Configuration of existing terminal building will have all new equipment which will have CAMC along with manpower cost from the 1st day of commencement of the assets.

ii. Modification of the existing Terminal Building requires the necessary infrastructure to cadre passengers’ Escalators, CCTV camera, Inline X-BIS, lifts, Conveyor, BHS system. It will increase the cost of R&M as well as Electricity expenses.

iii. Specialized manpower require to engage for Screening and hiring charges will have to pay to AAICLAS.

iv. Other than above, regular AMC expenses for DG set for secondary power supply, Ground light, Air conditioner and Equipment will also increase.”

9.2.19 As the refurbishment/ modification of the old terminal building is expected to be completed by January 2025, most of the assets are expected to be newly constructed/installed and will also be covered under warranty clauses, and may need only minimum repairs and maintenance during FY 2025-26. Hence, the Authority proposed to shift the one-time increase in R&M Expenses (both general R&M and R&M (Electrical)) to FY 2026-27 instead of FY 2025-26 as submitted by AAI.

9.2.20 The Authority noted that R&M expenses proposed by AAI for the Second Control Period, are higher than the cap of 6% of the Opening RAB (net block of that year) generally considered by the Authority, for capping of R&M Expenses to the ceiling limit. Accordingly, the Authority, at this stage proposed to cap R&M Expenses at 6% of opening RAB (Net Block) as per Table 106.

9.2.21 However, 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 years, noted the submission of AAI, wherein AO 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 & aging of Assets, R&M Expenses tend to increase over a period of time. The stakeholder (AAI) had requested the Authority to review the capping of R&M Expenses at 6% of Opening RAB (Net Block) appropriately, as capping of R&M Expenses as per present mechanism impacts adversely the AO due to lower ARR being considered (airports with low Regulatory Asset Base).

The Authority, taking note of the above submission, was of the view that existing approach across all the airports towards capping R&M expenses to 6% of opening RAB (Net Block) of respective tariff years needs to be revisited and the Authority would look into alternative methodology/ benchmarks for evaluation of reasonableness of R&M expenses proposed by Airport Operators.

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

Table 106: Repairs & Maintenance Expenses proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)						
Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI	13.31	15.38	20.04	21.91	23.97	94.61
R&M expenses as recomputed by the Authority (A)	8.95	10.58	11.78	15.32	16.68	63.29
6% of Opening RAB (B)	9.70	10.32	13.73	13.61	13.41	60.77
R&M expenses considered for Projections (Lower of A and B)	8.95	10.32	11.78	13.61	13.41	58.06

D. Utilities and Outsourcing Expenses - ₹ 36.27 crores

The Authority examined the expenses towards utilities and outsourcing and noted the following:

I. Power Expenses

- 9.2.22 AAI had projected an increase of 3% Y-o-Y after netting off the recoveries made from the Concessionaires (which is assumed to be 15% of the total power costs, consistent with the recovery % during FY 2022-23). The Authority considered the increase (net of 15% recovery from concessionaires) of 3% Y-o-Y proposed for power expenses during the Second Control Period to be reasonable.
- 9.2.23 Further, AAI had also proposed an additional 7% increase in FY 2025-26 on account of increased area for international operations in old terminal building (6,200 sq mt). The Authority found such an increase in the power charges to be reasonable on account of the increase in terminal area and proposed to consider the same in FY 2025-26.

II. Utilities & Outsourcing Expenses – Other than Power Expenses

- 9.2.24 This head consists of water charges, consumption of stores & spares and hiring charges for manpower.
- 9.2.25 AAI had considered 10% increase Y-o-Y for all the years of the Second Control Period and an additional 10% increase during FY 2025-26 on account of refurbishment/ modification of old terminal building. However, the Authority proposed to consider a 5% Y-o-Y increase as done in other similar airports for Utilities & Outsourcing expenses. The Authority also proposed to consider one-time additional increase of 10% in FY 2025-26, similar to that proposed for Power Expenses on account of proposed increase in international operations in the old domestic terminal building and 5% Y-o-Y increase for all years considered by Authority for hiring charges for manpower.

E. Other Outflows – Collection charges on UDF ₹ 5.05 crores

- 9.2.26 For other outflows i.e. Collection charges on UDF, AAI had considered a growth rate which was consistent with the rate considered for growth in passenger traffic. The Authority proposed to consider the same approach as reasonable basis for considering Y-o-Y increase in expense.
- 9.2.27 Based on the above observations, Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period was as detailed below:

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Table 107: Operation and Maintenance (O&M) Expenses proposed to be considered by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Payroll Costs - Other than CHQ/RHQ		17.72	18.79	19.91	21.11	22.37	99.90
Retirement Benefits of Employees		0.53	0.56	0.59	0.63	0.67	2.98
Total Payroll Costs	Table 103	18.25	19.35	20.51	21.74	23.04	102.88
Admin. & General Expenses - Other than CHQ/RHQ	Table 104	7.85	7.86	8.69	8.97	9.26	42.63
Admin. & General Expenses - CHQ/RHQ	Table 105	26.65	27.99	29.39	30.85	32.40	147.28
Total Admin. & General Expenses		34.50	35.85	38.08	39.83	41.66	189.91
Repairs & Maintenance	Table 106	8.95	10.32	11.78	13.61	13.41	58.06
Utilities & Outsourcing		6.00	6.23	6.78	7.04	7.31	33.35
Other Outflows		0.77	0.89	1.01	1.14	1.28	5.10
Total		68.47	72.63	78.15	83.35	86.70	389.30

9.2.28 A summary of the variances in O&M expenses as submitted by AAI (₹ 495.65 crores) and as proposed by the Authority (₹ 389.30 crores) was as detailed below:

- i. Payroll Costs (Other than CHQ/RHQ) – Rationalization of projections by ₹ 12.14 crores and Payroll Costs (CHQ/RHQ) by ₹ 0.62 crores on account of the following reasons:
 - Consideration of 6% Y-o-Y increase during all the years of Second Control Period, as against 7% Y-o-Y increase and additional increase of 25% proposed in FY 2027-28 by AAI. The Authority proposed to consider increase in payroll costs due to pay revision as per 8th pay commission on actual incurrence basis.
 - Non-consideration of one-time additional increase of 8% submitted for FY 2025-26 on account of refurbishment/ modification of old terminal building.
 - Re-computation of EHCR as enumerated in para 4.7.4
- ii. Administration & General Expenses (other than CHQ/RHQ) – Rationalization by ₹ 19.11 crores on account of consideration of inflationary Y-o-Y growth rate during all the years of Second Control Period, as against 10% Y-o-Y increase submitted by AAI.
- iii. Administration & General Expenses (CHQ/RHQ) – Rationalization of projections by ₹ 35.07 crores on account of CHQ/RHQ cost allocation, non-consideration of Legal & Arbitration expenses & Penalties etc. paid to Govt and non-consideration of 25% increase submitted for FY 2027-28 by AAI.
- iv. Repairs & Maintenance Expenses – Rationalization by ₹ 36.55 crores due to restricting the same to 6% of Opening RAB.
- v. Utilities & Outsourcing Expenses – Rationalization of projections by ₹ 2.92 crores due to consideration of 5% Y-o-Y increase in place of 10% submitted by AAI.
- vi. Other Outflows – Increase in projections by ₹ 0.05 crores on account of consideration of actual traffic volume for the year FY 2023-24.

9.3 Stakeholders' comments regarding Operation and Maintenance (O&M) Expenses for the Second Control Period

During the stakeholders' consultation process, the Authority received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 04/2024-25 dated 05th September 2024. The comments of stakeholders are presented below.

9.3.1 AAI's comment on Payroll expenses is as follows:

"7% is the average increase in the payroll due to annual increment of 3% in salary, increase in HRA, quarterly increase in DA and Employer contribution to PF. In all other Airports AERA has considered 7% increase. The figures for the SCP are genuine as submitted by AAI.

The following illustration clearly shows that there is an average 7% increase in the payroll expenditure. Therefore, AAI requests AERA to consider the figures for the SCP as submitted by AAI.

The following illustration clearly shows that there is an average 7% increase in the payroll expenditure.

Particulars	Per Month	Salary Year 1	Q1	Q2	Q3	Q4	Salary Year 2	Yearly increments (in rs)
Basic Pay	10,000	120,000	30,900	30,900	30,900	30,900	123,600	3,600
DA	1,800	21,600	6,798	7,725	8,343	8,652	31,518	9,918
HRA	2,700	32,400	8,343	8,343	8,343	8,343	33,372	972
PERKS	3,500	42,000	10,815	10,815	10,815	10,815	43,260	1,260
EPF	1,200	14,400	3,708	3,708	3,708	3,708	14,832	432
Total	19,200	230,400	60,564	61,491	62,109	62,418	246,582	16,182

Particular	% Increase					
DA	18%		22%	25%	27%	28%
HRA	27%		27%	27%	27%	27%
Perks	35%		35%	35%	35%	35%
EPF	12%		12%	12%	12%	12%

Total Increase (in Rs)	16,182
% increase	7.02

Assumptions

- Year 1 Means Previous Year.
- Year 2 Means Current Year.
- Basic Pay — 3% yearly increase considered.
- Dearness Allowance- Quarterly increase considered.
- HRA, Perks & EPF — Considered Constant



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- In the above-mentioned example, the Salary expenditure for Year 1 shown as Rs. 230400/- per employee. Whereas, in the year 2 the salary expenditure is shown as Rs. 246582/- per employee. On the basis of above assumptions, the incremental expenditure on the head of salary is Rs. 16182/- per employee which comes out to 7.02% on Year-on-Year basis.

AAI requests AERA to consider 7% increase on Year-on-Year basis for the Second Control Period on the basis of above calculations”.

9.3.2 AAI’s comment on Administration and General expenses CHQ/RHQ is as follows:

- “AERA has reduced the allocation of Payroll Allowances of CHQ expenses to AAI by 20% on account of support to ANS, Cargo and Commercial at RHQ, AAI has been submitting to AERA to reconsider the reduction in allocation from 20% to 5%.
- Further, AERA has reduced the allocation of CHQ/RHQ Administration and General expenses to the tune of 19% for the 2nd control period. (FY 2023-24 to FY 2027-28). It is worthwhile to mention here that AAI has already consider 5% reduction while allocating the CHQ/RHQ expenditure and reducing further 19% by AERA for the 2nd control period respectively is on the higher side. AAI has engaged the Institute of Cost Accountants (ICMA) (on direction of AERA) to study the methodology of CHQ/RHQ allocations. The report has already been submitted to AERA.

AERA is requested to relook into the allocation of other than CHQ/RHQ expenses.

AERA has reduced 35.07 crore from CHQ/RHQ expenses allocation of “Admn & General Expenses”. AERA has reduced 19.23% from AAI proposed expenses, AERA is requested to consider the expenses proposed by AAI”.

9.3.3 AAI’s comment on R&M expenses is as follows:

“There are various heads of R&M expenses which are incurred for operational requirements & regular maintenance of the airport operator infrastructure and equipment at the airport.

Applying a ratio on the depreciated WDV (Net block) will further reduce the cost whereas the reality is that the costs will increase to make good the wear and tear over the years.

R&M expense varies based on various factors incl. location and other conditions

Even if buildings are new it is not justifiable reason to reduce the recovery of expenses to a percentage of opening RAB.

Restricting R&M expense to 6% of Opening RAB discourages Airport Operator to spend on R&M to maintain the quality standard and enhance customer.

As R&M costs increase with life of assets due to wear and tear. Hence, AERA is requested consider actual R &M expenditure instead of restricting it to 6 % of Opening RAB.

To highlight the effect of restricting R&M to 6% of opening RAB, actual values of two assets along with their AMC costs have been shown below. Total value of assets is Rs. 31.54 Lakhs (Rs.17.00 Lakhs + Rs.14.54 Lakhs).

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Year	Capitalization	1st	2nd	3rd	4th	5th	6th
Opening RAB	31.54	27.6	23.7	19.7	15.8	11.8	7.89
Depreciation	3.94	3.94	3.94	3.94	3.94	3.94	3.94
Net RAB	27.6	23.7	19.7	15.8	11.8	7.89	3.95

Year	Cap	1st	2nd	3rd	4th	5th	6th
AMC Cost	0	5.33	5.7	11.9	12.7	13.4	14.3
% of AMC on RAB		23%	29%	75%	107%	170%	364%
6% of Net RAB		1.42	1.8	0.95	0.71	0.47	0.24
Net Loss to AAI (Diff)		-3.91	-4.52	-10.9	-12	-12.9	-14.1

Payment of Supply and Commissioning of Mechanized Grass Cut Cum Collect Machines in INR			
S. No.	Description	Qty	Amount (INR)
1	Custom Duty	24	95,88,405.2
2	GST	24	2,40,82,291.58
3	Average Basic Cost of Inland Transportation Charges	24	28,07,280
4	Average Basic Cost of Inland Transit Insurance	24	1,33,847.1
5	Custom Clearing and Forwarding Charges	24	31,05,052.2
6	Tax on Average Inland Transportation Charges	24	5,05,310.4
7	Tax on Average Inland Transit Insurance Charges	24	24,102.5
8	Tax on Custom Clearing and Forwarding Charges	24	5,58,949.5
	Total Amount		4,08,05,238.48
Total Amount in Words: Rupees Forty Million Eight Hundred Five Thousand Two Hundred Thirty Eight and Forty Eight Paise Only			

Payment of Supply and Commissioning of Tractors			
Sl. No	Description	Qty	Amount (INR)
1	Basic Rate	24	29,400,000
2	GST	24	3,528,000
3	Average Basic Cost of Inland Transportation Charges	24	1,617,000
4	Average Basic Cost of Inland Transit Insurance	24	51,597
5	Tax on Average Inland Transportation Charges	24	291,060
6	Tax on Average Inland Transit Insurance Charges	24	9,282



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Total Amount	34,896,939
<i>Total Amount in Words: Rupees Thirty-Four Million Eight Hundred Ninety-Six Thousand and Nine Hundred Thirty-Nine Only</i>	

Payment for Operation & Comprehensive Annual Maintenance Contract

Payment For Operation and CAMC of Mechanized Grass Cut Cam Collect Machines & tractors shall be made as per the following details by the respective airports.

Sl. No	Description	Qty (Nos)	Rate per Year (INR)	Amount per year (INR)
1	1st Year	24	5,32,876.48	1,27,89,035.66
2	2nd Year	24	5,70,077.29	1,36,81,855.13
3	3rd Year	24	11,88,415.1	2,85,21,962.55
4	4th Year	24	12,71,362.86	3,05,12,708.67
5	5th Year	24	13,38,223.77	3,21,17,370.69
6	6th Year	24	14,33,236.66	3,43,97,679.88
	Total Amount		63,34,192.16	15,20,20,612.6
<i>Total amount in Words: Rupees One Hundred Fifty-Two Million Twenty Thousand Six Hundred Twelve and Sixty Paise Only</i>				

9.3.4 AAI's comment on Utilities and Outsourcing expenses is as follows:

"AERA has reduced 2.92 crore from utility and outsourcing expenses proposed by AAI. AERA considered 5% Y-O-Y increase instead of 10% proposed by AAI. AERA is requested to consider 10% y-o-y increase in the expenses as proposed by AAI."

9.3.5 FIA's comment on Power expenses is as follows:

"AAI 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."

9.3.6 FIA's comment on determining the value of O&M expenses is as follows:

"While we appreciate the rationalisation by AERA of each line item on the submitted O&M expenses by AAI. However, at the same time, we request AERA to not provide such a huge jump in O&M expenses.

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 prior to issuing the final tariff order. 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 trueing 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 aforementioned 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 Second Control Period."



9.4 AAI's response to Stakeholders' comments Operation and Maintenance (O&M) Expenses for the Second Control Period

9.4.1 AAI's response to FIA's comment on Power expenses is as follows:

"It is submitted that AAI cannot levy electricity charges over and above the units consumed by the concessionaries and the same is approved by the competent Authority."

9.4.2 AAI's response to FIA's comment on determining the value of O&M expenses is as follows:

"R&M Expenses: There are various heads of R&M expenses which are incurred for Operational Requirements, Regular maintenance of the airport infrastructure and equipment at the airport.

The costs captured by the airports are based on the actual spend. To determine the costs, there are detailed tendering mechanisms for every contract and approving authorities as per delegation of powers approved by Board. Further, the accounts of airports are subject to C&AG audit on a yearly basis."

9.5 Authority's analysis on Stakeholders' comments regarding Operation and Maintenance (O&M) Expenses for the Second Control Period

9.5.1 The Authority notes AAI's comments on payroll expenses and the illustration given by AAI for annual growth in Payroll Expenditure.

It is observed that in its illustration, AAI has considered an increase around 45% of DA, from Y1 to Y2 which is not realistic, whereas actual DA increase during the past one year (October 2023 to October 2024) is around 4% [as per data available at the website of Department of Public Enterprises (DPE)]. Considering the impact of annual salary increment, DA increase and associated increase in HRA, Perks etc., the 6% Y-o-Y increase in payroll expenses considered by the Authority seems to be appropriate. Based on the above factors, the Authority decides to consider a growth rate of 6% year on year in payroll expenses for the Second Control period, as considered for other similar AAI Airports and PPP airport.

However, the Authority will true up O&M Expenses, including Payroll expenses pertaining to Second Control Period (refer Para 9.6.1 of this Tariff Order) at the time of tariff determination for the next control period, subject to reasonability and efficiency of expenses.

9.5.2 The Authority notes AAI's comments regarding allocation of CHQ/RHQ expenses for Indore International Airport for the Second Control Period. In this regard, the Authority previously noted that, for certain AAI airports, the allocation of CHQ/RHQ costs exceeded the standalone payroll expenses of the respective airports. A similar pattern has now been observed in the projected CHQ/RHQ cost allocation for Indore International Airport for the Second Control Period. In this regard, the detailed views of the Authority has been provided in Para 4.7.41 of this Tariff Order and based on the same CHQ/RHQ cost has been rationalized.

Further, AERA has reviewed the report submitted by AAI on the allocation of CHQ/RHQ costs and the observations on the same has been presented in para 4.7.41.

However, AAI has not provided detailed component-wise workings to substantiate the allocable expenses of CHQ/RHQ for FY 2021-22 based on the referenced study report. For instance, calculation sheets showing the allocation of CHQ/RHQ expenses for FY 2021-22, both under the new and old methodologies, have not been submitted. Similarly, the workings in the financial sheet, as well as their impact on airports after



incorporating the recommendations from ICMAI-MARF are also unclear. Additionally, there is a lack of justification for excluding certain revenue items when calculating net allocable expenditure.

Therefore, the Authority is unable to draw any conclusion/ outcome regarding the computation of CHQ/ RHQ expenses that have been allocated to AAI Airports. Hence, the Authority has relied on and adopted the existing methodology of computing CHQ/ RHQ expenses (explained in Para 4.7.19 of this Tariff Order) as being uniformly applied across all AAI airports, for determining the Administration and General CHQ/ RHQ expenses, allocable to Indore International Airport.

However, the Authority will true up the CHQ/RHQ expenses allocated to Indore International Airport for Second Control Period at the time of tariff determination of Third Control Period, considering all relevant factors, including Authority's final view on Study report on allocation of CHQ/RHQ expenses to AAI Airports.

- 9.5.3 The Authority notes the comments received from AAI 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 value of RAB (including old and new Capex) is not significant, 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 the factors affecting R&M Expenses at the airports is in progress, thus 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 Second Control Period at the time of determination of tariff for the next Control Period, based on the outcome of the review exercise and the Authority's final view in the matter.

- 9.5.4 The Authority notes AAI's comments on Utilities and Outsourcing expenses.

In this regard, the Authority has considered 5% Y-o-Y increase in Utilities and Outsourcing expenses (other than power charges) in line with increase considered in other similar airports.

It may be noted that the 5% increase considered by the Authority is more than the inflationary increase considered for the Second Control Period (refer Table 98). Further, O&M expenses for the Second Control Period will be true up, subject to reasonability and efficiency of the cost, at the time of tariff determination for the Third Control Period

Hence the Authority decides not to change the basis of Y-o-Y increase in Utilities and Outsourcing expenses (other than power charges) considered at Consultation Stage.

- 9.5.5 The Authority has reviewed FIA's comments on Utility expenses and AAI's response to the same.

The Authority, through its independent consultant, has examined the power expenses of Indore International Airport. The Authority also notes that the trial balance of Indore International Airport is part of AAI's books



OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

of accounts which are audited by CAG, whose reports noted no qualifications/ exceptions. The independent consultant has sought explanations, invoices etc., wherever needed, and reviewed the same and found no unreasonableness. Hence the Authority does not find the need to separately verify the bills relating to power expenses of Indore International Airport.

- 9.5.6 The Authority has reviewed the comment of FIA on determination of O&M expenses and AAI's response on the same.

The Authority would like to emphasize that AERA, through its Independent Consultant, has examined in detail each component of the O&M expenses submitted by the AO with respect to essentiality and reasonableness and has considered only the O&M expenses that are needed for meeting operational requirements. Based on the above factors, the Authority has rationalized the various components of O&M expenses submitted by the AAI for the Second Control period.

As regard to the comments of FIA on conducting an independent study on O&M expenses. In this regard, the Authority believes that the requirement for an independent study will depend upon the size of the airport and the scale of operations. AERA, may commission an independent study in future for any airports, if considered necessary.

- 9.5.7 Similar to the Authority's decision in Para 4.7.45, the Authority decides not to consider the interest on term loan included as part of Admin & General Expenditure (Other than CHQ/RHQ) amounting to ₹ 7.88 crores for the Second Control Period.
- 9.5.8 The Authority decides to adopt inflation rates based on the latest RBI Survey results (Round No. 90) (refer Table 98) and accordingly update the projections of the O&M expenditure for the Second Control period.
- 9.5.9 Considering the above, the revised O&M expenses after considering the changes in Inflation rates and exclusion of interest on term loan is given in the table below:

Table 108: Operation and Maintenance (O&M) Expenses decided to be considered by the Authority for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY 24	FY 25	FY 26	FY 27	FY 28	Total (A)	At CP Stage (B)	Diff (C=A-B)
Payroll Costs - Other than CHQ/RHQ		17.72	18.79	19.91	21.11	22.37	99.90	99.90	-
Retirement Benefits of Employees		0.53	0.56	0.59	0.63	0.67	2.98	2.98	-
Total Payroll Costs	Table 103	18.25	19.35	20.51	21.74	23.04	102.88	102.88	-
Admin. & General Expenses - Other than CHQ/RHQ		6.15	6.30	7.08	7.30	7.53	34.36	42.63	-8.27
Admin. & General Expenses - CHQ/RHQ	Table 105	26.65	27.99	29.39	30.85	32.40	147.28	147.28	-
Total Admin. & General Expenses		32.80	34.29	36.47	38.15	39.92	181.64	189.91	-8.27
Repairs & Maintenance		8.95	10.35	11.78	13.64	13.43	58.14	58.06	0.08
Utilities & Outsourcing		6.00	6.23	6.78	7.04	7.31	33.35	33.35	-
Other Outflows		0.77	0.89	1.01	1.14	1.28	5.10	5.10	-
Total		66.77	71.11	76.54	81.71	84.99	381.11	389.30	-8.19



9.6 Authority's decision regarding O&M expenses for the Second Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to O&M expenses for the Second Control Period.

- 9.6.1 To consider O&M expenses for the Second Control Period for Indore International Airport as per Table 108.
- 9.6.2 To consider the true-up of the O&M expenses incurred by AAI for Indore International Airport during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.



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10. NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD**10.1 AAI's submission regarding Non-Aeronautical Revenue (NAR) for the Second Control Period**

10.1.1 AAI had forecast revenue from non-aeronautical services for Indore International Airport as below:

Table 109: Non-Aeronautical revenue projections submitted by AAI for Indore International Airport for the Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Trading Concessions: A	27.04	29.57	34.25	39.74	45.96	176.55
Restaurant / Snack Bars	10.02	9.58	10.91	12.44	13.95	56.90
T.R. Stall	10.44	12.16	13.93	16.02	18.48	71.04
Hoarding & Display	6.57	7.83	9.40	11.28	13.53	48.61
Rent & Services: B	3.40	3.60	3.96	4.18	4.43	19.57
Land Leases	0.98	0.98	1.13	1.13	1.13	5.35
Building (Residential)	0.03	0.03	0.03	0.03	0.03	0.14
Building (Non-Residential)	2.39	2.59	2.80	3.02	3.27	14.07
Miscellaneous: C	2.66	2.86	3.07	3.30	3.56	15.45
Car Rentals	0.47	0.52	0.57	0.63	0.69	2.90
Car Parking	0.62	0.68	0.75	0.83	0.91	3.79
Admission Tickets	0.20	0.22	0.24	0.26	0.29	1.20
Other Income/ Sale of Scrap etc.	1.37	1.44	1.51	1.58	1.66	7.56
Total (A+B+C)	33.10	36.03	41.27	47.22	53.95	211.57

10.1.2 The growth rates assumed by AAI have been presented in the table below:

Table 110: Growth rates assumed by AAI for Non-Aeronautical Revenue for Indore International Airport

Particulars	FY24*	FY25	FY26	FY27	FY28
Passenger Related Revenue					
Restaurant / Snack Bars	41.3%	-4.4%	13.9%	13.9%	12.2%
T.R. Stall	294.7%	16.4%	14.6%	15.0%	15.3%
Hoarding & Display	16.3%	19.2%	20.0%	20.0%	20.0%
Car Rentals	82.1%	10.0%	10.0%	10.0%	10.0%
Car Parking	10.9%	10.0%	10.0%	10.0%	10.0%
Admission Tickets	10.0%	10.0%	10.0%	10.0%	10.0%
Other Income/ Sale of Scrap etc.	5.0%	5.0%	5.0%	5.0%	5.0%
Other Revenue					
Land Leases	-	-	15.0%	-	-
Building (Residential)	-	-	-	-	-
Building (Non-Residential)	56.4%	8.2%	8.0%	8.1%	8.2%

*Growth rates based on FY 23 actuals

10.2 Authority's examination regarding Non-Aeronautical Revenue (NAR) for the Second Control Period at Consultation Stage

10.2.1 The Authority had considered the actual Non-Aeronautical Revenue for FY 2022-23 from the audited trial balance as submitted by AAI as a basis for projecting the Non-Aeronautical Revenues for the Second Control Period.

10.2.2 The Authority observed that the Non-Aeronautical Revenues approved in the Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period for Indore International Airport was ₹ 133.68 crores (refer



Table 54), against which actual non-aeronautical revenue of ₹ 79.88 crores (refer Table 53) was submitted by AAI for true-up of the First Control Period. The Authority examined the actual non-aeronautical revenues for the First Control Period and had proposed ₹ 75.43 crores to be trued up as given in Table 55. AAI had submitted its Non-Aeronautical Revenues for the Second Control Period for ₹ 211.57 crores, which is 180% higher than the Non-Aeronautical Revenue proposed by the Authority for true-up of the First Control Period.

Income Heads related with Passenger Throughput

- 10.2.3 The Authority noted that growth of passenger traffic in Indore International Airport reduced due to the COVID-19 pandemic and traffic for the pre COVID-19 period (FY 2019-20) could not be achieved in FY 2022-23. Considering the positive GDP predicted by the Government of India, the increase in the consumer spending pattern and the growth of the passenger traffic, the Authority expects higher growth in the passenger related revenue (Restaurants, TR Stalls, Car Parking and Car Rentals) during the Second Control Period.

The Authority noted that AAI had considered substantial growth rates of 41.3%, 294.7% and 82.1% in Restaurant/Snack Bars, TR Stalls and Car Rentals Revenue in FY 2023-24 as compared to FY 2022-23, due to new contracts entered into with concessionaires. In view of the above, the Authority proposed to consider the non-aeronautical revenue related to passengers as submitted by AAI for the Second Control Period.

Further, the Authority noted that AAI vide mail dated 15th May 2024, requested to consider additional 3% growth in FY 2027-28 on account of operationalization of International Operations in Old Terminal Building in revenue from Trading Concession, TR Stalls and Car Rentals. The Authority proposed to consider the additional increase in revenue in FY 2027-28 as submitted by AAI.

Other Revenue

- 10.2.4 **Revenue from Building (Residential) - (₹ 0.14 crores)** - The Authority noted that AAI did not project any increase in revenue from Building (Residential) and had kept it constant for all tariff years in the Second Control Period. The Authority, in line with other similar airports, proposed to consider a 5% Y-o-Y growth rate across all tariff years in the Second Control Period.
- 10.2.5 **Building (Non-Residential) (₹ 14.07 crores)** - AAI had projected one-time increase of 56.4% on account of new concessionaire onboarded during FY 2023-24 and thereafter, average growth rate of 8.1% Y-o-Y from FY 2024-25 onwards for balance tariff years. The Authority proposed to consider the growth rates as submitted by AAI in line with other similar AAI airports.
- 10.2.6 **Revenue from Land Lease Rent (₹ 5.35 crores)** - The Authority noted that AAI had estimated a one-time increase in revenue from land lease and hangar rent in FY 2025-26 at an increase of 15%. The Authority, after reviewing AAI Internal Circular no. 22 dated 4th Jun 2022, noted the one time increase of 15% in FY 2025-26 as submitted by AAI to be reasonable and proposed to consider the same.
- 10.2.7 **Admission Tickets (₹ 1.20 crores)** – The Authority noted that AAI had projected a 10% Y-o-Y growth from FY 2023-24 onwards for the Second Control Period. The revenue from admission tickets includes issuance of temporary passes for entry in airport. Considering the nature of income as non-recurring, the Authority proposed to consider the average revenue from admission tickets for FY 2021-22 to FY 2022-23 (i.e. 2 years post COVID-19) as a base for admission ticket revenue for FY 2023-24 amounting to ₹ 0.17 Crores and proposed to consider a 10% growth rate Y-o-Y as per submission by AAI.



NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD

- 10.2.8 **Other Income/Sale of Scrap etc. (₹ 7.56 crores)** – The Authority noted that other income includes forfeiture of security deposit (unclaimed for 3 years) and sale of scrap etc. Further the Authority noted that there is a significant variance of 71% in other income in FY 2022-23 as compared to FY 2021-22. The Authority noted that variance to be high compared to other years in the past mainly due to the non-recurring nature of the income – e.g. forfeiture of security deposit. In view of this, keeping FY 2022-23 as a base for projection was not reasonable. Hence, the Authority proposed to consider the average revenue from other income/sale of scrap etc. from FY 2021-22 to FY 2022-23 (i.e. 2 years post COVID-19) as a base for FY 2023-24 and thereafter proposed a 5% growth rate Y-o-Y as per submission by AAI.
- 10.2.9 **Hoarding & Display (₹ 48.61 crores)** – The Authority noted that AAI had projected a 16.3% growth rate in FY 2023-24, 19.2% growth rate in FY 2024-25 and 20.0% Y-o-Y growth from FY 2025-26 onwards for the Second Control Period. The Authority considered the projections by AAI to be reasonable based on the analysis of contracts provided by AAI for Hoarding & Display.
- 10.2.10 The Authority, in line with its decision taken in other Airports, proposed to consider the license fee/space rentals from airlines and other aeronautical concessionaires (GHA service providers) as aeronautical revenue after excluding the same from non-aeronautical revenue amounting to ₹ 8.11 crores for the Second Control Period (reclassified out of Building (Non-Residential) and Land leases).
- 10.2.11 Further, the Authority felt that AAI should exploit the full potential of its non-traffic revenue so that 30% of the same, by cross subsidization, would lead to reduction in Aeronautical charges.
- 10.2.12 Based on the Authority’s examination, NAR for the Indore International Airport for the Second Control Period was proposed as presented below:

Table 111: Non-Aeronautical Revenue proposed by the Authority for Second Control Period at Consultation Stage

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Trading Concessions: A	27.02	29.55	34.22	39.71	46.79	177.29
Restaurant / Snack Bars	10.02	9.58	10.91	12.44	14.32	57.28
T.R. Stall	10.44	12.16	13.93	16.02	18.96	71.52
Hoarding & Display	6.55	7.81	9.38	11.25	13.50	48.49
Rent & Services: B	3.41	3.60	3.96	4.19	4.44	19.59
Land Leases	0.98	0.98	1.13	1.13	1.13	5.35
Building (Residential)	0.03	0.03	0.03	0.03	0.04	0.17
Building (Non-Residential)	2.39	2.59	2.80	3.02	3.27	14.07
Miscellaneous: C	2.37	2.56	2.75	2.97	3.22	13.88
Car Rentals	0.47	0.52	0.57	0.63	0.71	2.91
Car Parking	0.62	0.68	0.75	0.83	0.91	3.79
Admission Tickets	0.19	0.21	0.23	0.26	0.28	1.18
Other Income/ Sale of Scrap etc	1.08	1.14	1.19	1.25	1.32	5.98
Total (D=A+B+C)	32.80	35.71	40.94	46.87	54.44	210.76
Less: Lease Rent for Ramp from Airlines / GHA (E)	0.28	0.28	0.32	0.32	0.32	1.52
Less: Space Rentals from Airlines (F)	1.18	1.25	1.32	1.40	1.44	6.59
Total (G=D-E-F)	31.34	34.18	39.29	45.14	52.68	202.64

NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD

10.2.13 The revised growth rates proposed by the Authority were as presented in the table below:

Table 112: Growth rates proposed by the Authority for Non-Aeronautical Revenues for Second Control Period at Consultation Stage

Particulars	FY24	FY25	FY26	FY27	FY28
Passenger Related Revenue					
Restaurant / Snack Bars	41.3%	-4.4%	13.9%	13.9%	15.2%
T.R. Stall	294.7%	16.4%	14.6%	15.0%	18.3%
Car Rentals	82.1%	10.0%	10.0%	10.0%	13.0%
Car Parking	10.9%	10.0%	10.0%	10.0%	10.0%
Other Revenue					
Hoarding & Display	16.0%	19.2%	20.0%	20.0%	20.0%
Admission Tickets	10.0%	10.0%	10.0%	10.0%	10.0%
Other Income/ Sale of Scrap etc.	5.0%	5.0%	5.0%	5.0%	5.0%
Land Leases	-	-	15.0%	-	-
Building (Residential)	5.0%	5.0%	5.0%	5.0%	5.0%
Building (Non-Residential)	56.4%	8.20%	8.05%	8.10%	8.15%

10.2.14 As can be seen above, the Authority proposed to consider the Non-Aeronautical Revenue for the Second Control Period amounting to ₹ 202.64 crores as against ₹ 211.57 crores submitted by AAI. The difference is mainly due to the different growth rates proposed by the Authority as compared to AAI and considering Space Rentals/land lease to Aeronautical service providers as Aeronautical Revenues.

10.3 Stakeholders' comments regarding Non-Aeronautical Revenue (NAR) for the Second Control Period

During the stakeholders' consultation process, the Authority has received comments/views from FIA in response to the proposals of the Authority in the Consultation Paper No. 04/2024-25 dated 05th September 2024. The comment of FIA is presented below.

10.3.1 FIA's comment on allowing higher Non-Aeronautical revenue is as follows:

"It is observed that the non-aeronautical revenues projected by AAI is conservative. It is requested that AAI explores all avenues to maximize revenue from the utilization of terminal building for non-aeronautical purposes.

We request AERA to mandate AAI to enter into suitable agreements with concessionaires to exploit the potential/ growth of non-aeronautical revenue at Indore 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 Second Control Period.

Without prejudice to the above, we submit that the increase in NAR is influenced by factors such as the expansion of terminal building area, growth in passenger traffic, inflationary pressures and real increases in contract rates. Despite these factors contributing to increasing potential revenues, it has been observed that AERA's projections for non-aeronautical revenue in the control period appear to be conservative. Given the substantial opportunities for revenue growth, we request that AERA consider a more optimistic and expansive approach to NAR projections to better align with the actual potential and economic benefits for Indore Airport.



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 Indore is increasingly recognized as a key destination for cultural, educational, and business tourism drawing visitors from around the world. With air travel being the preferred option for many, the city's air traffic is projected to see significant growth.

Accordingly, we request AERA:

- a) To mandate AAI to enter into more agreements with concessionaires to exploit the potential/ growth of NAR at IDR.*
- b) To kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the Second 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 Indore 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 for IDR. "

10.4 AAI's response to Stakeholders' comments Non-Aeronautical Revenue (NAR) for the Second Control Period

10.4.1 AAI's response to FIA's comment on allowing higher Non-Aeronautical revenue is as follows:

"Increase in Non-aeronautical revenue is not proportionate with increase in traffic.

The percentage of non-aeronautical business is dependent on multiple factors such as demand, customer behavior, spending patterns and per capita income of the region. Therefore, a standardized approach may not accurately reflect the ground reality of non-aeronautical business and may be detrimental to the Airport Operator

25% (approx.) of non-aeronautical area is occupied by airlines (airlines offices) and AAI is getting only space rental.

In view of above, AERA is requested to consider the growth rate as submitted in the MYTP for SCP. "

10.5 Authority's analysis on Stakeholders' comments regarding Non-Aeronautical Revenue (NAR) for the Second Control Period

10.5.1 The Authority notes the comments of FIA on considering higher Non-Aeronautical Revenue (NAR) and AAI's response on the same.

The Authority is of the view that the AO should optimize and make efforts to increase non-aeronautical revenue so as to make it comparable to other similarly placed airports.

In addition, the Authority, through its Independent Consultant, has also reviewed the existing commercial contracts, and necessary clarifications and additional details were called from the AO, where felt necessary, while proposing non-aero revenue.



NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD

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 of the airport and the scale of operations.

- 10.5.2 The Authority notes that Hangar Land rent collected by AAI is considered as Non-Aeronautical Revenue under the head "Land Leases". The Authority notes that the Hangar in Indore International Airport is located in the airside and used for aeronautical activities (aircraft parking/MRO activities etc.). While the revenue from Hangar rental was considered as non-aeronautical in the First Control Period, the Authority decides to consider Hangar Land Rent amounting to ₹ 0.08 Crores as Aeronautical Revenue for the Second Control Period.
- 10.5.3 Based on the above, the recomputed Non-aeronautical revenue for the Second Control Period is given in the table below:

Table 113: Non-Aeronautical Revenue decided by the Authority for Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Trading Concessions: A	27.02	29.55	34.22	39.71	46.79	177.29
Restaurant / Snack Bars	10.02	9.58	10.91	12.44	14.32	57.28
T.R. Stall	10.44	12.16	13.93	16.02	18.96	71.52
Hoarding & Display	6.55	7.81	9.38	11.25	13.50	48.49
Rent & Services: B	3.41	3.60	3.96	4.19	4.44	19.59
Land Leases	0.98	0.98	1.13	1.13	1.13	5.35
Building (Residential)	0.03	0.03	0.03	0.03	0.04	0.17
Building (Non-Residential)	2.39	2.59	2.80	3.02	3.27	14.07
Miscellaneous: C	2.37	2.56	2.75	2.97	3.22	13.88
Car Rentals	0.47	0.52	0.57	0.63	0.71	2.91
Car Parking	0.62	0.68	0.75	0.83	0.91	3.79
Admission Tickets	0.19	0.21	0.23	0.26	0.28	1.18
Other Income/ Sale of Scrap etc	1.08	1.14	1.19	1.25	1.32	5.98
Total (D=A+B+C)	32.80	35.71	40.94	46.87	54.44	210.76
Less: Lease Rent for Ramp from Airlines / GHA (E)	0.28	0.28	0.32	0.32	0.32	1.52
Less: Space Rentals from Airlines (F)	1.18	1.25	1.32	1.40	1.44	6.59
Less: lease Rental Hangar (G)	0.02	0.02	0.02	0.02	0.02	0.08
Total (H=D-E-F-G)	31.33	34.17	39.28	45.13	52.67	202.56

10.6 Authority's decision regarding Non-Aeronautical Revenue (NAR) for the Second Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Non-Aeronautical Revenue for the Second Control Period:

- 10.6.1 To consider Non-Aeronautical Revenue for the Second Control Period for Indore International Airport as per Table 113.
- 10.6.2 To true up non-aeronautical revenue for Indore International Airport for the Second Control Period, subject to evaluation of efficiency and reasonableness, while determining tariff for the next Control Period.



11. TAXATION FOR THE SECOND CONTROL PERIOD

11.1 AAI's submission regarding Aeronautical Taxation for the Second Control Period for Indore International Airport

11.1.1 AAI had submitted the computation of income tax based on the PBT which was arrived at after considering aeronautical revenues, O&M expenses and depreciation computed separately for the purpose of tax. The computation of income tax submitted by AAI is as follows:

Table 114: Aeronautical Taxation for the Second Control Period submitted by AAI for Indore International Airport

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Revenue							
Aeronautical Revenue		78.27	216.88	271.36	336.75	490.81	1,394.07
Total Revenue	A	78.27	216.88	271.36	336.75	490.81	1,394.07
Expenses							
Operation & Maintenance Expenses		79.84	86.08	98.88	105.83	125.02	495.65
Depreciation (As per IT Act, 1961)		18.43	21.20	23.46	22.95	21.35	107.39
Interest on Term Loan		1.47	1.38	1.12	0.94	0.69	5.60
Total Expenses	B	99.74	108.66	123.46	129.72	147.06	608.64
Profit/Loss	C=A-B	(21.47)	108.22	147.90	207.03	343.74	785.42
Set off of prior period tax losses	D	-	108.22	61.59	-	-	169.81
Profit/Loss after set off of prior period tax losses	E	(21.47)	-	86.32	207.03	343.74	615.62
Tax Rate	F	34.99%	34.99%	34.99%	25.17%	25.17%	
Aeronautical Tax	G=E*F	-	-	30.16	52.11	86.52	168.79

11.2 Authority's examination regarding Taxation for the Second Control Period at Consultation Stage

11.2.1 The Authority noted that Indore International Airport had calculated income tax based on the projected Aeronautical revenues.

11.2.2 The Authority had re-computed the taxes based on the revised regulatory blocks for the Second Control Period proposed in the previous chapters and the Tariff proposed by the Authority for the Second Control Period for Indore International Airport. The following table summarizes the Aeronautical taxes proposed by the Authority for the Second Control Period.

Table 115: Aeronautical Taxation proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Revenue							
Aeronautical Revenue	Table 126	83.03	128.97	198.76	227.22	258.11	896.07
Total Revenue	A	83.03	128.97	198.76	227.22	258.11	896.07
Expenses							
O&M Expenses	Table 107	68.47	72.63	78.15	83.35	86.70	389.30
Depreciation (as per Income tax)		18.20	24.81	25.71	22.92	20.34	111.98
Interest on Working Capital/Term Loan		-	-	-	-	-	-
Total Expenditure	B	86.67	97.44	103.87	106.27	107.04	501.28



TAXATION FOR THE SECOND CONTROL PERIOD

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Profit/(Loss)	C=A-B	(3.64)	31.52	94.89	120.95	151.07	394.79
Set off prior period losses (D)	D	-	(31.52)	(92.24)	-	-	
Profit/(Loss) after set off of prior period tax losses	E	(3.64)	-	2.65	120.95	151.07	271.03
Loss Carried Forward (Opening)	F	(120.12) [^]	(123.76)	(92.24)	-	-	
Loss Carried Forward (Closing)	G=D-E-F	(123.76)	(92.24)	-	-	-	
Tax Rates	H	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax Amount	I=E*H	-	-	0.67	30.44	38.02	69.13

[^]Carried Forward Losses amounting to ₹ 120.12 crores for the First Control Period considered as Opening Balance for FY 2023-24 as per Table 62.

11.3 Stakeholders' comments regarding Taxation for the Second Control Period

11.3.1 No comments were received from the Stakeholders regarding Taxation for the Second Control Period.

11.4 Authority's analysis on Stakeholders' comments regarding Taxation for the Second Control Period

11.4.1 The Authority notes that no comments were received from the Stakeholders regarding Taxation for the Second Control Period.

11.4.2 Based on the changes on O&M Expenditure and the Aeronautical Revenues as detailed in the relevant sections, the Authority has recomputed the Aeronautical Taxation, considering Interest Cost as an allowable deduction for the purpose of computing Income Tax, for the Second Control Period as detailed below:

Table 116: Aeronautical Taxation decided by the Authority for the Second Control Period for Indore International Airport

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Revenue							
Aeronautical Revenue	Table 127	83.04	128.23	224.88	276.69	329.53	1,042.37
Total Revenue	A	83.04	128.23	224.88	276.69	329.53	1,042.37
Expenses							
O&M Expenses	Table 108	66.77	71.11	76.54	81.71	84.99	381.11
Depreciation (as per Income tax)		18.26	24.87	25.76	22.95	20.38	112.22
Interest on Term Loan		1.80	0.49	0.49	0.45	0.38	3.60
Total Expenditure	B	86.83	96.47	102.79	105.11	105.74	496.94
Profit/(Loss)	C=A-B	(3.79)	31.77	122.10	171.58	223.79	545.45
Set off prior period losses (D)	D	-	(31.77)	(107.48)	-	-	
Profit/(Loss) after set off of prior period tax losses	E	(3.79)	-	14.62	171.58	223.79	406.20
Loss Carried Forward (Opening)	F	(135.46)	(139.25)	(107.48)	-	-	
Loss Carried Forward (Closing)	G=D-E-F	(139.25)	(107.48)	-	-	-	
Tax Rates	H	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax Amount	I=E*H	-	-	3.68	43.19	56.33	103.19

[^]Carried Forward Losses amounting to ₹ 135.46 crores for the First Control Period considered as Opening Balance for FY 2023-24 as per Table 63.



11.5 Authority's decision regarding Aeronautical Taxation for the Second Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Taxation for the Second Control Period:

- 11.5.1 To consider the Taxation for the Second Control Period for Indore International Airport as per Table 116.
- 11.5.2 To true up the Aeronautical Taxation amount by appropriately taking into consideration all the relevant facts at the time of tariff determination for the Third Control Period.



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12. QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD

12.1 AAI 's submissions regarding Quality of Service for the Second Control Period for Indore International Airport

12.1.1 AAI had not made any submission related to Quality of Service as part of its MYTP submission. The Authority was informed that the same is available on AAI's website.

12.2 Authority's examination regarding Quality of Service for the Second Control Period at Consultation Stage

12.2.1 The Authority noted that:

- i. 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.*"
- ii. As per section 13(1)(a)(ii) of the AERA Act, 2008, 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 from AAI's website that the ACI ASQ survey results for IDR for the years 2018 to 2023 had been in the range of 4.80 to 4.94 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.80.

Table 117: ASQ Rating for IDR for the years from 2018 to 2023 at Consultation Stage

Year	ASQ Rating
2018	4.80
2019	4.81
2020	4.86
2021*	4.89
2022	4.94
2023	4.91

*Average of CSS rounds for the year

12.2.3 The Authority noted that the average rating for the past 4 years is above 4.50. The Authority does not propose any adjustment towards tariff determination for the Second Control Period on account of the quality of service maintained by Indore International Airport.

12.3 Stakeholders' comments regarding Quality of Service for the Second Control Period

12.3.1 No comments were received from the Stakeholders regarding Quality of Service for the Second Control Period.

12.4 Authority's analysis on Stakeholders' comments regarding Quality of Service for the Second Control Period

12.4.1 It is noted that no Stakeholders' comments were received regarding Quality of Service for the Second Control Period.

12.5 Authority's decision regarding Quality of Service for the Second Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Quality of Service for the Second Control Period:

- 12.5.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Service.



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13. RETURN ON LAND FOR THE SECOND CONTROL PERIOD

13.1 AAI's submission regarding Return on Land for the Second Control Period for Indore International Airport

13.1.1 AAI had submitted the following Return on Land for Indore International Airport for the Second Control Period as below:

Table 118: Return on Land Submitted by AAI for Second Control Period

Particulars	Ref.	Unit	FY24	FY25	FY26	FY27	FY28	Total
Cost of Land to be considered	A	₹ in crores	1.64	1.64	1.64	1.64	1.64	
SBI Rate	B	%	10.10%	10.10%	10.10%	10.10%	10.10%	
Rate considered for Equated Annual Instalment	C = B+2%	%	12.10%	12.10%	12.10%	12.10%	12.10%	
AAI cost of Debt	D		6.21%	6.21%	6.21%	6.21%	6.21%	
Rate Considered			12.10%	12.10%	12.10%	12.10%	12.10%	
Equated Annual instalments (for 30 years)	E	₹ in crores	0.22	0.22	0.22	0.22	0.22	1.11

13.2 Authority's examination regarding Return on land for the Second Control Period at Consultation Stage

13.2.1 The Authority noted that AAI had acquired land of 31.38 acres (12.70 Hectares), for the development of Indore International Airport for ₹ 1.64 crores in FY 2020-21.

13.2.2 On enquiry with AAI on the purpose for which the land was acquired, AAI vide email dated 11th July 2024 had replied that *"the newly acquired land of 20.48 acres as per master plan may be used for ESS substation for terminal building, forecourt for movement of passengers in front of terminal building, APHO, Surface parking, Metro Station and Multi level car parking etc."*.

13.2.3 Para 4.1.2 of the Land return Order No. 42/2018-19 dated 5th March 2019, stated that *"The return will be given only on the cost of land used for aeronautical activities"*. It was also noted that the said land is yet to be put to use for the activities mentioned in para 13.2.2. Based on this, the Authority proposed not to consider return on Land for the Second Control Period for Indore International Airport.

13.2.4 However, if AAI uses the land for aeronautical purposes during the Second Control Period, the Authority proposed to true up the same at the time of determination of tariff for the Third Control Period on actual usage basis.

13.3 Stakeholders' comments regarding Return on Land for the Second Control Period

13.3.1 No comments were received from the Stakeholders regarding Return on Land for the Second Control Period.

13.4 Authority's analysis on Stakeholders' comments regarding Return on Land for the Second Control Period

13.4.1 It is noted that no Stakeholders' comments were received regarding Return on Land for the Second Control Period.

13.5 Authority's decision regarding Return on land for the Second Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Return on Land for the Second Control Period:

- 13.5.1 The Authority decides not to consider Return on Land for Indore International Airport for the Second Control Period.
- 13.5.2 To true up return on land at the time of determination of tariff for the Third Control Period based on actual usage.



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AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

14. AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

14.1 AAI's submission regarding Aggregate Revenue Requirement (ARR) for the Second Control Period for Indore International Airport

14.1.1 AAI submitted ARR & Yield Per Passenger (YPP) for the Second Control Period as per the regulatory building blocks and the details are as follows:

Table 119: Aggregate Revenue Requirement submitted by AAI for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Average RAB	A	175.00	205.49	231.01	229.20	219.79	
FRoR	B	14%	14%	14%	14%	14%	
Return on RAB	C = A*B	24.49	28.77	32.34	32.09	30.77	148.47
Depreciation	D	12.21	14.38	16.57	16.99	16.43	76.57
O & M Expenses	E	79.84	86.07	98.88	105.82	125.01	495.65
Taxation	F	-	-	30.16	52.11	86.52	168.79
Interest on Working Capital	G	-	-	-	-	-	-
Interest on Term Loan	H	1.47	1.38	1.12	0.94	0.69	5.60
Return on Land	I	0.22	0.22	0.22	0.22	0.22	1.10
True up (shortfall of FCP)	J	378.09	-	-	-	-	378.09
Less: 30% of Non-Aeronautical Revenue	K	9.93	10.81	12.38	14.17	16.19	63.47
ARR per year	L=Sum(D: J)-K	486.40	120.01	166.92	194.01	243.47	1,210.81
Discount Factor @ 14%	M	1.00	0.88	0.77	0.67	0.59	
PV of Forecasted ARR	N=L*M	486.40	105.28	128.44	130.95	144.15	995.22
Total Traffic (million passengers)	O						10,87
Yield per passenger (YPP)	P						915.54

14.2 Authority's examination regarding Aggregate Revenue Requirement (ARR) for the Second Control Period at Consultation Stage

14.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. The Authority, after detailed analysis including rationalization of various building blocks as discussed in previous chapters, proposed the ARR & YPP as per the table below:

Table 120: Aggregate Revenue Requirement proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Average RAB (Refer Table 88)	A	166.81	200.41	227.85	225.15	215.29	
FRoR (Refer Table 94)	B	13.53%	13.53%	13.53%	13.53%	13.53%	
Return on Average RAB	C=A*B	22.57	27.12	30.83	30.47	29.13	140.13
Depreciation (Refer Table 86)	D	11.80	14.00	16.86	17.42	16.87	76.94
O&M Expenses (Refer Table 107)	E	68.47	72.63	78.15	83.35	86.70	389.30
Aeronautical Tax (Refer Table 115)	F	-	-	0.67	30.44	38.02	69.13
Interest on Term Loan	G	-	-	-	-	-	-
True Up for FCP (Refer Table 65)	H	193.34	-	-	-	-	193.34



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Return on Land	I	-	-	-	-	-	-
ARR	J=Sum(C:I)	296.18	113.75	126.51	161.68	170.72	868.85
NAR (Refer Table 111)	K	31.34	34.18	39.29	45.14	52.68	202.64
30% of NAR	L=30%*K	9.40	10.25	11.79	13.54	15.81	60.79
Net ARR	M=J-L	286.78	103.50	114.73	148.14	154.92	808.06
PV Factor @ 13.53%	N	1.00	0.88	0.78	0.68	0.60	
PV of ARR	O=M*N	286.78	91.16	89.01	101.23	93.24	661.42
Sum PV of ARR/Target Revenue	P						661.42
Total Traffic (in MPPA) (Refer Table 72)	Q						22.90
Yield per Passenger (YPP)	R=P/Q						288.83
Departing Passengers (in MPPA)							11.45
Yield per Departing Passenger							577.67

- 14.2.2 The Authority noted that AAI had claimed Interest on Term Loan in Aggregate Revenue Requirement (ARR) for the Second Control Period. As per Direction 5, Clause 5.4.3 clarifies that the Authority considers interest on short term loans generally raised towards working capital with a maturity of less than one year. The Authority noted that Interest claimed by AAI on term loan availed is used for Capital Expenditure and for long term purposes (more than 1 year), therefore the Authority proposed not to consider interest on term loan as submitted by the AAI.
- 14.2.3 The Authority had proposed the PV of ARR amounting to ₹ 661.42 crores (incl. of shortfall for First Control Period) as against ARR claimed by the AAI amounting to ₹ 995.22 crores. The major reasons for variance between ARR proposed by the Authority and claimed by the AAI are as under:
- Determination of FRoR by the Authority as 13.36% for First Control Period and 13.53% for the Second Control Period as against 14.00% claimed by AAI resulting into reduction in return on RAB amounting to ₹ 8.33 crores.
 - Non-consideration of FY 2020-21 from shortfall carry forward of the First Control Period, resulting in exclusion of ₹ 50.66 Crores (NPV terms as computed by the Authority).
 - Rationalization of O&M expenses like Payroll expenses, CHQ/ RHQ expenses, Administration expenses, R&M Expenses etc. amounting to ₹ 106.35 crores in Second Control Period.
 - Non-consideration of return on land for the Second Control Period of ₹ 1.10 Crores.
 - Reduction in taxation, due to rationalization of other building blocks such O&M expenses, depreciation and the Aeronautical revenue determined by the Authority etc. (based on the proposed Tariff Card of the Authority).
 - Non-consideration of interest on term loan amounting to ₹ 5.60 crores as per para 14.2.2.
- 14.2.4 At the Consultation stage, the consultation paper took into consideration financial figures pertaining to FY 2023-24 as submitted by AAI in its MYTP & other submission from time to time. AAI was directed to submit the actual figures for FY 2023-24, which shall be appropriately considered by the Authority at the Order stage.



14.3 Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for the Second 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. 04/2024-25 dated 05th September 2024. The comments of stakeholders are presented below.

14.3.1 AAI's comment on shortfall of First Control Period carried forward to the Second Control Period is as follows:

"AAI submit AERA to consider shortfall of entire 1st Control Period i.e. 5 years and compound the value of 5th year amounting to Rs. 88.60 crore. (Refer Page No. 07). AERA is also requested to consider allocation of CHQ/RHQ expenses, removal of restriction of R& M Expenses, consideration of upkeep expenses and revision of TB ratio due to consideration of shifting of space given to Airlines/GHA's from Non-aero to Aeronautical."

14.3.2 FIA's comment on ARR is as follows:

"As per 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 explicitly advises "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 caution is especially pertinent during periods of economic difficulty (such as the adverse financial impact on airlines following the post Covid-19).

Any attempt to award the contracts by AAI on the highest revenue share basis should be discouraged as it breeds inefficiencies and tend to disproportionately increase the cost.

It is general perception that 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 should be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for the royalty for the airport operator. In light of the financial challenges faced by the airlines, as outlined in this letter, FIA requests AERA that no higher tariff shall be fixed for this control period."

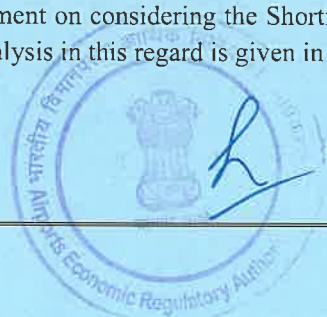
14.4 AAI's response to Stakeholders' comments Aggregate Revenue Requirement (ARR) for the Second Control Period

14.4.1 AAI's response to FIA's comment on ARR is as follows:

"Landing, Parking and UDF charges are worked out to recover the ARR as per AERA methodology. Further, the collection charges will be paid to Airlines as per the credit policy of AAI."

14.5 Authority's analysis on Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

14.5.1 The Authority notes AAI's comment on considering the Shortfall of entire First Control Period including FY 2020-21. The Authority's analysis in this regard is given in detail Para 4.11.10.



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

14.5.2 The Authority notes FIA's comment on ARR and the response of AAI therein, and has the following views:

AAI has on-going capital expenditure and other planned works, together with the shortfall in ARR recovery pertaining to the First Control Period (carried forward to the Second Control Period), resulting from lower Aeronautical revenue caused by Covid-19 pandemic has resulted in higher ARR for the Second Control Period.

Keeping the tariff at the current level for the entire Control Period and postponing the full recovery of shortfall to the subsequent Control Period would create substantial recovery burden (along with carrying cost) which may lead to steep tariff increases in the Third Control Period.

FIA has 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).

The Authority, in line with ICAO's guiding principles, as part of tariff determination exercise for the airport operators, does its own due diligence in respect of all regulatory building blocks to strike an optimal balance between the interest of various stakeholders.

As regard to FIA's views on the award of contracts by AAI on highest revenue share basis, the Authority considers that being a Govt. entity (Central PSU) AAI is required to follow approved manuals & tendering procedures for awarding contracts/ concessions.

Keeping the intent of the ICAO's guiding principles on airport charges, Regulatory Guidelines of the AERA, Stakeholders' comments on record, the Authority has considered a progressive increase in tariff in the Second Control Period, adjusted the Tariff Rate Card and tariff growth over the Second Control Period.

14.5.3 The Authority notes that AAI has not submitted actual figures for FY 2023-24 as directed by AERA during consultation stage in Para 14.2.4. The Authority has considered the information relating to asset capitalization etc. to the extent made available by AAI for FY 2023-24. The Authority will true up the expenses/ income for the FY 2023-24 during the tariff determination exercise for the Third Control Period.

14.5.4 Based on the decisions taken by the Authority with respect to the various regulatory building blocks, including re-computation of few building blocks (O&M Expenses, Taxation, NAR etc.) in respect of the Second Control Period, the recomputed ARR for the Second Control Period is given below:

Table 121: Aggregate Revenue Requirement decided by the Authority for the Second Control Period

(₹ in crores)							
Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Average RAB (Refer Table 91)	A	167.39	200.93	228.32	225.56	215.65	
FRoR (Refer Table 96)	B	11.49%	11.49%	11.49%	11.49%	11.49%	
Return on Average RAB	C=A*B	19.23	23.08	26.23	25.91	24.77	119.21
Depreciation (Refer Table 90)	D	11.85	14.06	16.92	17.47	16.92	77.22
O&M Expenses (Refer Table 108)	E	66.77	71.11	76.54	81.71	84.99	381.11
Aeronautical Tax (Refer Table 116)	F	-	-	3.68	43.19	56.33	103.19
Interest on Term Loan	G	-	-	-	-	-	-
True Up for FCP (Refer Table 66)	H	305.93	-	-	-	-	305.93
Return on Land	I	-	-	-	-	-	-
ARR	J=Sum(C:I)	403.78	108.24	123.36	168.28	183.01	986.67



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
NAR (Refer Table 113)	K	31.33	34.17	39.28	45.13	52.67	202.56
30% of NAR	L=30%*K	9.40	10.25	11.78	13.54	15.80	60.77
Net ARR	M=J-L	394.38	97.99	111.58	154.74	167.21	925.90
PV Factor @ 11.49%	N	1.00	0.90	0.80	0.72	0.65	
PV of ARR	O=M*N	394.38	87.90	89.77	111.67	108.23	791.96
Sum PV of ARR/Target Revenue	P						791.96
Total Traffic (in MPPA) (Refer Table 72)	Q						22.90
Yield per Passenger (YPP)	R=P/Q						345.84
Departing Passengers (in MPPA)							11.45
Yield per Departing Passenger							691.68

14.5.5 Variance of ₹ 117.84 crores between the ARR computed at Order Stage as per the above Table (₹ 925.90 Crores) and as proposed at the Consultation Stage (₹ 808.06 Crores as per Table 120) is mainly on account of the following:

1. Considering shortfall of FY 2020-21 for working out under recovery for the First Control Period and increase O& M expenses due to revision in CHQ/RHQ expenses allocation, at the time of true up of First Control Period (for detail refer para 4.11.13), resulting in increase of ₹ 112.59 Crores. (NPV terms as computed at Order stage).
2. Rationalization in Operating & Maintenance Expenses due to not considering the interest on term loan amounting to ₹ 7.88 crores as part of O&M expense and due to change in inflation forecast for the Second Control Period.
3. Re-classification and shifting of Revenue relating to Hanger Rent from Non-Aeronautical Revenue to Aeronautical Revenue amounting to ₹ 0.08 crores (30% of Non-Aeronautical Revenue thereon i.e. ₹ 0.02 crores).
4. Determination of FRoR as 11.49% (Table 96) from 13.53% (Table 94) and consideration of XBIS as finance lease instead of Operating Lease in FCP, resulting in decrease in Return on RAB amounting to ₹ 20.92 crores.
5. Increase in taxation, due to changes in other building blocks such O&M expenses, depreciation and the Aeronautical revenue determined by the Authority etc. (based on the proposed Tariff Card of the Authority).

14.6 Authority's decision regarding Aggregate Revenue Requirement (ARR) for the Second 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:

14.6.1 To consider ARR and YPP for the Second Control Period for Indore International Airport as per Table 121.

14.6.2 To true up ARR for the Second Control Period at the time of tariff determination of Third control Period.



15. AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

15.1 AAI's submission regarding Aeronautical Revenue for the Second Control Period for Indore International Airport

15.1.1 AAI had proposed to increase the Aeronautical tariff with effect from 1st April 2024 as per the schedule below:

- **Landing Charges:** For domestic and international ATMs, AAI proposed a one-time increase of 60% from the existing charges w.e.f. 1st April 2024 for FY 2024-25 and thereafter by 6% year on year.
- **Parking Charges:** For domestic and international ATMs, AAI proposed a one-time increase of 110% from the existing charges w.e.f. 1st April 2024 for FY 2024-25 and thereafter by 6% year on year.
- **User Development Fees:** AAI proposed the below growth rates in UDF from the existing rates of ₹ 302 (For both Domestic and International) for the Second Control Period:

Table 122: % Increase in UDF submitted by AAI for the Second Control Period

Particulars	FY24	FY25	FY26	FY27	FY28
Domestic UDF	-	181%	12%	11%	7%
International UDF	-	201%	11%	10%	9%

Table 123: Aeronautical Revenue submitted by AAI for the Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Landing Charges						
Landing Charges - Domestic	21.79	39.40	46.78	55.54	64.76	228.27
Landing Charges - International	0.29	0.75	0.85	0.98	1.28	4.15
UDF Charges						
UDF - Domestic	48.08	165.20	210.48	265.20	317.12	1,006.07
UDF - International	0.45	2.50	3.06	3.69	5.03	14.74
Parking & Housing Charges						
Parking & Housing Charges	0.38	0.90	1.07	1.27	91.61	95.23
Other Revenues						
Land Lease Rent - Oil Companies	1.01	1.01	1.16	1.16	1.16	5.50
Land Lease Rent - GHA	0.07	0.07	0.08	0.08	0.08	0.38
Revenue from GHA	0.77	0.87	0.97	1.09	1.20	4.90
Royalty from Cute Charges	4.04	4.71	5.37	6.11	6.86	27.09
Royalty from AAICLAS	1.40	1.47	1.54	1.62	1.70	7.74
Total Aeronautical Revenue	78.27	216.88	271.36	336.75	490.81	1,394.07

15.1.2 For the revenues based on the agreements i.e. land lease from oil companies and GHA, AAI had considered the same revenue of FY 2022-23 for FY 2023-24 and thereafter, with a one-time increase of 15% in FY 2025-26.

15.1.3 As per the contract with AAICLAS, Indore International Airport receives a revenue share of 30% from AAICLAS. Accordingly, AAI had considered the actual revenue for FY 2022-23 as a base for FY 2023-24 and thereafter an increase of 5% for the purpose of revenue share from AAICLAS on a Y-o-Y basis from FY 2023-24 onwards.

15.2 Authority’s examination regarding Aeronautical Revenue for the Second Control Period at Consultation Stage

- 15.2.1 The Authority noted that according to the projections, both domestic and international traffic projections had surpassed pre COVID-19 levels of FY 2019-20 in FY 2023-24 and exhibit a positive trend in the growth of passenger traffic thereon.
- 15.2.2 **Revenue from Lease Rent – Oil Companies and GHA (₹ 5.88 crores)** - The Authority noted that AAI had estimated a one-time increase in revenue from land lease from oil companies and GHA in FY 2025-26 at 15%. The Authority, after reviewing AAI’s Internal Circular no. 22 dated 4th June 2022 proposed to consider the one time increase of 15% in FY 2025-26 as submitted by AAI.
- 15.2.3 **Revenue from GHA (₹ 4.90 crores)** -The Authority noted that AAI had projected revenue from GHA based on the growth rates in ATM traffic for the Second Control Period. The Authority proposed to consider the Y-o-Y growth rates in ATM traffic as per Table 72 for the Second Control Period.
- 15.2.4 **Revenue from AAICLAS (₹ 7.74 crores)** -The Authority noted that AAI had projected a 5% Y-o-Y increase in revenue from AAICLAS from FY 2023-24. The Authority had considered the actual revenue for FY 2022-23 as a base for FY 2023-24 and thereafter an increase of 5% on Y-o-Y from FY 2023-24 as per AAI submission.
- 15.2.5 **Revenue from Space Rentals from Airlines (₹ 8.11 crores)** – The Authority had considered the actual revenue for FY 2022-23 as a base for FY 2023-24 and thereafter an increase of 7.5% on Y-o-Y from FY 2023-24 onwards based on agreements provided by AAI.
- 15.2.6 To recover the ARR (NPV) proposed by AERA for the Second Control Period as per Table 120, the Authority proposed to consider a % increase in Landing, Parking and UDF from FY 2024-25 (w.e.f. 1st November 2024) on the following basis:

Table 124: Increase in Landing, Parking & UDF rates proposed by the Authority for Second Control Period at Consultation Stage

Particulars	% increase in Rates proposed from FY25 (w.e.f. 1 st Nov 24)	FY26	FY27	FY28
Landing Charges	61.00%	8.55%	8.00%	8.00%
Parking Charges	61.00%	8.55%	8.00%	8.00%
UDF (Dom.)	98.68%	-	-	-
UDF (Intl.)	115.23%	-	-	-

- 15.2.7 The Authority proposed the following tariff towards UDF for the Second Control Period for Indore International Airport.

Table 125: UDF Charges proposed by the Authority for IDR for Second Control Period at Consultation Stage

(Rates in INR)

Particulars	FY24 (Existing)	FY25 (w.e.f. 1 st Nov 24)	FY26	FY27	FY28
Domestic UDF	302.00	600.00	600.00	600.00	600.00
International UDF	302.00	650.00	650.00	650.00	650.00



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15.2.8 The Authority computed the Aeronautical revenues for the Second Control Period based on the aeronautical charges detailed above, as follows:

Table 126: Aeronautical Revenue for the Second Control Period proposed by the Authority at Consultation stage

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Total PV of ARR incl. true-up (Table 120)	A						661.42
Aeronautical Revenue							
Landing Charges - Domestic	B	25.42	32.74	50.19	59.62	70.19	238.16
Landing Charges - International	C	0.37	0.58	0.90	1.07	1.44	4.36
UDF - Domestic	D	51.68	84.47	134.38	151.85	170.07	592.44
UDF - International	E	0.64	1.16	1.91	2.16	2.70	8.59
Parking & Housing Charges	F	0.44	0.57	0.87	1.04	1.23	4.15
Land Lease Rent - Oil Companies	G	1.01	1.01	1.16	1.16	1.16	5.50
Land Lease Rent - GHA	H	0.09	0.09	0.10	0.11	0.12	0.50
Revenue from GHA	I	0.89	0.91	1.01	1.11	1.21	5.12
Royalty from CUTE Charges	J	-	4.82	5.45	6.15	6.90	23.32
Royalty from AAICLAS	K	1.40	1.47	1.54	1.62	1.70	7.72
Add : Revenue from Lease Rent - Ramp Airlines	L	0.28	0.28	0.32	0.32	0.32	1.52
Add : Space Rentals from Airlines	M	0.81	0.87	0.93	1.00	1.08	4.69
Total Revenues	N=Sum(B:M)	83.03	128.97	198.76	227.22	258.11	896.07
PV Factor @13.53%	O	1.00	0.88	0.78	0.68	0.60	
PV of Aero Revenue	P=N*O	83.03	113.59	154.20	155.27	155.33	661.42
PV Projected Aero Revenue	Q						661.42
Surplus/(Shortfall) proposed to be carried forward to next control period (as on 31-Mar-2024)	R=Q-A						-

15.2.9 As can be observed from the above table, as per the Authority's proposal, AAI was entitled to recover an ARR of ₹ 661.42 crores (in NPV terms). The present value of the total projected aeronautical revenues for the Second Control Period based on the Authority's proposed Landing, Parking and UDF charges was ₹ 661.42 crores (in NPV terms), which is equivalent to the Target Revenue/ARR determined by the Authority for the Second Control Period.

15.3 Stakeholders' comments regarding Aeronautical Revenue for the Second 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. 04/2024-25 dated 05th September 2024. The comments of stakeholders are presented below.

15.3.1 FIA's comment on Tariff rate card is as follows:

"Annex A- Observations Proposed Tariff Card (Proposed by AERA)"



AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

Annex - A - Observations on proposed Tariff Card (Proposed by AERA)

TABLE - A
Landing Charges: (Refer - Annexure 2 of the CP) (In Rs.)

Particulars	Unit	Tariff Proposed by AERA				
	MT	Existing Rates	FY 2024-25 (Tariff w.e.f. 01.11.2024 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)	FY 2027-28 (Tariff w.e.f. 01.04.2027 to 31.03.2028)
LANDING CHARGES	Per MT	LANDING CHARGES PER LANDING				
Domestic (Inr/MT)						
Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	6380	10265	11145	12025	12975
Variance % from existing	Q-400	0%	61%	75%	88%	103%
Variance % from YoY		0%	61%	9%	8%	2%
Eg: Impact on A320 / B737-800 (AUW 79016) (Rs.)	79 MT	23962	38566	41894	45231	48834
Variance % from existing	B737-800	0%	61%	75%	89%	104%
Variance % from YoY		0%	61%	9%	8%	8%
International (Inr/MT)						
Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	6380	10265	11145	12025	12975
Variance % from existing	Q-400		61%	75%	88%	103%
Variance % from YoY			61%	9%	8%	8%
A320 / B737-800 (AUW 79016) (Rs.)	79 MT	23962	38566	41894	45231	48834
Variance % from existing	B737-800		61%	75%	89%	104%
Variance % from YoY			61%	9%	8%	8%

TABLE - B
Parking Charges: (Refer - Annexure 2 of the CP) (In Rs.)

Particulars	Unit	Tariff Proposed by AERA				
	MT	Existing Rates	FY 2024-25 (Tariff w.e.f. 01.11.2024 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)	FY 2027-28 (Tariff w.e.f. 01.04.2027 to 31.03.2028)
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.)	30 MT	95	152.95	165.95	179.25	193.5
Variance % from existing	Q-400		61%	75%	89%	104%
Eg: Impact on A320 / B737-800 (AUW 79016) (Rs.)	79 MT	407	659.27	711.17	768.15	829.49
Variance % from existing	B737-800		61%	75%	89%	104%

TABLE C
UDF Charges: (Refer - Annexure 2 of the CP) (In Rs.)

Particulars	Unit	Tariff Proposed by AERA				
	MT	Existing Rates	FY 2024-25 (Tariff w.e.f. 01.11.2024 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)	FY 2027-28 (Tariff w.e.f. 01.04.2027 to 31.03.2028)
UDF	Per Embarking	UDF				
DOMESTIC	Inr/Embarking pax	302	600	600	600	600
Variance % from existing		0%	99%	99%	99%	99%
Variance from YOY		0%	99%	0%	0%	0%
INTERNATIONAL	Inr/Embarking pax	302	650	650	650	650
Variance % from existing		0%	115%	115%	115%	115%
Variance from YOY		0%	115%	0%	0%	0%

Refer the above displayed Tables A, B and C, kindly note the following from the above tables:

1. Tables A: AERA has proposed an increase in the Landing Charges (Domestic & International) on Q-400/ATR (80 & above seater) & on A320/B-737-800 approximately increasing by 61 to 103% from existing charges.
2. Tables B: AERA has proposed to increase the Parking Charges (Domestic & International) on Q-400(80 & above seater) and on A320/B-737-800 approximately to increase by 61 to 103% from existing charges.



3. Table C: AERA has proposed an increase in the UDF of by 99% for Domestic Embarking Passenger and 115% for International Embarking Passengers from existing charges

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."

15.3.2 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 AAI 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 18.2.5 UDF charges in the Annexure -2 of CP, wherein the rate of collection of UDF charges is not mentioned by AERA. We request AERA to consider the collection charges at Rs. 5.00 embarking passengers as proposed by AAI in annexure1.

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 AAI having received the 'undisputed' invoiced UDF amount within the applicable due date.

i. UDF effective from 1st November 2024 to 31st March 2028: -

Comment to Note. a. 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.

ii. 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.



iii. It is requested to define the applicability or exemption of any of the tariff charges pertaining to RCS Flights which have been excluded.

Please clarify w.r.t UDF applicability in both below scenarios:

- Passenger embarking from IDR on a domestic flight and then a connecting flight to an international destination.
- Passenger disembarking in IDR from a domestic flight, however he originated his journey from an international destination.

2) Parking Charges (18.2.4)

Refer Note:

a) "Note b". For calculating chargeable parking time, any part of an hour shall be rounded off to the next hour"

It is submitted that for calculating chargeable parking time, part of an hour shall be rounded off to the "nearest hour".

b) Further, FIA recommends to add note (i) in Para 18.2.4 of the Annexure 2, as follows:

"No additional parking charges other than normal parking charges be payable by the airlines for any force majeure reasons or for any technical or meteorological situation, which is beyond the control of any airline".

3. Landing charges:

a) AERA has proposed to increase the Landing Charges for all flights to 61% to 103% approx.: - from the existing charges. We request AERA to kindly consider rationalising the same.

b) Para 18.2.4. (Note h) – It is requested that AERA should propose the definition of 'Unauthorised Overstay', which will provide clarity to all stakeholders regarding charges to be applied for such overstay by the airport operator."

15.3.3 FIA's comment on Shrinkage in Control Period is as follows:

"A. Shrinkage in Control Period

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 IDR- Second Control Period, will now be issued after the commencement of the Control Period i.e., 1 April, 2023.

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 through 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.

B: Royalty

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. 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."

15.3.4 IATA's comment on steep increase in tariff is as follows:

"Steep upfront increase in tariff

- The increase in tariff proposed in the CP is very steep during the first year of the CP and then gradually tapers down during the rest of the years of the control period.*

We request that this increase could be better spread out over the years across the control period, while still providing the airport operator with the required target revenue within the control period."

15.3.5 Business Aircraft Operators Association's comment on issuing of directions with regard to aeronautical charges:

"Publication of Ground Handling (GH) Charges for NSOP/GA: In line with the directives issued by the Ministry of Civil Aviation (MoCA) and the commitments made by the Airports Authority of India (AAI), itemized ground handling charges for Non-Scheduled Operator Permit (NSOP) and General Aviation (GA), specifically for smaller aircraft, as approved by AERA, must be published on the airport and AAI websites



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for all public airports, including Indore. We request AERA to issue the necessary directions to all airports in this regard when finalizing aeronautical charges. Kindly refer to the attached letters from MoCA and AAI for further reference.



भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

No. OP-12019/18/2022-Operations (164139)

Dated: 29.09.2022

To
Ground Handling Agencies
(As per distribution list attached)

Subject: Rationalization of Ground Handling charges for small aircrafts by way of item wise rates for ground handling services at Major AAI airports.

Ground Handling services are regulated under the Airports Authority of India (Ground Handling Services) Regulations, 2018 in respect of airports managed by AAI.

Presently, comprehensive charges are prescribed for GH tariff charged at most of the AAI airports. This results in high GHS costs for small aircraft, of Non-Scheduled Operator's Permit (NSOP) holders/ General Aviation (GA), having All Up Weight (AUW) less than 5700 kgs and having up to nine seating capacity. This results in higher ground handling charges to small aircrafts although they avail limited services only.

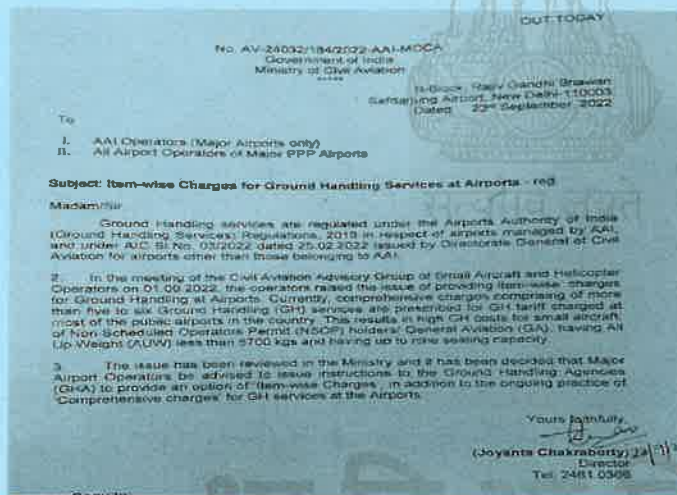
In view of the above, it has been decided that all Ground Handling Agencies at the Major AAI Airports to provide an option of 'Item-wise Charges' w.e.f. 01.10.2022 to small aircrafts (NSOP/GA) having All Up Weight (AUW) less than 5700 kgs and having up to nine seating capacity, in addition to the ongoing practice of 'comprehensive charges' for GH services.

The above is issued for strict compliance.

Yours Sincerely

(Chandra Pratap Dwivedi)
General Manager (Ops)

Copy to:



15.3.6 HPCL's comment on implementation of open access facility is as follows:

"HPCL is not currently providing its services at Indore Airport but would certainly like to do so in the future. Given that Indore Airport is growing at a decent rate, with nearly 6 million passengers expected by 2026-27, AAI should plan to implement an Open Access facility not only at Indore but at all major airports showing potential for growth. An Open Access facility would allow more suppliers, fostering competitiveness among ATF suppliers."

15.4 AAI's response to Stakeholders' comments Aeronautical Revenue for the Second Control Period

15.4.1 AAI's response to FIA's comment on Tariff rate card is as follows:



“Increase in landing, parking and UDF charges has been proposed for Indore International Airport on account of

- a) *True up of First Control Period and the resultant shortfall due to various reasons including the Covid - 19 pandemic.*
- b) *Proposed capex, opex and other components of building block in order to work out the target revenue for the SCP.*

Parking charges are applicable after two hours free parking available to airlines. Parking of Aircraft is neither encouraged by the Airport Operators nor by the Airline Operators. Parking of aircraft beyond two hours at any airport reflects inefficiency of Airport Operations as well as Airline Operations. Further, it contributes less than 5% of AAI revenue.

In respect of chargeability of UDF and landing it is the methodology to recover the cost incurred by the Airport Operator i.e.; for Indore International Airport from passenger/Airlines who are the ultimate user of the airport.”

15.4.2 AAI’s response to HPCL’s comment on implementation of open access facility is as follows:

“It is a policy matter. AAI has initiated Open Access System at Bhuvneshwar Airport.”

15.5 Authority’s analysis on Stakeholders’ comments regarding Aeronautical Revenue for the Second Control Period

15.5.1 The Authority has reviewed FIA’s comments on Tariff Rate Card and other matters and AAI’s response on the same. The Authority has compared to other similar airports and is of the following view:

- The Authority has to balance the interest of all stakeholders and also ensure that the tariff rates determined are reasonable. The Authority accordingly decides to balance the interest of the stakeholders and decides the rate card.
- The Authority has, as part of the tariff determination exercise, rationalized each regulatory building block such as CAPEX, O&M expenses, Non-Aeronautical Revenues etc. submitted by the AO for the Second Control Period.
- It is pertinent to note that the new Aeronautical tariff is implemented from 16th November 2024, thereby resulting in over three years being available for recovery of the ARR.
- The Authority has thus revised the tariff rate card proposed by AAI, by staggering the tariff increase across the control period, after rationalization of regulatory building blocks based on detailed analysis as given in the relevant Chapters and Paras of the Tariff Order. It may be noted that UDF rates of Indore International Airport are comparable with other non-major airports having passenger through put more than 1 MPPA.
- With respect to FIA’s comment on payment of collection charges, the Authority is of the opinion that the payment of UDF collection charges is a policy matter between the Airport Operator and the Airlines.
- Other issues raised by FIA like applicability of UDF, Aviation Security Fee, exemption pertaining to RCS flights etc, parking charges, have been clarified in the Tariff Rate Card.



15.5.2 The Authority notes FIA's concerns on the recovery burden on account of shrinkage in the Control Period and AAI's response on the same.

- The Authority's analysis is exhaustive in nature and requires a reasonable amount of time to examine and evaluate the various building blocks, 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, from AAI on the various regulatory building blocks, based on which aeronautical tariff has been determined by the Authority.
- The Authority also notes the comments of FIA on conducting an independent study on passengers and air traffic at selected airports. In this regard, the Authority believes that the requirement for an independent study will depend upon the size of the airport and the scale of operations. AERA, may commission an independent study for the future Control Periods of Indore International Airport, if considered necessary.
- The Authority, during the tariff determination exercise endeavors to balance the interests of various stakeholders. The Authority also notes that carry forward of shortfall to future control periods, which results in a further carrying cost, may not be in the interest of all stakeholders and hence considers full recovery of ARR.
- The Authority notes the comments of FIA on the issue of revenue share/royalty payable to Airport Operators by the Service Providers. In this regard, it is pertinent to note 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 AAI by the Authority during tariff determination process, thus, helping the Airport Users by way of lowering of Aeronautical charges.
- In the case of Non-Aeronautical Revenues, the revenue share (Royalty) (payable by service provider to AO) 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.

15.5.3 The Authority notes IATA's comment on steep upfront increase in tariff. The Authority has to balance the interest of all stakeholders and also ensure that the tariff rates determined are reasonable. The Authority accordingly decides to balance the interest of the stakeholders and decides the rate card.

The Authority has thus revised the tariff rate card proposed by AAI, by staggering increase in the Aeronautical tariff, after rationalization of regulatory building blocks, based on detailed analysis as given in the relevant Chapters and Paras of the Tariff Order.

15.5.4 The Authority notes BAOA comments on Aeronautical revenue and AAI's response on the same.

AERA had already issued advisory dated 21st December 2023 to all Airport Operators for publishing the CGF Tariff Rate Card, which also includes itemized charges for ground handling services, at their websites. AERA has once again directed all Airport Operators vide communication dated 5th November 2024 to publish above mentioned information at their websites for the benefit of all stakeholders.

15.5.5 The Authority notes HPCL's comment on the Open Access Facility and AAI's response on the same.



AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

The Authority emphasizes the importance of an open access fuel system to enhance operational efficiency and reduce costs. The Authority highlights the need for collaboration between AAI, airlines, and fuel suppliers to ensure the system's smooth implementation for the benefit of all stakeholders. It is expected to further improve the safety of aircrafts if fuel pipes are laid beneath the apron at the time of its construction.

AAI is advised to consider plan for fuel farm upgradation on open access system implementation at its airports, wherever same is justified on the basis of traffic demand and economic feasibility.

15.5.6 As stated in para 10.5.2, the Authority decides to consider Hangar Land Rent as part of the Aeronautical Revenue from its classification as Non-Aeronautical at Consultation Stage.

15.5.7 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-I**. The Aeronautical Revenue and ARR for the Second Control Period is as detailed below:

Table 127: Aeronautical Revenue for the Second Control Period decided by the Authority

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Total PV of ARR incl. true-up (Table 121)	A						791.96
Aeronautical Revenue							
Landing Charges - Domestic	B	25.42	34.57	64.45	85.07	111.27	320.78
Landing Charges - International	C	0.37	0.61	1.15	1.53	2.28	5.94
Parking & Housing Charges	D	0.44	0.60	1.12	1.48	1.94	5.59
UDF - Domestic	E	51.68	81.86	145.58	174.63	198.42	652.16
UDF - International	F	0.64	1.12	2.06	2.50	3.12	9.44
Land Lease Rent - Oil Companies	G	1.01	1.01	1.16	1.16	1.16	5.50
Land Lease Rent - GHA	H	0.09	0.09	0.10	0.11	0.12	0.50
Revenue from GHA	I	0.89	0.91	1.01	1.11	1.21	5.12
Royalty from CUTE Charges	J	-	4.82	5.45	6.15	6.90	23.32
Royalty from AAICLAS	K	1.40	1.47	1.54	1.62	1.70	7.72
Add : Revenue from Lease Rent - Ramp Airlines	L	0.28	0.28	0.32	0.32	0.32	1.52
Add : Space Rentals from Airlines	M	0.81	0.87	0.93	1.00	1.08	4.69
Add: Lease Rent Hangar	N	0.02	0.02	0.02	0.02	0.02	0.08
Total Revenues	O=SUM(B:N)	83.04	128.23	224.88	276.69	329.53	1,042.37
PV Factor	P	1.00	0.90	0.80	0.72	0.65	
PV of Aero Revenue	Q=P*O	83.04	115.02	180.93	199.68	213.29	791.96
PV Projected Aero Revenue	R						791.96
Surplus/(Shortfall) proposed to be carried forward to next control period (as on 31-Mar-2024)	S=R-A						0.00



15.6 Authority's decision regarding Aeronautical Revenue for the Second 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 Second Control Period for Indore International Airport.

- 15.6.1 To consider Aeronautical Revenue for the Second Control Period as per Table 127.
- 15.6.2 To true up Aeronautical Revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third Control Period.



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16. SUMMARY OF AUTHORITY'S DECISIONS

Chapter 4: True-up for the First Control Period

- 4.12.1 To consider Capital Additions as per details in Table 18 for true-up of the First Control Period
- 4.12.2 To consider Aeronautical Depreciation as per details in Table 21 for true-up of the First Control Period.
- 4.12.3 To consider RAB as per Table 23 for true-up of the First Control Period.
- 4.12.4 To consider FRoR as per Table 27 for true-up of the First Control Period.
- 4.12.5 To consider the O&M Expenses as detailed in Table 52 for the purpose of true-up of the First Control Period.
- 4.12.6 To consider the Non-Aeronautical Revenues as presented in Table 56 for the purpose of true-up of the First Control Period.
- 4.12.7 Not to consider the Return on Land for the purpose of true-up of the First Control Period.
- 4.12.8 To consider Taxation as per Table 63 for true of the First Control Period.
- 4.12.9 To consider the Aeronautical Revenue as per Table 60 for true-up of the First Control Period.
- 4.12.10 To consider ARR and Under-recovery as detailed in Table 66 for true up of the First Control Period and adjust the shortfall of First Control Period in the Second Control Period.

Chapter 5: Traffic for the Second Control Period

- 5.6.1 To consider the ATM and Passenger traffic for the Second Control Period for Indore International Airport as per Table 72.
- 5.6.2 To true up the traffic volume (Passenger traffic and ATM traffic) on the basis of actual traffic in the Second Control period while determining the tariff for the Third Control Period.

Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period

- 6.8.1 To consider allocation of Gross Block of Assets as on 1st April 2023 between Aeronautical and Non-aeronautical assets as detailed in Table 89.
- 6.8.2 To consider the capitalization of Aeronautical Assets for the Second Control Period as per Table 83.
- 6.8.3 To true up the Capital expenditure based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.8.4 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, as mentioned in para 6.2.31. The same will be examined during true up of the Second Control Period at the time of determination of tariff for the Third Control Period.
- 6.8.5 To consider Depreciation as per Table 90 for the Second Control Period.
- 6.8.6 To true up Depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Third Control Period.
- 6.8.7 To consider average RAB for the Second Control Period for Indore International Airport as per Table 91.



6.8.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.

Chapter 7: Fair Rate of Return for the Second Control Period

7.6.1 To consider the Cost of Equity as 15.18% as per para 7.5.1 for the Second Control Period.

7.6.2 To consider Cost of Debt of 7.49% for the Second Control Period.

7.6.3 To consider FRoR of 11.49% for the Second Control Period based on the Cost of Equity, Cost of Debt and notional gearing ratio as per Table 96.

7.6.4 To true up the FRoR while determining tariff for the next Control Period considering all the relevant factors.

Chapter 8: Inflation for the Second Control Period

8.6.1 To consider Inflation factor for the Second Control Period for Indore International Airport as detailed in Table 98.

Chapter 9: Operation & Maintenance (O&M) Expenses for the Second Control Period

9.6.1 To consider O&M expenses for the Second Control Period for Indore International Airport as per Table 108.

9.6.2 To consider the true-up of the O&M expenses incurred by AAI for Indore International Airport during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

Chapter 10: Non-Aeronautical Revenues (NAR) for the Second Control Period

10.6.1 To consider Non-Aeronautical Revenue for the Second Control Period for Indore International Airport as per Table 113.

10.6.2 To true up non-aeronautical revenue for Indore International Airport for the Second Control Period, subject to evaluation of efficiency and reasonableness, while determining tariff for the next Control Period.

Chapter 11: Taxation for the Second Control Period

11.5.1 To consider the Taxation for the Second Control Period for Indore International Airport as per Table 116.

11.5.2 To true up the Aeronautical Taxation amount by appropriately taking into consideration all the relevant facts at the time of tariff determination for the Third Control Period.

Chapter 12: Quality of Service for the Second Control Period

12.5.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Service.

Chapter 13: Return on Land for the Second Control Period

13.5.1 The Authority decides not to consider Return on Land for Indore International Airport for the Second Control Period.

13.5.2 To true up return on land at the time of determination of tariff for the Third Control Period based on actual usage.

Chapter 14: Aggregate Revenue Requirement (ARR) for the Second Control Period

14.6.1 To consider ARR and YPP for the Second Control Period for Indore International Airport as per Table 121.



14.6.2 To true up ARR for the Second Control Period at the time of tariff determination of Third control Period.

Chapter 15: Aeronautical Revenue for the Second Control Period

15.6.1 To consider Aeronautical Revenue for the Second Control Period as per Table 127.

15.6.2 To true up Aeronautical Revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third Control Period.



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17. ORDER

- 17.1.1 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 Indore International Airport for the Second Control Period as placed in Annexure - 1.
- 17.1.2 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 rate card at Annexure - 1 to the Order for Second Control Period.
- 17.1.3 The tariff determined herein are ceiling rates, exclusive of taxes, if any.
- 17.1.4 The Order shall be made effective from 16th November 2024.
- 17.1.5 Airport Operator shall submit its MYTP to the Authority for the Third Control Period in a timely manner as per the Authority's Guideline, 2011.



By the Order and in the name of the Authority


 (Suyash Narain)
 Secretary

To,

The Chairman
 Airports Authority of India
 Rajiv Gandhi Bhawan, Safdarjung Airport
 New Delhi - 110003

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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



18. ANNEXURE

18.1 Annexure I: Annual Tariff approved by the Authority for Indore International Airport for the Second Control Period (1st April 2023 to 31st March 2028)- effective from 16th November 202418.1.1 Landing charges

Table 128: Landing* Charges (Domestic and International) decided by the Authority for the Second Control Period

Weight of the Aircraft	FY 2024-25 (upto 15.11.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges ₹	Tariff w.e.f. 16.11.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Upto 25 MT	189.00 per MT	353.46 per MT	424.15 per MT	508.98 per MT	610.78 per MT
Above 25 MT to 50 MT	4,725.00 + 331.00 per MT in excess of 25 MT	8,836.50 + 619.03 per MT in excess of 25 MT	10,603.75 + 742.84 per MT in excess of 25 MT	12,724.50 + 891.41 per MT in excess of 25 MT	15,269.50 + 1,069.69 per MT in excess of 25 MT
Above 50 MT to 100 MT	13,000.00 + 378.00 per MT in excess of 50 MT	24,312.25 + 706.92 per MT in excess of 50 MT	29,174.75 + 848.30 per MT in excess of 50 MT	35,009.75 + 1,017.96 per MT in excess of 50 MT	42,011.75 + 1,221.55 per MT in excess of 50 MT
Above 100 MT to 200 MT	31,900.00 + 461.00 per MT in excess of 100 MT	59,658.25 + 862.15 per MT in excess of 100 MT	71,589.75 + 1,034.58 per MT in excess of 100 MT	85,907.75 + 1,241.50 per MT in excess of 100 MT	1,03,089.25 + 1,489.80 per MT in excess of 100 MT
Above 200 MT	78,000.00 + 520.00 per MT in excess of 200 MT	1,45,873.25 + 972.49 per MT in excess of 200 MT	1,75,047.75 + 1,166.99 per MT in excess of 200 MT	2,10,057.75 + 1,400.39 per MT in excess of 200 MT	2,52,069.25 + 1,680.47 per MT in excess of 200 MT

* One-time increase of 87.02% in Domestic and International Landing charges w.e.f. 16.11.2024 for FY 2024-25, and 20% increase Y-o-Y thereafter till FY 2027-28.

Notes:

- No Landing Charges shall be payable in respect of i) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport, ii) helicopters of all types, and iii) DGCA approved Flying school/flying training institute aircrafts.
- All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges concerned irrespective of flight number assigned to such flights.
- Domestic leg of international routes of foreign carriers shall be treated as international flights.
- Charges shall be calculated on the basis of nearest MT (i.e. 1,000 kg).



- e) Non-Schedule Flights: A minimum fee of Rs. 4000/- per flight or applicable landing charges shall be charged as per landing for all types of aircraft flights, helicopter flights including but not limited to domestic landing, international and general aviation landing for the control period.
- f) Flights operating under the regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

18.1.2 Parking charges

Table 129: Parking Charges* decided by the Authority for the Second Control Period (upto four hours after first two free hours)

Weight of the Aircraft	FY 2024-25 (upto15.11.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges ₹	Tariff w.e.f. 16.11.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Upto 25 MT	3.00 per MT per hour	5.61 per MT per hour	6.73 per MT per hour	8.08 per MT per hour	9.70 per MT per hour
Above 25 MT to 50 MT	75.00 + 4.00 per MT per hour in excess of 25 MT	140.25 + 7.48 per MT per hour in excess of 25 MT	168.25 + 8.98 per MT per hour in excess of 25 MT	202.00 + 10.78 per MT per hour in excess of 25 MT	242.50 + 12.94 per MT per hour in excess of 25 MT
Above 50 MT to 100 MT	175.00 + 8.00 per MT per hour in excess of 50 MT	327.25 + 14.96 per MT per hour in excess of 50 MT	392.75 + 17.95 per MT per hour in excess of 50 MT	471.50 + 21.54 per MT per hour in excess of 50 MT	566.00 + 25.85 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	575.00 + 10.00 per MT per hour in excess of 100 MT	1,075.25 + 18.70 per MT per hour in excess of 100 MT	1,290.25 + 22.44 per MT per hour in excess of 100 MT	1,548.50 + 26.93 per MT per hour in excess of 100 MT	1,858.50 + 32.32 per MT per hour in excess of 100 MT
Above 200 MT	1,575.00 + 11.00 per MT per hour in excess of 200 MT	2,945.25 + 20.57 per MT per hour in excess of 200 MT	3,534.25 + 24.68 per MT per hour in excess of 200 MT	4,241.50 + 29.62 per MT per hour in excess of 200 MT	5,090.50 + 35.54 per MT per hour in excess of 200 MT

*One-time increase of 87.02% in Domestic and International Parking charges w.e.f. 16.11.2024 for FY 2024-25, and 20% increase Y-o-Y thereafter till FY 2027-28.

Table 130: Parking* Charges decided by the Authority for the Second Control Period (beyond first four hours)

Weight of the Aircraft	FY 2024-25 (upto15.11.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges ₹	Tariff w.e.f. 16.11.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Upto 25 MT	6.00 per MT per hour	11.22 per MT per hour	13.46 per MT per hour	16.15 per MT per hour	19.38 per MT per hour

Weight of the Aircraft	FY 2024-25 (upto 15.11.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges ₹	Tariff w.e.f. 16.11.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Above 25 MT to 50 MT	150.00 + 8.00 per MT per hour in excess of 25 MT	280.50 + 14.96 per MT per hour in excess of 25 MT	336.50 + 17.95 per MT per hour in excess of 25 MT	403.75 + 21.54 per MT per hour in excess of 25 MT	484.50 + 25.85 per MT per hour in excess of 25 MT
Above 50 MT to 100 MT	350.00 + 16.00 per MT per hour in excess of 50 MT	654.50 + 29.92 per MT per hour in excess of 50 MT	785.25 + 35.90 per MT per hour in excess of 50 MT	942.25 + 43.08 per MT per hour in excess of 50 MT	1,130.75 + 51.70 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1,150.00 + 20.00 per MT per hour in excess of 100 MT	2,150.50 + 37.40 per MT per hour in excess of 100 MT	2,580.25 + 44.88 per MT per hour in excess of 100 MT	3,096.25 + 53.86 per MT per hour in excess of 100 MT	3,715.75 + 64.63 per MT per hour in excess of 100 MT
Above 200 MT	3,150.00 + 22.00 per MT per hour in excess of 200 MT	5,890.50 + 41.14 per MT per hour in excess of 200 MT	7,068.25 + 49.37 per MT per hour in excess of 200 MT	8,482.25 + 59.24 per MT per hour in excess of 200 MT	10,178.75 + 71.09 per MT per hour in excess of 200 MT

* One-time increase of 87.02% in Domestic and International Parking charges w.e.f. 16.11.2024 for FY 2024-25, and 20% increase Y-o-Y thereafter till FY 2027-28

Notes:

- No parking charges shall be levied for the first two hours. While calculating the free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of the actual time taken in the movement of the aircraft after landing and before take-off.
- For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- Charges shall be calculated on the basis of nearest MT.
- Charges for each parking period shall be rounded off to nearest rupee.
- The night parking charges are waived for all domestic scheduled operators at Indore International Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of < 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn
- Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
- For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable or as per revised rate if any.

18.1.3 User Development Fees:

Applicable Rates for travel dates from 16th November 2024 to 31st March 2025

Type of Passenger	Domestic	International
Embarking Passenger	₹ 600.00	₹ 650.00

Applicable Rates for travel dates from 1st April 2025 to 31st March 2026

Type of Passenger	Domestic	International
Embarking Passenger	₹ 650.00	₹ 700.00

Applicable Rates for travel dates from 1st April 2026 to 31st March 2027

Type of Passenger	Domestic	International
Embarking Passenger	₹ 690.00	₹ 750.00

Applicable Rates for travel dates from 1st April 2027 to 31st March 2028

Type of Passenger	Domestic	International
Embarking Passenger	₹ 700.00	₹ 750.00

Notes:

- Collection charges: If payment is made within 15 days of receipt of invoice, then collection charges per departing passenger shall be paid by AAI, as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment.
- No collection charges are payable to casual operators/non-scheduled operators.
- For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
- The existing UDF charges will be applicable on the tickets issued till 15th November 2024.
- Revised UDF charges will be applicable on the tickets issued on or after 16th November 2024.

18.1.4 Exemption from levy and collection from UDF at the Airports

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.

- Children (under age of 2 years)
- Holder of Diplomatic Passport,
- Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- Persons traveling on official duty for United Nations Peace Keeping Missions.
- Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport



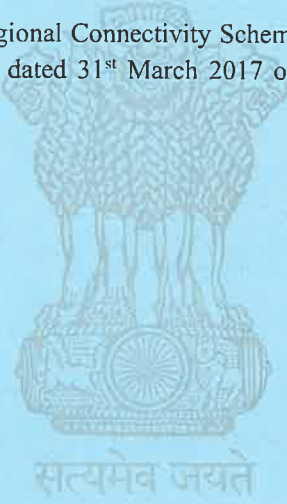
and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger”)

- (g) Passenger departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

18.1.5 **Aviation Security Fee:** Rates and Exemption as prescribed by MoCA, from time to time.

18.1.6 **General Condition:**

- a) All the above Charges are excluding GST. GST at the applicable rates is payable in addition to the above charges.
- b) Flight operating under the Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/2018-19 dated 31st March 2017 of the Authority from the date the scheme is operationalized by GoI.



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