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परामर्श पत्र संख्या 03/2024-25

Consultation Paper No. 03/2024-25



सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

कोयम्बटूर अंतरराष्ट्रीय हवाईअड्डा, कोयम्बटूर (सीजेबी) के संबंध में 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
COIMBATORE INTERNATIONAL AIRPORT, COIMBATORE (CJB) FOR THE
SECOND CONTROL PERIOD
(01ST APRIL 2023 TO 31ST MARCH 2028)

जारी करने की तारीख : 22 जुलाई, 2024

Date of Issue: 22nd July, 2024

ऐरा कार्यालय/AERA Office

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

सफदरजंग हवाईअड्डा/Safdarjung Airport

नई दिल्ली/ New Delhi – 110003

Stakeholders' Comments

Coimbatore International Airport was a Major Airport as per AERA Act 2008 and its 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 vide Order No.44/2018-19 dated 6th March 2019. Pursuant to the amendment of AERA Act in 2019, Airports with designated passenger throughput of over 3.5 MPPA are considered as Major Airports. AAI, vide letter dated 28th March 2023 communicated that AAI has enhanced the passenger handling capacity to 3.63 MPPA, by carrying out certain infrastructural development/ modifications in the Airport. Hence, considering the capacity enhancement by AAI, Coimbatore International Airport continued to be a major airport throughout the First Control Period.

For this Consultation Paper, the Authority has considered the audited financial results (being the audited Trial Balance for Coimbatore International Airport) for all the 5 tariff years of the First Control Period (FY 2019- FY 2023) and projections for the Second Control Period (FY 2024 to FY 2028).

The Authority has released this Consultation Paper putting forward its proposals in the background of the Authority's analysis and observations on the Multi Year Tariff Proposal (MYTP) submitted by the Airport Operator.

The Authority shall consider written evidence-based feedback, comments and suggestions from all the stakeholders on the proposals made in the Consultation Paper and pass a suitable Order determining the Tariff for aeronautical services. The Authority would like to emphasize that the consultation process timelines are sacrosanct and hereby requests the stakeholders to provide their comments/ inputs within the timelines specified in this Consultation Paper, beyond which the same will not be considered by the Authority.

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.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, 2008, the written comments on Consultation Paper No. 03/2024-25 dated 22.07.2024 are invited from the Stakeholders, preferably in electronic form, at the following address:

Director (P&S, Tariff)

Airports Economic Regulatory Authority of India (AERA),

3rd Floor, Udaan Bhawan

Safdarjung Airport

New Delhi – 110003

Email: director-ps@aera.gov.in, satish.kr@aera.gov.in copy to secretary@aera.gov.in

Stakeholder Consultation Meeting	06.08.2024
Last Date for submission of comments	21.08.2024
Last Date for submission of counter comments	31.08.2024

Comments and Counter Comments will be posted on AERA website: www.aera.gov.in

For any clarification/information, Director (P&S, Tariff) may be contacted on Telephone Number: +91-11-24695048

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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
ACFT	Airfield Crash Fire Tender
ACI	Airports Council International
AERA / the Authority	Airports Economic Regulatory Authority of India
AIASL	AI Airport Services Limited
AMC	Annual Maintenance Contract
ANS	Air Navigation Services
AO	Airport Operator
ARR	Aggregate Revenue Requirement
ASQ	Airport Service Quality
ATC	Air Traffic Control
ATM	Air Traffic Movement
AUCC	Airport Users Consultative Committee
BASCPL	Bird Airport Services (Coimbatore) Private Limited
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
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
CGF	Cargo, Ground Handling and Supply of Fuel to the Aircraft
CHQ	Corporate Headquarters
CIAL	Cochin International Airport Limited
CIDS	Cabin Intercommunication Data System
CJB	Coimbatore International Airport (IATA Code)
CNS	Communication, Navigation and Surveillance
COVID-19	Corona Virus Disease of 2019
CP	Consultation Paper
CSR	Corporate Social Responsibility
CSS	Customer Satisfaction Surveys
CUTE	Common User Terminal Equipment
DFMD	Door Frame Metal Detector
DG	Diesel Generator
DIAL	Delhi International Airport Limited
EHCR	Employee Head Count Ratio
ESI	Employee State Insurance
ETD	Explosive Trace Detectors
FAR	Fixed Asset Register
FBS	Full Body Scanners
FCP	First Control Period
FIDS	Flight Information Display System

Abbreviation	Expansion
FRoR	Fair Rate of Return
GBR	Gross Block Ratio
GHA	Ground Handling Agency
GHIAL	GMR Hyderabad International Airport Limited
HIAL	Hyderabad International Airport Limited
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IDC	Interest During Construction
IMG	Inter-Ministerial Group
IT	Information Technology
IT ACT	Income Tax Act
MESS	Mechanized Environmental Support Services
MIAL	Mumbai International Airport Limited
MoCA	Ministry of Civil Aviation
MRO	Maintenance, Repair and Overhaul
MYTP	Multi-Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NASFT	National Aviation Security Fee Trust
NCAP	National Civil Aviation Policy
NLJD	Non-Linear Junction Detector
O&M	Operation and Maintenance
OMC	Oil Marketing Companies
OPEX	Operating Expenditure
PAX	Passenger
PBB	Passenger Boarding Bridge
PBT	Profit Before Tax
PCN	Pavement Classification Number
PF	Provident Fund
PPP	Public-private partnership
PSF	Passenger Service Fee
PV	Present Value
R&M	Repair and Maintenance
SQTR	Staff Quarters Ratio
RAB	Regulatory Asset Base
RBI	Reserve Bank of India
RHQ	Regional Headquarters
RPK	Revenue Passenger Kilometers
SITC	Supply, Installation, Testing and Commissioning
TBLR	Terminal Building Ratio
UDF	User Development Fee
WPI	Wholesale Price Index
XBIS	X-ray Baggage Inspection Systems
Y-o-Y	Year on Year
YPP	Yield Per Passenger
Units of measurement	
FY	Financial Year
MPPA	Million Passengers per Annum
Nos.	Numbers

Abbreviation	Expansion
SQM (sqm)	Square meters
KL	Kilo Litre

1 INTRODUCTION

1.1 Background

- 1.1.1 Coimbatore is second largest city in the state of Tamil Nadu, with a population of more than 15 lakhs. There are more than 30,000 small, medium and large-scale industries and textile mills. Coimbatore International Airport, operated by AAI, is situated in the neighborhood of Peelamedu, approximately 10 km (6.2 miles) from Coimbatore's city Centre. The airport serves as a primary airport for the industrial towns of Coimbatore, Erode and Tirupur in Tamil Nadu, India.
- 1.1.2 Coimbatore International Airport has a total land area of 420.33 acres. The Airport has a single terminal building and one runway. The Airport has handled passenger traffic of around 2.58 million Pax in FY 2022-23 and 2.90 million Pax in FY 2023-24. Currently, the airport serves eleven domestic and two international destinations, making it the 25th busiest airport in India for passengers handled, 29th busiest for total aircraft movement and 19th busiest for cargo handled in FY 2023-24.
- 1.1.3 Coimbatore International Airport was a Major Airport as per AERA Act 2008. 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 vide Order No. 44/2018-19 dated 6th March 2019. Pursuant to the amendment of AERA Act in 2019, Airports with designated passenger throughput of over 3.5 MPPA are considered as Major Airports. AAI, vide letter dated 28th March 2023 communicated that AAI has enhanced the passenger capacity to 3.63 MPPA, by carrying out certain Infrastructural developments / modification in the Airport. Hence, considering the capacity enhancement by AAI, Coimbatore International Airport continued to be a major airport throughout the First Control Period.

1.2 Profile of Coimbatore International Airport (CJB)

- 1.2.1 Coimbatore International Airport has a designated passenger handling capacity of 3.63 MPPA and had achieved total passenger traffic of 2.90 million in FY 2023-24, approximately 93% of which constitutes domestic passenger traffic.

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

Year	Passenger (Nos)			ATMs (Nos)		
	Domestic	International	Total	Domestic	International	Total
FY19	27,63,672	2,37,210	30,00,882	23,390	1,863	25,253
FY20	26,04,603	2,38,232	28,42,835	20,356	1,947	22,303
FY21	8,20,154	26,495	8,46,649	7,893	250	8,143
FY22	12,20,540	65,382	12,85,922	10,418	602	11,020
FY23	23,62,446	1,94,817	25,57,263	16,364	1,278	17,642

- 1.2.2 Technical and Terminal Building details of CJB submitted by the AAI are provided in the table below:

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

Particulars	Details
Total airport land area	420.33 acres
Terminal Building Area	22,060 sqm
Designated Passenger Handling Capacity	3.63 MPPA
Peak hour passenger	Domestic:
	Departure – 350
	Arrival – 350

Particulars	Details
	International:
	Departure - 150
	Arrival - 150
Apron	423 m X 125m
Taxiway	5 Nos. (A, B, C, D &E)
Boarding Gates	Domestic – 5 Nos.
	International - 2 Nos.
Check-in counters	24 Nos.
Immigration Counters	12 Nos.
Custom counters	4 Nos.
Security check booths	6 Nos.
Parking bays	9 Nos.

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), a 100% subsidiary company of the Airports Authority of India (AAI) is providing cargo handling services at Coimbatore International Airport. AAI has considered a revenue share of 30% from AAICLAS as part of Aeronautical revenue as per AAI's agreement with AAICLAS.

Ground Handling Services

- 1.3.2 Currently, there are two service providers at the Airport viz. AI Airport Services Limited (AIASL) and Bird Airport Services (Coimbatore) Private Limited (BASCPL) providing Ground Handling services at Coimbatore International Airport.
- 1.3.3 AERA vide Order No. 29/2023-24 dated 15th December 2023 determined tariff for Ground Handling Services for BASCPL from FY 2023-24 to FY 2027-28.
- 1.3.4 The Authority, vide Order No. 37/2023-24 dated 1st March 2024 in respect of AIASL, has approved interim tariff and currently the ad hoc tariff is valid up to 30th September 2024.

Supply of Fuel to the Aircraft

- 1.3.5 Oil Marketing Companies (OMCs) namely M/s Indian Oil Corporation Limited, M/s Bharat Petroleum Corporation Limited, M/s Hindustan Petroleum Corporation Limited and M/s Reliance Industries Limited are providing Aviation Fuel Facility at Coimbatore International Airport. M/s Indian Oil Corporation Limited has set up its Fuel storage facility, with two fuel storage tanks of 42 KL storage capacity each.

2 TARIFF DETERMINATION OF COIMBATORE INTERNATIONAL AIRPORT

2.1 Introduction

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

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 Tariff Proposals in this Consultation Paper

2.2.1 The Authority's Orders applied in the tariff proposals in this Consultation Paper (CP) 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).
- 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 had submitted Multi Year Tariff Proposal (MYTP) for the First Control Period from 1st April 2018 to 31st March 2023. AERA vide its Order No. 44/2018-19 dated 6th March 2019, had determined tariff for Aeronautical services for Coimbatore International Airport for the First Control Period from 1st April 2018 to 31st March 2023. Following are the tariff orders for Aeronautical Charges issued by the Authority for Coimbatore International Airport:

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

Tariff Orders	Applicability Period
Order No. 44/2018-19 6 th Mar,2019	1 st April 2018 to 31 st March 2023
Order No. 27/2020-21 9 th July, 2020	Revision in Landing charges w.e.f. 15 th July 2020, in lieu abolition of Fuel Throughput Charges
Order No. 19/2023-24 20 th Sep, 2023	1 st October 2023 to 31 st March 2024
Order No. 40/2023-24 15 th Mar, 2024	1 st April 2024 to 30 th September 2024

2.4 Multi Year Tariff Proposal submissions by AAI for Second Control Period

2.4.1 As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority. AAI has submitted its MYTP on 22nd December 2023 for the Second Control Period commencing from 1st April 2023 to 31st March 2028 for Coimbatore International Airport.

2.4.2 The Authority has appointed an Independent Consultant, M/s PKF Sridhar & Santhanam LLP, to assess the MYTP submitted by AAI for Coimbatore International Airport for Second Control Period. Accordingly, M/s

PKF Sridhar & Santhanam LLP has 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, examined the MYTP of AAI for the current Control Period, by verifying the data from various supporting documents submitted by AAI such as Trial balance, Fixed Asset Register (FAR) and examining the building blocks in tariff determination thereby ensuring that the treatment given to it is consistent with the Authority's methodology, approach etc.

- 2.4.3 The Authority, through its Independent Consultant, has examined the MYTP submitted by AAI, including obtaining clarifications on the information shared by AAI from time to time, to review the appropriateness of the classification of assets, the reasonableness of the proposed Capital Expenditure, Operation & Maintenance expenditure etc., for finalizing this Consultation Paper.
- 2.4.4 The AERA team visited Coimbatore International Airport during 23rd May - 24th May 2024 for general inspection of the airport and review of ongoing schemes and Capex planned to be executed during the Second Control Period. The AERA team during site visit observed congestion in the terminal building, especially in departure area during peak hours and Airport Director was advised to take necessary steps to address the same.
- 2.4.5 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 the AAI

Event	Date
MYTP submissions of AAI received for the Second Control Period and true up of the First Control Period.	22-Dec-23
Initial Data Requirement - First Set of queries raised on Capex, Traffic, Opex and NAR	06-Feb-24
Partial data shared by AAI related to Capex, Opex, Traffic and NAR	12-Feb-24
Follow-up mail sent along with new queries raised on Capex, Traffic, Opex and NAR	13-Feb-24
Partial data shared by AAI related to Opex, Traffic and NAR	14-Feb-24
Follow-up mail sent along with new queries raised on Capex	15-Feb-24
Partial data shared by AAI related to Opex, NAR, Aero Revenue & Capex	19-Feb-24
Follow-up & clarification mail sent to AAI on NAR	27-Feb-24
Partial data shared by AAI related to Capex, NAR & Aero Revenue	28-Feb-24
Partial data shared by AAI related to NAR & Opex	29-Feb-24
Follow-up mail sent along with new queries raised on Opex	01-Mar-24
Online discussion with AAI Team for Clarification on queries raised on MYTP	04-Mar-24
Online discussion with AAI Tariff Team for Clarification on queries raised on MYTP	05-Mar-24
Partial data shared by AAI related to NAR & Opex	06-Mar-24
Partial data shared by AAI related to Capex & Opex	11-Mar-24
Follow-up mail sent along with additional queries raised on Capex, NAR & Aero Revenue	12-Mar-24
Partial data shared by AAI related to NAR	19-Mar-24
Partial data shared by AAI related to NAR	20-Mar-24
Follow-up mail sent along with additional queries raised on Capex, NAR & Aero Revenue	20-Mar-24
Partial responses shared by AAI related to Capex, Aero Revenue & NAR	21-Mar-24
Responses with details of major Capex shared by AAI	24-Apr-24
Additional Queries sent to AAI related to Capex	25-Apr-24
Partial responses shared by AAI related to Capex	2-May-24
Responses to Queries dated 25 th April 2024 and inclusion request for Additional Capex for SCP submitted by AAI	10-May-24

Event	Date
Additional Queries sent to AAI related to Opex, NAR and Capex	13-May-24
Responses to Queries dated 13 th May 2024 with details related to Opex, NAR & Capex shared by AAI	15-May-24
Additional Queries sent to AAI related to Capex and Opex	17-May-24
Responses to Queries dated 17 th May, 2024	22-May-24
AERA team's visit to Coimbatore International Airport	23-May-24 & 24-May-24
Request for Revision in Cost related to Digi Yatra & Clarity over runway re-carpeting expenses submitted by AAI	27-May-24
AUCC Minutes of meetings shared by AAI	03-Jun-24
Capitalization cost as per FAR of runway recarpeting submitted by AAI	10-Jul-24

2.4.6 AAI has informed that 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, regional and field offices. However, the CAG issues final audit certificate for the AAI as a whole and only trial balance is available for Coimbatore International Airport. The Authority has examined the audited trial balance (FY 2018-19 to FY 2022-23) submitted by AAI for determination of tariff.

2.4.7 All the figures presented in this Consultation Paper have been rounded off to two decimals.

2.5 Construct of this Consultation Paper

2.5.1 This Consultation Paper has been developed in the order of the events and 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 True-up for the First Control Period submitted by AAI for the period FY 2018-19 to FY 2022-23 and the Authority's proposals on the specific issues regarding true-up of the First Control Period.
- iii. Chapter 5 presents the submissions of AAI regarding Traffic Projections for the Second Control Period and the Authority's proposals on the same.
- iv. Chapter 6 includes 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.
- v. Chapter 7 to 12 includes the submissions of AAI regarding various building blocks pertaining to the Second Control Period including Fair Rate of Return, Inflation, Operation & Maintenance Expenses, Non-Aeronautical Revenue, Taxation and Quality of Service along with the Authority's examination and proposals on each matter.
- vi. Chapter 13 presents the Aggregate Revenue Requirement as determined by the Authority, based on various proposals of the Authority after detailed examination of Regulatory building blocks, for the Second Control Period.
- vii. Chapter 14 presents the Aeronautical Revenue as proposed by the Authority.

viii. Chapter 15 summarizes the Authority's proposals put forward for consultation.

ix. In Chapter 16, the Authority invites views of all the stakeholders regarding proposals put forward for tariff determination for the Second Control Period in the Consultation Paper.

x. Chapter 17 contains Annexures:

- Annexure 1: Annual Tariff proposal submitted by AAI for Coimbatore International Airport for the Second Control Period.
- Annexure 2: Annual Tariff proposed by the Authority for Consultation process.

3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR COIMBATORE 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 ARR for a given Control Period, under Hybrid Till is calculated as

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

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

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 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 Coimbatore 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 Coimbatore International Airport. AAI has submitted that the tariff proposal does not consider assets, expenses and revenues on account of ANS. This Consultation Paper 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 has 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 consider expenditure and assets on account of 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 Consultation Paper discusses the determination of tariff for Aeronautical services at Coimbatore International Airport excluding Cargo Operations. The tariff related to Cargo Operations of Coimbatore International Airport will be determined separately, as Cargo operations are carried out by AAICLAS.

4 TRUE UP OF THE FIRST CONTROL PERIOD

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

4.1.1 AAI has submitted the shortfall of ₹ 244.18 crores for Coimbatore International Airport for the First Control Period as part of its MYTP submission for the Second Control Period:

Table 5: 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	34.41	78.35	25.59	40.82	76.55	255.72
Total Revenue from services other than Regulated Services (30% considered for Hybrid Till)	B	6.63	7.28	2.49	3.42	7.44	27.26
Operation & Maintenance Expenditure	C	47.61	59.91	47.22	53.23	55.92	263.90
Depreciation	D	7.63	7.58	7.45	7.46	9.22	39.34
Total Expenditure	E= C+D	55.24	67.49	54.67	60.70	65.14	303.23
Regulatory Operating Profit	F = A+B-E	-14.20	18.15	-26.60	-16.46	18.86	-20.25
Average RAB	G	56.56	74.71	83.65	97.12	124.32	436.37
Return on Average RAB	H=G*14%	7.92	10.46	11.71	13.60	17.41	61.09
Corporate Tax	I	-	-	-	-	-	-
True up of FY 2016-17 & FY 2017-18	J	60.63	-	-	-	-	60.63
Interest on Working Capital	K	0.95	-	0.29	1.09	-	2.33
ARR	L=C+D+H+I+J-B	118.11	70.67	64.19	71.96	75.10	400.02
(Excess)/Shortfall	M=L-A	83.70	-7.69	38.60	31.14	-1.45	144.31
PV of (Excess)/Shortfall	N	161.16	-12.98	57.19	40.47	-1.65	244.18

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

4.2.1 The decisions taken at the time of determination of tariff for Aeronautical Services for the First Control Period vide Order No. 44/ 2018-19 dated 6th March 2019 have been reproduced below:

Decision No. 1a – Traffic Forecast: The Authority decides to consider passenger traffic projections given in Table 7 and ATM projections as given in Table 8.

Decision No. 1b – Traffic Forecast: The Authority decides to true up the passenger and ATM traffic of the First Control Period based on actuals at the time of determination of tariff for the next control period.

Decision No. 2a – RAB: The Authority decides to use the average RAB given in Table 25 for the calculation of ARR.

Decision No. 2b – RAB: The Authority decides to true-up the average RAB for the First Control Period while determining the tariff for the Second Control Period.

Decision No. 3a – FRoR: The Authority decides to consider the FRoR at 14% for Coimbatore Airport for the First Control Period.

Decision No. 3b – FRoR: The Authority will undertake the study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.

- Decision No. 4a – O&M expenses:** The Authority decides to consider the revised operation and maintenance expenditure for Coimbatore Airport as given in Table 28.
- Decision No. 4b – O&M expenses:** The Authority decides to true-up the O&M expenses based on actual expenditure during the control period.
- Decision No. 5a – Non-Aeronautical revenues:** The Authority decides to consider the Non-Aeronautical Revenues given in Table 32 for the determination of aeronautical tariffs for the First Control Period.
- Decision No. 5b – Non-Aeronautical revenues:** The Authority decides to true-up the Non-Aeronautical Revenues of the First Control Period based on actuals at the time of determination of tariff for the next control period.
- Decision No. 6a – Taxation:** The Authority decides to consider the tax computation as per Table 34.
- Decision No. 6b – Taxation:** The Authority decides to true up the First Control Period based on actuals at the time of determination of tariff for the next control period.
- Decision No. 8a – Prior Period Shortfall:** The Authority decides to consider prior period shortfall as given in Table 39 for trueing up in the current control period.
- Decision No. 9a –ARR:** The Authority has decided to consider the ARR as provided in Table 42 for determination of Aeronautical tariffs for the First Control Period.
- Decision No. 9b –**The Authority decided to true up all the building blocks of ARR of the First Control Period based on actuals at the time of determination of tariff for the next control period
- Decision No. 10a – Aeronautical Revenues –** The Authority decides to consider UDF at ₹ 350 per domestic embarking passenger and at ₹ 450 per international embarking passenger.
- Decision No. 10b – Aeronautical Revenues –** The Authority decides to consider Aeronautical Revenues as given in Table 53.
- Decision No. 10c – Aeronautical Revenues –** The Authority decides to true up the Aeronautical Revenues of the First Control Period based on actual Aeronautical Revenues earned at the time of determination of tariff for the next control period.

4.3 True up of Traffic

- 4.3.1 AAI has submitted actual Passenger Traffic and ATM for Coimbatore International Airport for the First Control Period as follows:

Table 6: AAI’s submission for True up of traffic for the First Control Period for Coimbatore International Airport

Particulars	FY19	FY20	FY21	FY22	FY23
Passengers (In millions)					
Domestic	2.76	2.60	0.82	1.22	2.36
International	0.24	0.24	0.03	0.07	0.19
Total	3.00	2.84	0.85	1.29	2.56
ATM (In Nos)					
Domestic	23,390	20,356	7,893	10,418	16,364
International	1,863	1,947	250	602	1,278
Total	25,253	22,303	8,143	11,020	17,642

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

4.3.2 The traffic approved by the Authority in the Tariff Order No. 44/ 2018-19 dated 6th March 2019 for the First Control Period is shown in table below:

Table 7: 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	2.50	2.83	3.22	3.65	4.14
International	0.23	0.27	0.31	0.36	0.41
Total	2.73	3.10	3.53	4.01	4.55
ATM (In Nos)					
Domestic	21,670	23,404	25,276	27,298	29,482
International	1,760	2,023	2,327	2,676	3,077
Total	23,430	25,427	27,603	29,974	32,559

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

- i. The adverse impact of COVID-19 pandemic affected the traffic in March 2020 and FY 2020-21 due to travel restrictions and reduced air traffic movements, which led to a significant decline in the passengers and ATMs projected for the control period.
- ii. The passenger and ATM traffic improved in the next 2 years (FY 2021-22 and FY 2022-23) of the Control Period, with the domestic and international passenger traffic achieving a growth of 93.56% and 197.97% respectively in FY 2022-23. Similarly, the domestic and international ATM has achieved a growth of 57.07% and 112.29% respectively in FY 2022-23 over FY2021-22.
- iii. Domestic and international passenger traffic in FY 2022-23 has reached to 90.70% & 81.78% of pre-COVID passenger traffic (FY 2019-20) respectively. Likewise, the domestic and international ATM traffic in FY 2022-23 has reached to 80.39% & 65.64% of pre-Covid Traffic levels (FY 2019-20) respectively.
- iv. The Authority verified the actual Passenger traffic and ATM (as per Table 6) for the First Control Period based on the details available on AAI's website and noted no variances.

4.3.4 Based on the above analysis, the Authority proposes to consider the actual traffic submitted by AAI for the First Control Period, as shown in Table 6 in line with its decision no. 1b of the Tariff Order No. 44/ 2018-19 dated 6th March, 2019.

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 Coimbatore International Airport is as follows:

Table 8: Capital Additions during the First Control Period submitted by AAI for Coimbatore International Airport

(₹ in crores)

S. No.	Asset Category	Capex approved by AERA (1)	Actual CAPEX incurred* (2)	Variance [(2) - (1)]	Financing Allowance claimed in AAI's submission
A	CAPEX incurred towards projects approved by AERA for the First Control Period				
A.1	Apron	23.64	26.33	2.69	2.55
A.2	Boundary Wall Operational	0.50	0.74	0.24	-
A.3	Boundary Wall Residential [#]	-	0.17	0.17	-
A.4	Computer & Peripherals – End User Devices [#]	-	0.02	0.02	-
A.5	Other Buildings	2.66	3.47	0.81	-
A.6	Electrical Installations	32.53	10.22	-22.31	-
A.7	Plant & Machinery	51.37	16.11	-35.26	-
A.8	Runway	0.30	0.38	0.08	-
A.9	Residential Buildings	40.24	24.10	-16.14	3.97
A.10	Road, Bridges & Culverts	0.44	0.28	-0.16	-
A.11	Terminal Building	60.47	11.68	-48.79	-
A.12	Tools & Equipment	2.66	2.43	-0.23	-
A.13	Vehicle	0.44	1.01	0.57	-
	Subtotal (a)	215.25	96.94	-118.31	6.51
B	Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period				
B.1	Boundary Wall Operational	-	0.01	0.01	-
B.2	Security Fencing	-	0.46	0.46	-
B.3	CFT/Fire Fighting Equipment	-	5.43	5.43	-
B.4	Computer & Peripherals – End User Devices	-	0.46	0.46	-
B.5	Office Equipment	-	0.09	0.09	-
B.6	Furniture & Fixtures – Other than Trolley	-	2.55	2.55	-
B.7	Furniture & Fixtures – Trolley	-	0.23	0.23	-
B.8	Other Buildings	-	0.53	0.53	0.03
B.9	Plant & Machinery	-	7.86	7.86	-
B.10	Terminal Building	-	1.37	1.37	-
B.11	Tools & Equipment	-	7.59	7.59	-
B.12	Vehicle	-	0.15	0.15	-
B.13	X Ray Baggage System	-	1.86	1.86	-
	Subtotal (b)	-	28.60	28.60	0.03
	Total CAPEX [(a) + (b)]	215.25	125.54	-89.71	6.54

*Excluding Financing Allowance of ₹ 6.54 Crore

Although these are not included in capex approved in tariff order for First Control Period, these pertain the capex projects approved in the said order categorized under other heads in the table.

4.4.2 The Authority had approved CAPEX of ₹ 215.25 crores in the Tariff Order for the First Control Period. The year wise details of the approved CAPEX are given below:

Table 9: Capital Expenditure approved in the Tariff Order for the First Control Period*(₹ in crores)*

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Aprons	-	-	23.64	-	-	23.64
Boundary Wall Operational	0.50	-	-	-	-	0.50
Other Buildings	2.66	-	-	-	-	2.66
Plant & Machinery	17.65	-	-	66.24	-	83.89
Runways	0.30	-	-	-	-	0.30
Residential Buildings	0.25	-	39.99	-	-	40.24
Road, Bridges & Culverts	0.44	-	-	-	-	0.44
Terminal Building	13.03	-	-	47.44	-	60.47
Tools & Equipment	2.66	-	-	-	-	2.66
Vehicle	0.44	-	-	-	-	0.44
Total	37.93	-	63.63	113.67	-	215.23

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

4.4.3 The Authority analyzed the variances between the approved CAPEX (as per Tariff Order No. 44/ 2018-19 dated 6th March 2019 for the First Control Period) and the total actual CAPEX incurred for the First Control Period (refer Table 8) and notes that AAI has not implemented 55.08% of the approved CAPEX. The major capital items have been examined in detail and presented asset-wise in the paragraphs below in the following order:

- A. CAPEX incurred towards projects approved by AERA in the Tariff Order No. 44/2018-19 dated 6th March 2019 for the First Control Period
- B. Unplanned /Unapproved CAPEX incurred by AAI during the First Control Period

The Authority proposes 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 10: Various Ratios considered by the Authority for re-allocation of CAPEX into Aero and Non-Aero

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23
Employee Ratio (EHCR) (Aero:Non-Aero)	Table 21	96.43%:	93.55%:	94.07%:	95.00%:	94.55%:
		3.57%	6.45%	5.93%	5.00%	5.45%
Employee Ratio (EHCR) (Aero:Non-Aero:ANS)	Table 21	64.29%:	66.29%:	66.47%:	67.46%:	64.60%:
		2.38%:	4.57%:	4.19%:	3.55%:	3.73%:
Staff Quarters Ratio (SQTR) (Aero:Non-Aero:ANS)	Table 23	33.33%	29.14%	29.34%	28.99%	31.68%
		91.57%:	89.83%:	93.22%:	92.73%:	72.50%:
Terminal Building Ratio (TBLR) (Aero:Non-Aero)	Para 4.6.4	0.00%:	0.00%:	0.00%:	0.00%:	1.67%:
		8.43%	10.17%	6.78%	7.27%	25.83%
Terminal Building Ratio (TBLR) (Aero:Non-Aero)	Para 4.6.4	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 in Tariff Order No. 44/2018-19 dated 6th March 2019 for the First Control Period

4.4.5 The Authority notes that there are variances between the costs approved by the Authority in the First Control Period Tariff Order and the actual cost incurred. The Authority notes that the costs incurred are capitalized based on orders issued and works completed based on which these assets have been included as part of the FAR for Coimbatore International Airport.

A.1 Apron (including additional parking bays) - ₹ 26.33 crores

4.4.6 The Authority had approved a capex of ₹ 23.64 crores towards the construction of the following:

- five additional parking bays (Category “C” type aircraft) and
- extension of apron for two additional bays in the FCP Tariff Order.

Towards this, AAI has issued 2 work orders totaling to ₹ 27.70 crores. However, the actual expenditure as per FAR submitted by AAI is ₹ 26.33 crores i.e. an increase of ₹ 2.69 crores from the amount approved in FCP Tariff Order. The Authority proposes to consider the actual cost capitalized of ₹ 27.70 crores based on the details mentioned in para 4.4.5. AAI has considered these expenses as 100% Aeronautical in nature and the Authority proposes to consider the same allocation.

A.2. Boundary Wall - Operational - ₹ 0.74 crores

4.4.7 The Authority had approved ₹ 0.50 crores towards wall-to-wall grading of operational area in the FCP Tariff Order. The actual expenditure as per AAI Submission is ₹ 0.74 crores, i.e. an increase of ₹ 0.24 crores from the amount approved in FCP Tariff Order. As this capex is essential and necessary for security and safety of the airport, the Authority proposes to consider the actual cost capitalized of ₹ 0.74 crores based on the details mentioned in para 4.4.5. AAI has considered these expenses as 100% Aeronautical in nature and the Authority proposes to consider the same allocation.

A.5 Other Buildings - ₹ 3.47 crores

4.4.8 The Authority had approved ₹ 2.66 crores towards the covering of nallah on “23 side” of the runway in the First Control Period. AAI has actually incurred ₹ 3.47 crores for the same which is more than the approved amount by ₹ 0.81 crores. This CAPEX is essential and necessary for seamless runway operations. The Authority proposes to consider the actual cost capitalized of ₹ 3.47 crores based on the details mentioned in para 4.4.5. AAI has considered these expenses as 100% Aeronautical in nature as they pertain to operations of runway and the Authority proposes to consider the same. For the purposes of calculation of depreciation, this addition has been capitalized as part of “Main access roads/ roads in operational area/ boundary wall/ security fencing” as per Order 35/2017-18 dated 12th January 2018.

A.6 Electrical Installations- ₹ 10.26 crores

4.4.9 In the FCP Tariff Order, the Authority had approved CAPEX costs of ₹ 32.53 crores towards

- Electrical works for terminal building
- Replacement of cooling towers
- Feeder pillars and cables in residential colony
- Construction of sewage treatment plant
- Provision of apron drive glass walled

- Provision for perimeter lighting

AAI has incurred actual aeronautical expenditure of ₹ 10.26 crores which is lower by ₹ 22.27 crores than the approved amount in the First Control Period Tariff Order. The reason for lower actual expenditure is on account of non-incurrence of Terminal building related expenditure. Considering the requirements of these projects for airport operations/ operations of residential quarters, the Authority proposes to consider the actual expenses incurred as per FAR for the purposes of true-up of the First Control Period. AAI has considered all these activities as 100% Aeronautical in nature except for an expense amounting to ₹ 0.09 Crores pertaining to “street lighting and perimeter roads” has been allocated on SQTR. However, the Authority has applied SQTR, TBLR and has considered some CAPEX as 100% Aeronautical as appropriate and the aeronautical expenses as per the Authority works to ₹ 10.22 crores after re-allocation.

Table 11: Electrical Installations proposed by AAI and proposed by the Authority for the First Control Period

(₹ in crores)

Particulars	Gross Amount	Allocation as per AAI	Aero Amount as per AAI	Allocation as per the Authority	Aero Amount as per the Authority
Feeder Pillar& Cables @Residential colony	0.11	100%	0.11	SQTR	0.10
APRON DRIVE GLASS WALLED PASSENGER BOARD	5.45	100%	5.45	100%	5.45
APRON DRIVE GLASS WALLED PASSENGER BOARD	4.28	100%	4.28	100%	4.28
Provision/Replacement of Cooling Tower	0.35	100%	0.35	TBLR	0.32
Lighting @street and perimeter roads	0.10	SQTR	0.07	SQTR	0.07
Total	10.28		10.26		10.22

A.7 Plant & Machinery - ₹ 16.17 crores

4.4.10 In the FCP Tariff Order, the Authority had approved ₹ 51.37 crores towards Plant and Machinery which constituted the following:

- Supply of bomb detection and disposal vehicles
- Mobile command post
- Airport Rotating Beacons
- Grass cutting machines
- Airport system for new domestic departure terminal area

The Authority notes that AAI has incurred actual aeronautical expenditure of ₹ 16.17 crores which is lower than the amount approved in the First Control Period Tariff Order by ₹ 35.20 crores. The main reason for the decrease is non-incurrence of expenses pertaining to “airport system” for the proposed modification of terminal building. The Authority proposes to consider the actual capex incurred and capitalized as per FAR for the purposes of true up of the First Control Period on the basis of their necessity for security / smooth airport operations. AAI has considered some of these expenses as 100% Aeronautical and some on the basis of SQTR, as appropriate and the Authority proposes to consider the same basis of allocation except for 2 specific additions amounting to ₹ 0.77 crores pertaining to “creation of additional room on 1st floor arrival” and “SITC of AC units and other works”, which AAI has considered as 100% Aeronautical in nature and whereas the

Authority has applied TBLR for apportionment of the same. The total aeronautical expenses as proposed by the Authority after applying allocation ratios is ₹ 16.11 crores. The CAPEX pertaining to Plant & Machinery, which are re-allocated by the Authority are presented in the table below:

Table 12: Plant & Machinery allocated by AAI and re-allocated by the Authority

(₹ in crores)

Particulars	Gross Amount	Allocation as per AAI	Aero Amount as per AAI (A)	Allocation as per the Authority	Aero Amount as per the Authority (B)	Variance (A-B)
Creation of additional rooms at 1st Floor Arrival	0.54	100%	0.54	TBLR	0.50	0.04
SITC OF AC UNITS AND OTHER ALLIED WORKS 23 no's	0.22	100%	0.22	TBLR	0.20	0.02
Total	0.76		0.76		0.70	0.06

A.8 Runway - ₹ 0.38 crores

- 4.4.11 In the FCP Tariff Order, the Authority had approved ₹ 0.30 crores towards Runway safety area on “23 side” of the runway. AAI has incurred ₹ 0.38 crores against the approved amount of ₹ 0.30 crores. The Authority proposes to consider the actual cost capitalized of ₹ 0.38 crores based on the details mentioned in para 4.4.5. AAI has considered this expense as 100% aeronautical and the Authority proposes to consider the same basis of allocation.

A.9 Residential Buildings - ₹ 24.10 crores A.3 Boundary Wall – Residential - ₹ 0.24 crores

- 4.4.12 In the FCP Tariff Order ₹ 40.24 crores was approved towards construction of additional parking shed for residential colony and employee quarters. AAI has incurred actual aeronautical cost of ₹ 24.34 crores towards the same categorized as “Residential Building - ₹ 24.10 crores” and “Boundary Wall – Residential ₹ 0.24 crores” against the amount approved. Towards this, the Authority, through its Independent Consultant, has reviewed the tendered cost of ₹ 43.46 crores pertaining to Residential Building. However, the actual expenditure as per FAR submitted by AAI is ₹ 24.27 crores and the reason for such decrease is the non-incurrence of cost towards construction of parking shed. The Authority proposes to consider the actual cost capitalized as per the FAR for the purposes of true up of the First Control Period. “Residential Building - ₹ 24.10 Crores” has been allocated based on SQTR by AAI and the Authority proposes to accept the same allocation. However, “Boundary wall – Residential” which contains expenses incurred for construction of wall at staff quarters has been taken as 100% Aeronautical by AAI, which the Authority proposes to consider on the basis of SQTR (72.50%) for allocation of the same.

A.10 Roads, Bridges and Culverts - ₹ 0.38 crores

- 4.4.13 In the FCP Tariff Order, ₹ 0.44 crores was approved towards improvement of drainage system and construction of perimeter road. AAI has incurred ₹ 0.38 crores towards the same. AAI has considered such expenses pertaining to roads at quarters as 100% Aeronautical. However, the Authority proposes to allocate ₹ 0.28 crores using SQTR. Since the project has been already approved during the First Control Period, the Authority proposes to consider the amount actually incurred as per FAR for the purpose of true up of the First Control Period.

A.11 Terminal Building - ₹ 12.48 crores

4.4.14 In the FCP Tariff Order, ₹ 60.47 crores were approved towards Terminal Building which constituted the following:

- Civil works on construction of office building
- Sewage treatment plant
- Face-lift work
- Construction of new domestic departure terminal

The Authority notes that AAI has incurred actual aeronautical expenditure of ₹ 12.48 crores which is lower than the amount approved in the FCP Tariff Order by ₹ 47.99 crores. The main reason for decrease being the non-incurrence of expenses pertaining to the new domestic departure terminal and construction of the office building. AAI has considered these expenses as 100% Aeronautical. However, the Authority proposes to consider these expenses as 100% Aeronautical or using TBLR, as appropriate and accordingly consider an amount of ₹ 11.68 crores for the purpose of true up of the First Control Period.

A.12 Tools & Equipment - ₹ 1.10 Crores A.4 Computers and Peripherals – End User Devices - ₹ 0.02 crores

4.4.15 The cost approved in the FCP Tariff Order of ₹ 2.66 crores was towards:

- Procurement of tools and plant
- Biometric access control system

AAI in their MYTP has submitted that actual aeronautical expenditure of ₹ 1.12 crores categorized as “Tools & Equipment - ₹ 1.10 Crores” and “Computers and Peripherals – End User Devices - ₹ 0.02 crores” has been incurred, against the approved cost of ₹ 2.66 crores, which is lower by ₹ 1.54 crores than the amount approved in the FCP tariff order. The allocation of gross value of such assets amounting to ₹ 2.72 crores as per AAI and as per the Authority are as under:

Table 13: Capex on “Tools & Equipment” and “Computers & Peripherals – End User Devices” as submitted by AAI and as proposed by the Authority

(₹ in crores)

Asset Category	Gross Value	Submitted by AAI		Proposed by the Authority		Variance (B-A)
		Ratios applied	Aeronautical Value (A)	Ratios applied	Aeronautical Value(B)	
Tools & Equipment – Other than Biometric Access System	0.49	SQTR	0.35	SQTR	0.35	-
Tools & Equipment - Biometric Access System	2.21	34%	0.75	EHCR	2.08	1.33
Computers & Peripherals – End User Devices	0.02	100%	0.02	EHCR	0.02	-
Total	2.72		1.12		2.45	1.33

The Authority has applied EHCR and SQTR as appropriate for the allocation of these expenses while AAI has apportioned Tools & Equipment on EHCR and End use devices as 100% Aeronautical. Further it is noted from the above table that the expense pertaining to “SITC of Biometric Access Control System” amounting to ₹ 2.21 crores (gross) has been apportioned by AAI in the ratio of 59/174 based on no. of users as aeronautical, whereas the Authority proposes to apportion the same on the basis of EHCR. Therefore, the Authority proposes

to consider the revised aeronautical expenditure incurred of ₹ 2.45 crores for the purpose of true up of the First Control Period.

A.13 Vehicle - ₹ 1.01 Crores

4.4.16 The cost approved in the FCP Tariff Order of ₹ 0.44 crores was towards procurement of ambulance. Apart from the purchase of ambulance, AAI has included other additions under the head “vehicles” as follows:

- A. ₹ 0.26 crores towards purchase of ambulance.
- B. ₹ 0.22 crores relating to other vehicles.
- C. ₹ 0.37 crores relating to mobile command post – which was approved as part of plant & machinery in the FCP tariff order.
- D. ₹ 0.16 crores BDDS vehicles - which was approved as part of plant & machinery in the FCP tariff order.

The Authority notes that ₹ 0.79 crores (A+C+D) pertain to expenses approved under other heads in the FCP tariff order, and accordingly the same is considered for true up for the First Control Period. The Authority notes that expenses pertaining to ₹ 0.22 crores (B) which are classified as planned expenditure by AAI relate to purchase of vehicles such as buggy for transportation of passengers/grass cutting tractor which are not approved in the First Control Period Tariff Order. Since these vehicles are required for operational requirement, the Authority proposes to consider ₹ 0.22 crores of unapproved capex additions as part of true up of the First Control Period. AAI has considered all these assets as 100% Aeronautical in nature. The Authority proposes to consider the allocation submitted by AAI except for allocating vehicle amounting to ₹ 0.09 crores, based on EHCR as it is used by employees. The total aeronautical additions as per the Authority amounts to ₹ 1.01 crores.

The Authority observes from FCP Tariff Order that Terminal building modifications were included as part of the Capital Expenditure (₹ 113.68 crores) with a proposed capitalisation date of 30th September 2021. However, as per the MYTP submission, this capitalization has been proposed to be shifted to the second half of FY 27, i.e. the last tariff year of the Second Control Period.

It is to be noted that though the MYTP submission included the Terminal Building in the Second Control Period, the financial working submitted by AAI has not proposed Terminal Building modification in the SCP as well. On enquiry about the reason for the shift in capitalization date, AAI informed that *“the terminal building modification was not taken up as State Government had informed that action of land acquisition on the other side of runway is in final stage. Hence, competent Authority decided not to go ahead with terminal building modification in the Second Control Period.”*

The Authority notes that in view of the above proposed CAPEX for the First Control Period, there has already been a substantial increase in the ARR, which has resulted in an increase in the Aeronautical tariffs. The Authority considers that such a practice is not in the interest of Airport users as they have started paying higher tariffs in anticipation of enhanced services at the airport against the proposed capital expenditure.

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

4.4.17 The Authority notes that AAI has incurred unplanned capex amounting to ₹ 29.38 crores (i.e. 13.65% of the approved capex), which is not part of the total capex amounting to ₹ 215.25 crores approved for the FCP. The Authority while examining the unplanned capex notes that unplanned capex has been mainly incurred for safety, security and smooth conduct of airport operations.

The Authority in the following paragraphs has discussed the major unplanned capex additions for categories having total value of over ₹ 1 crore.

B.3 CFT/Fire Fighting Equipment - ₹ 5.43 crores

- 4.4.18 The Authority observes that AAI has incurred ₹ 5.27 crores towards purchase of ACFT (Aircraft Crash Fire Tender) and ₹ 0.16 crores towards purchase of spares. Fire station of Coimbatore International Airport is a category 7 station, and hence on account of operational requirements, a new firefighting vehicle was procured by AAI in FY 2018-19. As Firefighting equipment is essential for Airport and passenger safety, the Authority finds the same to be justifiable and in line with the cost incurred in other similar airports and proposes to consider the same for True up of the First Control Period.

B.6 Furniture & Fixtures – Other than Trolley - ₹ 2.69 crores

- 4.4.19 The Authority notes that ₹ 2.69 crores were incurred by AAI towards purchase of furniture such as chairs, tables, check-in counters and cabinets for the Terminal Building. The Authority has examined the expenses and finds them to be reasonable and proposes to consider the same for True up of the First control Period. AAI had considered these assets as 100% Aeronautical in nature. However, the Authority has applied TBLR, EHCR as appropriate and proposes to consider ₹ 2.55 crores as additions to RAB.

B.9 Plant & Machinery - ₹ 8.12 crores

- 4.4.20 AAI has submitted that ₹ 8.12 crores of Plant & Machinery include cost towards DG set, dual view XBIS, provision of turn pads and fillets lights, outdoor feeder panel, way finding signages, etc. The Authority notes that the CAPEX is related to airport operations and therefore proposes to consider the same as part of Capital additions for True up of the First Control Period. AAI had considered these additions as 100% Aeronautical in nature. However, the Authority has applied TBLR as appropriate and proposes to consider ₹ 7.86 crores as aeronautical additions to Plant & Machinery.

B.10 Terminal Building - ₹ 1.49 crores

- 4.4.21 The Authority notes that the CAPEX of ₹ 1.49 crores relates to construction of toilets in arrival area and renovation of departure area. The Authority notes that such expenditure is required for passenger facilitation, and hence, proposes to consider the same for true up of the First Control Period. While AAI has considered these additions as 100% Aeronautical in nature, the Authority has applied TBLR and proposes to consider ₹ 1.37 crores as aeronautical additions to Terminal Building.

B.11 Tools & Equipment - ₹ 7.90 crores

- 4.4.22 The Authority notes that the CAPEX of ₹ 7.90 crores has been incurred by AAI towards CCTV, E-gate at immigration arrival and departure, dynamic signage display for immigration counters, Human Life Detectors etc. Considering that these expenses pertain to security/ passenger facilitation, the same is proposed to be considered for true up of the First Control Period. While AAI has considered these additions as 100% Aeronautical in nature, the Authority has applied TBLR as appropriate, and proposes to consider ₹ 7.59 crores as aeronautical additions to Tools & Equipment.

B.13 X-Ray Baggage System - ₹ 1.86 crores

- 4.4.23 It was observed that assets worth ₹ 1.86 crores were acquired under a contract to operate the X-ray Baggage Inspection Systems (XBIS) using a Build-Operate-Transfer (BOT) model. According to this contract, AAI leased the XBIS system for a period of 6 years, with an annual lease payment of ₹ 0.39 crores. Initially, AAI

treated this lease as an operating lease, recording the lease payment as part of its O&M expenses until FY 2018-19.

However, in FY 2019-20, due to the implementation of accounting standard on financial leases, AAI reclassified the lease from an operating lease to a "Finance Lease." Consequently, the asset value of ₹ 1.86 crores was included as additions to the Regulated Asset Base (RAB).

As these assets have been leased under the contract, the Authority proposes to consider the lease payments as part of Operating Expenditure and not consider these assets as part of additions to RAB.

4.4.24 **Other minor projects:** The Authority observed that there are minor projects undertaken by AAI with respect to boundary wall – operational, security fencing, computer and peripherals, office equipment, furniture and fixtures – trolley, other buildings and vehicles which the Authority finds to be reasonable and accordingly, proposes to consider the for true up of the First Control Period. The total value of these projects amounts to ₹ 1.89 crores.

4.4.25 The Authority notes that Coimbatore International Airport has claimed Financing Allowance of ₹ 6.54 crores in the MYTP submitted for true up of the First Control Period. The Authority has examined AAI's claim towards Financing Allowance and has the following views:

- The Authority considers that providing return on capital expenditure from the very beginning of construction will 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, provision of Financing Allowance will disincentivize the Airport Operators from ensuring 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 will 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 earlier provisioned for Financing Allowance in the initial stages to such airports. It may be further noted that the Authority has never provided 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 is 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 have 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. Hence, in the instant case, Coimbatore 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 opines that only IDC should be provided on the debt availed for execution of a project.
- AERA Guidelines, 2011 does 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 states 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)”.

4.4.26 Therefore, based on the above analysis, the Authority proposes not to allow the Financing Allowance of ₹ 6.54 crores claimed by AAI for the First Control Period.

4.4.27 Also, the Authority notes that AAI had availed debts amounting to ₹ 19.13 crores during the First Control Period (from FY 2020-21 to FY 2022-23), as confirmed by AAI vide email dated 11th March 2024. 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.

4.4.28 The Authority proposes to consider IDC amounting to ₹ 0.32 crores on debts availed totaling to ₹ 19.13 crores for execution of capital projects in the First Control Period, which have been included in the cost of the assets.

4.4.29 The Authority notes that the AO has submitted an average Terminal Building Ratio of 92.29:7.71 based on the actual commercial area let out during the First Control Period. The Authority proposes to consider the ratio of 92:8 for apportionment of common assets within the Terminal Building (Aeronautical: Non-aeronautical) in line with the ratio decided by it in the First Control Period Tariff Order.

4.4.30 AAI has considered staff quarter ratio as 72.5%:27.5% for allocation of assets. Based on verification of the computation, the Authority proposes 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.

The Authority also notes that AAI considered all other assets as 100% Aeronautical except for a few assets totaling to ₹ 2.38 crores where the Employee Head Count Ratio was applied. However, the Authority proposes to re-allocate the assets based on who the end user is or where the asset is located using appropriate ratios such as Terminal Building Ratio, Employee Head Count Ratio and Staff Quarter Ratio as applicable.

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

Table 14: Capital Addition proposed 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 towards projects approved by AERA for the First Control Period						
A.1	Apron	-	-	-	26.33	-	26.33
A.2	Boundary Wall – Operational	0.74	-	-	-	-	0.74
A.3	Boundary Wall – Residential	-	-	-	-	0.17	0.17
A.4	Computers - End User Devices	-	-	0.02	-	-	0.02
A.5	Other Building	3.47	-	-	-	-	3.47

S. No.	Asset Category	FY19	FY20	FY21	FY22	FY23	Total
A.6	Electrical Installations	9.82	0.32	-	-	0.07	10.22
A.7	Plant & Machinery	0.55	7.39	1.30	-	6.87	16.11
A.8	Runway	0.38	-	-	-	-	0.38
A.9	Building – Residential	-	-	-	-	24.10	24.10
A.10	Road, Bridges & Culverts	-	-	-	-	0.28	0.28
A.11	Building – Terminal	9.18	2.50	-	-	-	11.68
A.12	Tools & Equipment	-	-	2.08	-	0.35	2.43
A.13	Vehicle – Others	0.23	0.52	-	0.26	-	1.01
	Subtotal (A)	24.36	10.74	3.40	26.59	31.84	96.94
B	Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period						
B.1	Boundary Wall – Operational	-	0.01	-	-	-	0.01
B.2	Security Fencing	-	-	0.46	-	-	0.46
B.3	CFT/Fire Fighting Equipment	0.16	5.27	-	-	-	5.43
B.4	Computers - End User Devices	0.08	0.16	0.07	0.07	0.08	0.46
B.5	Office Equipment	0.06	0.01	-	0.02	-	0.09
B.6	Furniture & Fixtures - Other than trolleys	0.50	0.59	1.47	-	-	2.55
B.7	Furniture & Fixtures – Trolleys	0.23	-	-	-	-	0.23
B.8	Other Building	-	0.04	-	0.49	-	0.53
B.9	Plant & Machinery	1.36	1.36	1.93	1.73	1.48	7.86
B.10	Building – Terminal	-	-	-	-	1.37	1.37
B.11	Tools & Equipment	0.45	3.16	3.37	0.61	-	7.59
B.12	Vehicle – Others	0.08	-	-	-	0.07	0.15
B.13	X Ray Baggage System	-	-	-	-	-	-
	Subtotal (B)	2.92	10.60	7.30	2.92	3.00	26.74
	Total CAPEX incurred (A+ B)	27.28	21.34	10.70	29.51	34.85	123.68

4.4.31 The Authority proposes to consider CAPEX of ₹ 123.68 crores as against CAPEX of ₹ 132.59 crores claimed by AAI (including Financing Allowance) for True up of the First Control Period. The variance is on account of the following:

- Not considering the Financing Allowance of ₹ 6.54 crores in RAB as claimed by AAI for the First Control Period.
- Not considering Financial Lease assets of ₹ 1.86 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 ₹ 0.51 crores.

True up of Depreciation for the First Control Period

4.4.32 AAI has submitted the following depreciation for the First Control Period for Coimbatore International Airport.

Table 15: Depreciation for the First Control Period submitted by AAI for Coimbatore International Airport

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Aprons	0.22	0.23	0.23	0.71	1.19	2.59
Boundary Wall Operational	0.07	0.07	0.18	0.18	0.14	0.65
Boundary Wall Residential	0.00	0.00	0.01	0.01	0.02	0.04
Boundary Wall Temporary	-	-	0.02	0.15	0.05	0.22
CFT/Fire Fighting Equipment	0.01	0.19	0.36	0.36	0.36	1.28
Computer & Peripherals - End User Devices	0.06	0.10	0.03	0.21	0.42	0.83
Computer Software	0.01	0.01	0.01	0.01	0.00	0.03

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Electrical Installations	3.22	2.17	0.86	0.20	0.16	6.61
Furniture & Fixtures - Other than Trolley	0.04	0.04	0.01	0.01	0.01	0.10
Furniture & Fixtures - Trolley	0.13	0.15	0.15	0.03	-	0.46
Office Appliance	0.02	0.02	0.02	0.02	0.00	0.09
Office Furniture	0.14	0.22	0.37	0.34	0.49	1.55
Other Buildings	-	0.00	0.00	0.00	0.00	0.00
Plant & Machinery	0.79	1.55	2.02	2.18	2.52	9.06
Residential Buildings	0.05	0.05	0.04	0.04	0.50	0.67
Road, Bridges & Culverts	0.24	0.42	0.42	0.14	0.43	1.64
Runways	0.72	0.03	0.03	0.03	0.03	0.84
Terminal Building	1.73	1.90	1.90	1.91	1.94	9.38
Tools & Equipment	0.07	0.22	0.47	0.61	0.63	2.02
Vehicle	0.04	0.09	0.12	0.14	0.15	0.55
Vehicle - Cars & Jeeps	0.06	0.05	0.04	0.04	0.03	0.21
X Ray Baggage System	0.01	0.08	0.14	0.14	0.14	0.51
Total	7.63	7.58	7.45	7.46	9.22	39.34

4.4.33 The Authority notes that AAI has 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 dated 9th April 2018 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 have been applied by AAI from FY 2018-19 onwards.

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

4.4.34 Based on the above factors, the Authority has recomputed the depreciation as ₹ 35.51 crores and the same is presented below:

Table 16: Depreciation proposed by the Authority for True up of the First Control Period

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Apron	0.20	0.20	0.20	0.66	1.08	2.36
Boundary Wall – Operational	0.44	0.33	0.14	0.07	0.07	1.06
Boundary Wall – Residential	0.04	-	-	-	0.02	0.06
Computers - End User Devices	0.06	0.07	0.13	0.11	0.11	0.50
Other Building	0.00	0.35	0.35	0.35	0.36	1.41
Electrical Installations	2.17	3.16	2.36	1.75	1.19	10.63
Plant & Machinery	0.33	0.52	1.08	1.29	1.82	5.04
Runway	0.04	0.05	0.05	0.05	0.05	0.23
Building – Residential	0.03	0.03	0.03	0.03	0.76	0.88
Road, Bridges & Culverts	0.07	0.07	0.07	0.06	0.09	0.36
Building – Terminal	1.01	1.32	1.40	1.40	1.40	6.53
Tools & Equipment	0.05	0.16	0.40	0.67	0.71	2.00
Vehicle – Others	0.05	0.08	0.15	0.16	0.18	0.62
Security Fencing	-	-	0.02	0.05	0.05	0.11
CFT/Fire Fighting Equipment	0.01	0.22	0.36	0.36	0.36	1.31
Office Equipment	0.02	0.02	0.02	0.02	0.02	0.10
Furniture & Fixtures - Other than trolleys	0.06	0.14	0.25	0.38	0.37	1.20
Furniture & Fixtures – Trolleys	0.09	0.15	0.15	0.08	-	0.46
X Ray Baggage System	0.01	0.01	0.01	0.01	0.01	0.07
Computers – Software	0.01	0.01	0.01	0.01	0.01	0.03

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Office Furniture	0.10	0.10	0.10	0.10	0.10	0.49
Vehicle - Cars & Jeeps	0.02	0.02	0.01	0.01	0.01	0.07
Total	4.81	7.02	7.29	7.62	8.77	35.51

4.4.35 Variance in the depreciation proposed by the Authority as ₹ 35.51 crores against the amount proposed by AAI ₹ 39.34 crores is on account of the following factors:

- Not considering Financing Allowance of ₹ 6.54 crores in RAB as claimed by AAI for the First Control Period and thereby its impact on depreciation
- Not considering Financial Lease assets of ₹ 1.86 crores claimed by AAI in RAB as for the First Control Period and thereby its impact on depreciation.
- Reclassification and reallocation of assets resulting in variance of ₹ 0.51 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.

True up of Regulatory Asset Base for the First Control Period

4.4.36 After considering the aforementioned analysis and adjustments, the Authority has re-computed the RAB as presented in the table below:

Table 17: RAB proposed by the Authority for True up of the First Control Period

(₹ in crores)

Particulars	Ref	FY19	FY20	FY21	FY22	FY23	Total
Opening RAB	A	46.26 [^]	68.73	82.92	86.32	108.19	
Additions (Table 14)	B	27.28	21.34	10.70	29.51	34.85	123.68
Disposal/Transfer*	C	-	0.13	0.00	0.02	0.25	0.41
Depreciation (Table 16)	D	4.81	7.02	7.29	7.62	8.77	35.51
Closing RAB	E=A+B-C-D	68.73	82.92	86.32	108.19	134.01	
Average RAB	F = (A+E)/2	57.49	75.82	84.62	97.26	121.10	

[^]Opening RAB has been obtained from tariff order 44/2018-19 dated 6th March 2019 (Table 16).

*Relates to demolition of old staff quarters as submitted by AAI in the MYTP for the First Control Period

4.5 True up of Fair Rate of Return (FRoR)

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

4.5.2 The Authority observed that there are interest expenses in the trial balance provided by AAI for the First Control Period, while there is no corresponding debt appearing in the financial model submitted by AAI. A query was raised to AAI seeking clarity on debts availed during the First Control Period for Coimbatore International Airport. AAI vide mail dated 19th February 2024 stated that it has availed debts of ₹ 19.13 crores during First Control Period (from FY 2020-21 to FY 2022-23) and it had inadvertently missed to consider the same in MYTP submission.

4.5.3 The Authority has therefore computed FRoR taking into consideration the debt availed by AAI during the First Control Period. The Authority has computed total equity as the closing RAB less the closing debt for a particular financial year. The Authority has considered cost of debt as 7.25% (calculated as per interest details

submitted by AAI vide email dated 28th February 2024) and cost of Equity as 14%. The same is shown as follows:

Table 18: FRoR considered by the Authority for True up of the First Control Period

(₹ in crores)

Particulars	Reference	FY19	FY20	FY21	FY22	FY23	Total
Debt	A	-	-	14.76	18.64	19.13	
Equity	B	68.73	82.92	71.56	89.55	114.88	
Debt + Equity	C = A + B	68.73	82.92	86.32	108.19	134.01	480.17
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	0.00%	0.00%	17.01%	17.23%	14.28%	
Weighted Average Gearing (%)	$G = \sum (F * C) \div \sum C$						10.94%
Cost of Debt (%)	H						7.25%
Cost of Equity (%)	I						14%
FRoR (%)	(J=H*G+I*[1-G])						13.26%

4.5.4 The Authority proposes to consider 13.26% as FRoR for true up of the First Control Period for Coimbatore International Airport.

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

4.6.1 The Authority notes that the actual O&M expenses submitted by AAI for Coimbatore International Airport for true up of the First Control Period is ₹ 263.90 crores and the same is presented in table below:

Table 19: Actual O&M expenses submitted by AAI for Coimbatore 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)	17.49	21.03	18.52	20.29	19.20	96.53
2	Retirement benefits of employees	6.03	3.45	0.81	2.03	0.63	12.94
A	Total Payroll Expenditure (1+2)	23.52	24.48	19.33	22.32	19.83	109.47
3	Admin & General Expenses (Other than CHQ/RHQ)	5.47	5.43	4.49	5.99	8.02	29.40
4	Admin & General Expenses (CHQ/RHQ)	6.94	16.87	12.51	13.14	13.80	63.27
B	Total Admin & General Expenditure (3+4)	12.42	22.30	17.01	19.13	21.82	92.67
C	Repairs & Maintenance Expenditure	6.89	7.75	6.81	7.55	9.10	38.09
D	Utilities & Outsourcing Expenditure	4.56	4.89	3.94	3.95	4.60	21.94
E	Other Outflows	0.23	0.49	0.14	0.28	0.57	1.72
	Total (A+B+C+D+E)	47.61	59.91	47.22	53.23	55.92	263.90

4.6.2 The O&M expenses approved by the Authority in the Tariff Order for First Control Period were ₹ 251.69 crores. Component-wise details of the O&M expenses approved by the Authority in the Tariff Order No.44/2018-19 dated 6th March 2019 for the First Control Period is as follows:

Table 20: O&M expenses as per the Tariff Order for the First Control Period*(₹ in crores)*

Sl. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
A	Payroll Expenditure	22.48	23.84	25.31	26.89	28.57	127.09
B	Admin & General Expenditure	9.09	9.70	10.36	11.07	11.83	52.05
C	Repairs & Maintenance Expenditure	7.69	8.46	9.31	10.72	12.31	48.49
D	Utilities & Outsourcing Expenditure	4.25	4.25	4.25	4.41	4.58	21.74
E	Other Outflows	0.35	0.40	0.46	0.52	0.59	2.32
	Total (A+B+C+D+E)	43.86	46.65	49.69	53.71	57.88	251.69

The Authority notes a difference of ₹ 12.21 crores between the O&M expenses submitted for true up by AAI for Coimbatore International Airport and expenses approved by the Authority in the Tariff Order No. 44/2018-19 dated 6th March 2019 for the First Control Period. The Authority has examined the variances and the same has been explained in the following paragraphs:

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

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

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

a) Allocation Ratios

Employee Head Count Ratio (EHCR)

- 4.6.3 There are two different EHCR ratios applied by AAI. One EHCR is applied for apportionment of payroll expenses (Aero:Non-Aero) and the other is 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 is as presented below:

Table 21 : EHCR Allocation % as submitted by AAI in MYTP proposal

Particulars	FY19	FY20	FY21	FY22	FY23
EHCR (Aero:Non-Aero)					
Aero	96.43%	93.55%	94.07%	95.00%	94.55%
Non-Aero	3.57%	6.45%	5.93%	5.00%	5.45%
Total	100%	100%	100%	100%	100%
EHCR (Aero:Non-Aero:ANS)					
Aero	64.29%	66.29%	66.47%	67.46%	64.60%
Non-Aero	2.38%	4.57%	4.19%	3.55%	3.73%
ANS	33.33%	29.14%	29.34%	28.99%	31.68%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

The Authority has analyzed the above EHCR computations submitted by AAI and proposes to consider the same for allocation of common expenses and assets pertaining to employees.

Terminal Building Ratio (TBLR)

- 4.6.4 AAI has submitted an average Terminal Building Ratio of 92.29%: 7.71% (Aero:Non-Aero) based on the actual commercial area let out during the First Control Period. The Authority proposes to consider the ratio as 92%:8% for apportionment of common assets within the Terminal Building (Aeronautical: Non-aeronautical), for the First Control Period as considered at other similar airports.

Computation of Gross Block Ratio (GBR)

- 4.6.5 The Authority notes that AAI has not submitted Gross Block Ratio computation and consequently no expenses have been allocated using GBR. However, the Authority proposes to compute GBR and apply the same on allocation of expenses such as Municipal Taxes, Consultancy fees etc. The GBR computed by the Authority is as follows:

Table 22: GBR Allocation % as computed by the Authority

Particulars	FY19	FY20	FY21	FY22	FY23
Aero	93.26%	93.70%	93.80%	94.34%	89.94%
Non-aero	2.13%	2.04%	2.11%	1.95%	1.93%
Others*	4.61%	4.26%	4.09%	3.71%	8.13%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

*Includes both ANS and Cargo Assets

AAI has submitted the following ratios, which the Authority finds reasonable and therefore proposes to consider the same.

Electricity Ratio

- 4.6.6 AAI has submitted an Electricity ratio allocation between Aero: ANS of 82.08%:17.92% for all years of the First Control Period. The Authority has analyzed the same and proposes to consider the same for the purposes of true up of the First Control Period.

Staff Quarters Ratio (SQTR)

- 4.6.7 Staff Quarters Ratio is computed on the basis of no. of staff quarters utilized by employees categorized under various segments i.e. Aeronautical/Non-Aeronautical/ANS. SQTR is utilized for the purposes of allocation of expenses pertaining to staff residence such as residential telephone expenses, watch & ward expenses, etc.,

Table 23: Staff Quarter Ratio as submitted by AAI and considered by the Authority

Particulars	FY19	FY20	FY21	FY22	FY23
Total no. of Staff Quarters	83	59	59	55	120
Staff Quarters utilized by					
Aeronautical Employees	76	53	55	51	87
Non-Aeronautical Employees	0	0	0	0	2
ANS Employees	7	6	4	4	31
Total	83	59	59	55	120
Staff Quarters Ratio					
Aero	91.57%	89.83%	93.22%	92.73%	72.50%
Non-Aero	0.00%	0.00%	0.00%	0.00%	1.67%
ANS	8.43%	10.17%	6.78%	7.27%	25.83%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Vehicle Ratio

- 4.6.8 AAI has submitted Vehicle Ratio used for the apportionment of “R&M-Vehicle Expenses”. Vehicle Ratio is computed on the basis of hired vehicles used by employees pertaining to Aeronautical/Non-Aeronautical/ANS segments.

Table 24: Vehicle Ratio as submitted by AAI and considered by the Authority

Particulars	FY19	FY20	FY21	FY22	FY23
Aero	80.00%	75.00%	75.00%	75.00%	75.00%
Non-aero	0.00%	0.00%	0.00%	0.00%	0.00%
ANS	20.00%	25.00%	25.00%	25.00%	25.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

b) Assessment, Rationalization & Reallocation of O&M expenses**A. Payroll Expenses - ₹ 109.47 crores**

- 4.6.9 The Authority has observed that the actual total payroll expenses (both other than CHQ/RHQ and CHQ/RHQ) for the First Control Period submitted by AAI for Coimbatore International Airport is ₹ 109.47 crores, as presented in the table below:

Table 25 : 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)	17.49	21.03	18.52	20.29	19.20	96.53
Retirement benefits of employees	6.03	3.45	0.81	2.03	0.63	12.94
Total	23.52	24.47	19.32	22.32	19.83	109.47

- 4.6.10 The Authority in FCP Tariff Order had considered a one-time increase of 37.16% for non-executive staff and their respective overtime expenses due to pay revision in FY 2018-19 and thereafter considered an average Y-o-Y increase of 6%, keeping FY 2018-19 expenses as the base. On account of this, the projected payroll expenses in FCP Tariff Order were higher than the actual payroll expenses incurred during the First control Period. However, the actual increase in FY 2018-19 as compared to FY 2017-18 is ~24%.
- 4.6.11 Since, the actual payroll expenses (₹ 109.47 crores) for Coimbatore International Airport is within the expense approved by the Authority in the FCP Tariff Order (₹ 127.09 crores), the Authority proposes 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.

B. Apportionment of Administration & General expenditure of CHQ/RHQ - ₹ 63.27 crores

- 4.6.12 The Authority has reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to Coimbatore International Airport and other airports and notes the following:
- All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) are 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 have been allocated to the common pool and apportioned to all the AAI airports. The Authority is of the view

that the above process followed by AAI for allocating the expenses is not transparent and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports.

iii. The Authority proposes the following for allocation of Payroll expenses pertaining to CHQ and RHQ to airport (under Administration and General expenses (CHQ/RHQ):

a) Pay and Allowances of CHQ/RHQ

- AAI has considered payroll expenses of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses are non-aeronautical in nature.
- AAI has excluded payroll expenses of employees involved in ATM, CNS and Cargo departments at CHQ and RHQ while working out the allocation to the airport. However, no exclusion has been done for support services of the departments of Human Resource, 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 is of the view that 20% of pay and allowances of CHQ and RHQ is to be excluded towards the following:
 - i. Support services to ANS, Cargo and Commercial at CHQ, RHQ and Airports.
 - ii. Officials of Directorate of Commercial.

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

b) Administration & General Expenses of CHQ and RHQ

- This head contains payroll costs of employees working in CHQ/RHQ for various AAI airports, administration and general expenses such as legal & arbitration expenses, interest/ penalties, insurance, travelling costs etc. and R&M expenses and other utility charges which is netted off against “other income/ sale of scrap” and then allocated to various AAI airports on the basis of revenue.
- AAI has incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority is of the view that this expense should be analyzed and distributed to stations on a case-to-case basis. As the above details have not been provided by AAI, the same has not been allocated to the stations.
- AAI has paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority is 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 proposes to not consider interest/penalties appearing in AAI submission.

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

4.6.14 The Authority 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 therefore expects AAI to examine these issues in detail and devise a foolproof method for allocation of CHQ & RHQ expenses on priority.

Further, the Authority feels that AAI should exploit the potential of its non-traffic revenues fully so that 30% of the same, by cross subsidization can be used to cover Aeronautical expenses.

The Authority is aware that AAI has commissioned a study through the Institute of Cost Accountants of India (now ICAI) regarding the methodology for apportionment of CHQ/RHQ expenses to airports. Therefore, AAI is advised to share the outcome of decisions taken on the said study report along with a copy of the report with AERA at the earliest, so that appropriate decision is taken by Authority in this regard.

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

Table 26: Re-allocation of CHQ/RHQ – Administration & General expenses proposed 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)	6.94	16.87	12.51	13.14	13.80	63.27
Revised allocation of CHQ/RHQ expenses proposed by the Authority (B)	5.02	13.95	10.76	11.30	11.87	52.91
Variance (A-B)	1.93	2.92	1.75	1.84	1.93	10.36

C. Administration expenses (Other than CHQ/RHQ) - ₹ 29.40 crores

- 4.6.15 The Authority notes that increase in Administration Expenses is due to incurrence of higher upkeep expenses, installation of “May I Help You” counters and revision of travelling allowance rates.
- 4.6.16 The Authority also notes that AAI has claimed ₹ 2.17 crores towards CSR Expenses in the True up of the First Control Period.
- 4.6.17 The Authority took cognizance of the statutory provisions of the Companies Act, 2013 towards allowance of CSR expenses and the extract of the same has been provided below:
- 4.6.18 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’.
- 4.6.19 In this regard, the Authority is 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 element of 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 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 will not consider CSR expenses under the O&M Expenditure.

- 4.6.20 AAI has apportioned Telephone charges, Printing & stationery and other expenses based on the EHCR presented in Table 21. The Authority also proposes to apportion Residential telephone charges based on Staff Quarter Ratio instead of Employee Ratio, Insurance and R&M-Vehicles based on Vehicle ratio, travelling expenses and R&M-Furniture based on Employee ratio instead of considering these as 100% aeronautical as submitted by AAI.
- 4.6.21 The Authority also notes that the total manpower hiring expenses for FY 2020-21 as per the trial balance for that year was ₹ 0.56 crores, but AAI has considered only ₹ 0.14 crores due to a formula error. The Authority proposes to consider the appropriate amount as per Trial Balance.

Interest on Finance Lease

- 4.6.22 The Authority notes that the interest on finance lease of ₹ 0.29 crores has been recorded by AAI from FY 2019-20 to FY 2022-23 as part of Administration & General expenses. It is noted that AAI made adjustments to its treatment of lease expense due to the requirements of the provisions of the accounting standard. Initially, 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 with M/s. Rapiscan System Pvt. Ltd., Under this contract, AAI leased the XBIS system for a period of 6 years at an annual lease payment of ₹ 0.39 crores.
- 4.6.23 Initially, AAI accounted for this lease as an operating lease 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 "Financial Lease". As a result of this change in accounting treatment, AAI has made the following changes in the MYTP:
- Addition to Regulated Asset Base (RAB): Assets amounting to ₹ 1.86 crores were added to the RAB as of 1st April 2019, considering its useful life as 15 years (included under X-Ray Baggage System).
 - Depreciation: AAI charged depreciation of ₹ 0.21 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.
 - Income of ₹ 0.41 crores was recognized in FY 2019-20 for the adjustment of accumulated depreciation and interest on the finance lease for previous years i.e., FY 2017-18 and FY 2018-19. This was accounted for under Repairs & Maintenance.
 - Liability Recognition: A liability of ₹ 1.17 crores was recognized in FY 2019-20 to account for the financial lease obligation.
- 4.6.24 Based on the above data, it is observed that the accounting does not reflect the lease commitment of ₹ 0.39 crores payable annually to the vendor every year. Therefore, it is proposed to consider the value of lease payment as part of the O&M expenses by adjusting the following:
- i. Recategorizing the amount of ₹ 0.41 crores shown under R&M head to A&G expense head.
 - ii. In RAB, excluding the amount of ₹ 1.86 crores that is considered as addition in FY 2019-20 along with the depreciation.
 - iii. Removing the liability so recognized from the books (which does not have an impact on ARR)

iv. Excluding Interest on Finance lease and recognizing Lease rent of ₹ 0.39 crores per annum.

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

Table 27: Lease expense adjustment as per the Authority for the First Control Period

(₹ in crores)

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
R&M BOT XBIS Lease as per AAI Submission (A)	0.39	0.02	-	-	-	0.41
Operational Lease payment to be adjusted (B)	-	0.37	0.39	0.39	0.39	1.54
Lease expenditure as per the Authority (A+B)	0.39	0.39	0.39	0.39	0.39	1.95

4.6.25 The revised Administration & General expenses after carrying out the above-mentioned adjustments proposed by the Authority for True up of First Control Period is as follows:

Table 28: Administration & general expenses (Other than CHQ/RHQ) proposed for True up of First Control Period

(₹ in crores)

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Administration & General expenses after change in allocations and other adjustments	4.37	4.08	4.64	5.35	7.59	26.03
(Less): XBIS lease expense accounted by AAI	-	(0.11)	(0.09)	(0.06)	(0.03)	(0.29)
(Add): Prior period income recognized on account of change in lease accounting	-	0.41	-	-	-	0.41
(Add): Lease expenses (recomputed by the Authority)	0.39	0.39	0.39	0.39	0.39	1.95
Administration & General expenses (Other than CHQ/RHQ) for True-up	4.76	4.77	4.94	5.68	7.95	28.10

D. Repairs and Maintenance (R&M) - ₹ 38.09 crores

4.6.26 The Authority notes that the actual R&M cost for the First Control Period is ₹ 38.09 crores and the same is within the amount of ₹ 48.49 crores approved by the Authority in the Tariff Order No. 44/2018-19 dated 6th March 2019 for the First Control Period.

4.6.27 The Authority observes that R&M expenses comprise of various Annual Maintenance Contracts (AMCs) pertaining to ETD, CCTV, Apron drive glass walled PBB, E-gates, FIDS, BDDS, etc., for electrical and electronic maintenance. The Authority has reviewed these expenses and proposes to consider the same for true-up.

4.6.28 As explained in para 4.6.22, the lease interest expenses on XBIS BOT have 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 in FY 2019-20 have been reduced from R&M expenses for the purposes of true up of First Control Period.

4.6.29 AAI has 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, proposes to consider R&M expenses of ₹ 37.28 crores for true-up of the First Control Period. The reason for the variance being Terminal Building Ratio recomputed by the Authority as explained in para 4.4.29.

Table 29: R&M expenses proposed by the Authority for True up of First Control Period*(₹ in crores)*

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
R&M expenses after change in allocations and other changes (A)	6.69	7.76	6.79	7.48	8.97	37.69
Less: XBIS BOT lease (B)	(0.39)	(0.02)	-	-	-	(0.41)
Total R&M expenses (A-B)	6.30	7.75	6.79	7.48	8.97	37.28

E. Utilities & Outsourcing Expenses - ₹ 21.94 crores

4.6.30 The Authority observes that Utilities & Outsourcing Expenses consist of Power charges, Water charges, Consumption of stores & spares, Fees paid to consultants and Hire charges for vehicles. AAI has submitted a total of ₹ 21.94 crores during the First Control Period as compared to ₹ 21.74 crores approved in the tariff order No. 44/2018-19 dated 6th March 2019 for the First Control Period. The Authority's analysis of various sub-heads of the utilities and outsourcing expenses have been discussed in the paragraphs below:

I. Power Charges

4.6.31 The Authority notes that AAI has incurred actual power charges of ₹ 21.56 crores during First Control Period out of which ₹ 3.12 crores has been recovered from concessionaires, and the net power charges of ₹ 18.44 crores has been claimed by AAI for true-up of the First Control Period. The total power costs incurred, recoveries made from Concessionaires and the net power costs have been summarized in the table below:

Table 30: Details of power costs incurred and recoveries made from Concessionaires for the First Control Period*(₹ in crores)*

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Total Power Costs (A)	4.54	5.02	3.60	3.85	4.56	21.56
(-) Recoveries from Concessionaires (B)	(0.73)	(0.75)	(0.33)	(0.53)	(0.78)	(3.12)
Net Power Costs (C = A-B)	3.80	4.27	3.26	3.32	3.78	18.44
Recoveries % (B/A)	16%	15%	9%	14%	17%	

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

II. Water Charges

4.6.33 The Authority notes that AAI has incurred Water charges of ₹ 0.71 crores during the First Control Period. The Authority finds the same to be reasonable and hence proposes to consider the same for true up of the First Control Period.

III. Consumption of Stores & Spares

4.6.34 AAI has submitted actual expenses amounting to ₹ 1.76 crores for the consumption of Stores & Spares which include fuel expenses and other consumables. Expenses towards consumption of stores and spares have not been separately approved in the Tariff Order for the First Control Period. The Authority notes the actual expenses towards consumption of Stores and spares to be reasonable and therefore proposes to consider the same for true-up of the First Control Period.

IV. Consultancy and Other Charges

4.6.35 AAI has submitted Consultancy & other charges and Hire charges for car/jeep to the tune of ₹ 1.02 crores for the First Control Period. These charges were not separately approved in the tariff order for the First Control Period. The Authority finds the expenses to be reasonable and proposes to consider the same for True-up of

First Control Period. While these were considered as 100% Aeronautical in AAI's submission, the Authority has applied gross block ratio for the apportionment of these expenses for true-up of the First Control Period.

Table 31: Utilities & Outsourcing expenses proposed by the Authority for True up of First Control Period

(₹ in Crores)

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Power Charges	3.80	4.27	3.26	3.32	3.78	18.44
Consumption of Stores & Spares	0.38	0.29	0.35	0.33	0.41	1.76
Water Charges	0.16	0.16	0.12	0.11	0.16	0.71
Fees paid to Outsiders (Consultancy/Advisory)	0.08	0.05	0.12	0.12	0.13	0.49
Hire Charges – Car/Jeep & Others	0.15	0.12	0.08	0.08	0.10	0.52
Revised Utilities & Outsourcing Expenses	4.56	4.89	3.94	3.95	4.58	21.92

F. Other Outflows - ₹ 1.72 crores

- 4.6.36 Other outflows which include collection charges on PSF and UDF submitted by AAI for true up of Coimbatore International Airport of ₹ 1.72 crores is within the limits approved by the Authority in Tariff Order for the First Control Period of ₹ 2.32 crores. AAI has considered these outflows as 100% aeronautical, which the Authority finds reasonable and proposes to consider the same for true-up of the First Control period.
- 4.6.37 Based on the above review and analysis, the revised O&M expenses proposed to be considered by the Authority for the First Control Period are provided in the table below:

Table 32: O&M expenses as proposed by the Authority for True up of the First Control Period

(₹ in crores)

Particulars	Ref	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Payroll Costs - Other than CHQ/RHQ	Table 25	17.50	21.02	18.52	20.29	19.20	96.52
Payroll Costs - CHQ/RHQ		6.03	3.45	0.81	2.04	0.63	12.95
Total Payroll Costs		23.52	24.48	19.33	22.32	19.83	109.47
Admin. & General Expenses - Other than CHQ/RHQ	Table 28	4.76	4.77	4.94	5.68	7.95	28.10
Admin. & General Expenses - CHQ/RHQ	Table 26	5.02	13.95	10.76	11.30	11.87	52.91
Total Admin. & General Expenses		9.77	18.72	15.71	16.98	19.82	81.01
Repairs & Maintenance	Table 29	6.30	7.75	6.79	7.48	8.97	37.28
Utilities & Outsourcing	Table 31	4.56	4.89	3.94	3.95	4.58	21.92
Other Outflows	-	0.23	0.49	0.14	0.28	0.57	1.72
Total		44.38	56.33	45.90	51.01	53.78	251.40

- 4.6.38 Reasons for variance in O&M expenses as submitted by AAI (₹ 263.90 crores) and as proposed by the Authority (₹ 251.40 crores) for true up of the First Control Period is as follows:

- Administration & General Expenses (CHQ/RHQ) – Rationalization by ₹ 10.36 crores due to rationalization of expenses on account of 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 ₹ 1.30 crores due to disallowance of CSR expenses, re-computation of EHCR, considering TBLR as 92%:8% and usage of GBR for certain expense heads

- Repairs & Maintenance Expenses - Rationalization of expenses to the extent of ₹ 0.80 crores due to the consideration of various ratios that have been recomputed.
- Utilities & Outsourcing Expenses – Rationalization of costs by ₹ 0.02 crores on account of using Gross Block Ratio for apportionment of Consultancy charges as enumerated in para 4.6.35.

4.7 True up of Non-Aeronautical Revenue

4.7.1 The Authority notes that the actual Non-Aeronautical Revenue submitted by AAI for Coimbatore International Airport for true-up of the First Control Period is ₹ 90.88 crores and the same has been presented in the table below:

Table 33: Actual Non-aeronautical Revenue for the First Control Period submitted by AAI for Coimbatore International Airport

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Trading Concessions: A	11.69	13.98	3.05	5.38	14.85	48.95
Restaurant / Snack Bars	2.26	2.72	0.54	0.93	2.79	9.24
T.R. Stall	2.95	3.84	0.97	1.90	4.13	13.79
Hoarding & Display	6.48	7.42	1.54	2.55	7.93	25.92
Rent & Services: B	2.70	2.86	2.96	2.85	2.45	13.82
Land Leases	0.30	0.18	0.27	0.22	0.30	1.27
Building (Residential)	0.02	0.02	0.02	0.01	0.03	0.10
Building (Non-Residential)	1.08	1.05	1.06	1.29	1.49	5.97
Hanger Land Rent	1.30	1.61	1.62	1.33	0.62	6.47
Miscellaneous: C	7.72	7.43	2.28	3.17	7.50	28.11
Duty Free Shops	1.74	1.76	0.16	0.56	2.01	6.22
Car Rentals	0.58	0.73	0.21	0.44	1.20	3.16
Car Parking	3.03	1.93	0.24	0.66	1.17	7.04
Admission Tickets	0.80	0.77	0.06	0.06	0.10	1.79
Other Income/ Sale of Scrap etc.	1.56	2.24	1.61	1.46	3.02	9.90
Total (A+B+C)	22.11	24.27	8.29	11.41	24.80	90.88

4.7.2 The non-aeronautical revenue approved by the Authority in the Tariff Order No - 44/2018-19 dated 6th March 2019 for the First Control Period was ₹ 137.24 crores. The details of Non-Aeronautical Revenue approved by the Authority in the Tariff Order for the First Control Period are as follows:

Table 34: Non-Aeronautical revenue approved by the Authority for the First Control Period

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Trading Concessions: A	10.48	11.53	12.68	14.58	16.77	66.04
Restaurant / Snack Bars	2.10	2.31	2.54	2.92	3.36	13.23
T.R. Stall	2.68	2.95	3.24	3.73	4.29	16.89
Hoarding & Display	5.70	6.27	6.90	7.93	9.12	35.92
Rent & Services: B	3.63	3.96	4.33	4.84	5.43	22.19
Land Leases	0.33	0.33	0.33	0.33	0.33	1.65
Building (Residential)	0.03	0.04	0.04	0.04	0.05	0.20
Building (Non-Residential)	1.93	2.12	2.34	2.69	3.09	12.17
Hanger Land Rent	1.34	1.47	1.62	1.78	1.96	8.17
Miscellaneous: C	7.94	8.68	9.47	10.73	12.19	49.01
Duty Free Shops	1.92	2.11	2.32	2.67	3.07	12.09
Car Rentals	0.86	0.95	1.05	1.20	1.38	5.44
Car Parking	3.03	3.34	3.67	4.22	4.86	19.12

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Admission Tickets	0.74	0.82	0.90	1.03	1.19	4.68
Other Income/ Sale of Scrap etc.	1.39	1.46	1.53	1.61	1.69	7.68
Total (A+B+C)	22.05	24.17	26.48	30.15	34.39	137.24

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

- 4.7.3 The Non-Aeronautical Revenue approved by the Authority in the Tariff Order for the First Control Period was ₹ 137.24 crores. The actual Non-Aeronautical Revenue amounting to ₹ 90.88 crores submitted by AAI for Coimbatore International Airport for the First Control Period is lower than that approved by AERA in the tariff order for the First Control Period.
- 4.7.4 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 is on account of a decline in passenger traffic due to the adverse effects of the COVID-19 pandemic which lead to a decline in both domestic and international passenger traffic. For the FY 2021-22 and FY 2022-23 such decline was ~62.2% and ~27.9% respectively between the actual non-aeronautical revenues and non-aeronautical revenues approved in the tariff order for the First Control Period.
- 4.7.5 The Authority, in line with its decision taken in other Airports, proposes to consider the license fee/space rentals from airlines and other aeronautical concessionaires (GHA service providers) as aeronautical revenue and exclude the same from non-aeronautical revenue amounting to ₹ 3.37 crores for the First Control Period (currently classified in Building (Non-Residential) and Land leases).
- 4.7.6 The Authority notes that Misc. Income includes other segment income (pertaining to NASFT) amounting to ₹ 0.28 crores submitted by AAI in the MYTP submission which the Authority proposes to exclude from the Non-Aeronautical Revenues.
- 4.7.7 Based on the above analysis, the Authority proposes to consider the actual Non-Aeronautical Revenue as presented in table below for the purpose of true-up of the First Control Period.

Table 35: Non-Aeronautical Revenue true-up proposed by the Authority for the First Control Period

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Trading Concessions: A	11.69	13.98	3.05	5.38	14.85	48.95
Restaurant / Snack Bars	2.26	2.72	0.54	0.93	2.79	9.24
T.R. Stall	2.95	3.84	0.97	1.90	4.13	13.79
Hoarding & Display	6.48	7.42	1.54	2.55	7.93	25.92
Rent & Services: B	2.70	2.86	2.96	2.85	2.45	13.82
Land Leases	0.30	0.18	0.27	0.22	0.30	1.27
Building (Residential)	0.02	0.02	0.02	0.01	0.03	0.10
Building (Non-Residential)	1.08	1.05	1.06	1.29	1.49	5.97
Hanger Land Rent	1.30	1.61	1.62	1.33	0.62	6.47
Miscellaneous: C	7.72	6.97	2.47	3.17	7.50	27.83
Duty Free Shops	1.74	1.76	0.16	0.56	2.01	6.22
Car Rentals	0.58	0.73	0.21	0.44	1.20	3.16
Car Parking	3.03	1.93	0.24	0.66	1.17	7.04
Admission Tickets	0.80	0.77	0.06	0.06	0.10	1.79
Other Income/ Sale of Scrap etc.	1.56	1.78	1.79	1.46	3.02	9.62

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Total (D=A+B+C)	22.11	23.81	8.48	11.41	24.80	90.60
Less: Revenue from Lease Rentals from Ramp area for Airlines & Ground Handling Agency (E)	0.27	0.16	0.15	0.15	0.15	0.88
Less: Revenue from Space Rent from Airlines (F)	0.61	0.38	0.36	0.51	0.64	2.49
Total (G=D-E-F)	21.23	23.28	7.97	10.75	24.01	87.23

4.7.8 Based on the above analysis, the Authority proposes to consider the Non-Aeronautical Revenues as per Table 35 after adjustments detailed below:

- Exclusion of Other Segment Income (other than airport pertaining to NASFT) amounting to ₹ 0.28 crores.
- Recategorizing the license fee/space rentals from airlines and other aeronautical concessionaires (GHA service providers) amounting to ₹ 3.37 crores from Non-Aeronautical Revenue to Aeronautical Revenue.

4.8 True up of Aeronautical Revenue

4.8.1 AAI has submitted Aeronautical Revenue for the First Control Period as follows:

Table 36: Aeronautical Revenue for the First Control Period submitted by AAI for Coimbatore International Airport

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Landing Charges (A)	14.46	19.49	8.58	13.32	22.61	78.46
Landing Charges - Domestic	12.03	16.54	8.16	12.24	20.08	69.05
Landing Charges - International	2.43	2.95	0.42	1.08	2.53	9.41
PSF & UDF Charges (B)	12.06	50.55	14.47	23.49	46.44	147.00
PSF - Domestic	11.19	0.37	-	-	-	11.57
PSF - International	0.86	0.12	-	-	-	0.99
UDF - Domestic	-	44.56	13.96	21.90	41.46	121.89
UDF - International	-	5.49	0.51	1.59	4.98	12.56
Parking & Housing Charges (C)	0.05	0.17	0.16	1.17	0.96	2.52
Parking & Housing Charges	0.05	0.17	0.16	1.17	0.96	2.52
Other Revenues (D)	7.84	8.15	2.37	2.84	6.54	27.73
Extension of Watch Hours	-	-	0.06	0.01	-	0.08
CUTE Charges	2.28	2.60	0.73	0.99	2.83	9.43
Fuel Throughput Revenue	0.73	1.98	-	-	-	2.71
Ground Handling Revenue	3.20	1.88	0.44	0.50	2.21	8.23
Cargo Revenue (Royalty from AAICLAS)	1.16	1.08	0.64	0.87	0.94	4.68
Land Lease - Oil Companies	0.41	0.40	0.42	0.42	0.46	2.11
Land Lease - Ground Handling Agency	0.06	0.06	0.05	0.02	0.05	0.24
Land Lease - MRO	-	0.08	0.01	0.01	0.00	0.10
Revenue from MRO	-	0.07	0.01	0.02	0.05	0.14
Total Aeronautical Revenue (A+B+C+D)	34.41	78.35	25.59	40.82	76.55	255.72

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 37: 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	28.09	79.77	90.54	102.82	116.82	418.04
As per AAI submission	B	34.41	78.35	25.59	40.82	76.55	255.72
Difference	C=B-A	6.32	-1.42	-64.95	-62.00	-40.27	-162.32
Change %	D=C/A	22.49%	-1.77%	-71.74%	-60.30%	-34.47%	-38.83%

- 4.8.2 The Authority notes that there is a 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 is attributable to lower passenger traffic and ATMs due to the adverse impact of the COVID-19 pandemic on the aviation sector.
- 4.8.3 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 proposes to consider the Aeronautical Revenue as submitted by AAI.
- 4.8.4 The Authority proposes to re-classify the space rentals and land leases from airlines and ground handling agency as Aeronautical Revenue from the current classification of Non-Aeronautical Revenue, in line with its decision taken in other airports as discussed in para 4.7.5. The Aeronautical Revenues post reclassification proposed by the Authority for the true-up of the First Control Period is as shown in the following table:

Table 38: Aeronautical Revenue for the First Control Period proposed by the Authority for Coimbatore International Airport

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Landing Charges (A)	14.46	19.49	8.58	13.32	22.61	78.46
Landing Charges - Domestic	12.03	16.54	8.16	12.24	20.08	69.05
Landing Charges - International	2.43	2.95	0.42	1.08	2.53	9.41
PSF & UDF Charges (B)	12.06	50.55	14.47	23.49	46.44	147.00
PSF - Domestic	11.19	0.37	-	-	-	11.57
PSF - International	0.86	0.12	-	-	-	0.99
UDF - Domestic	-	44.56	13.96	21.90	41.46	121.89
UDF - International	-	5.49	0.51	1.59	4.98	12.56
Parking & Housing Charges (C)	0.05	0.17	0.16	1.17	0.96	2.52
Parking & Housing Charges	0.05	0.17	0.16	1.17	0.96	2.52
Other Revenues (D)	7.84	8.15	2.37	2.84	6.54	27.73
Extension of Watch Hours	-	-	0.06	0.01	-	0.08
CUTE Charges	2.28	2.60	0.73	0.99	2.83	9.43
Fuel Throughput Revenue	0.73	1.98	-	-	-	2.71
Ground Handling Revenue	3.20	1.88	0.44	0.50	2.21	8.23
Cargo Revenue (Royalty from AAICLAS)	1.16	1.08	0.64	0.87	0.94	4.68
Land Lease - Oil Companies	0.41	0.40	0.42	0.42	0.46	2.11
Land Lease - Ground Handling Agency	0.06	0.06	0.05	0.02	0.05	0.24
Land Lease - MRO	-	0.08	0.01	0.01	0.00	0.10
Revenue from MRO	-	0.07	0.01	0.02	0.05	0.14
Total (A+B+C+D)	34.41	78.35	25.59	40.82	76.55	255.72
Add: Revenue from Lease Rentals from Ramp area for Airlines & Ground Handling Agency	0.27	0.16	0.15	0.15	0.15	0.88
Add: Revenue from Space Rent from Airlines	0.61	0.38	0.36	0.51	0.64	2.49

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Total Aeronautical Revenue	35.29	78.89	26.09	41.48	77.35	259.09

4.9 True up of Taxation

4.9.1 AAI has submitted taxation for the First Control Period as follows:

Table 39: Aeronautical Taxation for the First Control Period submitted by AAI for Coimbatore International Airport

(₹ in crores)

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Aeronautical Revenue		34.41	78.35	25.59	40.82	76.55	255.72
Total Revenue	A	34.41	78.35	25.59	40.82	76.55	255.72
O& M Expenses		47.61	59.91	47.22	53.23	55.92	263.90
Depreciation (As per IT Act, 1961)		7.02	9.71	11.04	12.03	13.62	53.42
Total Expenses	B	54.63	69.62	58.26	65.27	69.54	317.32
Profit/(Loss)	C=A-B	(20.22)	8.73	(32.67)	(24.45)	7.01	(61.60)
Set off of prior period tax losses	D	-	(8.73)	-	-	(7.01)	(15.74)
Profit/Loss after set off of prior period tax losses	E	(20.22)	-	(32.67)	(24.45)	-	(77.34)
Tax Rate	F	34.94%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	G=E*F	-	-	-	-	-	-

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

Table 40: Aeronautical Taxation for the First Control Period to be proposed by the Authority for Coimbatore International Airport

(₹ in crores)

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Aeronautical Revenue (Table 38)		35.29	78.89	26.09	41.48	77.35	259.09
Total Revenue	A	35.29	78.89	26.09	41.48	77.35	259.09
O&M Expenses (Table 32)		44.38	56.33	45.90	51.01	53.78	251.40
Depreciation (As per IT Act, 1961)		7.09	10.21	10.98	13.31	14.23	55.82
Total Expenses	B	51.47	66.54	56.88	64.32	68.01	307.22
Profit/(Loss)	C=A-B	(16.18)	12.35	(30.79)	(22.84)	9.33	(48.14)
Prior period losses carried forward	D	(43.47) ^	(59.65)	(47.30)	(78.10)	(100.94)	
Set off of prior period tax losses	E	-	12.35	-	-	9.33	(21.68)
Profit/Loss after set off of prior period tax losses	F	(16.18)	-	(30.79)	(22.84)	-	(69.82)
Loss Carried Forward (Closing)	G=D-E+F	(59.65)	(47.30)	(78.10)	(100.94)	(91.61)	
Tax Rate	H	34.94%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	I=F*H	-	-	-	-	-	-

^Carried Forward Losses amounting to ₹ 43.47 crores has been obtained from tariff order 44/2018-19 dated 6th March 2019 (Table 34).

4.9.3 The Authority notes that AAI has incurred losses during the First Control Period and has carried forward the losses to Second Control Period. Therefore, the Authority proposes to consider the Aeronautical Tax as NIL for the First Control Period as per Table 40 above.

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

4.10.1 Based on the regulatory building blocks as per above sections, the Authority has computed the ARR for the true-up of the First Control Period and the details are as below:

Table 41: Aggregate Revenue Requirement proposed by the Authority for the First Control Period

(₹ in crores)

Particulars	Ref.	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Average RAB	Table 17	A	57.49	75.82	84.62	97.26	121.10	
FRoR	Table 18	B	13.26%	13.26%	13.26%	13.26%	13.26%	
Return on Average RAB		C=A*B	7.62	10.06	11.22	12.90	16.06	57.86
Depreciation	Table 16	D	4.81	7.02	7.29	7.62	8.77	35.51
O&M Expenses	Table 32	E	44.38	56.33	45.90	51.01	53.78	251.40
Aeronautical Tax		F	-	-	-	-	-	-
Interest on Working Capital [#]		G	0.95	-	0.29	1.09	-	2.33
True up of prior to FCP [^]		H	60.63	-	-	-	-	60.63
ARR		I=Sum (C:H)	118.39	73.40	64.70	72.63	78.61	407.74
Non-Aeronautical Revenue	Table 35		21.23	23.28	7.97	10.75	24.01	87.23
30% of NAR		J	6.37	6.98	2.39	3.22	7.20	26.17
Net ARR		K=I-J	112.02	66.42	62.31	69.40	71.41	381.57
Aeronautical Revenue	Table 38	L	35.29	78.89	26.09	41.48	77.35	259.09
Under/ (Over) recovery of First Control Period		M=K-L	76.74	-12.47	36.22	27.93	-5.94	122.48
PV Factor @ 13.26%		N	1.86	1.65	1.45	1.28	1.13	
PV of Under/ (Over) recovery of First Control Period as on 31-Mar-24		O=M*N	143.03	-20.52	52.63	35.83	-6.72	204.24
True up of Under Recovery of First Control Period as on 31-Mar-24								204.24

[^]Under recovery of prior to First Control Period has been obtained from Table 39 of the Tariff Order No. 44/2018-19 dated 6th March 2019 for Coimbatore International Airport for the First Control Period.

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

4.10.2 The Authority has re-computed the under recovery of ₹ 204.24 crores for First Control Period as against ₹ 244.18 crores claimed by AAI and proposes to adjust the same in computation of ARR for the Second Control Period.

4.10.3 The variation between the ARR proposed by the Authority and claimed by the AAI are due to the below factors:

- Non-consideration of Finance allowance claimed by the AAI amounting to ₹ 6.54 crores as part of RAB.
- Determination of FRoR as 13.26% as against FRoR of 14.00% submitted by AAI.
- Rationalization of the O&M expenses by ₹ 12.49 crores.
- Re-computation of Depreciation lesser by ₹ 3.83 Crores.

4.11 Authority's Proposals regarding True up of the First Control Period

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

- 4.11.1 To consider Capital Additions as per details in Table 14 for true-up of the First Control Period
- 4.11.2 To consider Aeronautical Depreciation as per details in Table 16 for true-up of the First Control Period.
- 4.11.3 To consider RAB as per Table 17 for true-up of the First Control Period.
- 4.11.4 To consider FRoR as per Table 18 for true-up of the First Control Period.
- 4.11.5 To consider the O&M Expenses as detailed in Table 32 for the purpose of true-up of the First Control Period.
- 4.11.6 To consider the Non-Aeronautical Revenues as presented in Table 35 for the purpose of true-up of the First Control Period.
- 4.11.7 To consider the Aeronautical Revenue as per Table 38 for true-up of the First Control Period.
- 4.11.8 To consider ARR and Under-recovery as detailed in Table 41 for true up of the First Control Period and adjust the shortfall of First Control Period in the Second Control Period.

EVALUATION OF MYTP FOR THE SECOND CONTROL PERIOD

5 TRAFFIC FOR THE SECOND CONTROL PERIOD

5.1 AAI’s submission regarding Traffic for the Second Control Period for Coimbatore International Airport

5.1.1 The historical passenger¹ traffic and ATM at the Airport have been shown in the table below:

Table 42: Historical passenger and ATM traffic for Coimbatore International Airport

Year	Domestic Passengers	International Passengers	Total Passenger Traffic	Domestic ATM	International ATM	Total ATM
FY06	5,59,133	14,758	5,73,891	8,528	783	9,311
FY07	8,52,239	14,730	8,66,969	12,858	674	13,532
FY08	10,10,517	52,288	10,62,805	15,442	915	16,357
FY09	9,21,282	89,535	10,10,817	14,355	926	15,281
FY10	10,14,791	94,546	11,09,337	14,346	850	15,196
FY11	11,43,469	1,00,354	12,43,823	13,423	853	14,276
FY12	12,43,107	1,02,274	13,45,381	13,710	862	14,572
FY13	11,85,407	1,12,397	12,97,804	12,006	846	12,852
FY14	11,24,743	1,19,565	12,44,308	12,400	949	13,349
FY15	13,05,948	1,23,250	14,29,198	16,760	931	17,691
FY16	15,60,092	1,31,461	16,91,553	16,982	953	17,935
FY17	19,64,709	1,40,195	21,04,904	19,710	1,012	20,722
FY18	22,00,194	2,03,741	24,03,935	20,065	1,530	21,595
FY19	27,63,672	2,37,210	30,00,882	23,390	1,863	25,253
FY20	26,04,603	2,38,232	28,42,835	20,356	1,947	22,303
FY21	8,20,154	26,495	8,46,649	7,893	250	8,143
FY22	12,20,540	65,382	12,85,922	10,418	602	11,020
FY23	23,62,446	1,94,817	25,57,263	16,364	1,278	17,642

¹ Source: Traffic News from AAI website

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

Table 43: Traffic growth rates and passenger & ATM traffic submitted by AAI for the Second Control Period

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth Rates						
FY24	20.00%	13.00%	19.50%	6.00%	15.00%	5.90%
FY25	18.00%	25.00%	18.50%	16.00%	24.00%	16.60%
FY26	16.00%	18.00%	16.20%	15.00%	17.00%	15.20%
FY27	16.00%	18.00%	16.20%	15.00%	17.00%	15.20%
FY28	10.00%	15.00%	10.40%	9.00%	14.00%	9.40%
Traffic						
FY24	28,34,935	2,20,143	30,55,078	17,346	1,342	18,688
FY25	33,45,224	2,75,179	36,20,403	20,121	1,664	21,785
FY26	38,80,459	3,24,711	42,05,170	23,139	1,947	25,086
FY27	45,01,333	3,83,159	48,84,492	26,610	2,278	28,888
FY28	49,51,466	4,40,633	53,92,099	29,005	2,597	31,602
Total	1,95,13,417	16,43,826	2,11,57,243	1,16,222	9,827	1,26,049

- 5.1.3 AAI has projected a growth of 20% in domestic passenger traffic and 15% in international traffic in FY 2023-24. Similarly, it has projected a growth rate of 6% in domestic ATMs & 15% in international ATMs in FY 2023-24.
- 5.1.4 AAI has also projected a growth rate ranging from 10% to 18% for domestic passengers and from 15% to 25% for international passengers from FY 2024-25 onwards. Likewise, it has projected a growth rate range of 9% to 16% for Domestic ATMs and 14% to 24% for international ATMs for the above-mentioned period.
- 5.1.5 AAI has submitted that the passenger traffic and aircraft movement projections submitted by AAI are 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

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

Table 44: CAGR for Passenger Traffic and ATM

Particulars	3-Year CAGR (FY18 – FY20)	5-Year CAGR (FY16 – FY20)	10-Year CAGR (FY11 – FY20)
Passenger			
Domestic	5.79%	10.79%	8.58%
International	5.35%	12.63%	9.03%
Total Passenger Traffic	5.75%	10.94%	8.62%
ATM			
Domestic	0.48%	3.69%	4.25%
International	8.37%	15.36%	8.60%
Total ATM	1.08%	4.46%	4.56%

5.2.2 The CAGRs computed above are stable until FY 2019-20. However, the traffic levels from FY 2020-21 are hugely affected by the impact of the COVID-19 pandemic causing a significant decline in traffic levels and 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 observes that CAGRs are not suitable for estimation of future growth rates of traffic.

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

Table 45: Comparison of Actual Passenger Traffic and ATM traffic with AAI projections for the FY 2023-24

Particulars (Numbers)	Passengers			ATM		
	Domestic	International	Total	Domestic	International	Total
Projections by AAI (A)	28,34,935	2,20,143	30,55,078	17,346	1,342	18,688
Actual Data from AAI website (B)	26,93,524	2,11,087	29,04,611	17,057	1,339	18,396
<i>Difference (C=B-A)</i>	<i>(1,41,411)</i>	<i>(9,056)</i>	<i>(1,50,467)</i>	<i>(289)</i>	<i>(3)</i>	<i>(292)</i>
<i>Difference % (D=C/A)</i>	<i>-4.99%</i>	<i>-4.11%</i>	<i>-4.93%</i>	<i>-1.67%</i>	<i>-0.22%</i>	<i>-1.56%</i>

5.2.4 The Authority notes from the above table that the traffic projected by AAI for Coimbatore International Airport for FY 2023-24 is higher than actual data from AAI website. The Authority proposes 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 revised traffic forecasts by the Authority, considering the impact of COVID-19 pandemic

The revised traffic forecasts have 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:

5.2.5 Airport Council International (ACI)

ACI in its latest report has 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).*

5.2.6 International Air Transport Association (IATA)

IATA in its report on 1st May 2024 had enumerated that:

- *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% YoY 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% YoY 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% YoY.*

Conclusion on traffic forecasts based on above studies

5.2.7 Considering the unexpected adverse impact of COVID-19 pandemic and the resultant reductions in domestic and international air travel, the Authority has taken cognizance of the forecast/data published by ACI and IATA cited in para 5.2.5 and para 5.2.6 above for deciding on the traffic projections.

5.2.8 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.

- 5.2.9 The Authority notes that according to the actual traffic data from AAI website for FY 2023-24, both domestic and international traffic (i.e. passengers and ATM’s) has surpassed the pre COVID-19 levels of FY 2019-20 and exhibit positive trend in the growth of passenger traffic thereon.
- 5.2.10 Based on the above factors, the Authority proposes to consider traffic as per AAI website for FY 2023-24 and considering the possible demands that exists in Coimbatore International Airport, the Authority proposes to consider the growth rate projected by AAI for during FY 24-25 to FY 27-28 of the Second Control Period. The traffic projections and growth rates considered by the Authority for the Second Control Period has been given in the table below:

Table 46: Traffic proposed to be considered by the Authority for the Second Control Period

Domestic Passengers (In Mn.)	FY24	FY25	FY26	FY27	FY28	Total
As submitted by AAI	2.83	3.35	3.88	4.50	4.95	19.51
As proposed by the Authority	2.69*	3.18	3.69	4.28	4.70	18.54
Y-o-Y growth of Domestic pax. submitted by AAI		18%	16%	16%	10%	
Y-o-Y growth of Domestic pax. proposed by the Authority		18%	16%	16%	10%	
International Passengers (In Mn.)	FY24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI	0.22	0.28	0.32	0.38	0.44	1.64
As proposed by the Authority	0.21*	0.26	0.31	0.37	0.42	1.58
Y-o-Y growth of International pax. submitted by AAI		25%	18%	18%	15%	
Y-o-Y growth of International pax. proposed by the Authority		25%	18%	18%	15%	
Total Passengers (In Mn.)	FY24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI	3.06	3.62	4.21	4.88	5.39	21.16
As proposed by the Authority	2.90*	3.44	4.00	4.64	5.13	20.12
Y-o-Y growth of Total pax. submitted by AAI		19%	16%	16%	10%	
Y-o-Y growth of Total pax. proposed by the Authority		19%	16%	16%	10%	
Domestic ATM (In 000s)	FY24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI	17.35	20.12	23.14	26.61	29.01	116.22
As proposed by the Authority	17.06*	19.79	22.75	26.17	28.52	114.29
Y-o-Y growth of Domestic ATM submitted by AAI		16%	15%	15%	9%	
Y-o-Y growth of Domestic ATM proposed by the Authority		16%	15%	15%	9%	
International ATM (In 000s)	FY24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI	1.34	1.66	1.95	2.28	2.60	9.83
As proposed by the Authority	1.34*	1.66	1.94	2.27	2.59	9.81
Y-o-Y growth of International ATM submitted by AAI		24%	17%	17%	14%	
Y-o-Y growth of International ATM proposed by the Authority		24%	17%	17%	14%	
Total ATM (In 000s)	FY24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI	18.69	21.79	25.09	28.89	31.60	126.05
As proposed by the Authority	18.40*	21.45	24.70	28.44	31.11	124.09
Y-o-Y growth of Total ATM submitted by AAI		17%	15%	15%	9%	
Y-o-Y growth of Total ATM proposed by the Authority		17%	15%	15%	9%	

*Based on actual data from Traffic News - AAI website

5.3 Authority's proposal regarding Traffic for the Second Control Period

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

- 5.3.1 To consider the ATM and passenger Traffic for the Second Control Period for Coimbatore International Airport as per Table 46.
- 5.3.2 To true up the traffic volume (ATM and passenger traffic) on the basis of actual traffic in the Second Control period while determining the tariff for the Third 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 has organized the discussions in the 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 has submitted the following allocation of gross block of assets as on 1st April 2023 between Aeronautical and Non-aeronautical services for Coimbatore International Airport:

Table 47: Allocation of opening gross block of assets as on 1st April 2023, between Aeronautical and Non-aeronautical as submitted by AAI

(₹ in crores)

Asset Category	Total Assets (Inclusive of ANS)	Other Assets*	Non- Aero Assets	Pure Aero Assets	Common Assets	Common Assets		Total Aero Assets	% Aero
						Aero	Non- Aero		
	A=B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land	-	-	-	-	-	-	-	-	0.00%
Runway, Taxiway, Apron	101.50	-	-	101.50	-	-	-	101.50	100.00%
Roads, Bridges & Culverts	4.49	-	-	4.49	-	-	-	4.49	100.00%
Building - Terminal	71.94	2.99	0.79	30.30	37.85	34.90	2.95	65.21	90.64%
Building - Temporary	0.46	-	-	0.46	-	-	-	0.46	100.00%
Building - Residential	41.00	15.98	0.01	-	25.00	24.32	0.68	24.32	59.32%
Other Building	4.02	-	-	4.02	-	-	-	4.02	100.00%
Security Fencing	1.37	-	-	1.37	-	-	-	1.37	100.00%
Boundary Wall - Operational	3.42	-	-	3.42	-	-	-	3.42	100.00%
Boundary Wall - Residential	0.31	-	-	0.31	-	-	-	0.31	100.00%
Computers - End User Devices	1.21	0.01	-	1.02	0.19	0.09	0.09	1.11	91.24%
Computer Software	0.51	-	-	0.51	-	-	-	0.51	100.00%

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Asset Category	Total Assets (Inclusive of ANS)	Other Assets*	Non- Aero Assets	Pure Aero Assets	Common Assets	Common Assets		Total Aero Assets	% Aero
						Aero	Non- Aero		
Computers - Servers and Networks	0.46	-	-	0.46	-	-	-	0.46	100.00%
Plant & Machinery	45.75	7.57	-	28.62	9.56	6.95	2.61	35.57	77.74%
Tools & Equipment	12.76	0.14	-	9.91	2.70	1.11	1.60	11.02	86.37%
Vehicle - Others	1.81	-	-	1.81	-	-	-	1.81	100.00%
Vehicle - Cars & Jeeps	0.64	-	-	0.64	-	-	-	0.64	100.00%
Electrical Installations	53.27	0.40	0.01	44.15	8.71	8.01	0.70	52.16	97.91%
Office Equipment	0.37	0.02	0.01	0.33	0.01	0.01	0.00	0.34	91.66%
Furniture & Fixtures - Other than trolleys	5.21	0.05	-	5.15	0.01	0.01	0.00	5.17	99.12%
Furniture & Fixtures - Trolleys	1.06	0.04	-	1.01	-	-	-	1.01	96.01%
X-Ray Baggage System	4.77	0.42	-	4.35	-	-	-	4.35	91.18%
CFT/Fire Fighting Equipment	19.29	-	-	19.29	-	-	-	19.29	100.00%
Total	375.64	27.63	0.83	263.14	84.04	75.41	8.63	338.54	90.13%

* Includes ANS and Cargo Assets

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

- 6.1.3 The Authority notes that AAI has submitted Terminal Building ratio of 90%:10% for Coimbatore International Airport, for apportionment of common assets/ expenses for the Second Control Period. The Authority proposes to consider the ratio of 90%:10% (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) and that approved by AERA for other similar airports.
- 6.1.4 Financing Allowance has not been considered for arriving at the Aeronautical Gross block as on 1st April 2023 as per the proposal of the Authority in para 4.4.25 of the true up for the First Control Period.
- 6.1.5 Finance Lease assets have not been considered while recomputing the Opening Gross Block as on 1st April 2023 as per the proposal of the Authority in para 4.4.23.

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6.1.6 The Authority also notes that as per AAI submission, Employee Quarters related assets amounting to ₹ 0.41 crores have been disposed off during First Control Period. The Authority proposes to consider the same as deletion while determining the Opening Gross Block as on 1st April 2023.

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

Table 48: Allocation of Opening Gross Block of Assets as on 1st April 2023 between Aeronautical and Non-aeronautical proposed by the Authority

(₹ in crores)

Asset Category	Total Assets (Inclusive of ANS)	Other Assets*	Non- Aero Assets	Pure Aero Assets	Common Assets	Common Assets		Total Aero Assets	% Aero
						Aero	Non- Aero		
	A=B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land	-	-	-	-	-	-	-	-	0.00%
Runway, Taxiway, Apron	101.50	-	-	101.50	-	-	-	101.50	100.00%
Roads, Bridges & Culverts	4.49	0.10	-	4.10	0.28	0.28	0.01	4.38	97.65%
Building - Terminal	71.94	2.99	0.79	18.84	49.32	45.45	3.87	64.29	89.36%
Building - Temporary	0.46	-	-	0.46	-	-	-	0.46	100.00%
Building - Residential	41.00	15.98	0.01	-	25.00	24.32	0.68	24.32	59.32%
Other Building	4.02	-	-	3.51	0.52	0.49	0.03	4.00	99.36%
Security Fencing	1.37	-	-	1.37	-	-	-	1.37	100.00%
Boundary Wall - Operational	3.42	-	-	3.42	-	-	-	3.42	100.00%
Boundary Wall - Residential	0.31	0.06	-	0.08	0.17	0.17	0.00	0.25	79.46%
Computers - End User Devices	1.21	0.01	-	0.69	0.52	0.49	0.03	1.17	96.61%
Computer Software	0.51	-	-	0.51	-	-	-	0.51	100.00%
Computers - Servers and Networks	0.46	-	-	0.46	-	-	-	0.46	100.00%
Plant & Machinery	45.75	10.02	-	24.65	11.08	10.60	0.48	35.25	77.05%
Tools & Equipment	12.76	0.27	0.01	6.20	6.29	5.85	0.44	12.05	94.42%
Vehicle - Others	1.81	-0.00	-	1.73	0.09	0.08	0.00	1.81	99.83%
Vehicle - Cars & Jeeps	0.64	-	-	0.64	-	-	-	0.64	100.00%

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Asset Category	Total Assets (Inclusive of ANS)	Other Assets*	Non- Aero Assets	Pure Aero Assets	Common Assets	Common Assets		Total Aero Assets	% Aero
						Aero	Non- Aero		
Electrical Installations	53.27	0.44	0.01	43.69	9.14	8.44	0.70	52.12	97.84%
Office Equipment	0.37	0.02	0.01	0.30	0.04	0.04	0.00	0.34	91.25%
Furniture & Fixtures - Other than trolleys	5.21	0.05	-	3.17	1.99	1.86	0.13	5.03	96.55%
Furniture & Fixtures - Trolleys	1.06	0.04	-	1.01	-	-	-	1.01	96.01%
X-Ray Baggage System	2.90	0.42	-	2.48	-	-	-	2.48	85.51%
CFT/Fire Fighting Equipment	19.29	-	-	19.29	-	-	-	19.29	100.00%
Total	373.77	30.40	0.84	238.10	104.44	98.06	6.37	336.17	89.94%

* Includes ANS and Cargo Assets

6.1.8 The total Gross block of Aeronautical assets, as on 1st April 2023 amounts to ₹ 336.17 crores (which excludes Financing Allowance of ₹ 6.54 crores and Finance Lease assets of ₹ 1.86 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 has submitted capital expenditure of ₹ 78.46 crores for the Second Control Period for Coimbatore International Airport, which has been summarized in the table below:

Table 49: Summary of Capital Expenditure projects submitted by AAI for Coimbatore International Airport for the Second Control Period

(₹ in crores)

S. No.	Particulars	Amount
1	Construction of Boundary Wall	43.92
2	Replacement of FIDS & CIDS	4.08
3	CCTV Cameras for vehicle entry gate	0.40
4	SITC of Door Frame Metal Detector (4 Nos.)	0.08
5	Non-Linear Junction Detector (NLJD)	0.05
6	Explosive Trace Detector (ETD)	0.45
7	Full Body Scanner (FBS)	12.50
8	BDDS	4.33
9	Construction of Boundary Wall (Elect.)	7.39
10	X-Ray Baggage System - HB X-BIS	0.62
11	X-Ray Baggage System - RB X-BIS	0.69
12	X-Ray Baggage System (X-BIS)	1.50
	Capital expenditure submitted for the Second Control Period (A)	76.01
	Financing Allowance (B)	2.45
	Total including Financing Allowance (A + B)	78.46

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The above table has been submitted by AAI as part of MYTP submission. As per their submission dated 10th May 2024, 15th May 2024 and 27th May 2024, it may be noted that AAI has submitted revised CAPEX as discussed in para 6.2.4.

Authority’s examination of Capital Expenditure (CAPEX) for the Second Control Period

The Authority while analyzing the Capital Expenditure submitted by AAI for the Second Control Period, has rationalized the proposed CAPEX taking into cognizance the 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 has evaluated each capital item on the basis of their requirements and justifications provided by AAI.
- 6.2.3 AAI had, in reply to query dated 19th February 2024, submitted the actual capital expenditure incurred for FY 2023-24 as part of its FAR. The Authority notes that the actual capital expenditure incurred, included assets that were not proposed by AAI in its MYTP submission. The Authority, based on its review of FAR, has included those additional assets in its proposal for the Second Control Period.
- 6.2.4 AAI vide email dated 10th May 2024, 15th May 2024 and 27th May 2024, has revised the projection of the following two projects proposed to be undertaken by it in the Second Control Period:
- a) Replacement of FIDS & CIDS – cost estimate changed from ₹ 4.08 crores to ₹ 3.90 crores.
 - b) Implementation of Digi Yatra amounting to ₹ 4.13 crores – was not part of MYTP submission.

Table 50: Summary of Revised Cost Estimate submitted by AAI for Coimbatore International Airport for the Second Control Period

(₹ in crores)

Project Name	Cost estimate as per MYTP dated 22.12.2023	Cost estimate as per revised submission dated 27.05.2024	Capitalization date as per MYTP dated 22.12.2023	Capitalization as per revised submission
Replacement of FIDS & CIDS	4.08	3.90	2024-25	2024-25
Implementation of Digi Yatra	-	4.13	-	2024-25

- 6.2.5 Along with its submission for revised cost of assets, AAI submitted that runway recarpeting expenses which was earlier classified as operating expenses, would now need to be classified as capital expenditure due to increase in PCN value i.e. after post re-carpeting. Accordingly, the Authority has included Runway recarpeting as part of capital expenditure for analysis and has been discussed in detail in the following paragraphs.
- 6.2.6 Summary of changes requested by AAI to its proposed Capital Expenditure for the Second Control Period and the resultant revised Capital Expenditure for the Second Control Period is as shown below:

Table 51: Details of Changes made in CAPEX Projection for SCP as per AAI

(₹ in crores)

Particulars	Ref	Amount
Original Submission	Table 49	78.46
Add: Reclassification from OPEX to CAPEX		
Runway re-carpeting & associated works	Para 6.2.23	49.54
Add: Additional/Revised Submission by AAI		
Digi Yatra	Para 6.2.22	4.13
Revision in cost for FIDS	Para 6.2.4	(0.18)
Revised Capex		131.96

- 6.2.7 The revised list of capital expenditures for the Second Control Period as drawn up by the Authority based on submissions made by AAI, from time to time is presented in the below table.

Table 52: Project wise Capital Expenditure submitted by AAI for Coimbatore 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	Boundary Wall - Operational				
A.1	Construction of Boundary Wall (Civil)	2027-28	43.92	2.10	46.02
B	Plant & Machinery				
B.1	Replacement of FIDS & CIDS [^]	2024-25	3.90	-	3.90
B.2	CCTV Cameras for vehicle entry gate	2024-25	0.40	-	0.40
B.3	SITC of DFMD (4 Nos.)	2023-24	0.08	-	0.08
B.4	Non-Linear Junction Detector (NLJD)	2024-25	0.05	-	0.05
B.5	Explosive Trace Detector (ETD)	2023-24	0.15	-	0.15
B.6	Explosive Trace Detector (ETD)	2024-25	0.30	-	0.30
B.7	Full Body Scanner (FBS)	2025-26	12.50	-	12.50
B.8	BDDS	2024-25	4.33	-	4.33
C	Electrical Installations				
C.1	Construction of Boundary Wall (Elect.)	2027-28	7.39	0.35	7.74
D	X-Ray Baggage System				
D.1	HB X-Bis	2023-24	0.62	-	0.62
D.2	RB X-Bis	2023-24	0.69	-	0.69
D.3	X-BIS	2024-25	1.50	-	1.50
E	Other Assets				
E.1	Digi Yatra*	2024-25	4.13	-	4.13
F	Runway, Taxiway, Apron				
F.1.	Runway Re-carpeting#	2023-24	49.54	-	49.54
Capital Expenditure submitted by AAI for the Second Control Period			129.52	2.45	131.96

[^]Revised Cost Estimate submitted by AAI vide mail dated 15th May 2024 considered

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

As per request by AAI dated 27th May 2024 to be included as part of Capex instead of earlier submission under Opex. (refer para 6.2.23)

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

A.1 and C.1 Construction of the Boundary Wall (Civil and Electrical) - ₹ 53.76 crores

6.2.8 The Authority notes that AAI proposes to construct boundary wall around newly acquired land by State Govt. for AAI. AAI has submitted the bifurcation of cost for the construction of the boundary wall as below:

- ₹ 46.02 crores inclusive of FA for Civil works, and
- ₹ 7.74 crores inclusive of FA for the Electrical works

The Authority has reviewed the administrative approval & expenditure sanction memo provided by AAI and notes the cost to be reasonable. Accordingly, the Authority proposes to consider ₹ 43.92 crores (for civil construction) and ₹ 7.39 crores (for electrical installations pertaining to Boundary wall) as additions to RAB, excluding Financing Allowance of ₹ 2.10 crores & ₹ 0.35 crores respectively, in line with Authority's proposal as explained in para 6.2.26. However, based on discussion with AAI, the Authority notes that the execution of this project is contingent upon the transfer of land, already acquired by State Govt., to AAI. While AAI in its

MYTP submission has given the projected date of completion to be October 2027, in its financial model, the asset is projected to be capitalized in FY 2024-25. Upon discussion with AAI and noting the constraints in the execution, the Authority proposes to consider this capital expenditure for the last FY i.e. FY 2027-28 of the Second Control Period as submitted by AAI in its MYTP submission.

B.1 Replacement of Flight Information Display System (FIDS) & Cabin Intercommunication Data System (CIDS) - ₹ 3.90 crores

- 6.2.9 The Authority notes that AAI has submitted that ₹ 3.90 crores (revised cost vide email dated 15th May 2024) is proposed to be incurred in FY 2024-25 for the replacement of existing FIDS and CIDS. On discussion it was noted that the current FIDS/ CIDS has technical constraints/ limitations and hence needs to be replaced. The Authority has also reviewed the cost estimate provided by the AAI for ₹ 3.90 crores and the same is considered to be reasonable. Since this asset is essential for the facilitation of passengers and visitors, the Authority proposes to consider the same as addition to RAB in FY 2024-25 as submitted by AAI.

B.2 CCTV Cameras for Vehicle Entry Gate - ₹ 0.40 crores

- 6.2.10 The Authority notes that AAI has submitted that a capital expenditure of ₹ 0.40 crores is proposed to be incurred for CCTV Cameras at Vehicle entry Gate in FY 2024-25. This project is essential for safety and security at the airport, the Authority proposes to consider the same as addition to RAB in FY 2024-25 as submitted by AAI. The Authority has reviewed the cost estimate for the project is found to be reasonable.

B.3 SITC of Door Frame Metal Detector (DFMD) - ₹ 0.08 crores

- 6.2.11 The Authority notes that as per the FAR, AAI has capitalized actual expenditure of ₹ 0.07 crores against SITC of DFMD in FY 2023-24. The Authority notes this being a security requirement, is essential for the operations at the airport. Therefore, the Authority proposes to consider the same as addition to RAB amounting to ₹ 0.07 crores in FY 2023-24 as accounted by AAI.

B.4 Non-Linear Junction Device (NLJD) - ₹ 0.05 crores

- 6.2.12 The Authority notes that AAI has submitted a capital expenditure of ₹ 0.05 crores for the procurement of NLJD in FY 2024-25 and has not issued work order for the same. However, since this is a security requirement and is essential for the operations of the airport, the Authority proposes to consider the same as addition to RAB amounting to ₹ 0.05 crores in FY 2024-25 as submitted by AAI during the Second Control Period.

B.5 and B.6 Explosive Trace Detectors (ETD) - ₹ 0.45 crores

- 6.2.13 The Explosive Trace Detectors (ETD) are essential security equipment in airports, as per BCAS guidelines. AAI has projected ₹ 0.15 crores (1 qty.) in FY 2023-24 and ₹ 0.30 crores (2 qty.) in FY 2024-25. However, AAI has not furnished detailed cost breakup for the same.

The Authority, while reviewing the quantity, cost and the capitalization schedule of ETD notes that the similar component is being considered at AAI airports at a cost of ₹ 0.15 cr. per ETD. Further regarding the capitalization of ETD, AAI has responded to query vide email dated 19th February 2024, that the ETD proposed during the FY 2023-24 is not capitalized in the said FY. Hence, the Authority proposes to shift the capitalization of 1 ETD at ₹ 0.15 crores to FY 2024-25.

Further, as per the email dated 24th April 2024, AAI has requested the deferment of the proposed capital expenditure amounting to ₹ 0.30 crores (2 qty.) to FY 2025-26 from the current submission of FY 2024-25.

Accordingly, the Authority proposes to consider ₹ 0.45 crores as total cost for 3 ETDs in line with costs approved in other similar airports.

- 6.2.14 Based on the above analysis, the Authority proposes to consider these ETDs as additions to RAB as follows:
- ₹ 0.15 crores (1 qty.) in FY 2024-25 and
 - ₹ 0.30 crores (2 qty.) in FY 2025-26.

B.7 Full Body Scanner (FBS) - ₹ 12.50 crores

- 6.2.15 AAI has submitted that as per BCAS guidelines, Coimbatore International Airport is categorized as a sensitive airport. As per such guidelines, Full Body Scanners (FBS) are to be provided in hypersensitive and sensitive airports. In this regard, AAI has proposed to capitalize FBS at a cost of ₹ 12.50 crores (5 qty.) in FY 2025-26. Considering the safety and security of the Airport, the Authority proposes to consider as additions, 5 quantities of FBS as submitted by AAI, to RAB amounting to ₹ 12.50 crores, which is in line with the cost considered by the Authority for other similar airports.

B.8 Bomb Detection and Disposal Squad (BDDS) - ₹ 4.33 crores

- 6.2.16 The Authority notes that AAI has submitted a capital expenditure of ₹ 4.33 crores for the purchase of BDDS assets in FY 2024-25, in compliance with BCAS circular dated 20th October 2017. The Authority has reviewed the aforementioned circular and notes that BCAS has directed all airports to implement BDDS. Extract from the BCAS circular are 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”.

- 6.2.17 In this regard, AAI has submitted a detailed cost estimate dated 2nd May 2024 comprising estimates for procurement of Liquid explosive detector, mini remote operated vehicle, suspect luggage containment vessel, remote wire cutter, search light, search kit, thermal cutter, etc. This estimate has been reviewed by the Authority and found to be reasonable.
- 6.2.18 As per the email dated 24th April 2024, AAI has requested to shift the proposed Capital Expenditure from FY 24-25 to FY 25-26. Accordingly, the Authority proposes to consider this Capital Expenditure as addition to RAB in FY 2025-26.

D.1, D.2 & D.3 - X-Ray Baggage System (X-BIS) - ₹ 2.81 crores

- 6.2.19 The Authority notes that AAI has projected 5 qty. of RB X-BIS and 7 qty. of HB X-BIS to be capitalized and the details are given as under:

Table 53: Details of Capital Expenditure for X-Ray Baggage System submitted by AAI

Year of capitalization	RB X-BIS	HB X-BIS	Total Cost (₹ in Crores)
2023-24	2	3	1.31
2024-25	3	4	1.50
Total	5	7	2.81

- 6.2.20 The Authority also notes that this is a security related requirement and supplements in decongestion of the airport. Further, it was noted that the X-BIS amounting to ₹ 1.31 crores which was initially proposed to be

capitalized in FY 2023-24 was not capitalized in books during that period. Hence, the Authority proposes to shift such additions submitted for FY 2023-24 to FY 2024-25 as per the submission of AAI.

- 6.2.21 The Authority considers the cost submitted by AAI to be reasonable (in line with other similar airports) and proposes to consider 12 qty. amounting to ₹ 2.81 crores as addition to RAB in FY 2024-25.

E.1 Implementation of Digi Yatra - ₹ 4.13 crores

- 6.2.22 The Authority notes that AAI has submitted a capital expenditure of ₹ 4.13 crores towards implementation of Digi Yatra in FY 2024-25 vide mail dated 27th May 2024. This is in addition to the CAPEX submitted in MYTP for the Second Control Period. This work includes one-time implementation of central application, SITC of Biometric Gates, Biometric Pods and CISF Tablets.

The Authority further notes that Digi Yatra is an initiative of MoCA to provide a paperless and hassle-free access to passengers through biometric authentication at the airport. The Authority has reviewed the work orders issued and considers the cost to be reasonable. As Digi Yatra aids passenger facilitation, the Authority proposes to consider the same as addition to RAB in FY 2024-25.

F.1 Runway Re-carpeting - ₹ 49.54 crores

- 6.2.23 The Authority notes that AAI has submitted a capital expenditure of ₹ 49.54 crores towards runway re-carpeting work in FY 2023-24. Upon enquiry into the necessity and background of the runway re-carpeting work for Coimbatore Airport, AAI's response vide mail dated 15th May 2024 included the following details:

“The surface of the runway was deteriorated at many places with potholes, rutting, ravelling etc. Hence, to improve the surface of runway Resurfacing of runway was carried out. Usually resurfacing/recarpeting is required in 6 to 8 years. The last runway resurfacing was done in 2003-2004. The same was also pointed out in DGCA inspection.”

The Authority, through its Independent Consultant, has reviewed the work orders issued, work status, ATR report on DGCA Surveillance Inspection Report and PCN values before or after the recarpeting work provided by AAI and notes that PCN value is increasing post runway re-carpeting from 66 to 73 in the middle portion (i.e. 300m to 2,590m) of the runway.

Further, the Authority notes that runway re-carpeting work was completed on 1st August 2023. On enquiry, AAI vide mail dated 10th July 2024, has provided the actual cost of runway recarpeting as capitalized in its books of accounts to be ₹ 49.54 Crores. Based on the above analysis and considering the regulatory, operational and safety requirements, the Authority proposes to consider the actual cost incurred by AAI, as captured in the FAR, as addition to RAB in FY 2023-24.

Other assets capitalized in FAR but not part of MYTP submission

- 6.2.24 The Authority also notes that AAI, vide reply to query dated 19th February 2024, had shared the actual capital addition of ₹ 0.78 crores during the FY 2023-24. The details of such additions are as follows:

Table 54: 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
Computer: End User Device	0.06	Procurement of Laptop, Projector and Routers
Electrical Installation	0.55	Hydraulic Bollards, LED Flood Lights for Apron and SITC of Indoor MV Panel System
Plant & Machinery	0.01	Video Conferencing Facility
Tools & Equipment	0.16	Procurement of Hydraulic Cutter & Spreader and Thunder boom
Total	0.78	

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

6.2.25 The Authority proposes 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 is 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.

6.2.26 The Authority has examined AAI's claim towards Financing Allowance (₹ 2.45 crores) and has the following views:

- The Authority considers that providing return on capital expenditure from the very beginning of construction will 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 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 will 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 earlier provisioned for Financing Allowance in the initial stages to such airports. It may be further noted that the Authority has never provided 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 is 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

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is available to the Airport Operator till the aeronautical services have 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. Coimbatore 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 Operator funds the projects through a mix of equity and debt. Further, the Authority opines 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 states 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)”.

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

Table 55: Capital Expenditure (Project-wise) proposed by the Authority for the Second Control Period

(₹ in crores)

Sl. No.	Capital Expenditure Project	FY of Commissioning		Amount of Capitalization		
		Submitted by AAI [^]	Proposed by the Authority	Submitted by AAI (incl. FA) (1)	Proposed by the Authority (2)	Difference (2-1)
A	Boundary Wall - Operational					
A.1	Construction of Boundary Wall	2027-28	2027-28	46.02	43.92	-2.10
B	Plant & Machinery					
B.1	Replacement of FIDS & CIDS	2024-25	2024-25	3.90	3.90	-
B.2	CCTV Cameras for Vehicle entry gate	2024-25	2024-25	0.40	0.40	-
B.3	SITC of Door Frame Metal Detector (4 Nos.)	2023-24	2023-24	0.08	0.07	-0.01
B.4	Non-Linear Junction Detector (NLJD)	2024-25	2024-25	0.05	0.05	-
B.5	Explosive Trace Detector (ETD)	2023-24	2024-25	0.15	0.15	-
B.6	Explosive Trace Detector (ETD)	2024-25	2025-26	0.30	0.30	-
B.7	Full Body Scanner (FBS)	2025-26	2025-26	12.50	12.50	-
B.8	BDDS	2024-25	2025-26	4.33	4.33	-
C	Electrical Installations					
C.1	Construction of Boundary Wall (Elect.)	2027-28	2027-28	7.74	7.39	-0.35
D	X-Ray Baggage System					
D.1	HB X-BIS	2023-24	2024-25	0.62	0.62	-
D.2	RB X-BIS	2023-24	2024-25	0.69	0.69	-
D.3	X-BIS	2024-25	2024-25	1.50	1.50	-
E	Other Assets					

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Sl. No.	Capital Expenditure Project	FY of Commissioning		Amount of Capitalization		
		Submitted by AAI [^]	Proposed by the Authority	Submitted by AAI (incl. FA) (1)	Proposed by the Authority (2)	Difference (2-1)
E.1	Digi Yatra	2024-25	2024-25	4.13	4.13	
F	Runway, Taxiway, Apron					
F.1	Runway Re-carpeting & allied works	2023-24	2023-24	49.54	49.54	-
	Actual Additions as per FAR FY 2023-24	-	2023-24	-	0.78	0.78
	Capital Expenditure proposed by the Authority for the Second Control Period			131.96	130.28	-1.68

[^] based on revised submission of AAI

6.2.28 Based on the above analysis, the Authority proposes to consider the capital expenditure as addition to RAB for the Second Control Period. The same is detailed as follows:

Table 56: Capitalization (year-wise) proposed by the Authority for the Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Boundary Wall - Operational	-	-	-	-	43.92	43.92
Plant & Machinery	0.08	4.50	17.13	-	-	21.71
Electrical Installations	0.55	-	-	-	7.39	7.94
X-Ray Baggage System	-	2.81	-	-	-	2.81
Tools & Equipment	0.16	-	-	-	-	0.16
Computers - End User Devices	0.06	-	-	-	-	0.06
Other Assets	-	4.13	-	-	-	4.13
Runway, Taxiway, Apron	49.54	-	-	-	-	48.43
Total	50.39	11.44	17.13	-	51.31	130.28

6.2.29 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*”.

The opening RAB proposed by the Authority for the first year of Second Control Period is ₹ 134.01 crores (refer Table 17), 5% of which amounts to ₹ 6.70 crores, which is lower than ₹ 50 crores, and thus shall be considered as the threshold value for conducting AUCC by Coimbatore International Airport for capital projects proposed in the Second Control Period.

As per the above criteria for Coimbatore International Airport, AUCC is required for the following assets:

- Construction of Boundary Wall (Civil & Electrical) - ₹ 51.31 crores; year of proposed capitalization – FY 2027-28
- Full Body Scanner (FBS) - ₹ 12.50 crores; year of proposed capitalization – FY 2025-26
- Runway Re-carpeting - ₹ 49.54 crores; year of capitalization – FY 2023-24.

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- 6.2.30 The Authority notes that AAI has conducted Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the capital expenditure for Runway Recarpeting at Coimbatore International Airport. The same has been approved in the AUCC meeting no AAI/CBE/Jt.GM/AUCC dated 29th December 2021.
- 6.2.31 The Authority proposes to consider aeronautical capital additions for CJB for the Second Control Period as ₹ 130.28 crores as against ₹ 131.96 crores submitted by AAI. The variance is due to the following factors:
- Actual cost considered on account of DFMD - ₹ 0.01 crores.
 - Non-Consideration of Financing allowance of ₹ 2.45 crores
 - Consideration of actual asset additions during FY 2023-24 - ₹ 0.78 crores

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 Coimbatore International Airport, AAI has 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 have 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:

Table 57: Useful life considered by the Authority for proposed addition 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 has been computed separately on opening block of assets and on the proposed additions. The depreciation amount submitted by Coimbatore International Airport for the Second Control Period has been presented in the table below:

Table 58: Depreciation submitted by AAI for Coimbatore International Airport for the Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Land	-	-	-	-	-	-
Runway, Taxiway, Apron	1.21	1.21	1.21	1.21	1.21	6.05

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Particulars	FY24	FY25	FY26	FY27	FY28	Total
Roads, Bridges & Culverts	0.44	0.44	0.44	0.44	0.44	2.22
Building - Terminal	1.97	1.96	1.96	1.93	1.81	9.63
Building - Temporary	-	-	-	-	-	-
Building - Residential	0.96	0.93	0.93	0.93	0.93	4.70
Security Fencing	0.05	0.05	0.05	0.05	0.05	0.23
Boundary Wall - Operational	0.11	2.30	4.60	4.60	4.60	16.22
Boundary Wall - Residential	0.03	0.03	0.02	0.02	0.02	0.13
Computers - End User Devices	0.43	0.04	-	-	-	0.47
Computer Software	0.00	-	-	-	-	0.00
Computers - Servers and Networks	-	-	-	-	-	-
Plant & Machinery	2.80	3.06	3.74	4.07	4.06	17.72
Tools & Equipment	0.65	0.65	0.64	0.64	0.64	3.21
Vehicle - Others	0.15	0.15	0.15	0.15	0.15	0.73
Vehicle - Cars & Jeeps	0.03	0.02	-	-	-	0.05
Electrical Installations	0.16	0.54	0.93	0.93	0.93	3.49
Office Equipment	0.02	0.02	-	-	-	0.04
Furniture & Fixtures - Other than trolleys	0.49	0.49	0.49	0.35	-	1.80
Furniture & Fixtures - Trolleys	-	-	-	-	-	-
X-Ray Baggage System	0.18	0.28	0.33	0.33	0.33	1.44
CFT/Fire Fighting Equipment	0.36	0.36	0.36	0.36	0.36	1.81
Other Building	0.00	0.00	0.00	0.00	0.00	0.01
Total	10.05	12.52	15.85	16.01	15.53	69.97

Authority's examination of Depreciation for the Second Control Period

- 6.3.4 The Authority notes that AAI has 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 has reviewed the depreciation rates submitted by AAI for the Second Control Period with the rates as per the Order No.35/2017-18 dated 12th January 2018 and notes no deviation.
- 6.3.5 The Authority proposes to consider the useful life of 30 years for Runway recarpeting in line with the useful life of the runway as per Order No.35/2017-18 dated 12th January 2018. This expenditure is considered by the Authority as an addition to the Capital Expenditure, as explained in para 6.2.23.
- 6.3.6 Based on changes in the allocation of opening gross block of assets and proposed capital expenditure, the Authority proposes the following depreciation for the Second Control Period:

Table 59: Depreciation proposed by the Authority for the Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Runway, Taxiway, Apron	1.92	2.78	2.78	2.78	2.78	13.05
Roads, Bridges & Culverts	0.09	0.09	0.09	0.09	0.08	0.43
Building - Terminal	1.45	1.45	1.45	1.45	1.45	7.23
Building - Residential	0.81	0.80	0.80	0.80	0.80	4.03
Security Fencing	0.05	0.05	0.05	0.05	0.05	0.23
Boundary Wall - Operational	0.07	0.07	0.07	0.07	2.28	2.58
Boundary Wall - Residential	0.02	0.02	0.02	0.02	0.02	0.09
Computers - End User Devices	0.08	0.06	0.03	0.00	-	0.17
Plant & Machinery	1.92	2.07	2.71	3.36	3.33	13.40
Tools & Equipment	0.72	0.73	0.73	0.73	0.73	3.63
Vehicle - Others	0.15	0.15	0.15	0.15	0.11	0.70
Vehicle - Cars & Jeeps	0.03	0.02	0.01	-	-	0.05

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SECOND CONTROL PERIOD

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Electrical Installations	1.22	1.23	1.23	1.22	1.52	6.41
Office Equipment	0.02	0.01	0.00	0.00	0.00	0.03
Furniture & Fixtures - Other than trolleys	0.46	0.45	0.33	0.25	0.14	1.64
X-Ray Baggage System	0.01	0.11	0.20	0.20	0.20	0.74
CFT/Fire Fighting Equipment	0.36	0.36	0.36	0.36	0.36	1.81
Other Building	0.36	0.36	0.36	0.36	0.36	1.82
Other Assets	-	0.07	0.28	0.28	0.28	0.89
Total	9.75	10.87	11.64	12.17	14.47	58.91

6.3.7 The Authority proposes to consider depreciation for Coimbatore International Airport for the Second Control Period as ₹ 58.91 crores. The above depreciation is lesser by ₹ 11.06 crores as compared to that proposed by AAI, due to shifting of work related to Construction of boundary wall from FY 2024-25 (as submitted by AAI) to FY 2027-28 as proposed by the Authority, non-consideration of related Financing Allowance thereon and consideration of revised cost on Runway re-carpeting expenses as per AAI as against their earlier submission.

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 Coimbatore International Airport is as follows:

Table 60: RAB submitted by AAI for Coimbatore International Airport for the Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (A)	139.16	130.62	182.51	179.16	163.15	
Additions (B)	1.55	64.42	12.50	-	-	78.46 ^
Disposals (C)	0.03	-	-	-	-	0.03
Depreciation (D)	10.05	12.52	15.85	16.01	15.53	69.97
Closing RAB (E = A + B - C - D)	130.62	182.51	179.16	163.15	147.62	
Average RAB (F = [A + E] ÷ 2)	134.89	156.57	180.84	171.16	155.38	

^as per the initial MYTP submission made by AAI, this has been subsequently updated based on the submissions made by AAI refer Table 49.

Authority's examination of RAB for the Second Control Period

6.4.2 The Authority proposes to adopt the capitalization of Aeronautical Capital Expenditure in accordance with Table 56 and the depreciation amounts in accordance with Table 59.

The Authority also notes that employee quarters related assets amounting to ₹ 0.06 crores has been disposed-off in FY 2023-24. The Authority proposes to consider the same for the Second Control Period.

6.4.3 Based on the above, the RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Second Control Period is as follows:

Table 61: RAB proposed to be considered by the Authority for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (A)		134.01	174.60	175.16	180.65	168.48	
Additions (B)	Table 56	50.39	11.44	17.13	-	51.31	130.28
Disposals (C)	Para 6.4.2	0.06	-	-	-	-	0.06
Depreciation (D)	Table 59	9.75	10.87	11.64	12.17	14.47	58.91
Closing RAB (E = A + B - C - D)		174.60	175.16	180.65	168.48	205.32	
Average RAB (F = [A + E] ÷ 2)		154.31	174.88	177.91	174.56	186.90	

6.5 Authority's proposal 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 proposes the following with regard to Capital Expenditure, Depreciation and Regulatory Asset Base for the Second Control Period.

- 6.5.1 To consider allocation of Gross Block of Assets as on 1st April 2023 between Aeronautical and Non-aeronautical assets as detailed in Table 48.
- 6.5.2 To adopt the capitalization of Aeronautical Expenditure for the Second Control Period in accordance with Table 56.
- 6.5.3 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.
- 6.5.4 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 6.2.25. The same will be examined during the true up of the Second Control Period, at the time of determination of tariff for the Third Control Period.
- 6.5.5 To consider depreciation as per Table 59 for the Second Control Period.
- 6.5.6 To true up depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination for the Third Control Period.
- 6.5.7 To consider average RAB for the Second Control Period for CJB as per Table 61.
- 6.5.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.

7 FAIR RATE OF RETURN FOR THE SECOND CONTROL PERIOD

7.1 AAI 's submission regarding Fair Rate of Return (FRoR) for the Second Control Period for Coimbatore International Airport

7.1.1 AAI submitted that Coimbatore International Airport would utilize internally accrued funds to fund the capital expenditure that have been projected for the Second Control Period. Considering this AAI has submitted FRoR of 14% for the Second Control Period.

7.2 Authority's examinations regarding to Fair Rate of Return (FRoR) for the Second Control Period

Cost of Debt (CoD)

7.2.1 The Authority notes that AAI has submitted that the 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 MYTP submission.

7.2.2 However, it is noted that AAI has availed debts of ₹ 19.13 crores during the First Control period from FY 2020-21 to FY 2022-23 and the cost of debt works out to 7.25% (calculated as per interest details submitted by AAI vide email dated 28th February 2024).

7.2.3 Considering the absence of information relating to the repayment of debt, the Authority has recalculated the closing debt taking into account that the borrowing of ₹ 19.13 Crores which was outstanding at the end of the First Control Period, considering repayment of the same in five equal installments in the Second Control Period.

7.2.4 The Authority proposes to consider Cost of Debt as 7.25% as computed in the First Control Period based on data made available by AAI as discussed in para 4.5.3. The same is presented in the table below:

Table 62 : Debt computation proposed to be considered by the Authority for Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Opening Debt	19.13	15.31	11.48	7.65	3.83	
Drawdown (additional loan taken)	-	-	-	-	-	-
Repayment	3.83	3.83	3.83	3.83	3.83	19.13
Closing Debt	15.31	11.48	7.65	3.83	-	-
Average Debt	17.22	13.39	9.57	5.74	1.91	-
Cost of Debt (%)	7.25%	7.25%	7.25%	7.25%	7.25%	

7.2.5 AAI is advised to submit the actual debt availed (for Second Control Period), its repayment and other terms, which will be reviewed by the Authority and appropriately considered for FRoR computation at the Order stage.

Cost of Equity (CoE)

7.2.6 The Authority has analyzed the AAI's submission relating to FRoR pertaining to Coimbatore International Airport for the Second Control Period. The Authority proposes to consider 14% as Cost of Equity for the Second Control Period, as considered earlier by AERA for other similar airports of AAI.

7.2.7 Considering the changes in the capitalization plan for the Second Control Period, the Authority has recalculated the Equity as the closing RAB after adjustment of closing Debt for a particular financial year and the same has been summarized in the table below:

Table 63: Equity computation proposed to be considered by the Authority for Second Control Period*(₹ in crores)*

Particulars	Ref	FY24	FY25	FY26	FY27	FY28	Total
Closing RAB (Table 61)	A	174.60	175.16	180.65	168.48	205.32	
Closing Debt (Table 62)	B	15.31	11.48	7.65	3.83	-	
Equity	C = A - B	159.29	163.68	173.00	164.65	205.32	865.94

Fair Rate of Return (FRoR)

- 7.2.8 Considering the above, the Authority, at consultation stage, proposes to consider FRoR for Coimbatore Airport for the Second Control Period as per table given below:

Table 64: FRoR proposed to be considered for Second Control Period for AAI by the Authority*(₹ in crores)*

Particulars	Reference	FY24	FY25	FY26	FY27	FY28
Debt	A	15.31	11.48	7.65	3.83	-
Equity	B	159.29	163.68	173.00	164.65	205.32
Debt + Equity	C = A + B	174.60	175.16	180.65	168.48	205.32
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%
Gearing (%)	F = A ÷ C	8.77%	6.55%	4.24%	2.27%	0.00%
Weighted Average Gearing (%)	G = (F * C) ÷ C					4.23%
Cost of Debt (%)	H					7.25%
Cost of Equity (%)	I					14.00%
FRoR (%)	(J = H * G + I * [1-G])					13.71%

- 7.2.9 However, the Authority notes that the capital structure of AAI airports is not efficient and Airport Operator has considered Capex Plans of various airports considering nil or negligible debt. Taking note of inefficient Capital Structure, AERA has been advising AAI to adopt optimal mix of Debt & Equity to rationalize FRoR. AERA, in the past tariff orders for AAI, has also indicated its intention to consider normative gearing ratio for AAI in future.

The aspect of Fair Rate of Return for AAI airports, including Cost of Equity where nil or very low debt is proposed by AAI, is presently under discussion with MoCA/ Niti Aayog and FRoR will be aligned to target gearing ratio. Accordingly, the FRoR for AAI airports will be determined considering the outcome of discussions & other relevant factors.

The Authority solicits the specific views/comments of stakeholders on the FRoR for AAI airports.

7.3 Authority's proposals regarding to Fair Rate of Return (FRoR) for the Second Control Period

Based on the materials before it and its analysis, the Authority proposes the following with respect to FRoR for the Second Control Period:

- 7.3.1 To consider the Cost of Equity as 14.00%.
- 7.3.2 To consider Cost of Debt of 7.25% for the Second Control Period.
- 7.3.3 To consider FRoR of 13.71% for the Second Control Period based on above mentioned Cost of Equity, Cost of Debt and Normative Gearing Ratio as per Table 64.
- 7.3.4 To true up the FRoR while determining tariff for the next Control Period considering relevant factors.

8 INFLATION FOR THE SECOND CONTROL PERIOD

8.1 AAI's submissions regarding Inflation for the Second Control Period for Coimbatore International Airport

8.1.1 AAI has not made any submission related to inflation as part of its MYTP submission for Coimbatore International Airport for the Second Control Period.

8.2 Authority's examination regarding Inflation for the Second Control Period

8.2.1 The Authority proposes to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 87th released on 5th April 2024 published by the Reserve Bank of India (RBI). Accordingly, the Authority proposes to consider the mean of WPI inflation forecasts (All Commodities) for FY 2023-24 till FY 2025-26 as given in the 87th round of survey of professional forecasters on macroeconomic indicators of RBI.

8.2.2 The Authority has assumed that the inflation rate would be stable and remain constant in 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 65: Inflation rates proposed by the Authority for the Second Control Period

Particular	FY24	FY25	FY26	FY27	FY28
Inflation	(0.70%)	3.10%	3.70%	3.70%	3.70%

8.3 Authority's proposal regarding Inflation for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with regards to Inflation for the Second Control Period:

8.3.1 To consider Inflation for the Second Control Period for Coimbatore International Airport as detailed in Table 65.

9 OPERATION AND 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) expenses submitted by AAI is segregated into the following:

- Payroll Expenses,
- Admin and General Expenditure,
- Repair and Maintenance Expenditure,
- Utilities 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 the 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 Coimbatore International Airport for the Second Control Period has been presented in the table below:

Table 66: Operation and Maintenance (O&M) expenditure submitted by AAI for Coimbatore International Airport for the Second Control Period

(₹ in crores)

Sl. No.	Particulars	FY24	FY25	FY26	FY27	FY28	Total
1	Payroll Expenses (Other than CHQ/RHQ)	20.41	21.84	23.37	25.01	33.01	123.64
2	Retirement Benefits of employees	0.67	0.72	0.77	0.82	1.09	4.07
A	Total Payroll Expenditure (1+2)	21.08	22.56	24.14	25.83	34.09	127.70
3	Admin & General Expenses (Other than CHQ/RHQ)	9.19	11.44	12.56	13.79	15.22	62.19
4	Admin & General Expenses (CHQ/RHQ)	14.49	15.21	15.97	16.77	17.61	80.05
B	Total Admin & General Expenditure (3+4)	23.67	26.65	28.53	30.56	32.83	142.24
C	Repairs & Maintenance Expenditure	19.97	21.05	22.16	23.38	24.71	111.27
D	Utilities & Outsourcing Expenditure	4.80	5.05	5.27	5.51	5.76	26.38
E	Other Outflows	0.69	0.81	0.94	1.10	1.21	4.75
	Total (A+B+C+D+E)	70.21	76.12	81.04	86.37	98.60	412.35

9.1.5 The summary of growth rates assumed by AAI for O&M expenses have been presented in the table below:

Table 67: Growth rates in O&M expenditure submitted by Coimbatore International Airport for Second Control Period

Sl. No.	Particulars	FY24	FY25	FY26	FY27	FY28
1	Payroll Expenses (Other than CHQ/RHQ)	7.00%	7.00%	7.00%	7.00%	32.00%
2	Retirement Benefits of employees	7.00%	7.00%	7.00%	7.00%	32.00%
3	Admin & General Expenses (Other than CHQ/RHQ)	10.00%	10.00%	10.00%	10.00%	10.00%

OPERATION AND MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

Sl. No.	Particulars	FY24	FY25	FY26	FY27	FY28
4	Admin & General Expenses (CHQ/RHQ)	5.00%	5.00%	5.00%	5.00%	5.00%
5	Repairs & Maintenance Expenditure	10.00%	10.00%	10.00%	10.00%	10.00%
6	Utilities & Outsourcing Expenditure - Power charges	3.00%	3.00%	3.00%	3.00%	3.00%
7	Utilities & Outsourcing Expenditure - Other than Power charges	10.00%	20.00%	10.00%	10.00%	10.00%
8	Other Outflows	19.50%	18.50%	16.20%	16.20%	10.40%

9.2 Authority's examination regarding O&M expenses for the Second Control Period:

9.2.1 The Authority observes that the O&M expenses approved in the Tariff Order No. 44/2018-19 dated 6th March 2019 for the First Control Period for Coimbatore International Airport was ₹ 251.69 crores (refer Table 20), against which actual expenses of ₹ 263.90 crores (refer Table 19) were submitted by AAI for true-up of the First Control Period. After rationalization of some components of O&M expenses, the Authority has proposed ₹ 251.40 crores (refer Table 32) to be trued up for the First Control Period.

9.2.2 Further, AAI has submitted its O&M expenses for the Second Control Period amounting to ₹ 362.52 crores (excluding Runway Recarpeting expenses), which is 31% higher than the O&M expenses proposed by the Authority for true-up of the First Control Period.

9.2.3 The Authority has analyzed the proposed 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 for FY 2022-23

9.2.4 The Authority examined the allocation of O&M expenses between Aeronautical and Non-aeronautical submitted by AAI. The same is explained in the following paragraphs.

AAI has segregated the payroll expenses (excluding CHQ/RHQ payroll cost) between Aeronautical and Non-Aeronautical in the employee ratio of FY 2022-23.

Repair and Maintenance expenses include various heads of expenses such as Civil, Electrical, Electronics, etc., AAI has considered EHCR, TBLR and SQTR as appropriate for allocation of expenses.

AAI, in its MYTP submission, has proposed TBLR of 90:10 for the Second Control Period and the Authority proposes to consider the same.

Consumption of Stores & Spares includes expenses incurred towards fuel expenses of vehicles, which has been apportioned based on the Vehicle Ratio (based on 3:1 for Aero:ANS).

9.2.5 The Authority proposes 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 68: Allocation ratios of O&M expenses proposed to be considered by the Authority for Coimbatore International Airport for FY23

Particulars	Submitted by AAI and as proposed by the Authority for FY 23	Basis of rationalization
Employee Ratio (Aero: Non-Aero)	94.55%: 5.45%	Para 4.6.3
Employee Ratio (Aero: Non-Aero: ANS)	64.60%: 3.73% : 31.28%	
Electricity Ratio (Aero: ANS)	82.08%: 17.92%	Para 4.6.6
Staff Quarters Ratio (Aero: Non-Aero: ANS)	72.50%: 1.67%: 25.83%	Para 4.6.7
Vehicle Ratio (Aero: ANS)	75%: 25%	Para 4.6.8

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 have been analyzed by the Authority and its proposals for such expenses are as elaborated below:

A. Payroll Expenses - ₹ 127.70 crores

9.2.6 AAI has considered a growth rate of 7% in payroll expenses for the period FY 24 to FY 27 and 32% (i.e. 25% additionally on account of the 8th pay commission) in FY 28.

9.2.7 However, the Authority proposes to consider a growth rate of 6% Y-o-Y in payroll expenses throughout the Second Control Period. AAI has projected an additional 25% increase in the last tariff year i.e. FY 2027-28 on account of 8th pay commission. The Authority proposes that such an increase shall be considered on incurrence basis. The above restriction in the growth rate in payroll expenses, is being proposed with the view of rationalizing the costs of the Airport. Further, this growth rate of 6% Y-o-Y is being uniformly followed in all AAI airports.

On the basis of above considerations, the Authority proposes to consider only 6% growth Y-o-Y for all the 5 years on account of Payroll Expenses for the Second Control Period and has 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 has considered the payroll cost for FY 2023 as a base, for computing the payroll cost for the Second Control Period, after factoring-in the Y-o-Y growth rate indicated above. Accordingly, the payroll expenses estimated by the Authority for the Second Control Period are as under:

Table 69: Payroll Expenses as submitted by AAI and as proposed by the Authority for the Second Control Period

(₹ in crores)						
Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI (A)	21.08	22.56	24.14	25.83	34.09	127.70
As proposed by the Authority (B)	21.02	22.28	23.61	25.03	26.53	118.48
Variance (B-A)	(0.07)	(0.28)	(0.52)	(0.80)	(7.56)	(9.23)

B. Administration & General Expenses

Administration and General Expenses (Other than CHQ/RHQ) - ₹ 62.19 crores

9.2.8 The Authority notes that AAI has projected a 10% increase Y-o-Y in Administration and General expenses (other than CHQ/ RHQ). However, the Authority proposes to consider the inflationary growth rate for Administration & General Expenses in the Second Control Period.

9.2.9 The Authority also proposes to project the yearly lease expense of ₹ 0.39 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. The Authority's proposal is confirmed by the accounting schedule as per AAI's Independent Consultant's "Report on Agreed Upon Procedure related to Accounting Treatment of Assets under the contracts of the supply, installation, testing, commissioning and comprehensive maintenance of X-Ray baggage inspection system (XBIS) as finance lease as per Accounting Standard 19 – Lease and Opinion of Expert Committee Advisory of ICAI" in which the lease term of the current X-BIS is indicated to be terminated in FY 2023-24.

- 9.2.10 AAI has submitted Municipal taxes that are to be incurred during each year of the Second Control Period and Airport License Fee amounting to ₹ 0.08 crores only during FY 2027-28 on which no inflationary increase has been applied. The Authority notes the same to be reasonable and proposes to consider the same.

CSR Expenses

- 9.2.11 The Authority notes that AAI has claimed ₹ 1.89 crores towards CSR expenses for the Second 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 has been provided below:

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'.

- 9.2.12 In this regard, the Authority is 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 element of 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 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.

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

Upkeep expenses

- 9.2.14 The Authority observes that for upkeep expenses, AAI has proposed 10% increase year-on-year for the Second Control Period, except for FY 25, where a 57% increase has been proposed. AAI has submitted in MYTP proposal that the escalation of 57% was on account of the fact that "ESS Contract is proposed to merge with MESS expense considering the wage increase and increase in area as well as manpower for Cleaning. Resulting increase in cost".

- 9.2.15 On inquiry with AAI, the Authority notes the following:

- At present, there are two separate contracts at Coimbatore Airport i.e. the ESS contract for the upkeeping of Ancillary buildings and the MESS contract for the upkeeping of the terminal building. For

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administrative convenience and to ensure quality work, AAI has submitted that these two works will be combined under a single contract in the new MESS tender.

- AAI has also claimed that the public toilets and airside toilets are also brought under the scope of the new MESS contract. In addition, the operations area & road are also included in the scope, which are neither part of the current ESS nor the MESS contract.
- AAI has further stated that in the current contract, only 12 dedicated staff (janitors) are available per shift for passenger toilets which is inadequate. Hence, the number of staff to be deployed in the new contract has been increased to 18 staff (janitors) per shift. The increased labour requirement in combination with the increase in labour wages contributed to the increase in the cost of the tender.
- The Authority has also analyzed the new MESS contract award letter amounting to ₹ 12.55 crores (for a period of 3 years i.e. commencing from Feb' 2024). The Authority proposes to consider the cost of MESS contract of ₹ 12.55 crores equally over the period of 3 years from FY 2024-25 to FY 2026-27(which amounts to ₹ 4.18 crores per year). For FY 2027-28, the Authority proposes to apply an inflationary increase on the cost considered for FY 2026-27.

Table 70: Administration & general expenses (other than CHQ/RHQ) as submitted by AAI and as proposed by the Authority for the Second Control Period

(₹ in crores)

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI @ 10% increase YoY (A)	9.19	11.44	12.56	13.79	15.22	62.19
As proposed by the Authority @ the rate of Inflation (B)	8.14	9.24	9.42	9.60	10.03	46.43
Variance (B-A)*	(1.05)	(2.20)	(3.14)	(4.19)	(5.19)	(15.77)

*Note - *The major reasons for the difference in A&G expenses (Other than CHQ/RHQ) are on account of consideration of inflationary growth rate in place of 10% Y-o-Y growth submitted by AAI, and disallowance of CSR expenses as explained in para 9.2.11*

Administration and General Expenses (CHQ/RHQ) - ₹ 80.05 crores

- 9.2.16 AAI has proposed a growth rate of 5% Y-o-Y for Apportionment of Administration expenses of CHQ/RHQ for the Second Control Period. The Authority notes that such an increase is consistent with growth rates allowed at similar airports and hence proposes to consider the same. Accordingly, the Authority proposes to consider Y-o-Y increase of 5%, considering FY 2022-23 as base (₹ 11.87 crores).

Table 71: Administration & general expenses (CHQ/RHQ) as submitted by AAI and as proposed by the Authority for the Second Control Period

(₹ in crores)

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI (A)	14.49	15.21	15.97	16.77	17.61	80.05
As proposed by the Authority (B)	12.46	13.08	13.74	14.43	15.15	68.86
Variance (B-A)	(2.02)	(2.13)	(2.23)	(2.34)	(2.46)	(11.19)

C. Repairs & Maintenance (R&M) Expenses - ₹ 111.27 crores

- 9.2.17 In the MYTP submission of AAI, Repairs and Maintenance expenses included Runway re-carpeting expenses amounting to ₹ 49.83 crores, which AAI had proposed to amortize over a period of 5 years as per *para 3.2.8* in AERA Order No. 35/2017-18 on “*In matter of determination of useful life of airport assets*”, commencing from FY 2023-24.
- 9.2.18 AAI in its response to queries (dated 13th May 2024), pertaining to Runway Re-carpeting vide email dated 15th May 2024 has mentioned the need for Runway Re-carpeting as “*The surface of the runway had deteriorated*”

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at many places with potholes, rutting, ravelling etc. Hence, to improve the surface of the runway Resurfacing of runway was carried out. Usually, resurfacing/re-carpeting is required in 6 to 8 years. The last runway resurfacing was done in 2003-2004. The same was also pointed out in DGCA inspection.”

- 9.2.19 AAI vide email dated 27th May 2024 submitted revised cost of runway recarpeting amounting to ₹ 41.04 crores (excl. GST) and requested the Authority to consider the runway recarpeting cost of ₹ 41.04 Crores as capital expenditure on the basis that PCN value has increased post runway re-carpeting. The Authority also notes that the documents substantiating the same were also submitted by AAI together with the request for capitalization.
- 9.2.20 On analysis of the documents submitted by AAI for PCN value increase, the Authority has considered runway re-carpeting costs as Capital in nature and treated the same as additions to RAB (incl. GST) as discussed in para 6.2.23.
- 9.2.21 AAI has submitted a capital expenditure of ₹ 4.13 crores towards implementation of Digi Yatra in FY 2024-25 vide mail dated 25th May 2024. This was not part of the MYTP submitted by AAI for the Second Control Period. The Authority proposes to accept the capitalization of Digi Yatra related assets in FY 2024-25 as per para 6.2.22. As part of the cost estimate for Coimbatore International Airport shared by AAI for implementation of Digi Yatra, the Authority notes that certain AMC expenses are also proposed. This Comprehensive AMC (CAMC) covers a period of 6 years commencing after completion of 1 year warranty period (warranty period coverage until FY 2025-26). The CAMC expenses for FY 2026-27 & FY 2027-28 in the Second Control Period amounts to ₹ 0.44 crores per year (₹ 2.65 Crores for 6 years as indicated by AAI in their submission pro-rated for yearly cost).
- 9.2.22 AAI has submitted a Y-o-Y increase of 10% for remaining R&M expenses (other than runway recarpeting and AMC cost for Digi Yatra) for the Second Control Period. The Authority observes that R&M expenses including AMC cost for Digi Yatra are exceeding the limit of 6% of opening RAB (Net Block) of the Second Control Period. Based on the above factors, the Authority proposes to consider the R&M by limiting to 6% of opening RAB as enumerated in the table below:

Table 72: Repairs & Maintenance Expenses proposed by the Authority for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
R&M Expenses submitted by AAI (Other than AMC cost of Digi yatra Assets)	A	9.87	10.86	12.02	13.22	14.54	60.52
AMC Cost of Digi Yatra Assets	B				0.44	0.44	0.88
Total R&M Expenses	C=A+B	9.87	10.86	12.02	13.67	14.99	61.40
Opening RAB (Table 61)	D	134.01	174.60	175.16	180.65	168.48	
6% of Opening RAB	E=6%*D	8.04	10.48	10.51	10.84	10.11	49.97
Allowable Expenses	F=Lower (C or E)	8.04	10.48	10.51	10.84	10.11	49.97
R&M Expenses proposed by the Authority	G	8.04	10.48	10.51	10.84	10.11	49.97

- 9.2.23 The Authority notes 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 in this regard. Accordingly, the Authority, at this stage proposes to cap R&M Expenses at 6% of opening RAB (Net Block) as per Table 70.
- 9.2.24 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 year notes the recent submissions of the AAI during the tariff determination process

of their airports, wherein AAI submitted that capping of R&M Expenses to 6% of Opening RAB (Net Block) needs review. As per the stakeholder, considering that the RAB (Net Block) of the airports, particularly smaller airports, with no major CAPEX additions, gradually decrease due to depreciation; whereas, due to normal wear & tear and aging of Assets, R&M Expenses tend to increase over a period of time. Hence, capping of R&M Expenses at 6% of Opening RAB (Net Block) may be reviewed by the Authority appropriately, as capping of R&M Expenses as per present mechanism impacts adversely the airports (airports with low Regulatory Asset Base).

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

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

D. Utilities and Outsourcing Expenses - ₹ 26.38 crores

Power Charges

- 9.2.25 AAI has projected an increase of 3% Y-o-Y after netting off the recoveries made from the Concessionaires (which is assumed to be 17% of the total power costs, consistent with the recovery % during FY 23). The Authority notes the increase (net of 17% recovery from concessionaires) of 3% Y-o-Y proposed for power expenses during the Second Control Period to be reasonable and proposes to consider the same.

Utilities & Outsourcing Expenses – Other than Power Charges

- 9.2.26 AAI has submitted a projected growth rate of 10% Y-o-Y for the Second Control Period, except for FY 2024-25, wherein a growth rate of 20% has been proposed on consumption of stores and spares. However, upon inquiry for the 20% increase, AAI vide email dated 26th Feb, 2024 submitted that the same shall be corrected to 10% as it was an inadvertent error.

The Authority takes cognizance of utilities expense projections submitted and approved at similar AAI airports and proposes to consider a 5% Y-o-Y increase on the same for the Second Control Period.

E. Other Outflows – Collection charges on UDF - ₹ 4.75 crores

- 9.2.27 For other outflows i.e. Collection charges on UDF, AAI has considered a growth rate which is consistent with the rate considered for growth in passenger traffic. The Authority proposes to consider the same approach as reasonable basis for considering YOY increase in expense.
- 9.2.28 Based on the above observations and rationalization of some elements, the Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period is as detailed below:

Table 73: Operation and Maintenance (O&M) Expenses proposed to be considered by the Authority for the Second Control Period

(₹ in crores)

Sl. No.	Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
1	Payroll Expenses (Other than CHQ/RHQ)	-	20.35	21.57	22.87	24.24	25.69	114.73
2	Retirement Benefits of employees		0.67	0.70	0.75	0.79	0.84	3.75
	Total Payroll Expenditure (1+2) – (A)	Table 69	21.02	22.28	23.61	25.03	26.53	118.48

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Sl. No.	Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
3	Admin & General Expenses (Other than CHQ/RHQ)	Table 70	8.14	9.24	9.42	9.60	10.03	46.43
4	Admin & General Expenses (CHQ/RHQ)	Table 71	12.46	13.08	13.74	14.43	15.15	68.86
	Total Admin & General Expenditure (3+4) – (B)	-	20.60	22.33	23.16	24.03	25.17	115.29
	Repairs & Maintenance Expenditure -C	Table 72	8.04	10.48	10.51	10.84	10.11	49.97
	Utilities & Outsourcing Expenditure -D	-	4.74	4.89	5.06	5.23	5.41	25.32
	Other Outflows -E	-	0.65	0.77	0.90	1.04	1.15	4.51
	Total (A+B+C+D+E)		55.05	60.75	63.24	66.17	68.37	313.57

9.2.29 A summary of the variances in expenses as submitted by AAI and as proposed by the Authority under O&M Expenses is mainly due to followings:

- i. Payroll Costs (Other than CHQ/RHQ) – Rationalisation of Payroll Costs projections by ₹ 9.23 crores on account of consideration of only 6% Y-o-Y increase for all the tariff years of Second Control Period, as against 7% Y-o-Y increase up to FY 2026-27 & increase of 32% (25% towards pay revision & 7% normal increase) in FY 2027-28 proposed by AAI.
- ii. Administration & General Expenses (other than CHQ/RHQ) – Decrease in projections by ₹ 15.77 crores on account consideration of inflationary Y-o-Y growth rates during all the years of Second Control Period, as against 10% Y-o-Y increase submitted by AAI and non-consideration of CSR expenses submitted by AAI.
- iii. Administration & General Expenses (CHQ/RHQ) – Rationalisation of in projections by ₹ 11.19 crores on account of not considering of Legal & Arbitration expenses & Penalties etc. paid to Govt. as explained in para 4.6.12.
- iv. Consideration of expenses incurred on Runway re-carpeting & allied works as part of Capital Expenditure as against in OPEX (as per AAI's initial submission) and rationalisation of Repairs & Maintenance Expenses by capping it to 6% of Opening RAB (Net Block) of respective tariff years (total impact Rs 61.30 Crores).
- v. Utilities & Outsourcing Expenses – Reduction of projections by ₹ 1.06 crores due to consideration of 5% Y-o-Y increase in place of 10% submitted by AAI.
- vi. Other Outflows – Decrease in projections by ₹ 0.23 crores on account of consideration of actual traffic volume for the year FY 2023-24.

9.3 Authority's proposal regarding O&M expenses for the Second Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to O&M expenses for the Second Control Period.

- 9.3.1 To consider O&M expenses for the Second Control Period for Coimbatore International Airport as per Table 73.
- 9.3.2 To true up the O&M expenses incurred by AAI during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

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 has forecasted revenue from non-aeronautical services for Coimbatore International Airport as below:

Table 74: Non-Aeronautical Revenue projections submitted by AAI for Coimbatore International Airport

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Trading Concessions: A	16.33	17.97	19.76	21.74	23.91	99.71
Restaurant / Snack Bars	3.07	3.37	3.71	4.08	4.49	18.72
T.R. Stall	4.54	5.00	5.50	6.05	6.65	27.74
Hoarding & Display	8.72	9.59	10.55	11.61	12.77	53.25
Rent & Services: B	2.60	2.76	3.08	3.29	3.51	15.24
Land Leases	0.30	0.30	0.35	0.35	0.35	1.66
Building (Residential)	0.03	0.03	0.03	0.04	0.04	0.18
Building (Non-Residential)	1.64	1.81	1.99	2.19	2.40	10.03
Hangar Land Rent	0.62	0.62	0.71	0.71	0.71	3.38
Miscellaneous: C	6.44	7.01	7.63	8.31	9.05	38.42
Duty Free Shops	2.21	2.43	2.67	2.94	3.23	13.48
Car Rentals	1.32	1.45	1.60	1.76	1.93	8.06
Car Parking	1.29	1.42	1.56	1.72	1.89	7.88
Admission Tickets	0.10	0.12	0.13	0.14	0.15	0.64
Other Income/ Sale of Scrap etc.	1.51	1.59	1.67	1.75	1.84	8.36
Total (A+B+C)	25.37	27.73	30.47	33.33	36.47	153.37

10.1.2 The growth rates assumed by AAI have been presented in the table below:

Table 75: Growth rates assumed by AAI for Non-aeronautical revenue for Coimbatore International Airport.

Particulars	FY24	FY25	FY26	FY27	FY28
Trading Concessions: A					
Restaurant / Snack Bars	10%	10%	10%	10%	10%
T.R. Stall	10%	10%	10%	10%	10%
Hoarding & Display	10%	10%	10%	10%	10%
Rent & Services: B					
Land Leases	-	-	15%	-	-
Building (Residential)	5%	5%	5%	5%	5%
Building (Non-Residential)	10%	10%	10%	10%	10%
Hangar Land Rent	-	-	15%	-	-
Miscellaneous: C					
Duty Free Shops	10%	10%	10%	10%	10%
Car Rentals	10%	10%	10%	10%	10%
Car Parking	10%	10%	10%	10%	10%
Admission Tickets	10%	10%	10%	10%	10%
Other Income/ Sale of Scrap etc.	-50%	5%	5%	5%	5%

10.2 Authority's Examination regarding Non-Aeronautical Revenue (NAR) for the Second Control Period

10.2.1 The Authority has 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 (Table 34), against which actual non-aeronautical revenue of ₹ 90.88 crores (refer Table 33) 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 has proposed ₹ 87.23 crores to be trued up as given in Table 35. Further, AAI has submitted its Non-Aeronautical Revenues for the Second Control Period for ₹ 153.37 crores, which is 175% of the Non-Aeronautical Revenue proposed by the Authority for true-up of the First Control Period.

Income Heads related with Passenger Throughput

- 10.2.2 The Authority notes that growth of passenger traffic in Coimbatore 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 proposes to consider the growth in the Passenger related revenue (Restaurants, TR Stall, Duty-Free Shops & Car Rentals) for the Second Control Period, in accordance with the growth rate in domestic passenger traffic as shown in Table 46.

Other Revenues

- 10.2.3 **Hoarding & Display (₹ 53.25 crores)**– The Authority notes that AAI has projected a 10% Y-o-Y growth from FY 2023-24 onwards for the Second Control Period. The Authority proposes to consider projections by AAI as reasonable based on the analysis of contracts provided by AAI for Hoarding & Display.
- 10.2.4 **Revenue from Building (Residential) & Building (Non-Residential) (₹ 10.21 crores)**- AAI has projected a 5% Y-O-Y increase in revenue from Building (residential) and 10% Y-O-Y increase in revenue from Building (Non-residential) from FY 2023-24. The Authority finds the projections by AAI as reasonable and in line with other similar airports and proposes to consider the same.
- 10.2.5 **Revenue from Land Lease & Hangar Rent (₹ 3.38 crores)**- The Authority notes that AAI has estimated a one-time increase in revenue from land lease and Hangar rent in FY 2025-26 at 15%. The Authority after reviewing AAI's Internal Circular no. 22 dated 4th June 2022, proposes to consider the one-time increase of 15% as reasonable.
- 10.2.6 **Admission Tickets (₹ 0.44 crores)**- The Authority notes that AAI has 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 proposes to consider the average revenue from admission tickets for FY 2020-21 to FY 2022-23 (i.e. 3 years post COVID-19) as a base for admission ticket revenue for FY 2023-24 amounting to ₹ 0.07 crores and thereafter proposes a 10% growth rate Y-o-Y as per submission by AAI.
- 10.2.7 **Other Income/Sale of Scrap etc. (₹ 11.65 crores)**- Other income includes forfeiture of security deposit (unclaimed for 3 years), sale of scrap etc. Other Income in FY 2022-23 has a significant variance of 107% as compared to FY 2021-22. The Authority notes that this variance is high compared to other years in the past mainly due to the non-recurring nature of the income – e.g. forfeiture of security deposit which has taken place in FY 2022-23. In view of this, keeping FY 2022-23 as a base for projection is not reasonable. Hence, the Authority proposes to consider the average revenue from other income/sale of scrap etc. from FY 2020-21 to FY 2022-23 (i.e. 3 years post COVID-19) as a base for FY 2023-24 and thereafter proposes a 5% growth rate Y-o-Y as per submission by AAI.

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10.2.8 **Car Parking (₹ 7.88 crores)** - The Authority notes that AAI has projected a 10% Y-o-Y growth from FY 2023-24 onwards for the Second Control Period. The Authority proposes to consider projections by AAI as reasonable based on the analysis of contracts provided by AAI for Car Parking.

10.2.9 The Authority, in line with its decision taken in other Airports, proposes 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 ₹ 5.12 crores for the Second Control Period (reclassified out of Building (Non-Residential) and Land leases).

10.2.10 Based on the Authority's examination, NAR for the Coimbatore International Airport for the Second Control Period has been presented in the table below:

Table 76: Non-aeronautical revenue proposed by the Authority for Second Control Period for Coimbatore International Airport

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Trading Concessions: A	16.62	18.91	21.36	24.15	26.56	107.60
Restaurant / Snack Bars	3.18	3.75	4.35	5.05	5.56	21.89
T.R. Stall	4.71	5.56	6.45	7.49	8.23	32.45
Hoarding & Display	8.72	9.59	10.55	11.61	12.77	53.25
Rent & Services: B	2.60	2.76	3.08	3.29	3.51	15.24
Land Leases	0.30	0.30	0.35	0.35	0.35	1.66
Building (Residential)	0.03	0.03	0.03	0.04	0.04	0.18
Building (Non-Residential)	1.64	1.81	1.99	2.19	2.40	10.03
Hanger Land Rent	0.62	0.62	0.71	0.71	0.71	3.38
Miscellaneous: C	7.12	8.02	8.97	10.05	10.93	45.08
Duty Free Shops	2.29	2.70	3.14	3.64	4.00	15.77
Car Rentals	1.37	1.62	1.88	2.18	2.39	9.43
Car Parking	1.29	1.42	1.56	1.72	1.89	7.88
Admission Tickets	0.07	0.08	0.09	0.10	0.10	0.44
Other Income/ Sale of Scrap etc.	2.09	2.20	2.31	2.42	2.54	11.56
Total (D=A+B+C)	26.33	29.69	33.41	37.48	41.00	167.91
Less: Lease Rent for Ramp from Airlines / GHA (E)	0.15	0.15	0.18	0.18	0.18	0.85
Less: Space Rentals from Airlines (F)	0.70	0.77	0.85	0.93	1.02	4.27
Total (G=D-E-F)	25.48	28.77	32.38	36.37	39.79	162.79

10.2.11 The revised growth rates proposed by the Authority have been presented in the table below:

Table 77: Growth rates proposed by the Authority for Coimbatore International Airport for Non-aeronautical revenue

Particulars	FY24	FY25	FY26	FY27	FY28
1. Passenger Related Revenue					
Restaurant / Snack Bars	14%	18%	16%	16%	10%
T.R. Stall	14%	18%	16%	16%	10%
Duty Free Shops	14%	18%	16%	16%	10%
Car Rentals	14%	18%	16%	16%	10%
2. Other Revenue					
Land Leases	-	-	15%	-	-
Building (Residential)	5%	5%	5%	5%	5%
Building (Non-Residential)	10%	10%	10%	10%	10%
Hanger Land Rent	-	-	15%	-	-
Admission Tickets	10%	10%	10%	10%	10%

NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD

Particulars	FY24	FY25	FY26	FY27	FY28
Other Income/ Sale of Scrap etc.	-	5%	5%	5%	5%
Hoarding & Display	10%	10%	10%	10%	10%
Car Parking	10%	10%	10%	10%	10%

10.2.12 As can be seen above, the Authority proposes to consider the Non-Aeronautical Revenue for the Second Control Period amounting to ₹ 162.79 crores as against ₹ 153.37 crores submitted by AAI. The difference is mainly due to the different growth rates proposed by the Authority as compared to AAI and shifting of revenues on account of Space Rentals/land lease from Aeronautical Concessionaires to Aeronautical Revenues.

10.3 Authority's proposal regarding Non-Aeronautical Revenue (NAR) for the Second Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Non-Aeronautical Revenue for the Second Control Period:

- 10.3.1 To consider Non-Aeronautical Revenue for the Second Control Period for Coimbatore International Airport as per Table 76.
- 10.3.2 To consider Non-Aeronautical Revenue achieved by AAI for Coimbatore International Airport for the Second Control Period, while determining tariff for the next Control Period

11 TAXATION FOR THE SECOND CONTROL PERIOD

11.1 AAI's submission regarding Taxation for the Second Control Period for Coimbatore International Airport

11.1.1 AAI has submitted the computation of income tax based on the PBT which is 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 78: Aeronautical Taxation for the Second Control Period submitted by AAI for Coimbatore International Airport

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Revenue							
Aeronautical Revenue		87.56	180.93	212.47	249.49	278.86	1,009.30
Total Revenue	A	87.56	180.93	212.47	249.49	278.86	1,009.30
Expenses							
Operation & Maintenance Expenses		70.21	76.12	81.04	86.37	98.60	412.35
Depreciation (As per IT Act, 1961)		13.53	15.52	18.15	16.99	15.02	79.22
Total Expenses	B	83.74	91.64	99.19	103.36	113.63	491.56
Profit/(Loss)	C=A-B	3.82	89.28	113.27	146.12	165.23	517.74
Set off of prior period tax losses	D	(3.82)	(57.78)	-	-	-	(61.60)
Profit/(Loss) after set off of prior period tax losses	E	-	31.51	113.27	146.12	165.23	456.14
Tax Rate	F	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	G=E*F	-	7.93	28.51	36.78	41.59	114.81

11.2 Authority's examination regarding Taxation for the Second Control Period

11.2.1 The Authority notes that Coimbatore International Airport has calculated income tax based on the projected Aeronautical revenues.

11.2.2 The Authority has 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 Coimbatore International Airport. The following table summarizes the Aeronautical taxes proposed by the Authority for the Second Control Period.

Table 79: Aeronautical Taxation proposed by the Authority for the Second Control Period for Coimbatore International Airport

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Revenue							
Aeronautical Revenue	Table 86	84.36	125.39	175.35	203.00	223.69	811.78
Total Revenue	A	84.36	125.39	175.35	203.00	223.69	811.78
Expenses							
O&M Expenses	Table 73	55.05	60.75	63.24	66.17	68.37	313.57
Depreciation (As per IT Act, 1961)		15.14	17.21	16.82	16.09	19.30	84.55
Total Expenses	B	70.18	77.95	80.06	82.26	87.67	398.13
Profit/(Loss)	C=A-B	14.17	47.43	95.29	120.74	136.01	413.65
Prior period losses carried forward	D	(91.61) [^]	(77.43)	(30.00)	-	-	
Set off of prior period tax losses	E	(14.17)	(47.43)	(30.00)	-	-	(91.61)
Profit/(Loss) after set-off of prior period tax losses	F	-	-	65.29	120.74	136.01	322.04

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Loss Carried Forward (Closing)	G=D-E-F	(77.43)	(30.00)	-	-	-	
Tax Rate	H	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	I=F*H	-	-	16.43	30.38	34.22	81.04

[^]Carried Forward Losses amounting to ₹ 91.61 crores for the First Control Period considered as Opening Balance for FY 2023-24 as per Table 40.

11.3 Authority's proposal regarding Aeronautical Taxation for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Taxation for the Second Control Period:

- 11.3.1 To consider the Taxation for the Second Control Period for Coimbatore International Airport as per Table 79.
- 11.3.2 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.

12 QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD

12.1 AAI’s submissions regarding Quality of Service for the Second Control Period for Coimbatore International Airport

12.1.1 AAI has not made any submission related to Quality of Service as part of its MYTP submission. The Authority was informed that the same is available in AAI’s website.

12.2 Authority’s examination regarding Quality of Service for the Second Control Period

12.2.1 The Authority notes 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 notes from AAI’s website that the ACI ASQ survey results for CJB for the years 2018 to 2023 have been in the range of 4.27 to 4.70 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.80.

Table 80: ASQ Rating for CJB for the years from 2018 to 2023

Year	ASQ Rating
2018	4.59
2019	4.39
2020	4.61
2021 (Q1)	4.70
2021*	4.57
2022*	4.80
2023	4.27

**Average of CSS rounds for the year*

12.2.3 The Authority notes 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 quality of service maintained by CJB. However, AAI is advised to ensure that ASQ survey results remain above the minimum ASQ rating of 4.50 during the Second Control Period.

12.3 Authority’s proposal regarding Quality of Service for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Quality of Service for the Second Control Period:

12.3.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Service.

13 AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

13.1 AAI's submission regarding Aggregate Revenue Requirement (ARR) for the Second Control Period for Coimbatore International Airport

13.1.1 The AAI has submitted ARR & Yield Per Passenger (YPP) for the Second Control Period as per the regulatory building blocks and the details are as follows:

Table 81: Aggregate Revenue Requirement submitted by AAI for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Average RAB	A	134.89	156.57	180.84	171.16	155.38	
FRoR	B	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on RAB	C = A*B	18.88	21.92	25.32	23.96	21.75	111.84
Depreciation	D	10.05	12.52	15.85	16.01	15.53	69.97
O & M Expenses	E	70.21	76.12	81.04	86.37	98.60	412.35
Taxation	F	-	7.93	28.51	36.78	41.59	114.81
Less: 30% of Non-Aeronautical Revenue	G	7.61	8.32	9.14	10.00	10.94	46.01
Net ARR	H = C+D+E+ F-G	91.54	110.17	141.58	153.12	166.54	662.95
Additional revenue for initial year loss	I	244.18	-	-	-	-	244.18
Total Forecasted ARR	J=H+I	335.72	110.17	141.58	153.12	166.54	907.13
Discount Factor @ 14%	K	1.00	0.88	0.77	0.67	0.59	
PV of Forecasted ARR	L=J*K	335.72	96.64	108.94	103.35	98.60	743.26
Total Traffic (million passengers)	M	3.06	3.62	4.21	4.88	5.39	21.16
Yield per passenger (YPP)	N=L/M						351.30

13.2 Authority's examination regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

13.2.1 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, proposes the ARR & YPP as per table below:

Table 82: Aggregate Revenue Requirement proposed by the Authority for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Average RAB (Table 61)	A	154.31	174.88	177.91	174.56	186.90	
FRoR (Table 64)	B	13.71%	13.71%	13.71%	13.71%	13.71%	
Return on Average RAB	C=A*B	21.16	23.98	24.40	23.94	25.63	119.12
Depreciation (Table 59)	D	9.75	10.87	11.64	12.17	14.47	58.91
O&M Expenses (Table 73)	E	55.05	60.75	63.24	66.17	68.37	313.57
Aeronautical Tax (Table 79)	F	-	-	16.43	30.38	34.22	81.04
True Up for FCP (Table 41)	G	204.24	-	-	-	-	204.24
ARR	H=Sum (C:G)	290.20	95.60	115.71	132.67	142.70	776.89

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Non-Aeronautical Revenue (NAR) (Table 76)	I	25.48	28.77	32.38	36.37	39.79	162.79
30% of NAR	J=I*30%	7.64	8.63	9.72	10.91	11.94	48.84
Net ARR	K=H-J	282.55	86.97	106.00	121.76	130.76	728.05
PV Factor @ 13.71%	L	1.00	0.88	0.77	0.68	0.60	
PV of ARR	M=K*L	282.55	76.48	81.98	82.81	78.21	602.05
Sum PV of ARR	N						602.05
Total Traffic (in Million Pax) (Table 46)	O						20.12
Yield per Passenger (YPP)	P=N/O						299.28
Departing Passengers (in Million Pax)	Q						10.06
Yield per Departing Passenger	R=N/Q						598.57

13.2.2 The Authority has determined the PV of ARR amounting to ₹ 602.05 crores (incl. of shortfall for FCP) as against ARR claimed by the AAI amounting to ₹ 743.26 crores. The major reasons of variance between ARR proposed by the Authority and claimed by the AAI are as under:

- i. Determination of FRoR by the Authority as 13.71% as against 14.00% claimed by AAI.
- ii. Rationalization of O&M expenses like Payroll expenses, CHQ/ RHQ expenses, Administration expenses, R&M Expenses etc. and shifting of runway re-carpeting expenses to CAPEX amounting to ₹ 98.77 crores.
- iii. Reduction in taxation, due to rationalization of other building blocks such as O&M expenses, depreciation and the Aeronautical revenue etc. amounting to ₹ 33.77 crores (based on the proposed Tariff Card of the Authority)

13.2.3 At this stage, this consultation paper takes into consideration financial figures pertaining to FY 2023-24 as submitted by AAI in its MYTP & other submissions from time to time. AAI is directed to submit the actual figures for FY 2023-24, which shall be appropriately considered by the Authority at the Order stage.

13.3 Authority's proposal regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to ARR for the First Control Period:

13.3.1 To consider ARR and YPP for the Second Control Period as per Table 82.

13.3.2 To true up ARR & YPP of Second Control Period at the time of tariff determination for the Third Control Period.

14 AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

14.1 AAI's submission regarding Aeronautical Revenue for the Second Control Period for Coimbatore International Airport

14.1.1 AAI has 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 has proposed a one-time increase of 40% from the existing charges w.e.f. 1st April 2024 for FY 2024-25 and thereafter by 6% Y-o-Y.
- **Parking Charges:** For domestic and international ATMs, AAI has 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% Y-o-Y.
- **User Development Fees:** AAI has proposed the below growth rates in UDF from the existing rates of ₹ 350 (Domestic) and ₹ 450 (International) for the Second Control Period.

Table 83: % Increase in UDF by AAI for the Second Control Period

Particulars	FY24	FY25	FY26	FY27	FY28
Domestic UDF	-	105.71%	-	-	-
International UDF	-	77.78%	-	-	-

Table 84: Aeronautical Revenue submitted by AAI for the Second Control Period

(₹ in Crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Landing Charges						
Landing Charges - Domestic	21.29	34.57	42.14	51.37	59.35	208.72
Landing Charges - International	2.66	4.61	5.72	7.10	8.57	28.66
UDF Charges						
UDF - Domestic	49.76	120.43	139.68	161.94	178.13	649.93
UDF - International	5.62	11.01	12.99	15.33	17.63	62.57
Parking & Housing Charges						
Parking & Housing Charges	1.02	2.02	2.47	3.01	3.49	12.00
Other Revenues						
CUTE Charges	3.38	4.01	4.66	5.40	5.94	23.40
Revenue from Ground Handling Agency	2.35	2.73	3.15	3.63	3.97	15.82
Cargo Revenue (Royalty from AAICLAS)	0.98	1.03	1.09	1.14	1.20	5.44
Land Lease - Oil Companies & GHA & MRO	0.51	0.51	0.58	0.58	0.58	2.76
Total Aeronautical Revenue	87.56	180.93	212.47	249.49	278.86	1,009.30

14.1.2 For the revenues based on the agreements i.e. land lease from oil companies, GHA and MRO, AAI has 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.

14.1.3 As per the contract with AAICLAS, Coimbatore International Airport receives a revenue share of 30% from AAICLAS. Accordingly, AAI has 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 Y-o-Y basis from FY 2023-24 onwards.

14.2 Authority’s examination regarding Aeronautical Revenue for the Second Control Period

- 14.2.1 The Authority notes 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.
- 14.2.2 **Revenue from MRO (₹ 0.35 crores)** - The Authority notes that AAI had not projected revenue from MRO activities for the Second Control Period. A query was raised over email dt. 12th March 2024 to AAI to specify the reasons for not including the same. AAI has replied that it was an inadvertent error. Therefore, the Authority has included revenue projections from MRO activities in Aeronautical Revenue and considered the actual revenue for FY 2022-23 as a base for FY 2023-24 and thereafter, proposes to consider the Y-o-Y growth rates in ATM traffic as per Table 46 for the Second Control Period.
- 14.2.3 **Revenue from Lease Rent – Oil Marketing Companies, GHA & MRO (₹ 2.76 crores)** - The Authority notes that AAI has estimated a one-time increase in revenue on land lease from oil companies, GHA & MRO in FY 2025-26 at 15%. The Authority, after reviewing AAI’s Internal Circular no. 22 dated 4th June 2022, proposes to consider the one time increase of 15% in FY 2025-26 as submitted by AAI.
- 14.2.4 **Revenue from GHA (₹ 15.69 crores)**- The Authority notes that AAI has projected revenue from GHA based on the growth rates in ATM traffic for the Second Control Period. The Authority proposes to consider the Y-o-Y growth rates in ATM traffic as per Table 46 for the Second Control Period.
- 14.2.5 **Revenue from AAICLAS (₹ 5.44 crores)**- The Authority notes that AAI has projected a 5% Y-o-Y increase in revenue from AAICLAS from FY 2023-24. The Authority has 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.
- 14.2.6 **Revenue from Space Rentals from Airlines (₹ 3.99 crores)** – The Authority has 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 on the basis of agreements provided by AAI.
- 14.2.7 To maintain a balanced approach, the Authority proposes to increase the proportion of Landing and Parking Charges in the total aero charges and to consider % increase in Landing & Parking Charges and UDF from FY 2024-25 (w.e.f. 1st October 2024) on the following basis:

Particulars	% increase in Rates proposed from FY25 (w.e.f. 1 Oct 24)	FY26	FY27	FY28
Landing Charges	29%	0.00%	0.00%	0.00%
Parking Charges	29%	0.00%	0.00%	0.00%
UDF Dom.	70%	0.00%	0.00%	0.00%
UDF Intl.	80%	0.00%	0.00%	0.00%

- 14.2.8 The Authority proposes to consider the increase in UDF for the Second Control Period for Coimbatore International Airport as per the table given below:

Table 85: UDF Charges proposed by the Authority for CJB for Second Control Period

(₹ in crores)

Particulars	FY24 (Existing)	FY25 (w.e.f. 1 st Oct 24)	FY26	FY27	FY28
Domestic UDF	350.00	595.00	595.00	595.00	595.00
International UDF	450.00	810.00	810.00	810.00	810.00

14.2.9 The Authority has computed the Aeronautical revenues for the Second Control Period based on the aeronautical charges detailed above, as follows:

Table 86: Aeronautical Revenue for the Second Control Period proposed by the Authority

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Total PV of ARR incl. true-up (Table 82)	A	602.05					602.05
Aeronautical Revenue							
Landing Charges - Domestic	B	20.93	27.83	36.08	41.49	45.23	171.56
Landing Charges - International	C	2.65	3.78	4.98	5.83	6.64	23.88
UDF - Domestic	D	47.14	75.09	109.69	127.23	139.96	499.10
UDF - International	E	4.75	8.31	12.61	14.88	17.11	57.66
Parking & Housing Charges	F	0.81	1.09	1.41	1.62	1.77	6.70
Land Lease Rent - Oil Companies, GHA & MRO	G	0.51	0.51	0.58	0.58	0.58	2.76
Revenue from GHA	H	2.31	2.68	3.08	3.54	3.86	15.46
Revenue from MRO	I	0.05	0.06	0.07	0.08	0.09	0.34
Royalty from CUTE Charges	J	3.38	4.13	4.80	5.57	6.15	24.04
Royalty from AAICLAS	K	0.98	1.03	1.09	1.14	1.20	5.44
Add: Revenue from Lease Rent - Ramp Airlines & Ground Handling Agency	L	0.15	0.15	0.18	0.18	0.18	0.83
Add: Space Rentals from Airlines	M	0.69	0.74	0.79	0.85	0.92	3.99
Total Revenues	N=Sum (B:M)	84.36	125.39	175.35	203.00	223.69	811.78
PV Factor @13.71%	O	1.00	0.88	0.77	0.68	0.60	
PV of Aero Revenue	P=O*N	84.36	110.27	135.60	138.05	133.77	602.05
PV Projected Aero Revenue	Q						602.05
Surplus/(Shortfall) proposed to be carried forward to next control period (as on 31-Mar-2024)	R						NIL

14.2.10 As can be observed from the above table, as per the Authority’s proposal, AAI is entitled to recover an ARR of ₹ 602.05 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 is ₹ 602.05 crores (in NPV terms), which is equivalent to the Target Revenue/ARR determined by the Authority for the Second Control Period.

14.3 Authority’s proposal regarding Aeronautical Revenue for the Second Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Aeronautical Revenue for the Second Control Period for Coimbatore International Airport.

14.3.1 To consider Aeronautical Revenue for the Second Control Period as per Table 86.

14.3.2 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.

15 SUMMARY OF AUTHORITY'S PROPOSALS

Chapter 4: True-up of the First Control Period

- 4.11.1 To consider Capital Additions as per details in Table 14 for true-up of the First Control Period
- 4.11.2 To consider Aeronautical Depreciation as per details in Table 16 for true-up of the First Control Period.
- 4.11.3 To consider RAB as per Table 17 for true-up of the First Control Period.
- 4.11.4 To consider FRoR as per Table 18 for true-up of the First Control Period.
- 4.11.5 To consider the O&M Expenses as detailed in Table 32 for the purpose of true-up of the First Control Period.
- 4.11.6 To consider the Non-Aeronautical Revenues as presented in Table 35 for the purpose of true-up of the First Control Period.
- 4.11.7 To consider the Aeronautical Revenue as per Table 38 for true-up of the First Control Period.
- 4.11.8 To consider ARR and Under-recovery as detailed in Table 41 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

- 5.3.1 To consider the ATM and passenger Traffic for the Second Control Period for Coimbatore International Airport as per Table 46.
- 5.3.2 To true up the traffic volume (ATM and passenger 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

- 6.5.1 To consider allocation of Gross Block of Assets as on 1st April 2023 between Aeronautical and Non-aeronautical assets as detailed in Table 48.
- 6.5.2 To adopt the capitalization of Aeronautical Expenditure for the Second Control Period in accordance with Table 56.
- 6.5.3 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.
- 6.5.4 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 6.2.25. The same will be examined during the true up of the Second Control Period, at the time of determination of tariff for the Third Control Period.
- 6.5.5 To consider depreciation as per Table 59 for the Second Control Period.
- 6.5.6 To true up depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination for the Third Control Period.
- 6.5.7 To consider average RAB for the Second Control Period for CJB as per Table 61.
- 6.5.8 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

7.3.1 To consider the Cost of Equity as 14.00%.

7.3.2 To consider Cost of Debt of 7.25% for the Second Control Period.

7.3.3 To consider FRoR of 13.71% for the Second Control Period based on above mentioned Cost of Equity, Cost of Debt and Normative Gearing Ratio as per Table 64.

7.3.4 To true up the FRoR while determining tariff for the next Control Period

Chapter 8: Inflation for the Second Control Period

8.3.1 To consider Inflation for the Second Control Period for Coimbatore International Airport as detailed in Table 65.

Chapter 9: Operation and Maintenance (O&M) Expenses for the Second Control Period

9.3.1 To consider O&M expenses for the Second Control Period for Coimbatore International Airport as per Table 73.

9.3.2 To true up the O&M expenses incurred by AAI 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 Revenue (NAR) for the Second Control Period

10.3.1 To consider Non-Aeronautical Revenue for the Second Control Period for Coimbatore International Airport as per Table 76.

10.3.2 To consider Non-Aeronautical Revenue achieved by AAI for Coimbatore International Airport for the Second Control Period, while determining tariff for the next Control Period

Chapter 11: Taxation for the Second Control Period

11.3.1 To consider the Taxation for the Second Control Period for Coimbatore International Airport as per Table 79.

11.3.2 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

12.3.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Service.

Chapter 13: Aggregate Revenue Requirement (ARR) for the Second Control Period

13.3.1 To consider ARR and YPP for the Second Control Period as per Table 82.

13.3.2 To true up ARR & YPP of Second Control Period at the time of tariff determination for the Third Control Period.

Chapter 14: Aeronautical Revenue for the Second Control Period

14.3.1 To consider Aeronautical Revenue for the Second Control Period as per Table 86.

14.3.2 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.

16 STAKEHOLDERS CONSULTATION TIMELINE

- 16.1.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 15 - Summary of the Authority's proposals read with the relevant discussion in the related chapters of the Paper is hereby put forth for Stakeholders' Consultation.
- 16.1.2 For removal of doubts, it is clarified and explained that the contents of this Consultation Paper may not be construed as any Order or Direction by the Authority. The Authority shall pass an Order, in the matter, only after considering the submissions of the stakeholders in response hereto and by making such decisions fully documented and explained in terms of the provisions of the Act.
- 16.1.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposals made in this Consultation Paper, latest by 21.08.2024.

Secretary
Airports Economic Regulatory Authority of India
3rd Floor, Udaan Bhawan
Safdarjung Airport
New Delhi – 110003

Chairperson

17 ANNEXURES

17.1 Annexure 1: Annual Tariff proposal submitted by AAI for Coimbatore International Airport for the Second Control Period

17.1.1 As part of the Multi-year Tariff proposal, AAI has submitted the revision in rates of Landing and Parking charges which has been updated by the Authority in the form of a Tariff card. The Authority examined AAI's Multi-year Tariff Proposal, along with all regulatory building blocks. The Authority's examination has been discussed in this Consultation Paper in the previous Chapters.

17.1.2 The tariff card based on the revision in rates proposed by AAI for the Second Control Period has been reproduced here.

i. Landing Charges – Domestic

Table 87: Landing Charges (Domestic) as submitted by AAI for the Second Control Period

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges (₹)	Tariff w.e.f. 01.04.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	202.00 per MT	283.00 per MT	300.00 per MT	318.00 per MT	337.00 per MT
Above 25 to 50 MT	5,050.00 + 353.00 per MT in excess of 25 MT	7,075.00 + 494.00 per MT in excess of 25 MT	7,500.00 + 524.00 per MT in excess of 25 MT	7,950.00 + 555.00 per MT in excess of 25 MT	8,425.00 + 588.00 per MT in excess of 25 MT
Above 50 to 100 MT	13,875.00 + 403.00 per MT in excess of 50 MT	19,425.00 + 564.00 per MT in excess of 50 MT	20,600.00 + 598.00 per MT in excess of 50 MT	21,825.00 + 634.00 per MT in excess of 50 MT	23,125.00 + 672.00 per MT in excess of 50 MT
Above 100 to 200 MT	34,025.00 + 491.00 per MT in excess of 100 MT	47,625.00 + 687.00 per MT in excess of 100 MT	50,500 + 728.00 per MT in excess of 100 MT	53,525.00 + 772.00 per MT in excess of 100 MT	56,725.00 + 818.00 per MT in excess of 100 MT
Above 200 MT	83,125 + 554.00 per MT in excess of 200 MT	1,16,325.00 + 776.00 per MT in excess of 200 MT	1,23,300 + 823.00 per MT in excess of 200 MT	1,30,725.00 + 872.00 per MT in excess of 200 MT	1,38,525 + 924.00 per MT in excess of 200 MT

ii. Landing Charges – International

Table 88: Landing Charges (International) as submitted by AAI for the Second Control Period

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges (₹)	Tariff w.e.f. 01.04.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	302.00 per MT	423.00 per MT	448.00 per MT	475.00 per MT	504.00 per MT
Above 25 to 50 MT	7,550.00 + 567.00 per MT in excess of 25 MT	10,575.00 + 794.00 per MT in excess of 25 MT	11,200.00 + 842.00 per MT in excess of 25 MT	11,875.00 + 893.00 per MT in excess of 25 MT	12,600.00 + 947.00 per MT in excess of 25 MT
Above 50 to 100 MT	21,725.00 + 655.00 per MT in excess of 50 MT	30,425.00 + 917.00 per MT in excess of 50 MT	32,250.00 + 972.00 per MT in excess of 50 MT	34,200.00 + 1,030.00 per MT in excess of 50 MT	36,275.00 + 1,092.00 per MT in excess of 50 MT

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges (₹)	Tariff w.e.f. 01.04.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Above 100 to 200 MT	54,475.00 + 756.00 per MT in excess of 100 MT	76,275.00 + 1,058.00 per MT in excess of 100 MT	80,850.00 + 1,121.00 per MT in excess of 100 MT	85,700.00 + 1,188.00 per MT in excess of 100 MT	90,875.00 + 1,259.00 per MT in excess of 100 MT
Above 200 MT	1,30,075.00 + 907.00 per MT in excess of 200 MT	1,82,075.00 + 1,270.00 per MT in excess of 200 MT	1,92,950.00 + 1,346.00 per MT in excess of 200 MT	2,04,500.00 + 1,427.00 per MT in excess of 200 MT	2,16,775.00 + 1,513.00 per MT in excess of 200 MT

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).
- “A minimum Landing charge of ₹ 4000/- per Flight in respect of Domestic Non-Scheduled Operators/GA operators or the applicable landing charges whichever is higher will be applicable”.
- Flights operating under the Regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

iii. Parking Charges**Table 89: Parking Charges submitted by AAI for the Second Control Period (upto four hours after first two free hours)**

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges (₹)	Tariff w.e.f. 01.04.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	3.37 per MT per hour	4.72 per MT per hour	5.00 per MT per hour	5.30 per MT per hour	5.62 per MT per hour
Above 25 to 50 MT	84.36 + 4.50 per MT per hour in excess of 25 MT	118.00 + 6.30 per MT per hour in excess of 25 MT	125.00 + 6.68 per MT per hour in excess of 25 MT	132.50 + 7.08 per MT per hour in excess of 25 MT	140.50 + 7.50 per MT per hour in excess of 25 MT
Above 50 to 100 MT	196.85 + 9.00 per MT per hour in excess of 50 MT	275.50 + 12.60 per MT per hour in excess of 50 MT	292.00 + 13.36 per MT per hour in excess of 50 MT	309.50 + 14.16 per MT per hour in excess of 50 MT	328.00 + 15.01 per MT per hour in excess of 50 MT
Above 100 to 200 MT	646.80 + 11.25 per MT per hour in excess of 100 MT	905.50 + 15.75 per MT per hour in excess of 100 MT	960.00 + 16.70 per MT per hour in excess of 100 MT	1,017.50 + 17.70 per MT per hour in excess of 100 MT	1,078.50 + 18.76 per MT per hour in excess of 100 MT
Above 200 MT	1,771.66 + 12.37 per MT per hour in excess of 200 MT	2,480.50 + 17.32 per MT per hour in excess of 200 MT	2,630.00 + 18.36 per MT per hour in excess of 200 MT	2,787.50 + 19.46 per MT per hour in excess of 200 MT	2,954.50 + 20.63 per MT per hour in excess of 200 MT

Table 90: Parking Charges submitted by AAI for the Second Control Period (beyond first four hours)

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges (₹)	Tariff w.e.f. 01.04.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	6.75 per MT per hour	9.45 per MT per hour	10.02 per MT per hour	10.62 per MT per hour	11.26 per MT per hour
Above 25 to 50 MT	168.73 + 9.00 per MT per hour in excess of 25 MT	236.25 + 12.60 per MT per hour in excess of 25 MT	250.50 + 13.36 per MT per hour in excess of 25 MT	265.50 + 14.16 per MT per hour in excess of 25 MT	281.50 + 15.01 per MT per hour in excess of 25 MT
Above 50 to 100 MT	393.70 + 18.00 per MT per hour in excess of 50 MT	551.25 + 25.20 per MT per hour in excess of 50 MT	584.50 + 26.71 per MT per hour in excess of 50 MT	619.50 + 28.31 per MT per hour in excess of 50 MT	656.75 + 30.01 per MT per hour in excess of 50 MT
Above 100 to 200 MT	1,293.59 + 22.50 per MT per hour in excess of 100 MT	1,811.25 + 31.50 per MT per hour in excess of 100 MT	1,920.00 + 33.39 per MT per hour in excess of 100 MT	2,035.00 + 35.39 per MT per hour in excess of 100 MT	2,157.25 + 37.51 per MT per hour in excess of 100 MT
Above 200 MT	3,543.32 + 24.75 per MT per hour in excess of 200 MT	4,961.25 + 34.65 per MT per hour in excess of 200 MT	5,259.00 + 36.73 per MT per hour in excess of 200 MT	5,574.00 + 38.93 per MT per hour in excess of 200 MT	5,908.25 + 41.27 per MT per hour in excess of 200 MT

Notes:

- a) 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.
- b) For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- c) Charges shall be calculated on the basis of nearest MT.
- d) Charges for each period parking shall be rounded off to nearest rupee.
- e) At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
- f) It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Coimbatore International Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges 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 for all the airports within the jurisdiction of the said state.
- g) Flights operating under Regional Connectivity Scheme shall be completely governed by AIC issued on this subject by DGCA.
- h) For unauthorized overstay of Aircraft on Ground, an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable or as per revised rates as approved by the Authority.

iv. User Development Fees (UDF)**Table 91: UDF submitted by AAI (per embarking passenger)**

Passenger	Existing UDF FY 2023-24 (₹)	FY 2024-25 (₹)	FY 2025-26 (₹)	FY 2026-27 (₹)	FY 2027-28 (₹)
Domestic	₹ 350.00	₹ 720.00	₹ 720.00	₹ 720.00	₹ 720.00
International	₹ 450.00	₹ 800.00	₹ 800.00	₹ 800.00	₹ 800.00

Notes:

- Collection charges: If the payment is made within 15 days of receipt of invoice, then collection charges at ₹ 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the prescribed credit period or in case of any part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI. Wherever collection charges are payable the amount shall be settled within 15 days.
- No collection charges are payable to casual operator/non-scheduled operators.
- For conversion of US\$ into INR the rate as on the 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted.
- Revised UDF charges will be applicable on tickets issued on or after 1st April 2024 for FY 2024-25 and thereafter applicable on date of travel from 1st April 2025 to 31st March 2028.
- No UDF charges will be levied for transit passengers.

v. Aviation Security Fees

- Aviation Security Fee (ASF) shall be levied as per GOI Order issued from time to time.

vi. Exemption from levy and collection from UDF/ASF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI and vide Letter no. AV.13024/659/2015-AS dated November 30, 2011 and June 13, 2019 respectively has directed AAI to exempt the following categories of persons from levy and collection of UDF/ASF.

- Children (under-age of 2 years),
- Holders 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").
- Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

vii. General Conditions:

- a) All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
- b) Flight operating under regional connectivity scheme will be completely exempted from charges as per Order No.20/2018-19 dated March 31, 2017, of the Authority from the date the scheme is operationalized by GoI.

17.2 Annexure 2: Annual Tariff proposed by the Authority for Coimbatore International Airport for the Second Control Period for stakeholders' consultation

- 17.2.1 As detailed in Table 82 (Chapter 14), Coimbatore International Airport is entitled to recover an ARR of ₹ 602.05 crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹ 602.05 crores (in NPV terms), which is equivalent to the Target Revenue/ ARR determined by the Authority for the Second Control Period.
- 17.2.2 The Authority has examined the Annual Tariff Proposal submitted by AAI for Coimbatore International Airport. After its examination as detailed in para 14.1.2 & 14.1.3, the Authority proposes the following Aeronautical tariffs for Coimbatore International Airport for the Second Control Period for the consultation process.
- 17.2.3 Landing charges proposed by the Authority for Coimbatore International Airport for the Second Control Period is as follows:

Table 92: Landing Charges* (Domestic) proposed by the Authority for the Second Control Period

Weight of the Aircraft	FY 2024-25 (upto 30.09.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges (₹)	Tariff w.e.f. 01.10.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	202.00 per MT	261.00 per MT	261.00 per MT	261.00 per MT	261.00 per MT
Above 25 MT to 50 MT	5,050.00 + 353.00 per MT in excess of 25 MT	6,525.11 + 456.11 per MT in excess of 25 MT	6,525.11 + 456.11 per MT in excess of 25 MT	6,525.11 + 456.11 per MT in excess of 25 MT	6,525.11 + 456.11 per MT in excess of 25 MT
Above 50 MT to 100 MT	13,875.00 + 403.00 per MT in excess of 50 MT	17,927.89 + 520.72 per MT in excess of 50 MT	17,927.89 + 520.72 per MT in excess of 50 MT	17,927.89 + 520.72 per MT in excess of 50 MT	17,927.89 + 520.72 per MT in excess of 50 MT
Above 100 MT to 200 MT	34,025.00 + 491.00 per MT in excess of 100 MT	43,963.70 + 634.42 per MT in excess of 100 MT	43,963.70 + 634.42 per MT in excess of 100 MT	43,963.70 + 634.42 per MT in excess of 100 MT	43,963.70 + 634.42 per MT in excess of 100 MT
Above 200 MT	83,125 + 554.00 per MT in excess of 200 MT	1,07,405.81 + 715.82 per MT in excess of 200 MT	1,07,405.81 + 715.82 per MT in excess of 200 MT	1,07,405.81 + 715.82 per MT in excess of 200 MT	1,07,405.81 + 715.82 per MT in excess of 200 MT

* The Authority has proposed a one-time increase of 29.21% in Domestic Landing charges for tariff w.e.f. 01.10.2024.

Table 93: Landing Charges* (International) proposed by the Authority for the Second Control Period

Weight of the Aircraft	FY 2024-25 (upto 30.09.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges (₹)	Tariff w.e.f. 01.10.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	302.00 per MT	390.21 per MT	390.21 per MT	390.21 per MT	390.21 per MT
Above 25 MT to 50 MT	7,550.00 + 567.00 per MT in excess of 25 MT	9,755.36 + 732.62 per MT in excess of 25 MT	9,755.36 + 732.62 per MT in excess of 25 MT	9,755.36 + 732.62 per MT in excess of 25 MT	9,755.36 + 732.62 per MT in excess of 25 MT
Above 50 MT to 100 MT	21,725.00 + 655.00 per MT in excess of 50 MT	28,070.87 + 846.33 per MT in excess of 50 MT	28,070.87 + 846.33 per MT in excess of 50 MT	28,070.87 + 846.33 per MT in excess of 50 MT	28,070.87 + 846.33 per MT in excess of 50 MT

Weight of the Aircraft	FY 2024-25 (upto 30.09.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges (₹)	Tariff w.e.f. 01.10.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Above 100 MT to 200 MT	54,475.00 + 756.00 per MT in excess of 100 MT	70,387.15 + 976.83 per MT in excess of 100 MT	70,387.15 + 976.83 per MT in excess of 100 MT	70,387.15 + 976.83 per MT in excess of 100 MT	70,387.15 + 976.83 per MT in excess of 100 MT
Above 200 MT	1,30,075.00 + 907.00 per MT in excess of 200 MT	1,68,069.91 + 1,171.93 per MT in excess of 200 MT	1,68,069.91 + 1,171.93 per MT in excess of 200 MT	1,68,069.91 + 1,171.93 per MT in excess of 200 MT	1,68,069.91 + 1,171.93 per MT in excess of 200 MT

* The Authority has proposed a one-time increase of 29.21% in International Landing charges for tariff w.e.f. 01.10.2024.

17.2.4 Parking charges proposed by the Authority for Coimbatore International Airport for the Second Control Period is as follows:

Table 94: Parking Charges* proposed by the Authority for the Second Control Period (upto four hours after first two free hours)

Weight of the Aircraft	FY 2024-25 (upto30.09.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges (₹)	Tariff w.e.f. 01.10.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	3.37 per MT per hour	4.35 per MT per hour	4.35 per MT per hour	4.35 per MT per hour	4.35 per MT per hour
Above 25 MT to 50 MT	84.36 + 4.50 per MT per hour in excess of 25 MT	108.86 + 5.81 per MT per hour in excess of 25 MT	108.86 + 5.81 per MT per hour in excess of 25 MT	108.86 + 5.81 per MT per hour in excess of 25 MT	108.86 + 5.81 per MT per hour in excess of 25 MT
Above 50 MT to 100 MT	196.85 + 9.00 per MT per hour in excess of 50 MT	254.22 + 11.63 per MT per hour in excess of 50 MT	254.22 + 11.63 per MT per hour in excess of 50 MT	254.22 + 11.63 per MT per hour in excess of 50 MT	254.22 + 11.63 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	646.80 + 11.25 per MT per hour in excess of 100 MT	835.67 + 14.54 per MT per hour in excess of 100 MT	835.67 + 14.54 per MT per hour in excess of 100 MT	835.67 + 14.54 per MT per hour in excess of 100 MT	835.67 + 14.54 per MT per hour in excess of 100 MT
Above 200 MT	1,771.66 + 12.37 per MT per hour in excess of 200 MT	2,289.28 + 15.98 per MT per hour in excess of 200 MT	2,289.28 + 15.98 per MT per hour in excess of 200 MT	2,289.28 + 15.98 per MT per hour in excess of 200 MT	2,289.28 + 15.98 per MT per hour in excess of 200 MT

* The Authority has proposed a one-time increase of 29.21% in Domestic Parking charges for tariff w.e.f. 01.10.2024.

Table 95: Parking Charges* proposed by the Authority for the Second Control Period (beyond first four hours)

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges (₹)	Tariff w.e.f. 01.10.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	6.75 per MT per hour	8.72 per MT per hour	8.72 per MT per hour	8.72 per MT per hour	8.72 per MT per hour

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges (₹)	Tariff w.e.f. 01.10.2024 (₹)	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	168.73 + 9.00 per MT per hour in excess of 25 MT	218.04 + 11.63 per MT per hour in excess of 25 MT	218.04 + 11.63 per MT per hour in excess of 25 MT	218.04 + 11.63 per MT per hour in excess of 25 MT	218.04 + 11.63 per MT per hour in excess of 25 MT
Above 50 MT to 100 MT	393.70 + 18.00 per MT per hour in excess of 50 MT	508.76 + 23.26 per MT per hour in excess of 50 MT	508.76 + 23.26 per MT per hour in excess of 50 MT	508.76 + 23.26 per MT per hour in excess of 50 MT	508.76 + 23.26 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1,293.59 + 22.50 per MT per hour in excess of 100 MT	1,671.65 + 29.07 per MT per hour in excess of 100 MT	1,671.65 + 29.07 per MT per hour in excess of 100 MT	1,671.65 + 29.07 per MT per hour in excess of 100 MT	1,671.65 + 29.07 per MT per hour in excess of 100 MT
Above 200 MT	3,543.32 + 24.75 per MT per hour in excess of 200 MT	4,578.88 + 31.98 per MT per hour in excess of 200 MT	4,578.88 + 31.98 per MT per hour in excess of 200 MT	4,578.88 + 31.98 per MT per hour in excess of 200 MT	4,578.88 + 31.98 per MT per hour in excess of 200 MT

* The Authority has proposed a one-time increase of 29.21% in International Parking charges for tariff w.e.f. 01.10.2024.

Notes:

- No parking charges shall be levied for the first two hours. While calculating 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 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.
- At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
- It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Coimbatore 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.

17.2.5 **User Development Fee:** UDF proposed by the Authority for Coimbatore International Airport for Second Control Period as follows:

Applicable Rates for travel dates from 1st October 2024 to 31st March 2025

Type of Passenger	Domestic (₹)	International (₹)
Embarking Passenger	₹ 595.00	₹ 810.00

Applicable Rates for travel dates from 1st April 2025 to 31st March 2026

Type of Passenger	Domestic (₹)	International (₹)
Embarking Passenger	₹ 595.00	₹ 810.00

Applicable Rates for travel dates from 1st April 2026 to 31st March 2027

Type of Passenger	Domestic (₹)	International (₹)
Embarking Passenger	₹ 595.00	₹ 810.00

Applicable Rates for travel dates from 1st April 2027 to 31st March 2028

Type of Passenger	Domestic (₹)	International (₹)
Embarking Passenger	₹ 595.00	₹ 810.00

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 will be applicable on the tickets issued till 30th September 2024.
- Revised UDF will be applicable on the tickets issued on or after 1st October 2024

17.2.6 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 (underage of 2 years)
- Holders 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")
- Passenger departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

17.2.7 Aviation Security Fee: Rates and Exemption as prescribed by MoCA from time to time.

17.2.8 General Condition:

- a) All the above Charges are excluding GST and GST at the applicable rates is payable in addition to above charges.
- b) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/2018-19 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GoI.