

फा. सं. ऐरा/20010/एमवाईटीपी/एएआई- इंदौर /सीपी-II/2023-28

F. No. AERA/20010/MYTP/AAI-Indore/CP-II/2023-28

परामर्श पत्र संख्या 04/2024-25

Consultation Paper No. 04/2024-25



सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India

इंदौर अंतरराष्ट्रीय हवाईअड्डा, इंदौर (आईडीआर) के लिए द्वितीय नियंत्रण अवधि (01 अप्रैल, 2023 से 31 मार्च, 2028) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

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

जारी करने की तारीख : 05 सितम्बर, 2024

Date of Issue: 05 September, 2024

तृतीय तल/ 3rd Floor,
उड़ान भवन/ Udaan Bhawan,
सफदरजंग हवाईअड्डा/ Safdarjung Airport,
नई दिल्ली/New Delhi – 110003.

Stakeholders' Comments

Indore 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.45/2018-19 dated 8th 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 4 MPPA, by carrying out certain infrastructural development/ modifications in the Airport. Hence, considering the capacity enhancement done by AAI, Indore International Airport is considered as a major airport.

For this Consultation Paper, the Authority has considered the audited financial results (being the audited Trial Balance for Indore 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 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. 04/2024-25 dated 05.09.2024 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	20.09.2024
Last Date for submission of comments	04.10.2024
Last Date for submission of counter comments	14.10.2024

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 at 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
AC	Air Conditioning
ACFT	Airfield Crash Fire Tender
ACI	Airports Council International
AERA / the Authority	Airports Economic Regulatory Authority of India
AIASL	AI Airport Services Limited
AIC	Aeronautical Information Circular
ALCMS	Airfield Lighting Control and Monitoring System
AMC	Annual Maintenance Charges
ANS	Air Navigation Services
AO	Airport Operator
APSU	Airport Security Unit
ARR	Aggregate Revenue Requirement
ASF	Aviation Security Fee
ASFT	Airport Surface Friction Tester
ASG	Aviation Security Group
ASQ	Airport Service Quality
ATC	Air Traffic Control
ATF	Aviation Turbine Fuel
ATM	Air Traffic Movement
AUCC	Airport Users Consultative Committee
AVDGS	Advanced Visual Docking Guidance Systems
AVSEC	Aviation Security
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BHS	Baggage Handling System
BOT	Build Operate Transfer
BoQ	Bill of Quantity
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAMC	Comprehensive Annual Maintenance Contract
CAPEX	Capital Expenditure
CCTV	Closed Circuit Television
CFT	Crash Fire Tender
CGF	Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft
CHQ	Corporate Headquarters
CISF	Central Industrial Security Force
CNS	Communication, Navigation and Surveillance
COVID-19	Corona Virus Disease of 2019
CP	Consultation Paper
CSR	Corporate Social Responsibility
CSS	Corporate Support Service
CUTE	Common User Terminal Equipment
DA	Dearness Allowance

Abbreviation	Expansion
DABH Airport	Devi Ahilya Bai Holkar Airport
DFMD	Door Frame Metal Detector
DG sets	Diesel Generator sets
DGCA	Directorate General of Civil Aviation
EHCR	Employee Head Count Ratio
ETD	Explosive Trace Detectors
FA	Financing Allowance
FAR	Fixed Asset Register
FBS	Full Body Scanners
FCP	First Control Period
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GA	General Aviation
GBR	Gross Block Ratio
GDP	Gross Domestic Product
GHA	Ground Handling Agency
GHIAL/ HIAL	GMR Hyderabad International Airport Limited
GoI	Government of India
GPS	Global Positioning System
GSE	Ground Service Equipment
GST	Goods & Service Tax
HRA	House Rent Allowances
HR	Human Resources
IATA	International Air Transport Association
ICAI	Institute of Chartered Accountants of India
ICAO	International Civil Aviation Organization
IDC	Interest During Construction
IDR (IATA Code)	Indore International Airport
ILBS	Inline Baggage Screening
IMG	Inter-Ministerial Group
INR	Indian Rupees
IT	Information Technology
IT Act	Income Tax Act
MoCA	Ministry of Civil Aviation
MYTP	Multi-Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NCAP	National Civil Aviation Policy
NITB	New Integrated Terminal Building
NLJD	Non-Linear Junction Detector
NPV	Net Present Value
O&M	Operation and Maintenance
OMC's	Oil Marketing Companies
OTB	Old Terminal Building
PBB	Passenger Boarding Bridge
PBT	Profit Before Tax
PBTS	Passenger Baggage Trolleys
PF	Provident Fund
PLF	Passenger Load factor

Abbreviation	Expansion
PPP	Public Private Partnership
PSF	Passenger Service Fee
PV	Present Value
R&M	Repair and Maintenance
RAB	Regulatory Asset Base
RBI	Reserve Bank of India
RHQ	Regional Headquarters
RPK	Revenue Passenger-Kilometres
SBD	Self-Baggage Drop
SBI	State Bank of India
SCCTV	Security CCTV
SCP	Second Control Period
SITC	Supply, Installation, Testing and Commissioning
SQTR	Staff Quarter Ratio
TBLR	Terminal Building Ratio
TCV	Threat Containment Vessel
TR stalls	Travellers Requisite Stalls
UDF	User Development Fee
UPS	Uninterruptible Power Supply
VHF	Very High Frequency Transceiver
VIP	Very Important Person
WPI	Wholesale Price Index
XBIS	X-ray Baggage Inspection Systems
YPP	Yield Per Passenger
Units of measurement	
FY	Financial Year
Ha.	Hectare
KL	Kilo Litre
MPPA	Million Passengers per Annum
MT	Metric Tonnes
Nos.	Numbers
PAX	Passenger
SQM (sqm)	Square meters
Y-o-Y	Year on Year

1. INTRODUCTION

1.1 Background

- 1.1.1 Devi Ahilya Bai Holkar International Airport, owned and operated by Airport Authority of India (AAI). Indore International airport is located in the city of Indore, Madhya Pradesh, India.
- 1.1.2 Indore International Airport has a total land area of 748.58 acres and is situated 8 kilometers (5 miles) west of Indore city. The total area of the Passenger Terminal Building is 18,000 sq. meters. Indore International Airport has recorded a passenger traffic of 2.83 million Pax in FY 2022-23 and 3.46 million Pax in FY 2023-24. Currently, the airport serves twenty-two domestic and two international destinations, making it the 19th busiest airport in India for passengers handled, 15th busiest airport for total aircraft movement and cargo handled as per FY 2023-24.
- 1.1.3 Tariff for the first control period from FY 2018-19 to FY 2022-23 (together with the period FY 2016-17 and FY 2017-18) was determined by AERA vide Order No.45/2018-19 dated 8th 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 Airport. MoCA vide public notice 17/2019-20 dated 16th March 2020 de-notified Indore International Airport from being a Major Airport. The Authority notes that passenger throughput was only 0.89 MPPA in FY 2020-21, and its designated passenger handling capacity was 2.5 MPPA which was lesser than the threshold limit of 3.5 MPPA defined under the AERA Amendment Act, 2019. Subsequently, AAI vide letter dated 28th March 2023 communicated that AAI has enhanced the passenger handling capacity of Indore International Airport to 4 MPPA from the existing 2.5 MPPA, by carrying out certain infrastructural developments/ modifications in the Airport. However, the Authority notes that these infrastructural changes to augment the passenger handling capacity were carried out majorly during FY 2021-22.
- 1.1.4 The Authority has taken cognizance of this fact, in its examination of regulatory building blocks for the true-up of the First Control Period, while determining the tariff for the Second Control Period and accordingly, has excluded the under/over recovery of FY 2020-21, as Indore International Airport was a Non-Major Airport during FY 2020-21. The same has been explained in the respective chapters.

1.2 Profile of Indore International Airport (IDR)

- 1.2.1 Actual Passenger and Aircraft handled by Indore International Airport is given below:

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

Year	Passenger (In Nos.)			ATMs (In Nos.)		
	Domestic	International	Total	Domestic	International	Total
FY19	31,58,938	-	31,58,938	26,442	-	26,442
FY20	28,93,449	25,522	29,18,971	22,722	213	22,935
FY21	8,95,391	913	8,96,304	9,944	22	9,966
FY22	16,22,682	6,986	16,29,668	16,429	69	16,498
FY23	28,13,144	15,443	28,28,587	25,062	122	25,184

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

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

Particulars	Details
Total airport land area	748.58 acres
Terminal Building Area	18,000 sqm
Designated Passenger Handling Capacity	4.00 MPPA

Particulars	Details
Peak hour passenger	Domestic: 1,172 pax International: 150 pax
Runway Orientation & Length	Runway 07/25, dimension 2754m x 45m
Taxiway	9 Nos.
Boarding Gates	Domestic – 4 Nos. International - 1 Nos.
Check-in counters	18 Nos.
Immigration Counters	8 Nos.
Custom Counters	3 Nos.
Departure Conveyor	1 Nos.
Arrival Conveyor	3 Nos.
Security Gates	Domestic – 9 Nos. International - 2 Nos.
Parking Bays	26 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) is a 100% subsidiary company of the Airports Authority of India (AAI) providing cargo handling services at Indore International Airport. AAI has considered a revenue share of 30% from AAICLAS as part of Aeronautical revenues as per AAI's agreement with AAICLAS.

Ground Handling Services

- 1.3.2 Currently, AI Airport Services Limited (AIASL) provides Ground Handling services at Indore International Airport.
- 1.3.3 The Authority, vide Order No. 37/2023-24 dated 1st March 2024 in respect of AIASL, has approved interim tariff, valid up to 30th September 2024.

Supply of Fuel to the Aircraft

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

2. TARIFF DETERMINATION OF INDORE 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 Airport Economic Regulatory Authority of India Act, 2008 ('AERA Act' or 'The Act') read with AERA (Amendment) Act 2019 and 2021, which are as below:

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

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

- b) To determine the amount of development fees in respect of major airports;
- c) To determine the amount of passenger service fee levied under rule 88 of the Aircrafts Rules, 1937 made under Aircraft Act, 1934;
- d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority by it in this behalf;
- e) To call for such information as may be necessary to determine the tariff under clause 13(1)(a).
- f) To perform such other functions relating to 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 any airport;
- iii. for ground safety services at an airport;
- iv. for ground handling services relating to aircraft, passengers and cargo at an airport;
- v. for the cargo facility at an airport;
- vi. for supplying fuel to the aircraft at an airport; and
- vii. for a stake-holder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority;"

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) Guidelines, 2011.
 - 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. 45/2018-19 dated 8th March 2019, had determined tariff for Aeronautical services for Indore International Airport for the First Control Period from 1st April 2018 to 31st March 2023. The following are the tariff orders for Aeronautical Charges issued by the Authority for Indore International Airport:

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

Tariff Orders	Applicable Period
Order No. 45/2018-19 8 th Mar, 2019	1 st April 2018 to 31 st March 2023
Order No. 28/2020-21 9 th July, 2020	Revision in Landing charges w.e.f. 15 th July 2020, in lieu of abolition of Fuel Throughput Charges
Order No. 19/2023-24 20 th 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 2nd January 2024 for the Second Control Period commencing from 1st April 2023 to 31st March 2028 for Indore International Airport.
- 2.4.2 The Authority has appointed an Independent Consultant, M/s PKF Sridhar & Santhanam LLP, to assess the MYTP submitted by AAI for Indore 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 (O&M) expenditure, for finalizing this Consultation Paper.

2.4.4 The sequential timeline of the above events has been presented in the table below:

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

Event	Date
MYTP submissions of AAI for Second Control Period and true up of First Control Period.	02-Jan-24
Receipt of Financial Model from AAI	09-Jan-24
Initial Data Requirement - First Set of queries raised by the Authority related to NAR, Opex, Capex & Traffic	07-Feb-24
Partial data shared by AAI related to Opex	13-Feb-24
Partial data shared by AAI related to Capex, Opex & NAR	15-Feb-24
Partial data shared by AAI related to Capex & Opex	16-Feb-24
Partial data shared by AAI related to NAR	28-Feb-24
Responses to queries shared by AAI related to NAR, Opex, Capex & Traffic	01-Mar-24
Follow-up mail sent along with additional queries raised related to NAR, Opex & Capex	06-Mar-24
Follow-up mail sent along with additional queries raised related to NAR, Opex & Capex	12-Mar-24
Follow-up mail sent along with additional queries raised related to FRoR, NAR, Opex & Capex	20-Mar-24
Follow-up mail sent along with additional queries raised related to NAR, RAB & FRoR	03-Apr-24
Partial data shared by AAI related to NAR & Aero Revenue	08-Apr-24
Partial data and Responses to Queries shared by AAI related to NAR, Aero Revenue & Capex	12-Apr-24
Partial data shared by AAI related to Capex	18-Apr-24
Partial data shared by AAI related to Capex & NAR	19-Apr-24
Responses to Queries shared by AAI related to NAR, Opex, FRoR and Capex	24-Apr-24
Partial data shared by AAI related to Land Return	29-Apr-24
Follow-up mail sent along with additional queries raised related to NAR, Aero Revenue & Capex	03-May-24
Partial data shared by AAI related to Capex	06-May-24
Partial data shared by AAI related to Capex	07-May-24
Partial data shared by AAI related to Capex	08-May-24
Request for Additional Capex for SCP submitted by AAI relating to Digi Yatra	10-May-24
Request from AAI for revision in NAR	15-May-24
Request for Revision in Cost related to Digi Yatra submitted by AAI	27-May-24
Query raised on traffic projection for Second Control Period	24-Jun-24
Request for Revision in Traffic projections submitted by AAI	03-Jul-24
Query raised on Capex for the Second Control Period	16-Aug-24
Response to query shared by AAI related to Capex	21-Aug-24

2.4.5 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 the final audit certificate for the AAI as a whole and only trial

balance is available for Indore International Airport. The Authority has examined the audited trial balance (FY 2018-19 to FY 2022-23) submitted by AAI for determination of tariff.

2.4.6 All the figures presented in this Consultation Paper have been rounded off up 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 13 includes the submissions of AAI regarding various building blocks pertaining to the Second Control Period including Fair Rate of Return, Inflation, Operation and Maintenance (O&M) Expenses, Non-Aeronautical Revenue, Taxation, Quality of Service and Return on land along with the Authority's examination and proposals on each building block.
- vi. Chapter 14 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 15 presents the Aeronautical Revenue as proposed by the Authority.
- viii. Chapter 16 summarizes the Authority's proposals put forward for consultation.
- ix. In Chapter 17, 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 18 contains Annexures:

Annexure I: Annual Tariff proposal submitted by AAI for Indore International Airport for the Second Control Period.

Annexure II: Annual Tariff proposed by the Authority for Consultation process.

3. FRAMEWORK FOR DETERMINATION OF TARIFF FOR INDORE INTERNATIONAL AIRPORT

3.1 Methodology

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

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

3.1.3 The 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 Indore International Airport was considered from 1st April 2018 to 31st March 2023 and the Second Control Period is effective from 1st April 2023 to 31st March 2028.

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

3.3.1 AAI provides Air Navigation Services (ANS) in addition to other Aeronautical services at Indore International Airport. AAI 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 Indore International Airport excluding ANS and Cargo Operations. The tariff related to Cargo Operations of Indore 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 for True up of the First Control Period for Indore International Airport

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.3 True up of Traffic

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

Table 6: AAI's submission on true up of traffic for the First Control Period for Indore International Airport

Particulars	FY19	FY20	FY21	FY22	FY23
Passengers (In millions)					
Domestic	3.16	2.89	0.90	1.62	2.81

Particulars	FY19	FY20	FY21	FY22	FY23
International	-	0.03	0.00	0.01	0.02
Total	3.16	2.92	0.90	1.63	2.83
ATM (In Nos)					
Domestic	26,442	22,722	9,944	16,429	25,062
International	-	213	22	69	122
Total	26,442	22,935	9,966	16,498	25,184

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

4.3.2 The traffic approved by the Authority in the Tariff Order No. 45/ 2018-19 for the First Control Period is shown in the 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	3.08	3.63	4.27	5.03	5.93
International	-	-	-	-	-
Total	3.08	3.63	4.27	5.03	5.93
ATM (In Nos)					
Domestic	20,161	21,774	23,516	25,398	27,429
International	-	-	-	-	-
Total	20,161	21,774	23,516	29,974	27,429

4.3.3 The Authority 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 ATM projected for the control period.
- ii. The passenger and ATM traffic improved over 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 73% and 121% respectively in FY 2022-23. Similarly, the domestic and international ATM has achieved a growth of 53% and 77% respectively during FY 2022-23 over FY 2021-22.
- iii. Domestic and international passenger traffic in FY 2022-23 has reached to 97% and 61% of pre-covid passenger traffic (FY 2019-20) respectively. Likewise, the domestic and international ATM traffic in FY 2022-23 has reached to 110% & 57% 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. 3b of the Tariff Order No. 45/ 2018-19 dated 8th 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 Indore International Airport is as follows:

Table 8: Capital Additions during the First Control Period submitted by AAI in MYTP Proposal for Indore International Airport

(₹ in crores)

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

4.4.2 The Authority notes that ₹ 138.25 Crores above includes assets that AAI has considered as part of additions to capex assets that were acquired prior to FY 2018-19, amounting to ₹ 4.01 crores.

Table 9: Details of assets capitalized prior to First Control Period submitted by AAI during True-up

(₹ in crores)

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

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

Table 10: Capital Additions – asset category wise submitted by AAI for the true up of the First Control Period*(₹ in Crores)*

S. No.	Asset Category	Capex approved by AERA (1)	Actual CAPEX incurred (2)	Variance [(2) - (1)]	Financing Allowance excluded in actual CAPEX
A	CAPEX incurred by AAI towards projects approved by AERA (Planned expenditure) for the First Control Period				
A.1	Runway, Taxiway, Apron	62.95	53.19	-9.76	-
A.2	Roads, Bridges & Culverts	7.51	-	-7.51	-
A.3	Building – Terminal	-	3.46	3.46	-
A.4	Building – Temporary	-	0.10	0.10	-
A.5	Building – Residential	6.36	5.20	-1.16	-
A.6	Boundary Wall - Operational	4.00	1.99	-2.01	-
A.7	Computers - End User Devices	-	0.06	0.06	-
A.8	Plant & Machinery	19.82	8.11	-11.71	-
A.9	Tools & Equipment	4.50	1.15	-3.35	-
A.10	Vehicle - Others	-	6.98	6.98	-
A.11	Electrical Installations	0.78	1.25	0.47	-
A.12	Solar Power Plant	4.03	4.17	0.14	-
A.13	Office Equipment	-	0.03	0.03	-
A.14	Furniture & Fixtures - Other than trolleys	-	0.85	0.85	-
A.15	CFT/Fire Fighting Equipment	4.03	-	-4.03	-
A.16	Other Building	0.45	-	-0.45	-
	Subtotal (a)	114.43	86.54	-27.89	-
B	Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period				
B.1	Runway, Taxiway, Apron	-	5.37	5.37	5.27
B.2	Building - Terminal	-	4.46	4.46	0.50
B.3	Building - Temporary	-	0.48	0.48	-
B.4	Building - Residential	-	2.70	2.70	1.10
B.5	Boundary Wall - Operational	-	1.08	1.08	0.13
B.6	Computers - End User Devices	-	0.34	0.34	-
B.7	Computers - Servers and Networks	-	0.12	0.12	-
B.8	Plant & Machinery	-	6.30	6.30	0.96
B.9	Tools & Equipment	-	7.34	7.34	0.13
B.10	Electrical Installations	-	9.77	9.77	0.15
B.11	Office Equipment	-	0.10	0.10	-
B.12	Furniture & Fixtures - Other than trolleys	-	2.66	2.66	-
B.13	X-Ray Baggage System	-	2.44	2.44	-
B.14	CFT/Fire Fighting Equipment	-	0.30	0.30	-
	Subtotal (b)	-	43.45	43.46	8.25
	Total CAPEX incurred [(a) + (b)]	114.43	129.99	15.57	8.25

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

Table 11: Capital Expenditure approved in the Tariff Order for the First Control Period

(₹ in Crores)

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

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

4.4.5 The Authority analyzed Form 10 of AAI’s MYTP submission, containing asset-wise capital additions for the First Control Period. It is noted that the actual additions to the First Control Period also include assets amounting to ₹ 4.01 Crores, which pertain to assets capitalized in FY 2016-17 and FY 2017-18 (pre-control period) which were not considered as part of the Opening RAB of First Control Period, instead AAI has considered these assets (pertaining to pre-control period) as additions in FY 2018-19 (First tariff year of the First Control Period). The depreciation on such assets amounts to ₹ 0.50 Crores for the period FY 2016-17 and FY 2017-18. On enquiry, AAI has replied vide email dated 21st August 2024, that “*The assets mentioned in the trailing mail are left out assets and same has been account for in 2018-19. It is therefore requested to consider the same.*” From the above mail of AAI, it transpires that these assets were inadvertently left out by AAI in the first control period. Considering that these assets (pertaining to FY 2016-17 and 2017-18) have been capitalized in books of accounts of Indore International Airport in FY 2018-19 and the same is also appearing in the FAR, the Authority proposes to consider these assets, net of depreciation amounting to ₹ 3.53 crores as additions to opening RAB of ₹ 82.60 Crores for the First Control Period. The revised opening RAB as at 1st April 2018 including the additions amounts to ₹ 86.13 Crores.

4.4.6 The Authority notes that there is a difference between the amount of planned and unplanned additions submitted by AAI as per MYTP in Table 8 and the asset-wise additions provided by AAI via mail dated 16th May 2024 in Table 10. While the total additions between the 2 tables tally, the difference is on account of AAI considering certain additions as “planned” in MYTP, whereas in the detailed asset wise classification, the same has been submitted as “unplanned” and vice versa.

4.4.7 The Authority, on its analysis of the planned and unplanned additions submitted by AAI in Table 10, notes that the entire amount of financing allowance of ₹ 8.25 Crores has been taken as unplanned capex as per AAI’s submission even though it pertains to planned assets. Based on the nature of certain assets, the Authority on its review has re-classified some assets under different heads as compared to AAI’s submission in Table 10. The Authority has also changed the classification between planned and unplanned assets after taking into consideration the description of assets that were approved as part of FCP tariff order. Financing allowance pertaining to planned assets are shifted to the planned Capex section. Asset category wise additions after the reclassification are detailed in table below:

Table 12: Asset category wise additions to First Control Period as re-classified by the Authority*(₹ in Crores)*

S. No.	Asset Category	Capex approved by AERA (1)	Actual CAPEX incurred (2)	Variance [(2) - (1)]	Financing Allowance excluded in actual CAPEX
A	CAPEX incurred towards projects approved by AERA for the First Control Period				
A.1	Runway, Taxiway, Apron	62.95	48.93	-14.02	4.86
A.2	Roads, Bridges & Culverts	7.51	4.26	-3.25	0.41
A.3	Building – Terminal	-	3.46	3.46	0.17
A.4	Building - Residential	6.36	5.20	-1.16	1.10
A.5	Boundary Wall - Operational	4.00	3.20	-0.80	0.28
A.6	Plant & Machinery	19.82	8.11	-11.71	0.96
A.7	Tools & Equipment	4.50	1.52	-2.98	-
A.8	Vehicle – Others	-	6.36	6.36	-
A.9	Electrical Installations	0.78	0.71	-0.07	0.03
A.10	Solar Power Plant	4.03	4.17	0.14	-
A.11	Furniture & Fixtures - Other than trolleys	-	0.11	0.11	-
A.12	CFT/Fire Fighting Equipment	4.03	-	-4.03	-
A.13	Other Building	0.45	-	-0.45	-
	Subtotal (a)	114.43	86.04	-28.39	7.81
B	Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period				
B.1	Runway, Taxiway, Apron	-	5.37	5.37	-
B.2	Building - Terminal	-	2.06	2.06	0.11
B.3	Building - Temporary	-	0.39	0.39	-
B.4	Building - Residential	-	2.70	2.70	-
B.5	Security Fencing	-	0.18	0.18	-
B.6	Computers - End User Devices	-	0.36	0.36	-
B.7	Computer Software	-	0.12	0.12	-
B.8	Computers - Servers and Networks	-	0.00	0.00	-
B.9	Plant & Machinery	-	6.30	6.30	-
B.10	Tools & Equipment	-	6.09	6.09	0.12
B.11	Vehicle - Others	-	0.62	0.62	-
B.12	Electrical Installations	-	10.27	10.27	0.13
B.13	Office Equipment	-	0.13	0.13	-
B.14	Furniture & Fixtures - Other than trolleys	-	3.34	3.34	-
B.15	X-Ray Baggage System	-	0.83	0.83	-
B.16	Other Building	-	1.20	1.20	0.07
	Subtotal (b)	-	39.95	39.95	0.43
	Total CAPEX incurred [(a) + (b)]	114.43	125.99	11.56	8.24

4.4.8 The Authority analyzed the variances between the approved capex (as per Tariff Order No. 45/ 2018-19 dated 8th March 2019 for the First Control Period) and the total actual capex incurred for the First Control Period (refer Table 12) and notes that AAI has not implemented 19.55% 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 (Planned expenditure) in the Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period

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

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 13: Various Ratios computed 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 26	98.91%: 1.09%	97.83%: 2.17%	97.98%: 2.02%	97.83%: 2.17%	98.85%: 1.15%
Employee Ratio (EHCR) (Aero: Non-Aero: ANS)		61.49%: 0.68%: 37.84%	59.60%: 1.32%: 39.07%	62.99%: 1.30%: 35.71%	64.29%: 1.43%: 34.29%	61.87%: 0.72%: 37.41%
Staff Quarters Ratio (SQTR) (Aero: Non-Aero: ANS)		Table 29	83.33%: 2.78%: 13.89%	84.21%: 2.63%: 13.16%	84.21%: 2.63%: 13.16%	85.00%: 0.00%: 15.00%
Terminal Building Ratio (TBLR) (Aero: Non-Aero)	para 4.7.8		92.00%: 8.00%	92.00%: 8.00%	92.00%: 8.00%	92.00%: 8.00%

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

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 by the Airport Operator. The capex incurred by AAI has been capitalized in the books of account, based on work orders issued by AAI for each component of capex. The Authority, through its Independent Consultant, has examined and verified the capex incurred by AAI in FCP from the FAR. The project-wise planned capex of Indore International Airport is discussed in the following paragraphs:

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

- 4.4.9 The Authority had approved capex amounting to ₹ 62.95 crores towards construction of 15 no. parking bays, parallel taxi track and other associated works in the FCP Tariff Order. In this regard, the Authority notes that AAI has capitalized capex amounting to ₹ 48.93 crores towards development of 15 number parking bays and parallel taxi track, which is lower by ₹ 14.02 crores than the amount approved. Considering that the above capex is essential for runway/ airside operations, the Authority proposes to consider the actual cost capitalized as per the FAR of ₹ 48.93 crores as addition to RAB in FY 2020-21. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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

- 4.4.10 In the FCP Tariff Order, the Authority had approved Capex amounting to ₹ 7.51 crores towards the following capex:

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

In this regard, the Authority notes that AAI has capitalized Capex amounting to ₹ 7.72 crores, towards Development of Pucca Drain (FY 2020-21) and 2 fixed fingers for Rotunda PBB (FY 2021-22), which is higher by ₹ 0.21 crores than the amount approved by the Authority in the First Control Period Tariff Order. Considering that the above is essential operational requirement/ passenger convenience, the Authority

proposes to consider the actual cost capitalized as per the FAR of ₹ 7.72 crores as additions to RAB in FY 2020-21 and FY 2021-22 respectively. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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

A.4 Building - Residential - ₹ 5.20 crores

- 4.4.11 The Authority had approved capex amounting to ₹ 6.36 crores towards the construction of Staff quarters and Civil work for existing residential accommodation including for security arrangement of CISF in FCP Tariff Order. AAI has capitalized capex amounting to ₹ 5.20 crores towards Construction of CISF Barrack (₹ 0.23 Crores) in FY 2018-19 and Construction of staff quarter – 16 numbers of Type-B & 2 numbers of Type-D quarters (₹ 4.97 Crores) in FY 2019-20, which is lower by ₹ 1.16 crores than the amount approved. Considering that the above capex is relating to security/ employee requirements, the Authority proposes to consider the actual cost capitalized as per the FAR of ₹ 5.20 crores as addition to RAB in FY 2018-19 and FY 2019-20 respectively. AAI has considered CISF Barrack as 100% Aeronautical in nature and allocated the construction cost of staff quarters on the basis of SQTR. The Authority proposes to consider CISF barrack (₹ 0.23 Crores) as 100% Aeronautical and Construction of staff quarter – 16 numbers of Type-B & 2 numbers of Type-D quarters (₹ 4.97 Crores) on the basis of SQTR.

A.5 Boundary Wall – Operational - ₹ 3.20 crores

- 4.4.12 The Authority had approved capex amounting to ₹ 4.00 crores towards construction of Aluminum composite panel cladding on the exterior wall (₹ 1.50 crores) and construction of boundary wall for perimeter road (₹ 2.50 crores) in FCP Tariff Order. In this regard, the Authority notes that AAI has capitalized Capex amounting to ₹ 3.20 crores towards construction of boundary wall for perimeter road and construction of aluminum composite panel cladding on the exterior wall, which is within the amount approved. It is noted that AAI in their submission had submitted “construction of Aluminum composite panel cladding on the exterior wall” to be unplanned capex, however, in the FCP tariff order this was specifically approved, thereby the Authority proposes to consider the same as planned capex additions. Considering that the above capex is required from safety perspective, the Authority proposes to consider the actual cost capitalized as per the FAR of ₹ 3.20 crores as addition to RAB in FY 2018-19. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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

- 4.4.13 In the FCP Tariff Order, the Authority had approved Capex amounting to ₹ 19.82 crores which includes the following:
- SITC of PBBs and AVDGS
 - Grass Cutting Machines and
 - Tractors

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

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

4.4.14 The Authority had approved capex amounting to ₹ 4.50 crores in FCP Tariff Order towards the following:

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

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

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

4.4.15 The Authority had approved capex amounting to ₹ 4.81 Crores for Solar Power Plant (₹ 4.03 Crores) and other Electrical installations (₹ 0.78 Crores) in the FCP Tariff Order. In this regard, the Authority notes that AAI has capitalized capex amounting to ₹ 4.88 Crores towards solar streetlight, perimeter streetlight and high mast flood light, provision of AC in residential guest house (which was approved under the head “Plant & Machinery” in FCP Tariff Order), which is higher by ₹ 0.07 Crores than the amount approved. Considering that the above capex is related to operational requirements of the Airport. The capex on Solar Power Plant and Solar Street Light is a green initiative for a sustainable environment, the Authority therefore proposes to consider the actual cost capitalized as per the FAR.

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

totaling to ₹ 4.53 crores (as per following table) has been proposed for true up in FY 2018-19 & FY 2022-23 respectively.

Table 14: Allocation of electrical installations and Solar Power Plant as submitted by AAI and as considered by the Authority

(₹ in crores)

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

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

4.4.16 The Authority notes that AAI has incurred unplanned capex amounting to ₹ 39.95 crores (i.e. 34.91% of the approved capex), which is not part of the total capex amounting to ₹ 114.43 crores approved for the FCP. This unplanned expenditure is an addition to the planned Capex (refer Para 4.4.1). 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.1 Runway/Taxiway/Apron - ₹ 5.37 crores

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

B.2 Building - Terminal - ₹ 2.06 crores

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

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

Considering that the above capex is required for operational requirements/ to address vehicle congestion and enhance airport services, the Authority proposes to consider the actual cost capitalized as per the FAR of ₹ 2.06 Crores as addition to RAB in FY 2021-22. Although AAI has considered the above capex as 100% aeronautical in nature, and the Authority proposes to allocate the same in TBLR as it pertains to capex incurred within and around the Terminal Building. The Aeronautical Expenditure proposed to be considered by the Authority after applying TBLR amounts to ₹ 1.90 crores.

B.4. Building - Residential - ₹ 2.70 crores

4.4.19 The Authority notes that AAI has capitalized capex amounting to ₹ 2.70 crores towards construction of additional CISF barracks. Considering that the above capex is required for security purposes at the airport, the Authority proposes to consider the actual cost capitalized in the FAR of ₹ 2.70 Crores as addition to RAB in FY 2020-21. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

B.9 Plant & Machinery- ₹ 6.30 crores

4.4.20 The Authority notes that AAI has capitalized capex amounting to ₹ 6.30 Crores towards the following major projects in different tariff years of the First Control Period:

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

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

B.10 Tools & Equipment - ₹ 6.09 crores

4.4.21 The Authority notes that AAI has capitalized capex amounting to ₹ 6.09 crores towards procurement of various tools & equipment during the different tariff years of the First Control Period, which have not been approved in the FCP Tariff Order. The nature of the major expenses incurred pertain to supply of equipment such as PBTS with brakes, SITC of FIDS (Infosoft Digital) and hydraulic tyre killer and bollard.

Considering that the above capex is related to airport operations, the Authority proposes to consider the actual cost capitalized as per FAR of ₹ 6.09 Crores as addition to RAB in various tariff years of First Control Period. The Authority proposes to consider the above capex as 100% Aeronautical except for capex in respect of car washer which has been allocated on the basis of EHCR. Accordingly, the Authority proposes to consider the aeronautical capex on the above equipment amounting to ₹ 6.08 crores for true up of the First Control Period.

B.12 – Electrical Installation - ₹ 10.27 crores

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

In reply to queries raised by the independent consultant, AAI has submitted that it has classified assets amounting to ₹ 1.04 Crores as planned additions. However, the Authority notes that these assets were not specifically approved in the FCP tariff order and hence proposes to treat the same as unplanned Capex.

Considering that all the above capex is required for facilitation of airport operations/security requirements, the Authority proposes to consider the actual cost capitalized as per the FAR of ₹ 10.27 Crores as addition to RAB in relevant tariff years of First Control Period. AAI has allocated some of these capital expenditures as

100% aeronautical, and some on the basis of EHCR, TBLR or SQTR. The Authority proposes to consider the same basis allocation as submitted by AAI, except for the following assets:

Table 15: Allocation of unplanned electrical installations as submitted by AAI and as considered by the Authority

(₹ in crores)

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

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

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

B.14 Furniture & Fixtures – Other than Trolleys - ₹ 3.34 crores

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

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

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

For the purpose of this consultation paper, the Authority proposes not to consider the RAB value of such assets capitalized in the books, but to take into account the original treatment of considering the lease expenses per year of ₹ 0.21 Crores as O&M expenses for the period until the completion of 6 years from FY 2018-19 i.e. FY 2023-24.

B.16 Other Buildings - ₹ 1.20 crores

4.4.25 The Authority notes that AAI has capitalized capex amounting to ₹ 1.20 crores towards construction of cooling pit, construction of new conference hall and welcome board at entrance gate and opposite arrival hall. Considering that the above capex is required for operational/administrative requirements, the Authority proposes to consider the actual cost capitalized in the FAR of ₹ 1.20 crores as addition to RAB in FY 2019-20, FY 2021-22 and FY 2022-23. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

The Authority observed that there are minor projects undertaken by AAI with respect to Security hut /canopy work, procurement of portable shed, temporary fencing in garden, procurement of desktops, printer, scanners and software etc. for office purpose, procurement of ambulance, electric vehicle and buggy for passenger facilitation. Considering that the above capex is required for operational requirements of the airport, the Authority proposes to consider the actual cost capitalized as per the FAR of ₹ 1.80 Crores as addition to RAB in various tariff years of the First Control Period.

4.4.26 The Authority notes that Indore International Airport has claimed Financing Allowance of ₹ 8.24 crores in the MYTP submitted for the 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, 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 a Financing Allowance in the case of brownfield airports and airports of AAI, in any of the Tariff Orders. Further, the Financing Allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.
- It 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 till the same is capitalized and put to use. Brownfield and Greenfield airports cannot be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical services

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. Indore International Airport, being a brownfield airport, is not eligible for Financing Allowance.

- Financing Allowance is a notional allowance and is different from Interest During Construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport 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)”.

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

- 4.4.27 Also, the Authority notes that AAI had availed debt amounting to ₹ 22.94 crores during the First Control Period (from FY 2020-21 to FY 2022-23), as per the Financial Model submitted by AAI. Further, AAI had confirmed that the interest on debt had already been capitalized in the books of account along with the respective assets and the same had been claimed as part of RAB for the First Control Period.
- 4.4.28 The Authority proposes to consider IDC amounting to ₹ 0.91 crores on debts availed totaling to ₹ 22.94 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 92.82%:7.18% 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 average 82.56%:15:44% for allocation of assets. The Authority though its independent consultant has verified the computation and 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.
- 4.4.31 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 16: 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 by AAI towards projects approved by AERA for the First Control Period						
A.1	Runway, Taxiway, Apron	-	-	-	48.93	-	48.93
A.2	Roads, Bridges & Culverts	-	-	4.26	-	-	4.26
A.3	Building - Terminal	-	-	-	-	3.46	3.46
A.4	Building - Residential	0.23	4.97	-	-	-	5.20
A.5	Boundary Wall - Operational	-	3.20	-	-	-	3.20
A.6	Plant & Machinery	0.12	0.77	7.22	-	-	8.11
A.7	Tools & Equipment	0.87	0.66	-	-	-	1.52

S. No.	Asset Category	FY19	FY20	FY21	FY22	FY23	Total
A.8	Vehicle - Others	6	0.36	-	-	-	6.36
A.9	Electrical Installations	0.19	-	-	-	0.5	0.69
A.10	Solar Power Plant	3.84	-	-	-	-	3.84
A.11	Furniture & Fixtures - Other than trolleys	0.07	-	-	-	-	0.07
	Subtotal (a)	11.32	9.95	11.47	48.93	3.97	85.65
B	Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period						
B.1	Runway, Taxiway, Apron	-	0.52	-	3.25	1.6	5.37
B.2	Building - Terminal	-	-	-	-	1.90	1.90
B.3	Building - Temporary	0.1	0.08	-	-	0.21	0.39
B.4	Building - Residential	-	-	-	2.70	-	2.70
B.5	Computers - End User Devices	0.05	0.05	0.06	0.02	0.15	0.32
B.6	Computer Software	-	0.04	-	-	0.06	0.10
B.7	Computers - Servers and Networks	-	-	-	-	-	-
B.8	Plant & Machinery	0.06	0.44	0.58	0.09	5.13	6.30
B.9	Tools & Equipment	0.23	0.9	3.64	0.73	0.58	6.08
B.10	Vehicle - Others	0.37	0.13	-	-	-	0.51
B.11	Electrical Installations	0.34	1.25	0.48	1.2	6.94	10.21
B.12	Office Equipment	0.05	0	0.01	0	0.03	0.09
B.13	Furniture & Fixtures - Other than trolleys	0.46	0.28	2.27	-	0.01	3.02
B.14	Other Building	-	0.1	-	0.85	0.24	1.20
	Subtotal (b)	1.65	3.8	7.03	8.84	16.86	38.19
	Total CAPEX incurred [(a) + (b)]	12.97	13.75	18.51	57.78	20.83	123.84

4.4.32 The Authority proposes to consider capex of ₹ 123.84 crores as against capex of ₹ 138.25 crores claimed by AAI (including financing allowance) for True up of the First Control Period. The variance is mainly on account of the following:

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

True up of Depreciation for the First Control Period

4.4.33 AAI has submitted the following depreciation for the First Control Period for Indore International Airport.

Table 17: Depreciation for the First Control Period submitted by AAI for Indore International Airport

(₹ in Crores)

S. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
1	Runways/Taxiway	0.09	0.10	0.19	1.21	2.19	3.79
2	Roads Bridges & Culverts	0.34	0.33	0.31	0.23	0.23	1.43
3	Terminal Building	2.00	2.03	2.05	2.07	2.18	10.34
4	Temporary Building	0.02	0.05	0.06	0.06	-	0.18
5	Residential Building	0.03	0.13	0.23	0.28	0.33	1.01
6	Boundary Wall: Operational	0.38	0.51	0.62	0.52	0.52	2.55

S. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
7	Other Building	0.14	0.14	0.14	0.14	0.14	0.72
8	Computers: End User Devices	1.64	0.14	0.15	0.09	0.16	2.18
9	Computers: Servers & Networks	-	-	-	-	0.00	0.00
10	Computer Software: Intangible Assets	0.00	0.01	0.01	0.01	0.02	0.05
11	Machinery	0.21	0.25	0.57	0.86	1.04	2.94
12	Tools & Plant	0.18	0.30	0.47	0.62	0.67	2.24
13	Furniture: Office	0.07	0.15	0.34	0.50	0.50	1.56
14	Vehicles	0.43	0.87	0.91	0.91	0.91	4.02
15	Vehicles: Cars/Jeeps	0.01	-	-	-	-	0.01
16	Electrical Installation	3.66	3.58	3.66	0.46	0.84	12.20
17	Solar Power Plant	0.08	0.17	0.17	0.17	0.17	0.75
18	Office Equipment/Appliances	0.05	0.06	0.06	0.06	0.06	0.29
19	Furniture: Other Than Trolley	0.03	0.03	0.03	0.03	0.03	0.16
20	Furniture: Trolley	0.04	0.04	0.04	-	-	0.13
21	X-Ray Baggage Inspection System (X-BIS)	0.07	0.15	0.18	0.18	0.18	0.77
22	CFT & Fire Fighting Equipment	0.65	0.66	0.66	0.66	0.66	3.28
	Total	10.13	9.71	10.85	9.05	10.84	50.58

4.4.34 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 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.

4.4.35 The Authority also notes that AAI has depreciated assets @ 50% of depreciation rates in the year of capitalization of the asset irrespective of the actual date of capitalization. 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.

4.4.36 Based on the above factors, the Authority has recomputed the depreciation and the same is presented below:

Table 18 : Depreciation proposed by the Authority for true-up of First Control Period

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Runway, Taxiway, Apron	0.09	0.09	0.21	1.06	2.29	3.75
Roads, Bridges & Culverts	0.28	0.28	0.25	0.25	0.19	1.26
Building - Terminal	1.92	1.92	1.92	1.94	1.98	9.69
Building - Temporary	-	0.01	0.02	0.02	0.02	0.07
Building - Residential	0.03	0.20	0.20	0.25	0.29	0.98
Boundary Wall - Operational	0.40	0.48	0.69	0.69	0.62	2.89
Computers - End User Devices	1.64	0.13	0.09	0.05	0.07	1.96
Computer Software	0.00	0.01	0.01	0.01	0.02	0.05
Computers - Servers and Networks	-	-	-	-	0.00	0.00
Plant & Machinery	0.19	0.99	1.25	1.55	1.58	5.55
Tools & Equipment	0.22	0.36	0.48	0.69	0.71	2.46
Vehicle - Others	0.03	0.09	0.09	0.09	0.09	0.39
Vehicle - Cars & Jeeps	0.01	0.01	0.01	0.01	0.01	0.04
Electrical Installations	2.73	2.80	2.80	2.91	0.88	12.13

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Solar Power Plant	0.04	0.15	0.15	0.15	0.15	0.65
Office Equipment	0.04	0.05	0.05	0.04	0.03	0.21
Furniture & Fixtures - Other than trolleys	0.06	0.11	0.34	0.46	0.46	1.43
Furniture & Fixtures - Trolleys	0.04	0.04	0.04	-	-	0.13
X-Ray Baggage System	0.12	0.12	0.12	0.12	0.12	0.59
CFT/Fire Fighting Equipment	0.67	0.67	0.67	0.67	0.67	3.36
Other Building	0.14	0.14	0.14	0.14	0.14	0.69
Total	8.66	8.66	9.54	11.11	10.32	48.28

4.4.37 Variance in the depreciation between the amount proposed by the Authority as ₹ 48.28 crores against the amount proposed by AAI ₹ 50.58 crores is on account of the following factors:

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

True up of Regulatory Asset Base for the First Control Period

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

Table 19: RAB proposed by the Authority for True up of the First Control Period

(₹ in crores)

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

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

4.5 True up of Return on Land

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

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

Table 20: Return on Land Submitted by AAI

(₹ in crores)

Particulars	Ref.	Unit	FY21	FY22	FY23	Total
Cost of Land to be considered	A	₹ in crores	1.64	1.64	1.64	

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

- 4.5.3 The Authority notes that in AAI's MYTP submission, the addition of land was not reflected in Form F9 under the category "Land". AAI has accounted for ₹ 1.50 crores during FY 2019-20 and ₹ 0.16 crores during FY 2020-21 pertaining to purchase of land as "Other Sundry expenses" as part of O&M expenses in its submission. The Authority therefore proposes to exclude the cost of land from O&M expenses as discussed in para 4.7.23.
- 4.5.4 The Authority notes that the AAI has acquired additional land during the 2 years i.e. FY 2019-20 and FY 2020-21 and claimed return from FY 2020-21 when the costs were completely recorded. The Authority also notes that the Return on land was not part of tariff order of the First Control Period.
- 4.5.5 With respect to AAI's claim towards Return on Land for the First Control Period, the Authority has examined the relevant clauses prescribed in its Order No.42/2018-19 dated 5th March 2019 on "In the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India", which is as follows:
- "As per clause 4.1.8., of the aforementioned order, this order of the Authority will take effect from the next control period."*
- 4.5.6 Based on the facts as stated above, the Return on Land should be provided prospectively and not retrospectively (as per clause 4.1.8 of the Order No. 42/ 2018-19). Therefore, the Authority proposes not to consider Return on Land claimed by the AAI as part of True up of the First Control Period.

4.6 True up of Fair Rate of Return (FRoR)

- 4.6.1 AAI in its MYTP submission has mentioned that "AAI had considered the FRoR at 14% in line with decision taken by AERA taken for Chennai, Kolkata, Guwahati and Lucknow Airports for the First Control Period".
- 4.6.2 The Authority 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.
- 4.6.3 However, in the financial model submitted by AAI, the Authority notes that AAI has availed debts of ₹ 22.94 crores during the First Control period from FY 2020-21 to FY 2022-23. A query was raised to AAI seeking clarity on the cost of debt, to which AAI vide mail dated 24th April 2024 has replied that the cost of debt workings as shared for Coimbatore International Airport may be considered for Indore International Airport.
- 4.6.4 The Authority has therefore computed FRoR taking into consideration the debt availed by AAI during the First Control Period of ₹ 22.94 Crores as submitted by AAI in the financial model. For the purpose of computation of FRoR, the cost of debt is taken as 7.25% (similar to that taken for Coimbatore International Airport) and cost of Equity is taken as 14%. Total equity for a financial year is computed by taking closing

RAB and subtracting the closing debt for that particular financial year. Accordingly, the computation of FRoR for Indore International Airport is shown as below:

Table 21: FRoR proposed to be considered by the Authority for True up of the First Control Period
(₹ in Crores)

Particulars	Reference	FY19	FY20	FY21	FY22	FY23	Total
Debt	A	-	-	13.95	20.57	22.94	
Equity	B	90.44	95.53	90.55	130.60	138.74	
Debt + Equity	C = A + B	90.44	95.53	104.51	151.17	161.68	603.32
Cost of Debt (%)	D	7.25%	7.25%	7.25%	7.25%	7.25%	
Cost of Equity (%)	E	14.00%	14.00%	14.00%	14.00%	14.00%	
Gearing (%)	F = A ÷ C	0.00%	0.00%	13.35%	13.61%	14.19%	
Weighted Average Gearing (%)	$G = \frac{\sum (F * C)}{\sum C}$						9.52%
Cost of Debt (%)	H						7.25%
Cost of Equity (%)	I						14.00%
FRoR (%)	(J = H * G + I * [1 - G])						13.36%

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

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

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

Table 22 : Actual O&M expenses submitted by AAI for Indore International Airport for the First Control Period

(₹ in Crores)

Sl. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
1	Payroll Expenses (Other than CHQ/RHQ)	13.53	16.07	15.08	15.14	16.72	76.54
2	Retirement benefits of employees	4.65	2.62	0.42	0.50	(0.00)	8.18
A	Total Payroll Expenditure (1+2)	18.18	18.69	15.50	15.64	16.72	84.72
3	Admin & General Expenses (Other than CHQ/RHQ)	6.54	7.44	5.01	11.56	8.80	39.36
4	Admin & General Expenses (CHQ/RHQ)	11.39	29.11	27.36	28.73	30.16	126.75
B	Total Admin & General Expenditure (3+4)	17.93	36.55	32.37	40.29	38.96	166.11
C	Repairs & Maintenance Expenditure	8.04	6.14	8.11	6.73	11.88	40.90
D	Utilities & Outsourcing Expenditure	3.83	3.73	4.28	4.44	5.77	22.06
E	Other Outflows	0.26	0.59	0.08	0.34	0.63	1.90
	Total (A+B+C+D+E)	48.24	65.70	60.35	67.43	73.96	315.68

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

Table 23 : O&M expenses as per the Tariff Order for the First Control Period*(₹ in Crores)*

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

- 4.7.3 The Authority notes a difference of ₹ 132.56 crores between the O&M expenses submitted for true up by AAI for Indore International Airport and expenses approved by the Authority in the Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period. The Authority 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 AAI's submission of O&M expenses under various heads for the First Control Period in the following sequence:

- Examination of Allocation Ratios for apportionment of expenses into Aeronautical & Non-Aeronautical.
- Assessment, Rationalization & Reallocation of O&M expenses

a) Allocation Ratios

Employee Head Count Ratio (EHCR)

- 4.7.4 Two different EHCR ratios have been 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 24: EHCR Allocation % as submitted by AAI in MYTP proposal

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

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

Table 25: Re-computation of EHCR after apportionment of common employees

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

- 4.7.6 However, AAI has vide email dated 1st March, 2024 submitted that, “It is also requested that 3 number CNS employee working in Airports system department, therefore the same may please be considered in AERO. In model, we have erroneously shown in ANS. Accordingly, salary amount of 3 employees may be shifted to AERO from ANS in the First Control Period (i.e. Basic pay, DA, other allowance, HRA and PF) & also applicable revised ratio may be considered for truing up as well as projections on Second Control Period as AERO expenses”.
- 4.7.7 Accordingly, 3 employees have been shifted from “Other than Airport” to “CNS-Airport Systems” and the proportionate expenses are re-classified from ANS to aeronautical segment and the revised EHCR computed for the First Control Period is presented in the table below:

Table 26: Revised EHCR considered by the Authority for true up of the First Control Period

Particulars	FY19	FY20	FY21	FY22	FY23
EHCR (Aero: Non-Aero)					
Aero	98.91%	97.83%	97.98%	97.83%	98.85%
Non-Aero	1.09%	2.17%	2.02%	2.17%	1.15%

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

Terminal Building Ratio (TBLR)

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

Computation of Gross Block Ratio (GBR)

- 4.7.9 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 27 : GBR Allocation % as computed by the Authority

Particulars	FY19	FY20	FY21	FY22	FY23
Aero	94.44%	94.29%	94.57%	95.33%	94.90%
Non-aero	2.65%	2.89%	2.74%	2.36%	2.31%
Others*	2.91%	2.82%	2.69%	2.31%	2.79%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

*Includes both ANS and Cargo Assets

Vehicle Ratio

- 4.7.10 AAI has submitted the following Vehicle Ratio used for the apportionment of "R&M-Vehicle Expenses

Table 28: Vehicle Ratio as submitted by AAI and proposed by the Authority for the First Control Period

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

- 4.7.11 The Authority has reviewed the owned vehicles that have been used by employees of various segments and proposes to consider the ratio as submitted by AAI as justifiable.

Staff Quarters Ratio (SQTR)

- 4.7.12 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 29: Staff Quarter Ratio as submitted by AAI

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

The Authority has re-computed the SQTR on the basis of number of staff quarters utilized by employees pertaining to various segments as submitted by AAI and finds the above-mentioned ratios as reasonable and hence proposes to consider the same for the purposes of true up of the First Control Period.

Electricity Ratio

- 4.7.13 Electricity Ratio is computed on the basis of electricity utilized for purposes pertaining to Aeronautical/Non-Aeronautical/ANS segments. Electricity Ratio is utilized for the purposes of allocation of Power charges and R&M – Electrical expenses.

Table 30: Electricity Ratio as submitted by AAI and proposed by the Authority

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

The Authority has re-computed Electricity Ratio on the basis of no. of units of electricity consumed for the purposes of various segments and proposes to consider the above ratios as submitted by AAI to be reasonable for the purposes of true up of the First Control Period.

Hired Vehicle Ratio

- 4.7.14 Hired Vehicle Ratio is used for allocation of Hire charges of Car & Jeep. Hired Vehicle Ratio is computed on the basis of hired vehicles used by employees pertaining to Aeronautical/Non-Aeronautical/ANS segments.
- 4.7.15 However, during FY 2018-19, a vehicle which has been used for CNS is considered as used for “Aeronautical” purposes. The Authority proposes to allocate the same to “ANS” segment and proposes to consider the recomputed Vehicle Ratio as presented in the table below:

Table 31: Hired Vehicle Ratio as submitted by AAI and proposed by the Authority

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

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

4.7.16 The Authority has observed that the actual total payroll expenses for the First Control Period submitted by AAI for Indore International Airport is ₹ 84.72 crores, as presented in the table below:

Table 32 : Payroll expenses submitted by AAI for True up of the First Control Period*(₹ in crores)*

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

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

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

Table 33: Revised Payroll expenses proposed to be considered by the Authority for the First Control Period*(₹ in crores)*

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

The revised payroll expenses (₹ 89.23 crores) for Indore International Airport are consistent with the expense approved by the Authority in the FCP Tariff Order (₹ 88.00 crores). The Authority, therefore, 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.

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

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

- All expenses incurred by CHQ (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. All expenses incurred by RHQs are allocated to airports under the respective RHQs.
- 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 on the higher side and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports. The Authority proposes the following towards allocation of CHQ and RHQ expenses:

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 ANS and Cargo departments at CHQ and RHQs, while working out the allocation of expenses to the airports. However, no exclusion has been made for support services of the departments of HR, Finance, Civil, Terminal Management (Housekeeping), etc. pertaining to the aforesaid department (ANS and Cargo).
- 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. Employees of commercial department

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

b) Administration & General Expenses of CHQ and RHQ

- AAI 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.

4.7.18 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 Indore International Airport.

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

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

Based on the above, the Authority has derived the revised allocation of CHQ and RHQ expenses and the same is presented in the table below:

Table 34 : 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)	11.39	29.11	27.36	28.73	30.16	126.75
Revised allocation of CHQ/RHQ expenses proposed by the Authority (B)	4.12	12.30	23.02	24.18	25.38	89.01
Variance (A-B)	7.27	16.81	4.34	4.55	4.78	37.74

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

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

Table 35: Administration & General expenses (other than CHQ/RHQ) submitted by AAI for true up of First Control Period

(₹ in Crores)

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

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

- 4.7.22 The Authority notes that AAI has claimed ₹ 4.10 crores towards CSR expenses in the True up of the First Control Period.

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

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

In this regard, the Authority 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 the Income Tax Act also disallows CSR expenses, as these are not considered expenses incurred wholly and exclusively for the purpose of business of the entity.

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

- 4.7.23 AAI has apportioned Telephone charges, Printing & stationery and other expenses based on Employee ratio. The Authority proposes to allocate these expenses on the same ratios as enumerated in Table 13. The Authority also proposes not to consider ₹ 7.47 crores of Bad debts written off during FY 2021-22, which is included under Office Expenses as part of Administration & General expenses.

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

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

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

Table 36: Admin. & General expenses (other than CHQ/RHQ) computed by the Authority after rationalization of expenses

Particulars	Ref	Amount	Remarks
Admin. & General expenses (other than CHQ/RHQ) submitted by AAI	Table 35	39.36	
Less:			
(-) Non-Consideration of CSR expenses		4.10	On account of losses during the First Control Period
(-) Non-consideration of Bad debts written off		7.47	Users not to be burdened with costs of bad debts written off
(-) Cost of land purchases		1.66	Erroneous accounting cost of purchase land in "Other Sundry Expenses"
(-) Variance due to changes in allocation ratios		2.56	Due to change in ratios used for allocation of certain expenses and re-computation of certain ratios
Admin. & General expenses after rationalization as per the Authority	Table 38	23.56	

Interest on Finance Lease

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

The Authority notes the interest on finance lease of ₹ 0.15 crores have been recorded by AAI in 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. In FY 2017-18, AAI entered into a contract to operate X-ray Baggage Inspection Systems (XBIS) on a Build-Operate-Transfer (BOT) model basis. Under this contract, AAI leased the XBIS system for a period of 6 years at an annual lease payment of ₹ 0.21 crores.

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

- Addition to Regulated Asset Base (RAB): Assets amounting to ₹ 0.83 crores were added to the RAB as of 1st April 2019, considering its useful life as 15 years.
- Depreciation: AAI charged depreciation of ₹ 0.09 crores per year from FY 2019-20 onwards on the capitalized asset.
- Interest on the finance lease was recognized as Admin & General expense from FY 2019-20 with corresponding adjustments entries for previous years i.e., FY 2017-18 and FY 2018-19.
- Liability Recognition: A liability of ₹ 0.58 crores was recognized in FY 2019-20 to account for the financial lease obligation.

Based on the above data, it is observed that the accounting does not reflect the lease commitment of ₹ 0.21 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:

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

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

Table 37: Lease expense adjustment as per the Authority for the First Control Period

(₹ in Crores)

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

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

Table 38: Administration & General expenses (Other than CHQ/RHQ) 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
Administration & General expenses after change in allocations and other adjustments (Table 36)	3.44	4.64	3.81	3.96	7.71	23.56
Less: Interest on finance lease (accounted by AAI)	-	(0.05)	(0.04)	(0.03)	(0.02)	(0.15)
Add: Lease expenses recomputed by the Authority (Table 37)	0.21	0.21	0.21	0.21	0.21	1.07
Administration & General expenses (Other than CHQ/RHQ) proposed by the Authority for True up	3.65	4.80	3.98	4.15	7.90	24.48

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

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

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

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

As explained in para 4.7.24, 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 for FY 2018-19 and FY 2019-20 has been reduced from R&M expenses for the purposes of true up of First Control Period.

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 ₹ 40.57 crores for true-up of the First Control Period. The reason for the variance being Terminal Building Ratio recomputed by the Authority is explained in para 4.7.8.

Table 39: R&M expenses proposed by the Authority for True up of First Control Period

(₹ in Crores)

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

Utilities & Outsourcing Expenses - ₹ 22.06 crores

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

The Utilities & Outsourcing Expenses submitted by AAI have been summarized in the table below:

Table 40: Utilities & Outsourcing expenses submitted by AAI for true-up of First Control Period

(₹ in Crores)

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

I. Power Charges

4.7.27 The Authority notes that AAI has incurred Actual Power Charges of ₹ 16.61 crores during First Control Period out of which ₹ 3.74 crores have been recovered from concessionaires, and the Net Power Charges of

₹ 12.91 crores have been claimed by AAI for true up of the First Control Period. The total power cost incurred, recoveries made from concessionaires and the net power cost have been summarized in the table below:

Table 41: Details of power costs incurred and recoveries made from Concessionaires for the First Control Period

(₹ in Crores)

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

The Authority finds the net power costs submitted by AAI for true up to be reasonable and proposes to consider the same.

II. Water Charges

- 4.7.28 The Authority notes that AAI has incurred water charges of ₹ 0.60 crores during the First Control Period, for passenger facilitation. 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

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

IV. Hiring Charges - Manpower

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

Table 42: Utilities & Outsourcing expenses proposed by the Authority for true up of First Control Period

(₹ in Crores)

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

Other Outflows - ₹ 1.90 crores

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

Based on the above review and analysis, the revised Operation and Maintenance expenses proposed to be considered by the Authority for the First Control Period is provided in the table below:

Table 43: O&M expenses as proposed by the Authority for True up of the First Control Period

(₹ in Crores)

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

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

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

4.8 True up of Non-Aeronautical Revenue

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

Table 44: Actual Non-aeronautical Revenue for the First Control Period submitted by AAI for Indore International Airport

(₹ in Crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Trading Concessions: A	11.69	17.56	4.02	5.46	15.39	54.11
Restaurant / Snack Bars	5.79	6.97	1.48	0.84	7.09	22.17
T.R. Stall	3.23	5.08	1.36	2.41	2.65	14.72
Hoarding & Display	2.67	5.52	1.18	2.21	5.65	17.22

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

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

Table 45: Non-Aeronautical revenue as per Tariff Order for the First Control Period

(₹ in Crores)

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

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

The Non-Aeronautical Revenue approved by the Authority in the Tariff Order for the First Control Period was ₹ 133.68 crores. The actual Non-Aeronautical Revenue amounting to ₹ 79.88 crores submitted by AAI for Indore International Airport for the First Control Period is ~40.24% lower than that approved by AERA in the tariff order for the First Control Period.

- 4.8.3 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 FY 2020-21 and FY 2021-22 such decline was ~71% and ~67% respectively between the actual non-aeronautical revenues and non-aeronautical revenues approved in the tariff order for the First Control Period.
- 4.8.4 The Authority, in line with its decision taken in other Airports, proposes to consider the license fee/space rentals from airlines and other aeronautical concessionaries (GHA service provider) as aeronautical revenue

and exclude the same from non-aeronautical revenue amounting to ₹ 4.45 crores for the First Control Period (Currently classified in Building (Non-Residential) and Land leases).

Based on the above analysis, the Authority 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 46: 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	17.56	4.02	5.46	15.39	54.11
Restaurant / Snack Bars	5.79	6.97	1.48	0.84	7.09	22.17
T.R. Stall	3.23	5.08	1.36	2.41	2.65	14.72
Hoarding & Display	2.67	5.52	1.18	2.21	5.65	17.22
Rent & Services: B	2.86	3.89	2.04	2.89	2.54	14.21
Land Leases	0.63	0.39	0.86	0.94	0.98	3.80
Building (Residential)	0.02	0.02	0.02	0.03	0.03	0.12
Building (Non-Residential)	2.22	3.48	1.16	1.91	1.53	10.30
Miscellaneous: C	4.71	1.60	1.62	1.31	2.30	11.55
Car Rentals	0.60	0.69	0.16	0.18	0.26	1.90
Car Parking	1.67	0.61	0.11	0.20	0.56	3.14
Admission Tickets	0.26	0.33	0.17	0.17	0.18	1.12
Other Income/ Sale of Scrap etc.	2.18	-0.04	1.19	0.76	1.30	5.39
Total (D=A+B+C)	19.26	23.05	7.68	9.65	20.23	79.88
Less: Revenue from Space Rentals – Airlines (E)	0.81	0.53	0.93	1.05	0.75	4.08
Less: Revenue from Land Lease Rentals - Ramp Airlines (F)	-	-	-	0.09	0.28	0.37
Total (G=D-E-F)	18.45	22.52	6.75	8.51	19.20	75.43

4.8.5 Based on the above analysis, the Authority proposes to consider the Non-Aeronautical Revenues as per Table 46 after adjustments detailed below:

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

4.9 True up of Aeronautical Revenue

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

Table 47: Aeronautical Revenue for the First Control Period submitted by AAI for Indore International Airport

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Landing Charges (A)	15.99	19.44	7.83	12.67	20.25	76.19
Landing Charges - Domestic	15.99	19.17	7.82	12.60	20.11	75.69
Landing Charges - International	0.00	0.27	0.02	0.07	0.14	0.50
PSF & UDF Charges (B)	11.93	42.38	12.56	23.81	40.58	131.27
PSF – Domestic	11.93	0.19	-	-	-	12.12
PSF – International	-	-	-	-	-	-
UDF – Domestic	-	41.80	12.56	23.70	40.36	118.43

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

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

Table 48: Comparison of Aeronautical Revenue as submitted by AAI with Tariff Order of the First Control Period

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

4.9.3 The Authority 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.

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

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

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

4.9.7 The Authority proposes to re-classify the space rentals and land leases from airlines/GHA – Ramp as Aeronautical Revenue from the current classification of Non-Aeronautical Revenue, in line with its decision taken in other airports as discussed in para 4.8.4. 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 49: Aeronautical Revenue for the First Control Period proposed by the Authority for Indore International Airport

(₹ in Crores)

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

4.10 True up of Taxation

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

Table 50: Aeronautical Taxation for the First Control Period submitted by AAI for Indore International Airport

(₹ in Crores)

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

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Tax Rate	F	34.94%	34.94%	34.94%	34.94%	34.94%	
Aeronautical Tax	G=E*F	-	-	-	-	-	

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

Table 51: Aeronautical Taxation for the First Control Period proposed by the Authority for Indore International Airport

(₹ in Crores)

Particulars	Ref.	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Revenue							
Aeronautical Revenue (Table 49)		34.81	69.51	26.53	41.60	68.70	241.15
Total Revenue	A	34.81	69.51	26.53	41.60	68.70	241.15
O&M Expenses (Table 43)		38.88	47.31	55.91	56.30	68.85	267.25
Depreciation (As per IT Act, 1961)		10.66	11.10	11.88	14.14	16.58	64.36
Interest on Working Capital [#]		0.36	-	0.41	1.42	0.18	2.37
Total Expenses	B	49.90	58.41	68.20	71.86	85.61	333.98
Profit/Loss	C=A-B	(15.09)	11.11	(41.67)	(30.26)	(16.91)	(92.82)
Prior period losses carried forward	D	(27.30) [^]	(42.39)	(31.28)	(72.95)	(103.21)	
Set off of prior period tax losses	E	-	(11.11)	-	-	-	
Profit/Loss after set off of prior period tax losses	F	(15.09)	-	(41.67)	(30.26)	(16.91)	(103.93)
Loss Carried Forward (Closing)	G=D-E+F	(42.39)	(31.28)	(72.95)	(103.21)	(120.12)	
Tax Rate	H	34.94%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	I=F*H	-	-	-	-	-	-

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

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

4.10.3 The Authority notes that AAI has incurred losses during the First Control Period and 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 51 above.

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

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

Table 52: True up of Aggregate Revenue Requirement submitted by the AAI for the First Control Period

(₹ in Crores)

Particulars	Ref.	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Average RAB	A	86.39	93.29	100.77	132.16	164.72	577.33
FRoR	B	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on RAB	C = A*B	12.10	13.06	14.11	18.50	23.06	80.83
Depreciation	D	10.13	9.71	10.85	9.05	10.84	50.58
O&M Expenses	E	48.25	65.69	60.34	67.44	73.96	315.68
Taxation	F	-	-	-	-	-	-
Return on Land	G	-	-	0.17	0.17	0.19	0.53
Interest on Working Capital	H	0.36	-	0.41	1.42	0.18	2.37
Less: 30% of NAR	I	5.78	6.92	2.30	2.90	6.07	23.96

Particulars	Ref.	FY 19	FY 20	FY 21	FY 22	FY 23	Total
ARR	J = Sum(C:H)-I	65.06	81.55	83.57	93.69	102.16	426.03
Additional revenue for initial years loss	K	54.50	-	-	-	-	54.50
Total ARR	L=J+K	119.56	81.55	83.57	93.69	102.16	480.53
Aeronautical Revenue	M	35.16	68.98	25.60	40.46	67.67	237.87
(Excess)/Shortfall	N=L-M	84.40	12.57	57.97	53.23	34.49	242.66
PV of (Excess)/Shortfall	O	162.47	21.23	85.91	69.16	39.32	378.09

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

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

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

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

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

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

Table 53: Aggregate Revenue Requirement proposed by the Authority for the First Control Period

(₹ in Crores)

Particulars	Table Ref.	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Average RAB	Table 19	A	88.28	92.99	100.02	127.84	156.42	
FRoR	Table 21	B	13.36%	13.36%	13.36%	13.36%	13.36%	
Return on Average RAB		C=A*B	11.79	12.42	13.36	17.08	20.89	75.54
Depreciation	Table 18	D	8.66	8.66	9.54	11.11	10.32	48.28
O&M Expenses	Table 43	E	38.88	47.31	55.91	56.30	68.85	267.25
Aeronautical Tax	Table 51	F	-	-	-	-	-	-
Return on Land		G	-	-	-	-	-	-
Interest on Working Capital#		H	0.36	-	0.41	1.42	0.18	2.37
True up of prior to FCP^		I	54.50	-	-	-	-	54.50
ARR		J=Sum (C:I)	114.19	68.39	79.21	85.91	100.24	447.95

Particulars	Table Ref.	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Non-Aeronautical Revenue	Table 46		18.45	22.52	6.75	8.51	19.20	75.43
30% of NAR		K	5.53	6.76	2.03	2.55	5.76	22.63
Net ARR		L=J-K	108.66	61.63	77.19	83.35	94.48	425.32
Aeronautical Revenue	Table 49	M	34.81	69.51	26.53	41.60	68.70	241.15
Under/ (Over) recovery of First Control Period		N=L-M	73.85	-7.88	50.66	41.76	25.78	184.17
Less: Not Considered (Refer Para 4.11.2)		O	-	-	50.66	-	-	50.66
Under/ (Over) recovery of First Control Period considered by the Authority		P=N-O	73.85	-7.88	-	41.76	25.78	133.51
PV Factor @ 13.36%		Q	1.65	1.46	-	1.28	1.13	
PV of Under/ (Over) recovery of First Control Period as on 31-Mar-24		R=P*Q	121.94	-11.48	-	53.66	29.23	193.34
True up of Under Recovery of First Control Period as on 31-Mar-24		S						193.34

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

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

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

4.12 Authority's Proposals regarding True up for 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:

- 4.12.1 To consider Capital Additions as per details in Table 16 for true-up of the First Control Period.
- 4.12.2 To consider Aeronautical Depreciation as per details in Table 18 for true-up of the First Control Period.
- 4.12.3 To consider RAB as per Table 19 for true-up of the First Control Period.
- 4.12.4 To consider FRoR as per Table 21 for true-up of the First Control Period.
- 4.12.5 To consider the O&M Expenses as detailed in Table 43 for the purpose of true-up of the First Control Period.

- 4.12.6 To consider the Non-Aeronautical Revenues as presented in Table 46 for the purpose of true-up of the First Control Period.
- 4.12.7 Not to consider the Return on Land for the purpose of true-up of the First Control Period.
- 4.12.8 To consider the Aeronautical Revenue as per Table 49 for true-up of the First Control Period.
- 4.12.9 To consider ARR and Under-recovery as detailed in Table 53 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 submissions regarding Traffic for the Second Control Period for Indore International Airport

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

Table 54: Historical passenger and ATM traffic for Indore International Airport

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

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

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

Table 55: Traffic growth rates and passenger & ATM traffic submitted by AAI for the Second Control Period

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

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

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

AAI has submitted that passenger traffic and aircraft movement projections 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 3 years, 5 years and 10 years computed as at the end of FY 2019-20 for Indore International Airport as per the table below:

Table 56: CAGR for Traffic Passengers and ATM traffic

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

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

The CAGR computed above is stable until FY 2019-20. However, the traffic levels from FY 2020-21 are hugely affected by the impact of 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 notes that CAGRs are not suitable for estimation of future growth rates of traffic.

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

Further, the Authority 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 57: Comparison of Actual Passenger and ATM traffic with AAI Projection for FY 2023-24

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

Particulars	Passenger			ATM		
	Dom.	Intl.	Combined	Dom.	Intl.	Combined
Difference % (D=C/A)	2.14%	35.00%	2.44%	16.66%	27.31%	16.76%

5.2.3 The Authority notes from the above table that the traffic projected by AAI for Indore International Airport for FY 2023-24 is lesser than actual data from AAI website and hence proposes to consider traffic (Passenger and ATM) as per AAI website for FY 2023-24.

5.2.4 The revised traffic forecasts have been computed by the Authority, after considering the study and analysis by the following agencies:

5.2.5 **Airport International Council (ACI)**

- ACI in its 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 3rd July 2024 had enumerated that:

- *Industry total Revenue Passenger-Kilometres (RPK) maintained a positive trajectory in May growing 10.7% annually, slightly outpacing the 8.5% Y-o-Y growth in Available Seat-Kilometre (ASK). Passenger load factors (PLF) were higher than in comparison to previous years indicating stronger demand for air travel as industry wide traffic continues to rise.*
- *Domestic traffic rose 4.7% over the year. PR China remained the fastest growing market among those monitored with 7.6% Y-o-Y growth. Japan RPK contracted for two (2) consecutive months; wherein May figures be 1.8% lower than the previous year.*
- *International traffic continued to show resilient momentum in May with 14.6% Y-o-Y growth in RPK across the region. Traffic from Asia Pacific still surges at a rapid pace with 27.0% Y-o-Y, while the remaining regions saw consistent results in regard of the previous month.*
- *India domestic passenger traffic continue to climb at a stable rate, increasing 4.6% Y-o-Y.*
- *Industry total Revenue Passenger-Kilometers (RPK) maintained a positive trajectory in March growing 13.8% annually, mostly carried by strong momentum of international traffic. Passenger load factors (PLF) were higher than in comparison to previous years while available seat capacity continue to follow increases in demand.*
- *Domestic traffic rose 6.6% over the year. PR China remained the fastest growing market among those monitored with 17.6% Y-o-Y growth. All markets saw solid increases in RPK, maintaining the industry total growth within the pre-pandemic average pace.*

- *International traffic continued to show resilient momentum in March with 18.9% Y-o-Y growth in RPK across the entire industry. Traffic from Asia Pacific still surges at a rapid pace, while the remaining regions saw consistent results in regard of the previous month.*
- *India passenger traffic continue to climb at a stable rate, increasing 3.8% Y-o-Y.*

Conclusion on traffic forecasts based on above studies

5.2.7 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.

In the Authority’s opinion, with the gradual revival of the economy, the aviation industry is expected to recover at a better pace in the next few years. The Authority notes that AAI plans to operationalize the old domestic terminal building for international operations in FY 2024-25. The Authority, based on discussion with AAI, notes that on operationalizing the old domestic terminal for international operations and it would take 18-24 months to sign up with various international airlines and to exploit the full potential. Hence, a more aggressive growth rate has been adopted in FY 2027-28 vis-à-vis FY 2026-27 and FY 2025-26.

5.2.8 The Authority further notes that AAI in response to the Authority’s query, vide mail dated 3rd July 2024, has revised the traffic projections based on the actual traffic for FY 2023-24 as the base year thereby projecting traffic for the remaining years of the Second Control Period. The revised traffic submitted by AAI is as follows:

Table 58: Revised traffic submitted by AAI for the Second Control Period

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

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

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

Table 59: Traffic proposed to be considered by the Authority for the Second Control Period

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Domestic Passengers						
As per Revised submission of AAI	34,22,391	39,64,001	44,79,321	50,61,633	56,69,029	2,25,96,375
As proposed by the Authority	34,22,391*	39,64,001	44,79,321	50,61,633	56,69,029	2,25,96,375
Y-o-Y growth of Domestic pax. submitted by AAI	21.7%	15.8%	13.0%	13.0%	12.0%	
Y-o-Y growth of Domestic pax. proposed by the Authority	21.7%	15.8%	13.0%	13.0%	12.0%	
International Passengers						

Particulars	FY24	FY25	FY26	FY27	FY28	Total
As per Revised submission of AAI	42,440	52,120	58,896	66,552	83,190	3,03,198
As proposed by the Authority	42,440*	52,120	58,896	66,552	83,190	3,03,198
Y-o-Y growth of International pax. submitted by AAI	174.8%	22.8%	13.0%	13.0%	25.0%	
Y-o-Y growth of International pax. proposed by the Authority	174.8%	22.8%	13.0%	13.0%	25.0%	
Total Passengers						
As per Revised submission of AAI	34,64,831	40,16,121	45,38,217	51,28,185	57,52,219	2,28,99,573
As proposed by the Authority	34,64,831*	40,16,121	45,38,217	51,28,185	57,52,219	2,28,99,573
Y-o-Y growth of Total pax. submitted by AAI	22.5%	15.9%	13.0%	13.0%	12.2%	
Y-o-Y growth of Total pax. proposed by the Authority	22.5%	15.9%	13.0%	13.0%	12.2%	
Domestic ATM						
As per Revised submission of AAI	31,680	32,530	35,784	39,362	42,904	1,82,260
As proposed by the Authority	31,680*	32,530	35,784	39,362	42,904	1,82,260
Y-o-Y growth of Domestic ATM submitted by AAI	26.4%	2.7%	10.0%	10.0%	9.0%	
Y-o-Y growth of Domestic ATM proposed by the Authority	26.4%	2.7%	10.0%	10.0%	9.0%	
International ATM						
As per Revised submission of AAI	331	412	458	508	630	2,339
As proposed by the Authority	331*	412	458	508	630	2,339
Y-o-Y growth of International ATM submitted by AAI	171.3%	24.5%	11.2%	10.9%	24.0%	
Y-o-Y growth of International ATM proposed by the Authority	171.3%	24.5%	11.2%	10.9%	24.0%	
Total ATM						
As per Revised submission of AAI	32,011	32,942	36,242	39,870	43,534	1,84,599
As proposed by the Authority	32,011*	32,942	36,242	39,870	43,534	1,84,599
Y-o-Y growth of Total ATM submitted by AAI	27.1%	2.9%	10.0%	10.0%	9.2%	
Y-o-Y growth of Total ATM proposed by the Authority	27.1%	2.9%	10.0%	10.0%	9.2%	

*Based on actual data from Traffic News - AAI website

5.3 Authority's proposals 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 Passenger Traffic and ATM traffic for the Second Control Period for Indore International Airport as per Table 59.
- 5.3.2 To true up the traffic volume (Passenger traffic and ATM traffic) on the basis of actual traffic in the Second Control period while determining the tariff for the Third Control Period.

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 this chapter in the following Order:

- Allocation of Gross block of assets into Aeronautical and Non-aeronautical
- Capital expenditure proposed for the Second Control Period
- Depreciation for the Second Control Period
- Regulatory Asset Base 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 Indore International Airport:

Table 60: Allocation of opening gross block of assets as on 1st April 2023, between Aeronautical and Non-aeronautical as per AAI

(₹ in Crores)

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

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

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

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

6.1.3 The Authority notes that AAI has considered Terminal Building ratio of 95%:5% for Indore International Airport, for modification of existing terminal building for International Operations for the Second Control Period. The Authority proposes to consider the TB ratio of 92%:8% (Aeronautical: Non-aeronautical) as reasonable for apportionment of common assets within the Terminal Building and common O&M expenses for the Second Control Period, in line with the optimum non-aeronautical area allocation of 8% to 12% as recommended by IMG norms (for airports having passenger traffic of less than 10 MPPA) as per AERA's uniform decision 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 analysis of the Authority in para 4.4.26 of the true up for the First Control Period.

Finance Lease assets have not been considered while recomputing the Opening Gross Block as on 1st April 2023 as per the analysis of the Authority in para 4.4.24.

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 61: 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 Aeronautical Assets	Common Assets	Common Assets			Total Aeronautical Assets	% Aero
						Aero	Non-Aero	Other		
	A = B+C+D+E	B	C	D	E = F+G+H	F	G	H	I=D+F	J=I/A
Runway, Taxiway, Apron	131.39	-	-	131.39	-	-	-	-	131.39	100.00%

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

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

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The total Gross block of Aeronautical assets, as on 1st April 2023 is ₹ 530.40 crores (which excludes Financing Allowance of ₹ 8.24 crores and Financial Lease assets of ₹ 0.83 crores).

6.2 Capital Expenditure (CAPEX) for the Second Control Period

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

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

Table 62: Summary of Capital Expenditure projects submitted by AAI for Indore International Airport for the Second Control Period

(₹ in Crores)

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

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

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

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

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

The Authority, while analyzing the Capital Expenditure submitted by AAI for the Second Control Period, has rationalized the proposed capex taking cognizance of essentiality and reasonability of the cost estimates. The Authority has considered only the essential 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 the requirements and justifications provided by AAI.

AAI had, in reply to query dated 1-Mar-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 these additional assets in its proposal for the Second Control Period.

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

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

Table 63: Updated Project wise Capital Expenditure for Indore International Airport for Second Control Period

(₹ in Crores)

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

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

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE
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Sl. No.	Capital Expenditure Project	FY of Commissioning	Project Cost	Financing Allowance (FA)	Total CAPEX (incl. FA)
I	Other Assets				
I.1	Implementation of Digi Yatra*	2024-25	4.13	-	4.13
	Capital Expenditure submitted by AAI for the Second Control Period		121.75	1.98	123.73

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

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

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

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

Table 64: Aeronautical portion of the Terminal building as considered by AAI

(₹ in Crores)

Particulars	Gross Amount	Aeronautical %	Aeronautical Amount
Modification of existing terminal building (NITB)	29.62	95%	28.13
Refurbishment/ modification of OTB for international operations	12.93	100%	12.93
Financing Allowance	1.41	100%	1.41
Total	43.96		42.47

The Authority notes that the designated passenger handling capacity of Indore International Airport is 4 MPPA and the actual traffic for FY 2023-24 is 3.46 million, which is expected to become 3.94 million by FY 2024-25 as enumerated in Table 59. Considering the growth in passenger traffic post-COVID, especially the international passenger growth, AAI has submitted the plan to refurbish/modify the OTB to facilitate the proposed increase in international passengers.

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

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

Table 65: Cost for Refurbishment/ modification of Old Terminal building as proposed by the Authority
(₹ in Crores)

Particulars	Gross Amount	Aeronautical %	Aeronautical Amount
Modification of existing Terminal Building	29.62	92% (TBLR)	27.24
Refurbishment/ modification of OTB for international Ops	12.93	92% (TBLR)	11.90
Total	43.96		39.14

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

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

Table 66: Capex for Construction of New Fire station as submitted by AAI and as proposed by the Authority

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

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

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

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

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

- 6.2.8 AAI has submitted capex of ₹ 0.10 crores towards construction of buffer zones at gates, mobile watch towers and associated works in FY 2023-24. Further, the Authority, through its independent consultant has reviewed the completion certificate of this project submitted by AAI, according to which the same has been completed

in August 2023 at an actual value of ₹ 0.30 crores. Considering that the above capex is required for passenger safety and operations of the airport, the Authority proposes to consider the actual cost incurred of ₹ 0.30 Crores as additions to RAB during FY 2023-24. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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

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

C.1 Procurement of IT Equipment - ₹ 0.92 crores

6.2.10 AAI has submitted capex of ₹ 0.92 crores towards procurement of IT Equipment spread across various years of the Second Control Period. On review of FAR for FY 2023-24, it was noted that AAI has not incurred capex pertaining to FY 2023-24 in that year. Considering that the above capex is incurred for essential IT equipment, the Authority proposes to shift the capitalization of such expenditure pertaining to FY 2023-24 to FY 2024-25 along with the capital expenditure pertaining to FY 2024-25 and also proposes to consider the submission of AAI for FY 2025-26 up to FY 2027-28. AAI has considered these capex as 100% Aeronautical in nature, however, the Authority proposes to allocate these assets on the basis of EHCR. The year-wise capex submitted by AAI and proposed by the Authority is presented in the table below:

Table 67: Year-wise Capex for procurement of IT Equipment as submitted by AAI and as proposed by the Authority

(₹ in Crores)

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

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

6.2.11 The AAI has submitted capex of ₹ 13.70 crores towards SITC of Inline Baggage Screening system (ILBS) for FY 2023-24. The Authority on review of FAR for FY 2023-24, noted that the actual amount incurred for SITC of ILBS has been capitalized at ₹ 14.81 crores. Considering that the above capex is essential for ensuring passenger safety and airport security, the Authority proposes to consider the same as addition to RAB. However, on review the Authority proposes to consider the cost as per FAR of ₹ 14.81 Crores as additions to RAB during FY 2023-24. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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

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

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

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

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

However, on a review of FAR for FY 2023-24 the Authority notes that ETD proposed for FY 2023-24 has not been capitalized and hence, capitalization of 4 ETD is proposed to be considered in FY 2024-25. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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

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

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

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

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

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

the cost estimate is ₹ 9.57 crores. Considering TCV is related to security requirement of the airport, the Authority proposes to consider an amount of ₹ 9.57 crores as per the cost estimate as addition to RAB in FY 2024-25. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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

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

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

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

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

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

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

- 6.2.19 AAI has submitted a capital expenditure of ₹ 1.25 crores towards purchase of 1 no. of ASFT in FY 2023-24. The Authority, through its independent consultant, has reviewed the award letter pertaining to this project amounting to ₹ 1.31 crores. Considering that this capex is required for reliable runway operations, the Authority proposes to consider the amount of ₹ 1.31 Crores as addition to RAB. However, on review of the FAR, it was noted that the ASFT proposed for FY 2023-24 is not capitalized during such a year. Hence, the Authority proposes to shift the capitalization to FY 2024-25. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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

- 6.2.20 AAI has submitted Capex of ₹ 0.20 crores towards replacement of Air-Conditioning units of VIP Lounges & Passenger Boarding Bridges during FY 2023-24. The Authority, through its Independent Consultant, has

reviewed the Purchase Order issued by AAI in this regard, amounting to ₹ 0.08 crores (9 Nos. AC). Considering its necessity for operational requirements and passenger facility, the Authority proposes to consider the cost as per Purchase Order of ₹ 0.08 Crores as additions to RAB. Further, on review of FAR, it was noted that this expenditure has not been capitalized during FY 2023-24, however considering the need to replace Air Conditioning units in passenger areas, the Authority proposes to shift the capitalization to FY 2024-25. AAI has considered this capex as 100% Aeronautical in nature, however, the Authority proposes to allocate the same on the basis of TBLR.

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

6.2.21 AAI has submitted capex of ₹ 0.25 Crores towards Standby Hydro-pneumatic water supply system for New Integrated Terminal Building in FY 2023-24. AAI vide email dated 24th April 2024, stated that the tender process has started on 27th Mar 2024 for this project and the estimated bid value amounts to ₹ 0.15 crores.

Based on verification of the tender document, the Authority proposes to shift the capitalization to FY 2024-25 instead of FY 2023-24 as submitted by AAI. Considering that this capex is required for operational requirement, the Authority proposes to consider this asset as additions to RAB in FY 2024-25 at a cost of ₹ 0.15 Crores. AAI has considered this capex as 100% aeronautical in nature, however, the Authority proposes to allocate the same on the basis of TBLR.

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

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

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

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

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

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

6.2.24 AAI has submitted capex of ₹ 0.14 crores for the replacement of existing water supply pumps with energy efficient pumps & provision of additional water pump for CFT filling at Fire Station in FY 2023-24. The Authority, through its Independent Consultant, has reviewed the completion certificate submitted by AAI pertaining to this project, and observes that the same was completed in January 2024. Considering that the

above capex facilitates water availability at the fire station for safety requirements, the Authority proposes to consider the actual expenditure incurred of ₹ 0.14 Crores as addition to RAB for FY 2023-24. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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

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

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

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

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

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

The Authority notes that the cost estimation for ACFTs considered by AAI is in line with other similar airports. Considering that these ACFTs are essential items from the aspect of aircraft & passenger safety for day-to-day operations, the Authority proposes to consider the Capex on 2 no's ACFTs amounting to ₹ 14 crores as addition to RAB in FY 2026-27. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

I.1 Implementation of Digi Yatra - ₹ 4.13 crores

- 6.2.28 AAI has submitted capex 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 capex work includes one-time implementation of central application, SITC of Biometric Gates, Biometric Pods and CISF Tablets.

Digi Yatra is an initiative of MoCA to provide a paperless and hassle-free journey to passengers through biometric authentication. The Authority has reviewed the work orders issued in this regard and considers the cost to be reasonable. Considering that Digi Yatra helps in passenger facilitation, the Authority proposes to

consider the same as addition to RAB in FY 2024-25 at a cost of ₹ 4.13 Crores. The Authority proposes to consider the above capital expenditure as 100% aeronautical as proposed by AAI.

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

Other assets capitalized in FAR but not part of MYTP submission

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

Table 68: Capital Expenditure incurred in FY 2023-24 as per FAR but not part of MYTP submission by the AAI

(₹ in crores)

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

The Authority 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.

- 6.2.31 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.

- 6.2.32 The Authority has examined AAI's claim towards Financing Allowance (i.e. ₹ 1.98 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 a 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 a Financing Allowance in the case of brownfield airports and airports of AAI, in any of the Tariff Orders. Further, the Financing Allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.
- It 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. Indore International Airport, being a brownfield airport, is not eligible for Financing Allowance.
- Financing Allowance is a notional allowance and is different from Interest During Construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport 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)”.

6.2.33 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:

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

Table 69: Capital Expenditure (Project-wise) proposed by the Authority for Second Control Period
(₹ in Crores)

Sl. No.	Capital Expenditure Project	FY of Commissioning		Capitalization		
		Submitted by AAI	Proposed by the Authority	Submitted by AAI (1)	Proposed by the Authority (2)	Difference (2-1)
A	Building - Terminal					
A.1	Modification of existing Terminal Building for international ops	2024-25	2024-25	31.03	27.24	-3.79
B	Other Building					
B.1	Fire Station	2024-25	2024-25	10.47	9.91	-0.56
B.2	Provision of Rainwater Harvesting in Operational Area at D.A.B.H. Airport Indore.	2023-24	2023-24	0.54	1.03	0.49
B.3	Miscellaneous Civil Works for Security Installation i/c construction of Buffer Zones at gates & Mobile Watch Tower & other associated works at D.A.B.H. Airport, Indore.	2023-24	2023-24	0.10	0.30	0.20
B.4	Miscellaneous Civil Work near 15 no. Parking Bay to enhance aviation safety at D.A.B.H. Airport, Indore.	2023-24	2023-24	0.06	0.42	0.37
C	Computers - End User Devices					
C.1	Procurement of IT Equipment (base on replacement of IT Infra as per IT policy)	Various Years in SCP	Various Years in SCP	0.92	0.91	-0.01
D	Plant & Machinery					
D.1	Inline Baggage Screening System (ILBS)	2023-24	2023-24	13.70	14.81	1.11
D.2	Self-Baggage Drop (SBD)	2023-24	2024-25	0.90	1.06	0.16
D.3	Non-Linear Junction Device (NLJD)	2023-24	2024-25	0.02	0.02	-
D.4	Explosive Trace Detector (ETD)	2023-24	2024-25	0.90	0.59	-0.31
D.5	Door Frame Metal Detector (DFMD)	2025-26	2025-26	0.20	0.20	-
D.6	Body Scanner (4 no.)	2025-26	2025-26	10.00	10.00	-
D.7	Threat Containment Vehicle (TCV)	2024-25	2024-25	10.00	9.57	-0.43
D.8	Security CCTV (SCCTV)	2023-24	2024-25	0.03	0.06	0.03
D.9	Bomb Detection and Disposal Squad (BDDS)	2025-26	2025-26	4.00	4.00	-
E	Tools & Equipment					
E.1	Hydraulic Cutter & Spreader with Pump & Accessories – 01 No.	2023-24	2023-24	1.80	0.18	-1.62
E.2	Supply of 01 Nos. Airport Surface Friction Tester (ASFT) with Operation & Comprehensive Annual Maintenance Contract	2023-24	2024-25	1.25	1.31	0.06
F	Electrical Installations					

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

Sl. No.	Capital Expenditure Project	FY of Commissioning		Capitalization		
		Submitted by AAI	Proposed by the Authority	Submitted by AAI (1)	Proposed by the Authority (2)	Difference (2-1)
F.1	Replacement of Air-Conditioning units of VIP Lounges & Passenger Boarding Bridges no. 1 & 3 at DABH Airport, Indore.	2023-24	2024-25	0.20	0.08	-0.12
F.2	Provision of Stand-by hydro-pneumatic water supply system for NITB at DABH Airport, Indore.	2023-24	2024-25	0.25	0.14	-0.11
F.3	Replacement/addition of Internal & External Signages for Terminal Building at DABH Airport, Indore.	2023-24	2024-25	0.80	1.62	0.82
F.4	Supply and laying of runway circuit 'B' cable and associated works at DABH Airport, Indore	2023-24/ 2024-25	2024-25	0.60	0.60	-
F.5	Provision of additional flood light poles for newly constructed Parking Bays at DABH Airport, Indore	2023-24	2023-24	0.12	0.05	-0.07
F.6	Replacement of existing water supply pumps with energy efficient pumps & provision of additional water pump for CFT filling at Fire Station including allied works at DABH Airport, Indore	2023-24	2023-24	0.14	0.14	-
F.7	Refurbishment/ modification of OTB at DABH Airport, Indore. SH : Electrical works	2024-25	2024-25	12.93	11.90	-1.03
F.8	SITC of Airfield Lighting Control and Monitoring System (ALCMS)	2024-25	2024-25	0.60	0.60	-
F.9	Fire Station	2024-25	2024-25	1.85	1.85	-
G	X-Ray Baggage System					
G.1	X Ray Baggage System	2023-24/ 2025-26	2023-24/ 2025-26	2.20	2.20	-
H	CFT/Fire Fighting Equipment					
H.1	Airfield Crash Fire Tender (ACFT) – 2 Nos. of 10 KL Water Tank Capacity	2026-27	2026-27	14.00	14.00	-
I	Other Assets					
I.1	Digi Yatra	2024-25	2024-25	4.13	4.13	-0.00
	Additions to FY 2023-24			-	3.47	3.47
	Capital Expenditure proposed by the Authority for the Second Control Period			123.73	122.38	-1.35

6.2.34 Based on the above analysis, the Authority proposes to consider the capital expenditure amounting to ₹ 122.38 crores as addition to RAB for the Second Control Period. The same is detailed as follows:

Table 70: Year wise Capitalization of assets proposed by the Authority for the Second Control Period

(₹ in Crores)

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

- 6.2.35 Clause A1.3.1 of the Appendix 1 to The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 enumerates that, “*The Airport User shall undertake user consultation with AUCC on major capital projects planned at the airport. The major capital projects shall be defined as capital investment projects that may represent more than 5% of the value of the RAB at the beginning of the control period or ₹ 50 crores rupees, whichever is the lower amount*”.
- 6.2.36 The opening RAB proposed by the Authority for the first year of Second Control Period is ₹ 161.68 crores (refer Table 75), 5% of which amounts to ₹ 8.08 crores, which is lower than ₹ 50 crores, and thus shall be considered as the threshold value for conducting AUCC by Indore International Airport for capital projects proposed in the Second Control Period.
- 6.2.37 As per the above criteria for Indore International Airport, AUCC Meeting is required for the following assets:
- Modification of existing Terminal Building for International Operations (Civil & Electrical) - ₹ 43.96 crores; year of proposed capitalization – FY 2024-25.
 - Fire Station - ₹ 12.32 crores; year of proposed capitalization – FY 2024-25.
 - Procurement of Threat Containment Vehicle (TCV) - ₹ 10.00 crores; year of proposed capitalization – FY 2024-25.
 - Procurement of Body Scanner - ₹ 10.00 crores; year of proposed capitalization – FY 2025-26.
 - Inline Baggage Screening System (ILBS) - ₹ 13.70 crores – FY 2023-24.
 - Airfield Crash Fire Tender (ACFT) - ₹ 14.00 crores – FY 2026-27.
- 6.2.38 The Authority notes that AAI has not conducted an Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the proposed additions in SCP as at the date of publishing this CP. It was also noted that AUCC was not conducted for any capital additions in the FCP except for “15 no. parking bays, parallel taxi track and other associated works”, although there were assets above the threshold limits for conducting AUCC as per the prescribed guidelines. Thus, the Authority directs AAI to conduct an AUCC meeting in accordance with the AERA Guidelines, 2011 for applicable capex proposed and obtain inputs from all the stakeholders with respect to such projects.

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

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

6.3 Depreciation for the Second Control Period

AAI's submission regarding Depreciation for the Second Control Period

6.3.1 While submitting the Multi-Year Tariff proposal for the Second Control Period for Indore International Airport, AAI 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 71: Useful life considered by the Authority for proposed additions from FY24 to FY28

Particulars	Useful life
Computer - End User Devices	3
Computer – Software	3
Computers-Service and Network	6
Electrical Installation	10
Furniture and Fixture – trolley	3
Furniture and Fixtures without trolley	7
Office Equipment	15
Operational Building	30
Plant and Machinery	15
Terminal Building	30
Utility Building	30
Vehicle	8

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

Table 72: Depreciation submitted by AAI for Indore International Airport for the Second Control Period

(₹ in Crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Runway, Taxiway, Apron	2.22	2.22	2.22	2.22	2.22	11.09
Roads, Bridges & Culverts	0.23	-	-	-	-	0.23
Building Terminal	2.28	2.78	3.27	3.27	3.27	14.87
Building Residential	0.33	0.33	0.33	0.33	0.33	1.65
Boundary Wall - Operational	0.52	0.52	0.46	0.46	0.46	2.41
Computers - End User Devices	0.17	0.10	0.07	0.07	0.08	0.49
Computer Software	0.02	0.02	0.02	-	-	0.07
Computers - Servers and Networks	0.00	0.00	0.00	0.00	0.00	0.00
Plant & Machinery	1.74	2.58	3.40	3.79	3.69	15.19
Tools & Equipment	0.79	0.89	0.89	0.89	0.89	4.35
Vehicle - Others	0.91	0.91	0.91	0.49	-	3.20
Electrical Installations	1.29	2.14	2.90	2.90	2.90	12.14
Solar Power Plant	0.17	0.17	0.17	0.17	0.17	0.83
Office Equipment	0.01	-	-	-	-	0.01
Furniture & Fixtures - Other than trolleys	0.53	0.52	0.50	0.45	-	2.01
X-Ray Baggage System	0.20	0.21	0.26	0.31	0.31	1.29
CFT/Fire Fighting Equipment	0.66	0.66	0.66	1.12	1.59	4.69
Other Building	0.16	0.34	0.52	0.52	0.52	2.04
Total	12.21	14.38	16.57	16.99	16.43	76.57

Authority's examination of Depreciation for the Second Control Period

- 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 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 73: Depreciation proposed by the Authority for the Second Control Period

(₹ in Crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Runway, Taxiway, Apron	2.32	2.32	2.32	2.32	2.32	11.62
Roads, Bridges & Culverts	0.23	0.26	0.06	0.06	0.06	0.68
Building - Terminal	2.14	2.36	3.05	3.05	3.05	13.65
Building - Temporary	0.04	0.04	0.04	0.04	0.04	0.20
Building - Residential	0.29	0.29	0.29	0.29	0.29	1.46
Boundary Wall - Operational	0.62	0.63	0.63	0.57	0.53	2.98
Computers - End User Devices	0.07	0.08	0.07	0.06	0.11	0.38
Computer Software	0.02	0.02	0.01	0.01	0.00	0.06
Plant & Machinery	2.32	3.43	4.26	4.64	3.83	18.48
Tools & Equipment	0.81	0.89	0.93	0.92	0.86	4.41
Vehicle - Others	0.09	0.09	0.08	0.06	0.00	0.32

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

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Vehicle - Cars & Jeeps	0.01	0.00	-	-	-	0.01
Electrical Installations	1.18	1.56	2.84	2.82	2.81	11.21
Solar Power Plant	0.15	0.15	0.15	0.15	0.15	0.77
Office Equipment	0.02	0.01	0.01	0.01	0.00	0.04
Furniture & Fixtures - Other than trolleys	0.46	0.46	0.40	0.35	0.13	1.81
X-Ray Baggage System	0.17	0.23	0.23	0.25	0.25	1.14
CFT/Fire Fighting Equipment	0.67	0.67	0.67	0.98	1.61	4.60
Other Building	0.17	0.37	0.54	0.54	0.54	2.16
Other Assets	-	0.14	0.28	0.28	0.28	0.96
Total	11.80	14.00	16.86	17.42	16.87	76.94

6.3.6 The Authority proposes to consider depreciation for Indore International Airport for the Second Control Period as ₹ 76.94 crores. The above depreciation is higher than that proposed by AAI of ₹ 76.57 Crores due to consideration of actual costs of some projects in FY 2023-24 and additional depreciation on Digi Yatra, which are higher than the cost projections submitted by AAI.

6.4 Regulatory Asset Base (RAB) for the Second Control Period

AAI's submission regarding RAB for the Second Control Period

6.4.1 AAI's submission on RAB for the Second Control Period for Indore International Airport is as follows:

Table 74: RAB submitted by AAI for Indore International Airport for the Second Control Period

(₹ in Crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (A)	170.28	179.64	231.36	230.66	227.75	
Additions (B)	21.57	66.10	15.87	14.07	0.51	118.12[^]
Disposals (C)	-	-	-	-	-	-
Depreciation (D)	12.21	14.38	16.57	16.99	16.43	76.57
Closing RAB (E = A+B-C-D)	179.64	231.36	230.66	227.75	211.83	
Average RAB (F=[A+E]/2)	174.96	205.50	231.01	229.21	219.79	

[^]As per the initial MYTP submission made by AAI, this has been subsequently updated based on the submissions made by AAI refer para 6.2.3.

Authority's examination of RAB for the Second Control Period

6.4.2 The Authority proposes to adopt the capitalization of Aeronautical Expenditure in accordance with Table 70 and the depreciation amounts in accordance with Table 73.

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 75: 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)		161.68	171.94	228.87	226.82	223.47	
Additions (B)	Table 70	22.06	70.93	14.81	14.07	0.50	122.38
Disposals (C)		-	-	-	-	-	-

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

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Depreciation (D)	Table 73	11.80	14.00	16.86	17.42	16.87	76.94
Closing RAB (E = A+B-C-D)		171.94	228.87	226.82	223.47	207.11	
Average RAB (F=[A+E]/2)		166.81	200.41	227.85	225.15	215.29	

6.5 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 61.
- 6.5.2 To consider the capitalization of Aeronautical Assets for the Second Control Period as per Table 70.
- 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 6.2.31. The same will be examined during true up of the Second Control Period at the time of determination of tariff for the Third Control Period.
- 6.5.5 To consider Depreciation as per Table 73 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 of the Third Control Period.
- 6.5.7 To consider average RAB for the Second Control Period for Indore International Airport as per Table 75.
- 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 submissions regarding Fair Rate of Return for the Second Control Period for Indore International Airport

7.1.1 AAI submitted that Indore International Airport would utilize internally accrued funds to fund the capital expenditure that 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 examination regarding Fair Rate of Return for the Second Control Period

Cost of Debt

7.2.1 The Authority notes the submission of AAI that capital expenditure proposed for the Second Control Period will be funded through internal accruals and hence no debt component was projected in the MYTP.

7.2.2 However, it is noted that AAI has availed debts of ₹ 22.94 crores during the First Control period from FY 2020-21 to FY 2022-23 as per their financial model.

7.2.3 The Authority proposes to consider Cost of Debt as 7.25% as considered for true up of First Control Period based discussed in para 4.6.3 and 4.6.4. The repayment details are as submitted by AAI in their financial model. The same is presented in the table below:

Table 76 : Debt computation proposed to be considered by the Authority for Second Control Period

Particulars	(₹ in Crores)				
	FY24	FY25	FY26	FY27	FY28
Opening Debt	22.94	20.95	18.01	14.73	11.45
Drawdown (additional loan taken)	-	-	-	-	-
Repayment	1.99	2.94	3.28	3.28	3.28
Closing Debt	20.95	18.01	14.73	11.45	8.18
Average Debt	21.94	19.48	16.37	13.09	9.82

7.2.4 AAI is hereby directed to submit complete detail of actual debt availed from various banks pertaining to SCP along with interest, repayment and other terms, during the consultation process which will be reviewed by the Authority and appropriately considered for FRoR computation at the Order stage for Indore International Airport.

Cost of Equity

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

Considering the changes in the capitalization plan for the Second Control Period, the Authority 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 77: Equity computation proposed to be considered by the Authority for Second Control Period

Particulars	Ref	(₹ in crores)				
		FY24	FY25	FY26	FY27	FY28
Closing RAB (Table 75)	A	171.94	228.87	226.82	223.48	207.11
Closing Debt (Table 76)	B	20.95	18.01	14.73	11.45	8.18

Particulars	Ref	FY24	FY25	FY26	FY27	FY28
Equity	C=A-B	150.99	210.86	212.09	212.03	198.93

Fair Rate of Return (FRoR)

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

Table 78: 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	20.95	18.01	14.73	11.45	8.18	
Equity	B	150.99	210.86	212.09	212.03	198.93	
Debt + Equity	C = A + B	171.94	228.87	226.82	223.48	207.11	
Cost of Debt	D	7.25%	7.25%	7.25%	7.25%	7.25%	
Cost of Equity	E	14.00%	14.00%	14.00%	14.00%	14.00%	
Gearing (%)	F=A/C	12.18%	7.87%	6.49%	5.13%	3.95%	
Weighted Average Gearing (%)	$G = \frac{\sum (F * C)}{\sum C}$						6.93%
Cost of Debt	H						7.25%
Cost of Equity	I						14.00%
FRoR (%)	J = H*G+I*[1-G]						13.53%

- 7.2.7 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 an 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.
- 7.2.8 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.
- 7.2.9 The Authority solicits the specific views/comments of stakeholders on the FRoR for Indore International Airport on evaluation of which, a final decision will be taken by the Authority.

7.3 Authority's proposals regarding Fair Rate of Return 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% as per para 7.2.5 for the Second Control Period.
- 7.3.2 To consider Cost of Debt of 7.25% for the Second Control Period.
- 7.3.3 To consider FRoR of 13.53% for the Second Control Period based on above mentioned Cost of Equity, Cost of Debt and gearing ratio as per Table 78.
- 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 Indore International Airport

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

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

8.2.1 The Authority proposes to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 89th released on 8th August 2024 published by the Reserve Bank of India (RBI). Accordingly, the Authority proposes to consider the mean of WPI inflation forecasts (All Commodities) for FY 2024-25 as given in the 89th round of survey of professional forecasters on macroeconomic indicators of RBI, and for FY 2025-26 to FY 2027-28 as given in the 89th round of the aforementioned survey.

8.2.2 The Authority has assumed that the inflation rate would be stable and remain constant and in line with FY 2025-26 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 79: Inflation rates proposed by the Authority for the Second Control Period

Particular	FY24	FY25	FY26	FY27	FY28
Inflation	(0.70%)	3.00%	3.20%	3.20%	3.20%

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 factor for the Second Control Period for Indore International Airport as detailed in Table 79.

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

9.1 AAI's submission regarding Operation and Maintenance (O&M) Expenses for the Second Control Period

9.1.1 Operation and Maintenance (O&M) expenditure submitted by AAI is segregated into the following:

- Payroll Expenses
- Admin and General Expenditure
- Repairs and Maintenance Expenditure
- Utility and outsourcing Expenditure and
- Other Outflows, i.e., Collection Charges on UDF

9.1.2 AAI has segregated the expenses into Aeronautical expenses, non-aeronautical expenses and Common expenses. The Common expenses have been further segregated into Aeronautical and Non-aeronautical based on relevant ratios.

9.1.3 AAI has submitted that the allocation of CHQ/RHQ expenses among individual airports has been done based on the revenue of each Airport.

9.1.4 The summary of Aeronautical O&M expenses submitted by AAI for Indore International Airport for the Second Control Period has been presented in the table below:

Table 80: Operation and Maintenance (O&M) expenditure submitted by AAI for Indore International Airport for the Second Control Period

(₹ in Crores)

Sl. No.	Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
1	Payroll Costs - Other than CHQ/RHQ	17.89	19.14	22.01	23.55	29.44	112.04
2	Retirement Benefits of employees	0.57	0.61	0.71	0.76	0.95	3.60
A	Payroll Costs – Total	18.46	19.76	22.72	24.31	30.39	115.64
3	Admin. & General - Othan than CHQ/RHQ	9.53	10.33	12.79	13.92	15.17	61.74
4	Admin. & General - CHQ/RHQ	31.67	33.26	34.92	36.67	45.83	182.34
B	Admin. & General – Total	41.20	43.59	47.71	50.59	61.00	244.08
C	Repairs & Maintenance	13.31	15.38	20.04	21.91	23.97	94.61
D	Utilities & Outsourcing	6.11	6.48	7.41	7.88	8.38	36.27
E	Other Outflows	0.75	0.88	1.00	1.14	1.28	5.05
	Total (A+B+C+D+E)	79.84	86.08	98.88	105.83	125.02	495.65

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

Table 81: Growth rates in O&M expenditure submitted by AAI for Second Control Period

Sl. No.	Particulars	FY 24	FY 25	FY 26	FY 27	FY 28
1	Payroll Expenses (Other than CHQ/RHQ)	7.00%	7.00%	15.00%	7.00%	25.00%
2	Retirement Benefits of employees	7.00%	7.00%	15.00%	7.00%	25.00%
3	Admin & General Expenses (Other than CHQ/RHQ)	10.00%	10.00%	20.00%	10.00%	10.00%
4	Admin & General Expenses (CHQ/RHQ)	5.00%	5.00%	5.00%	5.00%	25.00%
5	Repairs & Maintenance Expenditure	10.00%	10.00%	20.00%	10.00%	10.00%

Sl. No.	Particulars	FY 24	FY 25	FY 26	FY 27	FY 28
6	Utilities & Outsourcing Expenditure - Power charges	3.00%	3.00%	10.00%	3.00%	3.00%
7	Utilities & Outsourcing Expenditure - Other than Power charges	10.00%	10.00%	20.00%	10.00%	10.00%
8	Other Outflows	19.57%	16.55%	13.94%	13.95%	12.17%

9.1.6 Further, the summary of allocation of expenses between Aeronautical and Non-Aeronautical as submitted by AAI is given in the table below:

Table 82: Allocation ratios for O&M expenses submitted by AAI for FY 2022-23

Particulars	Submitted by AAI for FY23
Employee Ratio (Aero: Non-Aero)	98.90% : 1.10%
Employee Ratio (Aero: Non-Aero: ANS)	64.75% : 0.72% : 34.53%
Electricity Ratio (Aero: Non-Aero: ANS)	89.00% : 1.00% : 10.00%
Quarters Ratio (Aero: Non-Aero: ANS)	86.05% : 0.00% : 13.95%
Vehicle Ratio (Aero: ANS)	96.15% : 3.85%
Hired Vehicle Ratio (Aero: ANS)	85.70% : 14.30%

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

The Authority observes that the O&M expenses approved in Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period for Indore International Airport was for ₹ 183.12 crores (refer

Table 23), against which actual expenses of ₹ 315.68 crores (refer Table 22) was submitted by AAI for true up of the First Control Period and after rationalization, the Authority has proposed ₹ 267.25 crores (Table 43) to be trued up for the First Control Period. Further, AAI has submitted its O&M expenses for the Second Control Period amounting to ₹ 495.65 crores, which is 85% higher than the O&M expenses proposed by the Authority for true-up of the First Control Period.

9.2.1 The Authority has accordingly analyzed the O&M expenses in the following order:

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

a) Allocation of O&M expenses into Aeronautical and Non-Aeronautical activities for FY 2022-23

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

9.2.3 AAI has segregated the payroll expenses (excluding CHQ/RHQ payroll cost) between Aeronautical and Non-Aeronautical in the employee ratio of 98.90%:1.10% for FY 2022-23, which was derived based on the actual head count of Aeronautical and Non-Aeronautical employees within the airport for that Financial Year. Based on the re-computation by the Authority, the EHCR of 98.85%:1.15% is considered for apportionment of payroll expenses as per for FY 2022-23.

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

AAI, in its MYTP submission has proposed Terminal Building ratio of 92.82%:7.18% for apportionment of common expenses during the Second Control Period. The Authority proposes to consider TBLR as 92%:8% for the Second Control Period. Consumption of Stores & Spares includes expenses incurred towards fuel expenses of vehicles, which has been apportioned based on Vehicle Ratio.

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 83: Allocation ratios for O&M expenses proposed to be considered by the Authority for FY 2022-23

Particulars	Submitted by AAI for FY 23	Recomputed by Authority	Basis of rationalization
Employee Ratio (Aero: Non-Aero)	98.90% : 1.10%	98.85% : 1.15%	Table 26
Employee Ratio (Aero: Non-Aero: ANS)	64.75% : 0.72% : 34.53%	61.87% : 0.72% : 37.41%	
Electricity Ratio (Aero: Non-Aero: ANS)	89.00% : 1.00% : 10.00%	89.00% : 1.00% : 10.00%	Table 30
Staff Quarters Ratio (Aero: Non-Aero: ANS)	86.05% : 0.00% : 13.95%	86.05% : 0.00% : 13.95%	Table 29
Vehicle Ratio (Aero: ANS)	96.15% : 3.85%	96.15% : 3.85%	
Hired Vehicle Ratio (Aero: ANS)	85.70% : 14.30%	85.71% : 14.29%	Table 31

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 - ₹ 115.64 crores

9.2.4 AAI considered a growth rate of 7% in payroll expenses for the period FY 2023-24 to FY 2026-27 and 25% increase (i.e. 18% additionally on account of 8th pay commission) in FY 2027-28. AAI has also submitted an additional increase of 8% during FY 2025-26 on account of refurbishment/ modification of Old Terminal Building for International Operations.

However, the Authority proposes to consider a growth rate of 6% Y-o-Y in payroll expenses throughout the Second Control Period. Growth rate of 6% Y-o-Y is being uniformly followed in all AAI airports.

AAI has submitted that the additional one-time increase of 8% during FY 2025-26 is on account of reuse of Old Terminal Building (OTB) for International Operations to cater to the growing International passenger traffic. Such re-use increases the passenger movement area by 6,200 sqm. The Authority is of the view that such increase in the terminal area is not directly proportional to the increase in payroll costs to be incurred. Further, the proposed re-use of old domestic terminal building does not lead to significant increase in passenger handling capacity which justifies the additional increase in payroll costs submitted by AAI.

Also, AAI has not considered any increase in employee headcount for the Second Control Period as submitted in Form 11(a) "Details of Employee Staff Strength" of the MYTP submission. A total of 139 employees is submitted for each year of the Second Control Period on the basis of actual employee headcount of FY 2022-23. Hence the Authority proposes not to consider the additional one-time increase of 8% during FY 2025-26.

With respect to the additional increase of 25% submitted by AAI in the last tariff year i.e. FY 2027-28 on account of 8th pay commission, the Authority proposes to consider such an increase on an actual incurrence basis.

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 considering 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 84: Payroll Expenses as submitted by AAI and as proposed by the Authority for the Second Control Period

<i>(₹ in Crores)</i>						
Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI (A)	18.46	19.76	22.72	24.31	30.39	115.64
As proposed by the Authority (B)	18.25	19.35	20.51	21.74	23.04	102.88
Variance (B-A)	(0.21)	(0.41)	(2.21)	(2.57)	(7.35)	(12.76)

9.2.5 The reason for variance in Payroll Expenses as proposed by the Authority, compared to the costs as submitted by AAI for the Second Control Period is on account of the following causes:

- Non-consideration of additional increase of 8% submitted for FY 2025-26 on account of refurbishment/ modification of old terminal building.
- Non-consideration of 25% increase on account of 8th Pay commission submitted for FY 2027-28, which is proposed to be considered on actual incurrence basis.

B. Administration and General Expenses

Administration and General expenses (other than CHQ/RHQ) - ₹ 39.04 crores

9.2.6 The Authority notes that AAI has projected 10% increase Y-o-Y in Administration and General expenses (other than CHQ/ RHQ) for all years of the Second Control Period with an additional 10% increase in FY 2025-26 on account of refurbishment/ modification of the old terminal building for international operations. However, the Authority proposes to consider only the inflationary growth rate for Administration & General Expenses (other than CHQ/RHQ) for the Second Control Period.

9.2.7 The Authority also proposes to project the yearly lease expense of ₹ 0.21 crores on lease pertaining to X-BIS as per the contract only for FY 2023-24 instead of AAI's submission, which considered the lease to be fully operational until the end of the Second Control Period. 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.

Upkeep expenses - ₹ 22.70 crores

9.2.8 The upkeep expense is another major head of expense under Administration and General Expenses (other than CHQ/RHQ). The Authority observes that for upkeep expenses, AAI has proposed a 10% increase Y-o-

Y for all years of the Second Control Period, except for FY 2025-26, where an additional 30% increase has been proposed. AAI's justification in its MYTP for the escalation is as follows:

"An additional increase of 30% has been proposed for FY 2025-26 in proportion to increase in area of modification/reconfiguration of old terminal building".

- 9.2.9 The proposed modification of Old Domestic Terminal Building will result in additional area for international operations (6200 Sq mt). Considering this additional area, AAI has projected a onetime increase on proportionate basis. However, the Authority considers that the increase in expenses may not be directly proportional to the increase area for international operations in the Old Domestic Terminal Building (6200 sq mt), due to the technological innovation, advancements and economies to scale. Hence, the Authority proposes to consider only 2/3rd (i.e., 66.67%) of the additional escalation claimed by AAI (30%) for Upkeep expenses which works out to 20%. AAI has also submitted that the remodification of the terminal building is expected to be completed by January 2025, and therefore the Authority proposes to consider the one-time increase in Upkeep Expenses for FY 2025-26 as appropriate.
- 9.2.10 Based on the above factors, the Authority proposes to consider the additional cost of 20% only in FY 2025-26 and consider only inflationary effect Y-o-Y across the Second Control Period, as followed in other similar airports.
- 9.2.11 Based on the above factors, the Administration & general expenses (other than CHQ/RHQ) as submitted by AAI and as proposed by the Authority for the Second Control Period is as follows:

Table 85: 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	FY24	FY25	FY26	FY27	FY28	Total
As submitted by AAI (A)	9.53	10.33	12.79	13.92	15.17	61.74
As proposed by the Authority (B)	7.85	7.86	8.69	8.97	9.26	42.63
Variance (B-A)	(1.68)	(2.47)	(4.10)	(4.95)	(5.91)	(19.11)

Administration and General expenses (CHQ/RHQ) - ₹ 182.34 crores

- 9.2.12 AAI has proposed a growth rate of 5% Y-o-Y from FY 2023-24 to FY 2026-27 and an increase of 25% in FY 2027-28 for Apportionment of Administration expenses of CHQ/RHQ (Overhead Expenses other than employees related) for the Second Control Period. The Authority notes that such an increase is consistent with growth rates allowed at similar airports except the 25% increase submitted for FY 2027-28. Hence, the Authority proposes to consider a 5% increase Y-o-Y throughout the Second Control Period, considering the CHQ/RHQ expenses proposed by the Authority for FY 2022-23 as a base, in line with proposals at other similar AAI airports proposes to consider the same for projections for the Second Control Period.

Table 86: Administration & general expenses (CHQ/RHQ) as submitted by AAI and as proposed by the Authority for the Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
As submitted by AAI (A)	31.67	33.26	34.92	36.67	45.83	182.34
As proposed by the Authority (B)	26.65	27.99	29.39	30.85	32.40	147.28
Variance (B-A)	(5.02)	(5.27)	(5.53)	(5.81)	(13.43)	(35.07)

9.2.13 The Authority has received a report on the study of allocation of expenses incurred at CHQ/RHA vide letter dated 21st August 2024 from the AAI. The Authority will examine the study report in detail, and based on the outcome of such a review, an appropriate decision will be taken accordingly.

C. Repairs & Maintenance (R&M) Expenses - ₹ 94.61 crores

9.2.14 AAI has submitted 10% Y-o-Y increase for all the years of the Second Control Period and an additional 10% during FY 2025-26 due to the modification of the Terminal Building, except for R&M – Electrical, wherein an additional increase of 30% is submitted.

9.2.15 AAI vide its MYTP proposal has provided the following reasons for the proposed 30% additional increase in R&M – Electrical expenses.

“i. Modification of existing Terminal Building/Configuration of existing terminal building will have all new equipment which will have CAMC along with manpower cost from the 1st day of commencement of the assets.

ii. Modification of the existing Terminal Building requires the necessary infrastructure to cadre passengers’ facilitation Escalators, CCTV camera, Inline X-BIS, lifts, Conveyor, BHS system. It will increase the cos of R&M as well as Electricity expenses.

iii. Specialized manpower require to engage for Screening and hiring charges will have to pay to AAICLAS.

iv. Other than above, regular AMC expenses for DG set for secondary power supply, Ground light, Air conditioner and Equipment will also increase.”

9.2.16 As the refurbishment/ modification of the old terminal building is expected to be completed by January 2025, most of the assets are expected to be newly constructed/installed and are also covered under warranty clauses, and may need only minimum repairs and maintenance during FY 2025-26. Hence, the Authority proposes to shift the one-time increase in R&M Expenses (both general R&M and R&M (Electrical) to FY 2026-27 instead of FY 2025-26 as submitted by AAI.

9.2.17 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, for capping of R&M Expenses to the ceiling limit. Accordingly, the Authority, at this stage proposes to cap R&M Expenses at 6% of opening RAB (Net Block) as per Table 87.

9.2.18 However, the Authority on the aspect of capping of R&M Expenses of the airport at 6% of Opening RAB (Net Block) of the related tariff years, notes the submission of AAI, during the tariff determination process of other airports, wherein AO submitted that capping of R&M Expenses to 6% of Opening RAB (Net Block) needs review. As per the stakeholders, considering that the RAB (Net Block) of the airports, particularly smaller airports, with no major capex additions, gradually decrease due to depreciation, whereas, due to normal wear & tear & aging of Assets, R&M Expenses tend to increase over a period of time. The stakeholder(AAI) has requested the Authority to review the capping of R&M Expenses at 6% of Opening RAB (Net Block) appropriately, as capping of R&M Expenses as per present mechanism impacts adversely the AO due to lower ARR being considered (airports with low Regulatory Asset Base).

The Authority, taking note of the above submission, is of the view that existing approach across all the airports towards capping of R&M expenses to 6% of opening RAB (Net Block) of respective tariff years needs to be

revisited and the Authority would look into alternative methodology/ benchmarks for evaluation of reasonableness of R&M expenses proposed by Airport Operators.

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.

Table 87: Repairs & Maintenance Expenses proposed by the Authority for the Second Control Period

<i>(₹ in crores)</i>						
Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI	13.31	15.38	20.04	21.91	23.97	94.61
R&M expenses as recomputed by the Authority (A)	8.95	10.58	11.78	15.32	16.68	63.29
6% of Opening RAB (B)	9.70	10.32	13.73	13.61	13.41	60.77
R&M expenses considered for Projections (Lower of A and B)	8.95	10.32	11.78	13.61	13.41	58.06

D. Utilities and Outsourcing Expenses - ₹ 36.27 crores

The Authority examined the expenses towards utilities and outsourcing and notes the following:

I. Power Expenses

- 9.2.19 AAI has projected an increase of 3% Y-o-Y after netting off the recoveries made from the Concessionaires (which is assumed to be 15% of the total power costs, consistent with the recovery % during FY 2022-23). The Authority considers the increase (net of 15% recovery from concessionaires) of 3% Y-o-Y proposed for power expenses during the Second Control Period to be reasonable.
- 9.2.20 Further, AAI has also proposed an additional 7% increase in FY 2025-26 on account of increased area for international operations in old terminal building (6,200 sq mt). The Authority finds such an increase in the power charges to be reasonable on account of the increase in terminal area and proposes to consider the same in FY 2025-26.

II. Utilities & Outsourcing Expenses – Other than Power Expenses

- 9.2.21 This head consists of water charges, consumption of stores & spares and hiring charges for manpower.
- 9.2.22 AAI has considered 10% increase Y-o-Y for all the years of the Second Control Period and an additional 10% increase during FY 2025-26 on account of refurbishment/ modification of old terminal building. However, the Authority proposes to consider a 5% Y-o-Y increase as done in other similar airports for Utilities & Outsourcing expenses. The Authority also proposes to consider one-time additional increase of 10% in FY 2025-26, similar to the that proposed for Power Expenses on account of proposed increase in international operations in the old domestic terminal building and 5% Y-o-Y increase for all years considered by Authority for hiring charges for manpower.

E. Other Outflows – Collection charges on UDF ₹ 5.05 crores

- 9.2.23 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 Y-o-Y increase in expense. Based on the above observations, Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period is as detailed below:

Table 88: Operation and Maintenance (O&M) Expenses proposed to be considered by the Authority for the Second Control Period*(₹ in crores)*

Particulars	Ref.	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Payroll Costs - Other than CHQ/RHQ		17.72	18.79	19.91	21.11	22.37	99.90
Retirement Benefits of Employees		0.53	0.56	0.59	0.63	0.67	2.98
Total Payroll Costs	Table 84	18.25	19.35	20.51	21.74	23.04	102.88
Admin. & General Expenses - Other than CHQ/RHQ	Table 85	7.85	7.86	8.69	8.97	9.26	42.63
Admin. & General Expenses - CHQ/RHQ	Table 86	26.65	27.99	29.39	30.85	32.40	147.28
Total Admin. & General Expenses		34.50	35.85	38.08	39.83	41.66	189.91
Repairs & Maintenance	Table 87	8.95	10.32	11.78	13.61	13.41	58.06
Utilities & Outsourcing		6.00	6.23	6.78	7.04	7.31	33.35
Other Outflows		0.77	0.89	1.01	1.14	1.28	5.10
Total		68.47	72.63	78.15	83.35	86.70	389.30

A summary of the variances in O&M expenses as submitted by AAI (₹ 495.65 crores) and as proposed by the Authority (₹ 389.30 crores) is mainly due to following:

- i. Payroll Costs (Other than CHQ/RHQ) – Rationalization of projections by ₹ 12.14 crores and Payroll Costs (CHQ/RHQ) by ₹ 0.62 crores on account of the following reasons:
 - Consideration of 6% Y-o-Y increase during all the years of Second Control Period, as against 7% Y-o-Y increase and additional increase of 25% proposed in FY 2027-28 proposed by AAI which is proposed by the Authority on actual incurrence basis.
 - Non-consideration of one-time additional increase of 8% submitted for FY 2025-26 on account of refurbishment/ modification of old terminal building.
 - Re-computation of EHCR as enumerated in para 4.7.4
- ii. Administration & General Expenses (other than CHQ/RHQ) – Rationalization by ₹ 19.11 crores on account of consideration of inflationary Y-o-Y growth rate during all the years of Second Control Period, as against 10% Y-o-Y increase submitted by AAI.
- iii. Administration & General Expenses (CHQ/RHQ) – Rationalization of projections by ₹ 35.07 crores on account of non-consideration of Legal & Arbitration expenses & Penalties etc. paid to Govt and non-consideration of 25% increase submitted for FY 2027-28 by AAI.
- iv. Repairs & Maintenance Expenses – Rationalization by ₹ 36.55 crores due to restricting the same to 6% of Opening RAB.
- v. Utilities & Outsourcing Expenses – Rationalization of projections by ₹ 2.92 crores due to consideration of 5% Y-o-Y increase in place of 10% submitted by AAI.
- vi. Other Outflows – Increase in projections by ₹ 0.05 crores on account of consideration of actual traffic volume for the year FY 2023-24.

9.3 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 Indore International Airport as per Table 88.

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

10. NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD**10.1 AAI's submission regarding Non-Aeronautical Revenue for the Second Control Period**

10.1.1 AAI has forecasted revenue from non-aeronautical services for Indore International Airport as below:

Table 89: Non-Aeronautical revenue projections submitted by AAI for Indore International Airport for the Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Trading Concessions: A	27.04	29.57	34.25	39.74	45.96	176.55
Restaurant / Snack Bars	10.02	9.58	10.91	12.44	13.95	56.90
T.R. Stall	10.44	12.16	13.93	16.02	18.48	71.04
Hoarding & Display	6.57	7.83	9.40	11.28	13.53	48.61
Rent & Services: B	3.40	3.60	3.96	4.18	4.43	19.57
Land Leases	0.98	0.98	1.13	1.13	1.13	5.35
Building (Residential)	0.03	0.03	0.03	0.03	0.03	0.14
Building (Non-Residential)	2.39	2.59	2.80	3.02	3.27	14.07
Miscellaneous: C	2.66	2.86	3.07	3.30	3.56	15.45
Car Rentals	0.47	0.52	0.57	0.63	0.69	2.90
Car Parking	0.62	0.68	0.75	0.83	0.91	3.79
Admission Tickets	0.20	0.22	0.24	0.26	0.29	1.20
Other Income/ Sale of Scrap etc.	1.37	1.44	1.51	1.58	1.66	7.56
Total (A+B+C)	33.10	36.03	41.27	47.22	53.95	211.57

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

Table 90: Growth rates assumed by AAI for Non-Aeronautical Revenue

Particulars	FY24*	FY25	FY26	FY27	FY28
Passenger Related Revenue					
Restaurant / Snack Bars	41.3%	-4.4%	13.9%	13.9%	12.2%
T.R. Stall	294.7%	16.4%	14.6%	15.0%	15.3%
Hoarding & Display	16.3%	19.2%	20.0%	20.0%	20.0%
Car Rentals	82.1%	10.0%	10.0%	10.0%	10.0%
Car Parking	10.9%	10.0%	10.0%	10.0%	10.0%
Admission Tickets	10.0%	10.0%	10.0%	10.0%	10.0%
Other Income/ Sale of Scrap etc.	5.0%	5.0%	5.0%	5.0%	5.0%
Other Revenue					
Land Leases	-	-	15.0%	-	-
Building (Residential)	-	-	-	-	-
Building (Non-Residential)	56.4%	8.2%	8.0%	8.1%	8.2%

*Growth rates based on FY 23 actuals

10.2 Authority's examination regarding Non-Aeronautical Revenue 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.

10.2.2 The Authority observes that the Non-Aeronautical Revenues approved in the Tariff Order No. 45/2018-19 dated 8th March 2019 for the First Control Period for Indore International Airport was ₹ 133.68 crores (refer Table 45), against which actual non-aeronautical revenue of ₹ 79.88 crores (refer Table 44) 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 ₹ 75.43 crores to be true up as given in Table 46. AAI has submitted its Non-Aeronautical Revenues for the Second Control Period for ₹ 211.57 crores, which is 180% higher than the Non-Aeronautical Revenue proposed by the Authority for true-up of the First Control Period.

Income Heads related with Passenger Throughput

- 10.2.3 The Authority notes that growth of passenger traffic in Indore International Airport reduced due to the COVID-19 pandemic and traffic for the pre COVID-19 period (FY 2019-20) could not be achieved in FY 2022-23. Considering the positive GDP predicted by the Government of India, the increase in the consumer spending pattern and the growth of the passenger traffic, the Authority expects higher growth in the passenger related revenue (Restaurants, TR Stalls, Car Parking and Car Rentals) during the Second Control Period.

The Authority notes that AAI had considered substantial growth rates of 41.3%, 294.7% and 82.1 % in Restaurant/Snack Bars, TR Stalls and Car Rentals Revenue in FY 2023-24 as compared to FY 2022-23, due to new contracts entered into with concessionaires. In view of the above, the Authority proposes to consider the non-aeronautical revenue related to passengers as submitted by AAI for the Second Control Period.

Further, the Authority notes that AAI vide mail dated 15th May 2024, requested to consider additional 3% growth in FY 2027-28 on account of operationalization of International Operations in Old Terminal Building in revenue from Trading Concession, TR Stalls and Car Rentals. The Authority proposes to consider the additional increase in revenue in FY 2027-28 as submitted by AAI.

Other Revenue

- 10.2.4 **Revenue from Building (Residential) - (₹ 0.14 crores)** - The Authority notes that AAI did not project any increase in revenue from Building (Residential) and kept it constant for all tariff years in the Second Control Period. The Authority in line with other similar airports, proposes to consider a 5% Y-o-Y growth rate across all tariff years in the Second Control Period.
- 10.2.5 **Building (Non-Residential) (₹ 14.07 crores)** - AAI has projected one-time increase of 56.4% on account of new concessionaire onboarded during FY 2023-24 and thereafter, average growth rate of 8.1% Y-o-Y from FY 2024-25 onwards for balance tariff years. The Authority proposes to consider the growth rates as submitted by AAI in line with other similar AAI airports.
- 10.2.6 **Revenue from Land Lease Rent (₹ 5.35 crores)** - The Authority notes that AAI has estimated a one-time increase in revenue from land lease and hangar rent in FY 2025-26 at an increase of 15%. The Authority, after reviewing AAI Internal Circular no. 22 dated 4th Jun 2022, proposes to consider the one time increase of 15% in FY 2025-26 as submitted by AAI to be reasonable.
- 10.2.7 **Admission Tickets (₹ 1.20 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 2021-22 to FY 2022-23 (i.e. 2 years post COVID-19) as a base for admission ticket revenue for FY 2023-24 amounting to ₹ 0.17 Crores and proposes to consider a 10% growth rate Y-o-Y as per submission by AAI.
- 10.2.8 **Other Income/Sale of Scrap etc. (₹ 7.56 crores)** – The Authority notes that other income includes forfeiture of security deposit (unclaimed for 3 years) and sale of scrap etc. Further the Authority notes that there is a significant variance of 71% in other income in FY 2022-23 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

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

income – e.g. forfeiture of security deposit. 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 2021-22 to FY 2022-23 (i.e. 2 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.

10.2.9 **Hoarding & Display (₹ 48.61 crores)** – The Authority notes that AAI has projected a 16.3% growth rate in FY 2023-24, 19.2% growth rate in FY 2024-25 and 20.0% Y-o-Y growth from FY 2025-26 onwards for the Second Control Period. The Authority proposes to consider projections by AAI as reasonable based on the analysis of contracts provided by AAI for Hoarding & Display.

10.2.10 The Authority, in line with its decision taken in other Airports, 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 ₹ 8.11 crores for the Second Control Period (reclassified out of Building (Non-Residential) and Land leases).

10.2.11 Further, the Authority feels that AAI should exploit the full potential of its non-traffic revenue so that 30% of the same, by cross subsidization, is used to cover Aeronautical expenses.

10.2.12 Based on the Authority examination, NAR for the Indore International Airport for the Second Control Period has been presented in the table below:

Table 91: Non-Aeronautical Revenue proposed by the Authority for Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Trading Concessions: A	27.02	29.55	34.22	39.71	46.79	177.29
Restaurant / Snack Bars	10.02	9.58	10.91	12.44	14.32	57.28
T.R. Stall	10.44	12.16	13.93	16.02	18.96	71.52
Hoarding & Display	6.55	7.81	9.38	11.25	13.50	48.49
Rent & Services: B	3.41	3.60	3.96	4.19	4.44	19.59
Land Leases	0.98	0.98	1.13	1.13	1.13	5.35
Building (Residential)	0.03	0.03	0.03	0.03	0.04	0.17
Building (Non-Residential)	2.39	2.59	2.80	3.02	3.27	14.07
Miscellaneous: C	2.37	2.56	2.75	2.97	3.22	13.88
Car Rentals	0.47	0.52	0.57	0.63	0.71	2.91
Car Parking	0.62	0.68	0.75	0.83	0.91	3.79
Admission Tickets	0.19	0.21	0.23	0.26	0.28	1.18
Other Income/ Sale of Scrap etc	1.08	1.14	1.19	1.25	1.32	5.98
Total (D=A+B+C)	32.80	35.71	40.94	46.87	54.44	210.76
Less: Lease Rent for Ramp from Airlines / GHA (E)	0.28	0.28	0.32	0.32	0.32	1.52
Less: Space Rentals from Airlines (F)	1.18	1.25	1.32	1.40	1.44	6.59
Total (G=D-E-F)	31.34	34.18	39.29	45.14	52.68	202.64

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

Table 92: Growth rates proposed by the Authority for Non-Aeronautical Revenues for Second Control Period

Particulars	FY24	FY25	FY26	FY27	FY28
Passenger Related Revenue					
Restaurant / Snack Bars	41.3%	-4.4%	13.9%	13.9%	15.2%
T.R. Stall	294.7%	16.4%	14.6%	15.0%	18.3%
Car Rentals	82.1%	10.0%	10.0%	10.0%	13.0%
Car Parking	10.9%	10.0%	10.0%	10.0%	10.0%
Other Revenue					
Hoarding & Display	16.0%	19.2%	20.0%	20.0%	20.0%
Admission Tickets	10.0%	10.0%	10.0%	10.0%	10.0%
Other Income/ Sale of Scrap etc.	5.0%	5.0%	5.0%	5.0%	5.0%
Land Leases	-	-	15.0%	-	-
Building (Residential)	5.0%	5.0%	5.0%	5.0%	5.0%
Building (Non-Residential)	56.4%	8.20%	8.05%	8.10%	8.15%

10.2.13 As can be seen above, the Authority proposes to consider the Non-Aeronautical Revenue for the Second Control Period amounting to ₹ 202.64 crores as against ₹ 211.57 crores submitted by AAI. The difference is mainly due to the different growth rates proposed by the Authority as compared to AAI and shifting of non-aeronautical revenues on account of Space Rentals/land lease to Aeronautical Revenues.

10.3 Authority's proposal regarding Non-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 Non-Aeronautical Revenue for the Second Control Period:

- 10.3.1 To consider Non-Aeronautical Revenue for the Second Control Period for Indore International Airport as per Table 91.
- 10.3.2 To consider non-aeronautical revenue achieved by AAI for Indore 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 Aeronautical Taxation for the Second Control Period for Indore 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, non-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 93: Aeronautical Taxation for the Second Control Period submitted by AAI for Indore International Airport

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Revenue							
Aeronautical Revenue		78.27	216.88	271.36	336.75	490.81	1,394.07
Total Revenue	A	78.27	216.88	271.36	336.75	490.81	1,394.07
Expenses							
Operation & Maintenance Expenses		79.84	86.08	98.88	105.83	125.02	495.65
Depreciation (As per IT Act, 1961)		18.43	21.20	23.46	22.95	21.35	107.39
Interest on Term Loan		1.47	1.38	1.12	0.94	0.69	5.60
Total Expenses	B	99.74	108.66	123.46	129.72	147.06	608.64
Profit/Loss	C=A-B	(21.47)	108.22	147.90	207.03	343.74	785.42
Set off of prior period tax losses	D	-	108.22	61.59	-	-	169.81
Profit/Loss after set off of prior period tax losses	E	(21.47)	-	86.32	207.03	343.74	615.62
Tax Rate	F	34.99%	34.99%	34.99%	25.17%	25.17%	
Aeronautical Tax	G=E*F	-	-	30.16	52.11	86.52	168.79

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

11.2.1 The Authority notes that Indore 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 Indore International Airport. The following table summarizes the Aeronautical taxes proposed by the Authority for the Second Control Period.

Table 94: Aeronautical Taxation proposed by the Authority for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Revenue							
Aeronautical Revenue	Table 103	83.03	128.97	198.76	227.22	258.11	896.07
Total Revenue	A	83.03	128.97	198.76	227.22	258.11	896.07
Expenses							
O&M Expenses	Table 88	68.47	72.63	78.15	83.35	86.70	389.30
Depreciation (as per Income tax)		18.20	24.81	25.71	22.92	20.34	111.98
Interest on Working Capital/Term Loan		-	-	-	-	-	-
Total Expenditure	B	86.67	97.44	103.87	106.27	107.04	501.28
Profit/(Loss)	C=A-B	(3.64)	31.52	94.89	120.95	151.07	394.79
Set off prior period losses (D)	D	-	(31.52)	(92.24)	-	-	-

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Profit/(Loss) after set off of prior period tax losses	E	(3.64)	-	2.65	120.95	151.07	271.03
Loss Carried Forward (Opening)	F	(120.12)^	(123.76)	(92.24)	-	-	
Loss Carried Forward (Closing)	G=D-E-F	(123.76)	(92.24)	-	-	-	
Tax Rates	H	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax Amount	I=E*H	-	-	0.67	30.44	38.02	69.13

[^]Carried Forward Losses amounting to ₹ 120.12 crores for the First Control Period considered as Opening Balance for FY 2023-24 as per Table 51.

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 Indore International Airport as per Table 94.
- 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 Indore 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 on 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 noted from AAI’s website that the ACI ASQ survey results for IDR for the years 2018 to 2023 have been in the range of 4.80 to 4.94 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.80.

Table 95: ASQ Rating for Indore International Airport for the years 2018 to 2023

Year	ASQ Rating
2018	4.80
2019	4.81
2020	4.86
2021*	4.89
2022	4.94
2023	4.91

**Average of CSS rounds for the year*

12.2.3 The Authority 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 the quality of service maintained by Indore International Airport.

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. RETURN ON LAND FOR THE SECOND CONTROL PERIOD

13.1 AAI's submission regarding Return on Land for the Second Control Period for Indore International Airport

13.1.1 The AAI has submitted the following Return on Land for Indore International Airport for the Second Control Period as below:

Table 96: Return on Land Submitted by AAI for Second Control Period

Particulars	Ref.	Unit	FY24	FY25	FY26	FY27	FY28	Total
Cost of Land to be considered	A	₹ in crores	1.64	1.64	1.64	1.64	1.64	
SBI Rate	B	%	10.10%	10.10%	10.10%	10.10%	10.10%	
Rate considered for Equated Annual Instalment	C = B+2%	%	12.10%	12.10%	12.10%	12.10%	12.10%	
AAI cost of Debt	D		6.21%	6.21%	6.21%	6.21%	6.21%	
Rate Considered			12.10%	12.10%	12.10%	12.10%	12.10%	
Equated Annual instalments (for 30 years)	E	₹ in crores	0.22	0.22	0.22	0.22	0.22	1.11

13.2 Authority's examination regarding Return on land for the Second Control Period

13.2.1 The Authority notes that AAI has acquired land of 31.38 acres (12.70 Hectares), for the development of Indore International Airport for ₹ 1.64 crores in FY 2020-21.

13.2.2 On enquiry with AAI on the purpose for which the land was acquired, AAI vide email dated 11th July 2024 has replied that *"the newly acquired land of 20.48 acres as per master plan may be used for ESS substation for terminal building, forecourt for movement of passengers in front of terminal building, APHO, Surface parking, Metro Station and Multi level car parking etc."*.

13.2.3 Para 4.1.2 of the Land return Order No. 42/2018-19 dated 5th March 2019, states that *"The return will be given only on the cost of land used for aeronautical activities"*. It was also noted that the said land is yet to be put to use for the activities mentioned in 13.2.2. Based on this, the Authority proposes not to consider return on Land for the Second Control Period for Indore International Airport.

13.2.4 However, if AAI uses the land for aeronautical purposes during the Second Control Period, the Authority proposes to true up the same at the time of determination of tariff for the Third Control Period on actual usage basis.

13.3 Authority's proposals regarding Return on land for the Second Control Period

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

13.3.1 The Authority proposes not to consider Return on Land for Indore International Airport for the Second Control Period.

13.3.2 To true up return on land at the time of determination of tariff for the Third Control Period based on actual usage.

14. AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

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

14.1.1 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 97: Aggregate Revenue Requirement submitted by AAI for the Second Control Period

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Average RAB	A	175.00	205.49	231.01	229.20	219.79	
FRoR	B	14%	14%	14%	14%	14%	
Return on RAB	C = A*B	24.49	28.77	32.34	32.09	30.77	148.47
Depreciation	D	12.21	14.38	16.57	16.99	16.43	76.57
O & M Expenses	E	79.84	86.07	98.88	105.82	125.01	495.65
Taxation	F	-	-	30.16	52.11	86.52	168.79
Interest on Working Capital	G	-	-	-	-	-	-
Interest on Term Loan	H	1.47	1.38	1.12	0.94	0.69	5.60
Return on Land	I	0.22	0.22	0.22	0.22	0.22	1.10
True up (shortfall of FCP)	J	378.09	-	-	-	-	378.09
Less: 30% of Non-Aeronautical Revenue	K	9.93	10.81	12.38	14.17	16.19	63.47
ARR per year	L=Sum(D:J)-K	486.40	120.01	166.92	194.01	243.47	1,210.81
Discount Factor @ 14%	M	1.00	0.88	0.77	0.67	0.59	
PV of Forecasted ARR	N=L*M	486.40	105.28	128.44	130.95	144.15	995.22
Total Traffic (million passengers)	O						10.87
Yield per passenger (YPP)	P						915.54

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

14.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. The Authority, after detailed analysis including rationalization of various building blocks as discussed in previous chapters, proposes the ARR & YPP as per below table:

Table 98: 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 75)	A	166.81	200.41	227.85	225.15	215.29	
FRoR (Table 78)	B	13.53%	13.53%	13.53%	13.53%	13.53%	
Return on Average RAB	C=A*B	22.57	27.12	30.83	30.47	29.13	140.13
Depreciation (Table 73)	D	11.80	14.00	16.86	17.42	16.87	76.94
O&M Expenses (Table 88)	E	68.47	72.63	78.15	83.35	86.70	389.30
Aeronautical Tax (Table 94)	F	-	-	0.67	30.44	38.02	69.13
Interest on Term Loan	G	-	-	-	-	-	-
True Up for FCP (Table 53)	H	193.34	-	-	-	-	193.34
Return on Land	I	-	-	-	-	-	-
ARR	J=Sum(C:I)	296.18	113.75	126.51	161.68	170.72	868.85
NAR (Table 91)	K	31.34	34.18	39.29	45.14	52.68	202.64
30% of NAR	L=30%*K	9.40	10.25	11.79	13.54	15.81	60.79

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Net ARR	M=J-L	286.78	103.50	114.73	148.14	154.92	808.06
PV Factor @ 13.53%	N	1.00	0.88	0.78	0.68	0.60	
PV of ARR	O=M*N	286.78	91.16	89.01	101.23	93.24	661.42
Sum PV of ARR/Target Revenue	P						661.42
Total Traffic (in MPPA) (Table 59)	Q						22.90
Yield per Passenger (YPP)	R=P/Q						288.83
Departing Passengers (in MPPA)							11.45
Yield per Departing Passenger							577.67

14.2.2 The Authority notes that AAI has claimed Interest on Term Loan in Aggregate Revenue Requirement (ARR) for the Second Control Period. As per Direction 5, Clause 5.4.3 clarifies that the Authority considers interest on short term loans generally raised towards working capital with a maturity of less than one year. The Authority notes that Interest claimed by AAI on term loan availed is used for Capital Expenditure and for long term purpose (more than 1 year), therefore the Authority proposes not to consider interest on term loan as submitted by the AAI.

14.2.3 The Authority has determined the PV of ARR amounting to ₹ 661.42 crores (incl. of shortfall for FCP) as against ARR claimed by the AAI amounting to ₹ 995.22 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 13.36% for First Control Period and 13.53% for the Second Control Period as against 14.00% claimed by AAI resulting into reduction in return on RAB amounting to ₹ 8.33 crores.
- ii. Non-consideration of FY 2020-21 from shortfall carry forward of the First Control Period, resulting in exclusion of ₹ 50.66 Crores (NPV terms as computed by the Authority).
- iii. Rationalization of O&M expenses like Payroll expenses, CHQ/ RHQ expenses, Administration expenses, R&M Expenses etc. amounting to ₹ 106.35 crores in Second Control Period.
- iv. Non-consideration of return on land for the Second Control Period of ₹ 1.10 Crores.
- v. Reduction in taxation, due to rationalization of other building blocks such O&M expenses, depreciation and the Aeronautical revenue determined by the Authority etc. (based on the proposed Tariff Card of the Authority).
- vi. Non-consideration of interest on term loan amounting to ₹ 5.60 crores as per para 14.2.2.

14.2.4 At this stage, this consultation paper takes into consideration financial figures pertaining to FY 2023-24 as submitted by AAI in its MYTP & other submission 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.

14.3 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:

14.3.1 To consider ARR and YPP for the Second Control Period for Indore International Airport as per Table 98.

15. AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

15.1 AAI's submission regarding Aeronautical Revenue for the Second Control Period for Indore International Airport

15.1.1 AAI 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 60% from the existing charges w.e.f. 1st April 2024 for FY 2024-25 and thereafter by 6% year on year.
- **Parking Charges:** For domestic and international ATMs, AAI 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% year on year.
- **User Development Fees:** AAI has proposed the below growth rates in UDF from the existing rates of ₹ 302 (For both Domestic and International) for the Second Control Period:

Table 99: % Increase in UDF submitted by AAI for the Second Control Period

Particulars	FY24	FY25	FY26	FY27	FY28
Domestic UDF	-	181%	12%	11%	7%
International UDF	-	201%	11%	10%	9%

Table 100: Aeronautical Revenue submitted by AAI for the Second Control Period

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Landing Charges						
Landing Charges - Domestic	21.79	39.40	46.78	55.54	64.76	228.27
Landing Charges - International	0.29	0.75	0.85	0.98	1.28	4.15
UDF Charges						
UDF - Domestic	48.08	165.20	210.48	265.20	317.12	1,006.07
UDF - International	0.45	2.50	3.06	3.69	5.03	14.74
Parking & Housing Charges						
Parking & Housing Charges	0.38	0.90	1.07	1.27	91.61	95.23
Other Revenues						
Land Lease Rent - Oil Companies	1.01	1.01	1.16	1.16	1.16	5.50
Land Lease Rent - GHA	0.07	0.07	0.08	0.08	0.08	0.38
Revenue from GHA	0.77	0.87	0.97	1.09	1.20	4.90
Royalty from Cute Charges	4.04	4.71	5.37	6.11	6.86	27.09
Royalty from AAICLAS	1.40	1.47	1.54	1.62	1.70	7.74
Total Aeronautical Revenue	78.27	216.88	271.36	336.75	490.81	1,394.07

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

15.1.3 As per the contract with AAICLAS, Indore 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.

15.2 Authority's examination regarding Aeronautical Revenue for the Second Control Period

- 15.2.1 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.
- 15.2.2 **Revenue from Lease Rent – Oil Companies and GHA (₹ 5.88 crores)** - The Authority notes that AAI has estimated a one-time increase in revenue from land lease from oil companies and GHA in FY 2025-26 at 15%. The Authority, after reviewing AAI's Internal Circular no. 22 dated 4th June 2022 proposes to consider the one time increase of 15% in FY 2025-26 as submitted by AAI.
- 15.2.3 **Revenue from GHA (₹ 4.90 crores)** -The Authority 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 59 for the Second Control Period.
- 15.2.4 **Revenue from AAICLAS (₹ 7.74 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.
- 15.2.5 **Revenue from Space Rentals from Airlines (₹ 8.11 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 based on agreements provided by AAI.
- 15.2.6 To recover the ARR (NPV) proposed by AERA for the Second Control Period as per Table 98, the Authority proposes to consider % increase in Landing, Parking and UDF from FY 2024-25 (w.e.f. 1st November 2024) on the following basis:

Table 101: Increase in Landing, Parking & UDF rates proposed by the Authority for Second Control Period

Particulars	% increase in Rates proposed from FY25 (w.e.f. 1 st Nov 24)	FY26	FY27	FY28
Landing Charges	61.00%	8.55%	8.00%	8.00%
Parking Charges	61.00%	8.55%	8.00%	8.00%
UDF (Dom.)	98.68%	-	-	-
UDF (Intl.)	115.23%	-	-	-

- 15.2.7 The Authority proposes to allow the following tariff towards UDF for the Second Control Period for Indore International Airport.

Table 102: UDF Charges proposed by the Authority for IDR for Second Control Period

Particulars	(Rates in INR)				
	FY24 (Existing)	FY25 (w.e.f. 1 st Nov 24)	FY26	FY27	FY28
Domestic UDF	302.00	600.00	600.00	600.00	600.00
International UDF	302.00	650.00	650.00	650.00	650.00

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

Table 103: 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 98)	A						661.33
Aeronautical Revenue							
Landing Charges - Domestic	B	25.42	32.74	50.19	59.62	70.19	238.16
Landing Charges - International	C	0.37	0.58	0.90	1.07	1.44	4.36
UDF - Domestic	D	51.68	84.47	134.38	151.85	170.07	592.44
UDF - International	E	0.64	1.16	1.91	2.16	2.70	8.59
Parking & Housing Charges	F	0.44	0.57	0.87	1.04	1.23	4.15
Land Lease Rent - Oil Companies	G	1.01	1.01	1.16	1.16	1.16	5.50
Land Lease Rent - GHA	H	0.09	0.09	0.10	0.11	0.12	0.50
Revenue from GHA	I	0.89	0.91	1.01	1.11	1.21	5.12
Royalty from Cute Charges	J	-	4.82	5.45	6.15	6.90	23.32
Royalty from AAICLAS	K	1.40	1.47	1.54	1.62	1.70	7.72
Add : Revenue from Lease Rent - Ramp Airlines	L	0.28	0.28	0.32	0.32	0.32	1.52
Add : Space Rentals from Airlines	M	0.81	0.87	0.93	1.00	1.08	4.69
Total Revenues	N=Sum(B:M)	83.03	128.97	198.76	227.22	258.11	896.07
PV Factor @13.53%	O	1.00	0.88	0.78	0.68	0.60	
PV of Aero Revenue	P=N*O	83.03	113.59	154.20	155.27	155.33	661.42
PV Projected Aero Revenue	Q						661.42
Surplus/(Shortfall) proposed to be carried forward to next control period (as on 31-Mar-2024)	R=Q-A						-

15.2.9 As can be observed from the above table, as per the Authority's proposal, AAI is entitled to recover an ARR of ₹ 661.42 crores (in NPV terms). The present value of the total projected aeronautical revenues for the Second Control Period based on the Authority's proposed Landing, Parking and UDF charges is ₹ 661.42 crores (in NPV terms), which is equivalent to the Target Revenue/ARR determined by the Authority for the Second Control Period.

15.3 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 Indore International Airport.

15.3.1 To consider Aeronautical Revenue for the Second Control Period as per Table 103.

15.3.2 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. SUMMARY OF AUTHORITY'S PROPOSALS

Chapter 4: True-up for the First Control Period

- 4.12.1 To consider Capital Additions as per details in Table 16 for true-up of the First Control Period
- 4.12.2 To consider Aeronautical Depreciation as per details in Table 18 for true-up of the First Control Period.
- 4.12.3 To consider RAB as per Table 19 for true-up of the First Control Period.
- 4.12.4 To consider FRoR as per Table 21 for true-up of the First Control Period.
- 4.12.5 To consider the O&M Expenses as detailed in Table 43 for the purpose of true-up of the First Control Period.
- 4.12.6 To consider the Non-Aeronautical Revenues as presented in Table 46 for the purpose of true-up of the First Control Period.
- 4.12.7 Not to consider the Return on Land for the purpose of true-up of the First Control Period.
- 4.12.8 To consider the Aeronautical Revenue as per Table 49 for true-up of the First Control Period.
- 4.12.9 To consider ARR and Under-recovery as detailed in Table 53 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 Passenger Traffic and ATM traffic for the Second Control Period for Indore International Airport as per Table 59.
- 5.3.2 To true up the traffic volume (Passenger traffic and ATM traffic) on the basis of actual traffic in the Second Control period while determining the tariff for the Third Control Period.

Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period

- 6.5.1 To consider allocation of Gross Block of Assets as on 1st April 2023 between Aeronautical and Non-aeronautical assets as detailed in Table 61.
- 6.5.2 To consider the capitalization of Aeronautical Assets for the Second Control Period as per Table 70.
- 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 6.2.31. The same will be examined during true up of the Second Control Period at the time of determination of tariff for the Third Control Period.
- 6.5.5 To consider Depreciation as per Table 73 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 of the Third Control Period.
- 6.5.7 To consider average RAB for the Second Control Period for Indore International Airport as per Table 75.
- 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% as per para 7.2.5 for the Second Control Period.

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

7.3.3 To consider FRoR of 13.53% for the Second Control Period based on above mentioned Cost of Equity, Cost of Debt and gearing ratio as per Table 78.

7.3.4 To true up the FRoR while determining tariff for the next Control Period considering relevant factors.

Chapter 8: Inflation for the Second Control Period

8.3.1 To consider Inflation factor for the Second Control Period for Indore International Airport as detailed in Table 79.

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

9.3.1 To consider O&M expenses for the Second Control Period for Indore International Airport as per Table 88.

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

Chapter 10: Non-Aeronautical Revenues (NAR) for the Second Control Period

10.3.1 To consider Non-Aeronautical Revenue for the Second Control Period for Indore International Airport as per Table 91.

10.3.2 To consider non-aeronautical revenue achieved by AAI for Indore 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 Indore International Airport as per Table 94.

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: Return on Land for the Second Control Period

13.3.1 The Authority proposes not to consider Return on Land for Indore International Airport for the Second Control Period.

13.3.2 To true up return on land at the time of determination of tariff for the Third Control Period based on actual usage.

Chapter 14: Aggregate Revenue Requirement (ARR) for the Second Control Period

14.3.1 To consider ARR and YPP for the Second Control Period for Indore International Airport as per Table 98.

Chapter 15: Aeronautical Revenue for the Second Control Period

15.3.1 To consider Aeronautical Revenue for the Second Control Period as per Table 103.

15.3.2 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.

17. STAKEHOLDERS CONSULTATION TIMELINE

- 17.1.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 16 - 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.
- 17.1.2 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.
- 17.1.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposals made in this Consultation Paper, latest by 04.10.2024.

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

Chairperson

18. ANNEXURES

18.1 Annexure I : Annual Tariff proposal submitted by AAI for Indore International Airport for the Second Control Period

18.1.1 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.

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

A. Landing Charges

Table 104: Landing Charges (Domestic & 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	189.00 per MT	302.00 per MT	320.00 per MT	339.00 per MT	359.00 per MT
Above 25 to 50 MT	4,725.00 + 331.00 per MT in excess of 25 MT	7,550.00 + 530.00 per MT in excess of 25 MT	8,000.00 + 562.00 per MT in excess of 25 MT	8,475.00 + 596.00 per MT in excess of 25 MT	8,975.00 + 632.00 per MT in excess of 25 MT
Above 50 to 100 MT	13,000.00 + 378.00 per MT in excess of 50 MT	20,800.00 + 605.00 per MT in excess of 50 MT	22,050.00 + 641.00 per MT in excess of 50 MT	23,375.00 + 679.00 per MT in excess of 50 MT	24,775.00 + 720.00 per MT in excess of 50 MT
Above 100 to 200 MT	31,900.00 + 461.00 per MT in excess of 100 MT	51,050.00 + 738.00 per MT in excess of 100 MT	54,100.00 + 782.00 per MT in excess of 100 MT	57,325.00 + 829.00 per MT in excess of 100 MT	60,775.00 + 879.00 per MT in excess of 100 MT
Above 200 MT	78,000.00 + 520.00 per MT in excess of 200 MT	1,24,850.00 + 832.00 per MT in excess of 200 MT	1,32,300.00 + 882.00 per MT in excess of 200 MT	1,40,225.00 + 935.00 per MT in excess of 200 MT	1,48,675.00 + 991.00 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 ₹ 4,000/- 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.

B. Parking Charges**Table 105: 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	3.00 per MT per hour	6.00 per MT per hour	6.00 per MT per hour	6.00 per MT per hour	6.00 per MT per hour
Above 25 to 50 MT	75.00 + 4.00 per MT per hour in excess of 25 MT	150.00 + 8.00 per MT per hour in excess of 25 MT	150.00 + 8.00 per MT per hour in excess of 25 MT	150.00 + 8.00 per MT per hour in excess of 25 MT	150.00 + 8.00 per MT per hour in excess of 25 MT
Above 50 to 100 MT	175.00 + 8.00 per MT per hour in excess of 50 MT	350.00 + 18.00 per MT per hour in excess of 50 MT	350.00 + 18.00 per MT per hour in excess of 50 MT	350.00 + 19.00 per MT per hour in excess of 50 MT	350.00 + 20.00 per MT per hour in excess of 50 MT
Above 100 to 200 MT	575.00 + 10.00 per MT per hour in excess of 100 MT	1,200.00 + 22.00 per MT per hour in excess of 100 MT	1,250.00 + 22.00 per MT per hour in excess of 100 MT	1,300.00 + 23.00 per MT per hour in excess of 100 MT	1,350.00 + 24.00 per MT per hour in excess of 100 MT
Above 200 MT	1,575.00 + 11.00 per MT per hour in excess of 200 MT	3,300.00 + 24.00 per MT per hour in excess of 200 MT	3,450.00 + 24.00 per MT per hour in excess of 200 MT	3,600.00 + 25.00 per MT per hour in excess of 200 MT	3,750.00 + 27.00 per MT per hour in excess of 200 MT

Table 106: 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	6.00 per MT per hour	13.00 per MT per hour	14.00 per MT per hour	15.00 per MT per hour	16.00 per MT per hour
Above 25 to 50 MT	150.00 + 8.00 per MT per hour in excess of 25 MT	325.00 + 17.00 per MT per hour in excess of 25 MT	350.00 + 18.00 per MT per hour in excess of 25 MT	375.00 + 19.00 per MT per hour in excess of 25 MT	400.00 + 20.00 per MT per hour in excess of 25 MT
Above 50 to 100 MT	350.00 + 16.00 per MT per hour in excess of 50 MT	750.00 + 34.00 per MT per hour in excess of 50 MT	800.00 + 36.00 per MT per hour in excess of 50 MT	850.00 + 38.00 per MT per hour in excess of 50 MT	900.00 + 40.00 per MT per hour in excess of 50 MT
Above 100 to 200 MT	1,150.00 + 20.00 per MT per hour in excess of 100 MT	2,450.00 + 42.00 per MT per hour in excess of 100 MT	2,600.00 + 45.00 per MT per hour in excess of 100 MT	2,750.00 + 48.00 per MT per hour in excess of 100 MT	2,900.00 + 51.00 per MT per hour in excess of 100 MT
Above 200 MT	3,150.00 + 22.00 per MT per hour in excess of 200 MT	6,650.00 + 46.00 per MT per hour in excess of 200 MT	7,100.00 + 49.00 per MT per hour in excess of 200 MT	7,550.00 + 52.00 per MT per hour in excess of 200 MT	8,000.00 + 55.00 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 Indore 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 the 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.

C. User Development Fees (UDF)

Table 107: UDF submitted by AAI (per embarking passenger)

Passenger	Existing UDF	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Domestic	₹ 302.00	₹ 850.00	₹ 950.00	₹ 1,050.00	₹ 1,121.00
International	₹ 302.00	₹ 910.00	₹ 1,010.00	₹ 1,110.00	₹ 1,210.00

Notes:

- a) 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.
- b) No collection charges are payable to casual operators/non-scheduled operators.
- c) 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.
- d) Revised UDF charges will be applicable on tickets issued on or after 01/04/2024 for FY 2024-25 and thereafter applicable on date of travel from 1st April 2025 to 31st March 2028.
- e) No UDF charges will be levied for transit passengers.

D. Aviation Security Fees

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

E. 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.

- a) Children (under-age of 2 years),
- b) Holders of Diplomatic Passport,
- c) 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),
- d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. “A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger”).
- g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

F. General Conditions:

- a) All the above Charges are excluding GST. GST at the applicable rates is payable in addition to the above charges.
- b) Flight operating under 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.

18.2 Annexure II: Annual Tariff proposed by the Authority for Indore International Airport for the Second Control Period

18.2.1 As detailed in Table 98 (Chapter 14), Indore International Airport is entitled to recover an ARR of ₹ 661.42 crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹ 661.42 Crores (in NPV terms), which is equivalent to the Target Revenue/ ARR determined by the Authority for the Second Control Period.

18.2.2 Based on the ARR proposed to be considered by AERA for the Second Control Period, the Authority proposes the following Aeronautical tariffs for Indore International Airport for the consultation process.

18.2.3 Landing charges proposed by the Authority for Indore International Airport for the Second Control Period is as follows:

Table 108: Landing* Charges (Domestic and International) proposed by the Authority for the Second Control Period

Weight of the Aircraft	FY 2024-25 (upto31.10.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges ₹	Tariff w.e.f. 01.11.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Upto 25 MT	189.00 per MT	304.00 per MT	330.00 per MT	356.00 per MT	384.00 per MT
Above 25 MT to 50 MT	4,725.00 + 331.00 per MT in excess of 25 MT	7,600.00 + 533.00 per MT in excess of 25 MT	8,250.00 + 579.00 per MT in excess of 25 MT	8,900.00 + 625.00 per MT in excess of 25 MT	9,600.00 + 675.00 per MT in excess of 25 MT
Above 50 MT to 100 MT	13,000.00 + 378.00 per MT in excess of 50 MT	20,925.00 + 609.00 per MT in excess of 50 MT	22,725.00 + 661.00 per MT in excess of 50 MT	24,525.00 + 714.00 per MT in excess of 50 MT	26,475.00 + 771.00 per MT in excess of 50 MT
Above 100 MT to 200 MT	31,900.00 + 461.00 per MT in excess of 100 MT	51,375.00 + 742.00 per MT in excess of 100 MT	55,775.00 + 805.00 per MT in excess of 100 MT	60,225.00 + 869.00 per MT in excess of 100 MT	65,025.00 + 939.00 per MT in excess of 100 MT
Above 200 MT	78,000.00 + 520.00 per MT in excess of 200 MT	1,25,575.00 + 837.00 per MT in excess of 200 MT	1,36,275.00 + 909.00 per MT in excess of 200 MT	1,47,125.00 + 982.00 per MT in excess of 200 MT	1,58,925.00 + 1,061.00 per MT in excess of 200 MT

* The Authority has proposed a one-time increase of 61.00% in Domestic and International Landing charges w.e.f. 01.11.2024 for FY 2024-25, 8.55% increase in FY 2025-26 and 8% increase Y-o-Y thereafter.

Notes:

- No Landing Charges shall be payable in respect of i) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport, ii) helicopters of all types, and iii) DGCA approved Flying school/flying training institute aircrafts.
- All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges concerned irrespective of flight number assigned to such flights.
- Domestic leg of international routes of foreign carriers shall be treated as international flights.
- Charges shall be calculated on the basis of nearest MT (i.e. 1,000 kg).

- e) Non-Schedule Flights: “A minimum fee of Rs.4000/- per flight or applicable landing charges shall be charged as per landing for all types of aircraft flights, helicopter flights including but not limited to domestic landing, international and general aviation landing for the control period.
- f) Flights operating under the regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

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

Table 109: 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 (upto31.10.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges ₹	Tariff w.e.f. 01.11.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Upto 25 MT	3.00 per MT per hour	4.83 per MT per hour	5.24 per MT per hour	5.66 per MT per hour	6.11 per MT per hour
Above 25 MT to 50 MT	75.00 + 4.00 per MT per hour in excess of 25 MT	120.75 + 6.44 per MT per hour in excess of 25 MT	131.00 + 6.99 per MT per hour in excess of 25 MT	141.50 + 7.55 per MT per hour in excess of 25 MT	152.75 + 8.15 per MT per hour in excess of 25 MT
Above 50 MT to 100 MT	175.00 + 8.00 per MT per hour in excess of 50 MT	281.75 + 12.88 per MT per hour in excess of 50 MT	305.75 + 13.98 per MT per hour in excess of 50 MT	330.25 + 15.10 per MT per hour in excess of 50 MT	356.50 + 16.31 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	575.00 + 10.00 per MT per hour in excess of 100 MT	925.75 + 16.10 per MT per hour in excess of 100 MT	1,004.75 + 17.48 per MT per hour in excess of 100 MT	1,085.25 + 18.88 per MT per hour in excess of 100 MT	1,172.00 + 20.39 per MT per hour in excess of 100 MT
Above 200 MT	1,575.00 + 11.00 per MT per hour in excess of 200 MT	2,535.75 + 17.71 per MT per hour in excess of 200 MT	2,752.75 + 19.22 per MT per hour in excess of 200 MT	2,973.25 + 20.76 per MT per hour in excess of 200 MT	3,211.00 + 22.42 per MT per hour in excess of 200 MT

* The Authority has proposed a one-time increase of 61.00% in Domestic and International Landing charges w.e.f. 01.11.2024 for FY 2024-25, 8.55% increase in FY 2025-26 and 8% increase Y-o-Y thereafter.

Table 110: Parking* Charges proposed by the Authority for the Second Control Period (beyond first four hours)

Weight of the Aircraft	FY 2024-25 (upto31.10.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges ₹	Tariff w.e.f. 01.11.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Upto 25 MT	6.00 per MT per hour	9.66 per MT per hour	10.49 per MT per hour	11.33 per MT per hour	12.24 per MT per hour
Above 25 MT to 50 MT	150.00 + 8.00 per MT per hour in excess of 25 MT	241.50 + 12.88 per MT per hour in excess of 25 MT	262.25 + 13.98 per MT per hour in excess of 25 MT	283.25 + 15.10 per MT per hour in excess of 25 MT	306.00 + 16.31 per MT per hour in excess of 25 MT
Above 50 MT to 100 MT	350.00 + 16.00 per MT per hour	563.50 + 25.76 per MT per hour	611.75 + 27.96 per MT per hour	660.75 + 30.20 per MT per hour	713.75 + 32.62 per MT per hour

Weight of the Aircraft	FY 2024-25 (upto31.10.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges ₹	Tariff w.e.f. 01.11.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
	in excess of 50 MT	in excess of 50 MT	in excess of 50 MT	in excess of 50 MT	in excess of 50 MT
Above 100 MT to 200 MT	1,150.00 + 20.00 per MT per hour in excess of 100 MT	1,851.50 + 32.20 per MT per hour in excess of 100 MT	2,009.75 + 34.95 per MT per hour in excess of 100 MT	2,170.75 + 37.75 per MT per hour in excess of 100 MT	2,344.75 + 40.77 per MT per hour in excess of 100 MT
Above 200 MT	3,150.00 + 22.00 per MT per hour in excess of 200 MT	5,071.50 + 35.42 per MT per hour in excess of 200 MT	5,504.75 + 38.45 per MT per hour in excess of 200 MT	5,945.75 + 41.53 per MT per hour in excess of 200 MT	6,421.75 + 44.85 per MT per hour in excess of 200 MT

* The Authority has proposed a one-time increase of 61.00% in Domestic and International Landing charges w.e.f. 01.11.2024 for FY 2024-25, 8.55% increase in FY 2025-26 and 8% increase Y-o-Y thereafter.

Notes:

- No parking charges shall be levied for the first two hours. While calculating the free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of the actual time taken in the movement of the aircraft after landing and before take-off.
- For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- Charges shall be calculated on the basis of nearest MT.
- Charges for each parking period shall be rounded off to nearest rupee.
- 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 Indore International Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of < 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
- Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
- For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable or as per revised rate if any.

18.2.5 **User Development Fees:** UDF proposed by the Authority for Indore International Airport for Second Control Period as follows:

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

Type of Passenger	Domestic	International
Embarking Passenger	₹ 600.00	₹ 650.00

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

Type of Passenger	Domestic	International
Embarking Passenger	₹ 600.00	₹ 650.00

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

Type of Passenger	Domestic	International
Embarking Passenger	₹ 600.00	₹ 650.00

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

Type of Passenger	Domestic	International
Embarking Passenger	₹ 600.00	₹ 650.00

Notes:

- Collection charges: If payment is made within 15 days of receipt of invoice, then collection charges per departing passenger shall be paid by AAI, as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment.
- No collection charges are payable to casual operators/non-scheduled operators.
- For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
- The existing UDF charges will be applicable on the tickets issued till 31st October 2024.
- Revised UDF charges will be applicable on the tickets issued on or after 1st November 2024.

18.2.6 **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 (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”)

- (g) Passenger departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

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

18.2.8 **General Condition:**

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