

Consultation Paper No.33/2011-12



Airports Economic Regulatory Authority of India

**Determination of Development Fee in respect of
Chhatrapati Shivaji International Airport, Mumbai**

New Delhi: 6th January, 2012

**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003**

The Central Government, vide letter no. AV 24011/001/2009-AD dated 27 February 2009 (**Annexure- I**) had conveyed the approval under Section 22A of the Airports Authority of India Act, 1994 for levy of Development Fee (DF) by Mumbai International Airport Pvt. Ltd., (MIAL) at Chhatrapati Shivaji International Airport (CSI Airport) Mumbai @ Rs.100 /-per departing domestic passenger and @ Rs. 600 /- per departing international passenger, inclusive of all applicable taxes, purely on an 'ad-hoc' basis, for a period of 48 months, w.e.f. 01.04.2009. This 'ad-hoc' approval was subject to review, and, inter alia, subject to the following conditions:

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- a. *Final determination of levy may be made by the Government / Regulator on a detailed review after 6 months from the effective date.*
- b. *Following procedural/monitoring mechanism shall be followed:*
 - (i) *DF receipts would be deposited in a separate Escrow Account. Modalities of the Escrow Account may be decided by MIAL, with the approval of the AAI, at least one week before the commencement of levy.*
 - (ii) *AAI and the Central Government would have supervening powers in respect of Escrow Account to ensure that all receipts are properly accounted for and are utilized only for permitted purposes. These powers may include stoppage of withdrawal by MIAL.*
 - (iii) *Presently, other capital receipts like equity and debt funds are channelized through another Escrow Account of MIAL as per OMDA requirements. However, presently, the Independent Auditor appointed by AAI only verifies the revenue as defined in Article 1.1 of OMDA and not the receipts of capital nature and utilization thereof. As a condition of this approval, MIAL would be required to subject such capital receipts and expenditure also to AAI supervision.*
 - (iv) *All accounting and auditing practices, as would have been applicable to AAI, would be applicable to DF receipts and expenditure by MIAL. The modalities in this respect should be worked out between AAI and MIAL, atleast one week before the commencement of levy.*
 - (v) *The compliance in respect of points (i) to (iv) above may be furnished by AAI and MIAL to the Central Government on event basis as well as on a periodical monthly basis.*
- c. *It will be ensured that DF is utilized for the development of such "Aeronautical Assets" only, which are "Transfer Assets" in terms of OMDA.*
- d. *MIAL should report the collection and usage of DF on a monthly basis to Central Government/Regulator through AAI. The report should reach the Central Government/Regulator latest by 10th day of the following month.*
- e. *The levy will be reviewed 6-months after commencement by the Regulator/Central Government and thereafter at such intervals as the Regulator/Central Government may decide.*
- f. *At the stage of final determination, Regulator/Central Government would ensure adequate consultation with the users.*
- g. *The amount collected through DF would under no circumstances exceed the ceiling of Rs. 1,543 crores and in case of any cost escalation beyond Rs. 9,802*

crores, the amount representing the escalation would have to be brought in by MIAL through other sources. The ceiling amount would be exclusive of taxes, if any.

- h. Rate and tenure of levy are premised upon the traffic projections and other estimates. In case due to actual figures being different than those estimated, the collections during levy period exceed the amount of Rs.1543 crores, or any other amount which the Regulator/Government may determine, the excess amount so collected shall not be utilized, for any purpose whatsoever, without the prior approval of the Regulator/Central Govt.
- i. An independent auditor appointed by AAI would audit the receipts/accruals of MIAL on periodical basis. Periodicity of the audit would be decided by AAI in consultation with MIAL. AAI would report the results of audit to Government/Regulator for necessary directions.
- j. MIAL would undertake real estate development programme on a time bound basis through competitive bidding at the earliest. In case, the amount actually received/receivable as a result of competitive bidding is more than the presently estimated amount of Rs. 1000 crores, the funding gap of Rs. 1543 crores would be revised downwards at the time of review. ...”

2. The Airports Economic Regulatory Authority of India (i.e., AERA) was established in May 2009 and its functions and powers, inter alia, under Section 13 of the Airports Economic Regulatory Authority of India Act, 2008 (i.e. the Act) were notified w.e.f. 01.09.2009. Subsequently, vide letter no. AV 24011/001/2009-AD (Vol-II) dated 24.11.2009, MoCA forwarded MIAL’s letter dated 31.03.2009 (**Annexure-II**) wherein MIAL had stated that against funding gap of Rs 2,350 crores, an amount of Rs 1,543 crores only had been sanctioned on ad-hoc basis by MoCA. It was further stated that the shortfall in DF left the gap to be funded, which was not possible to be met through any other means. MIAL, accordingly, requested that the funding gap be fully met through levy of DF.

3. The Authority, vide letter no. AERA/20010/MIAL-DF/2009/219 dated 26.11.2009, asked MIAL to provide details of utilization of DF in response to which MIAL, vide letter No MIAL/PR/258 dated 30.12.2009 (**Annexure – III**), inter alia, informed that:

- 3.1 While finalizing DF for CSI airport, Mumbai w.e.f. 01.04.2009 an amount of Rs 1,543 crores was sanctioned by MoCA against MIAL’s request of Rs 2,350 crores by the Central Government.
- 3.2 At that time, the total project cost envisaged was Rs 9,802 crores and various means of finance were as follows:

Means of Finance	Proposed earlier (Rs Cr)	Revised (Rs Cr)
Equity	1,200	1,200
Internal Accruals	2,152	1,021
Debt	4,231	4,231
Deposits from Real Estate Development	2,219	1,000
Total	9,802	7,452

3.3 Thus there was a total funding gap of Rs 2,350 crores (i.e Rs 9802 crores -Rs 7452 crores =Rs 2350 crores) for which request was made to MoCA for Rs 375/- per domestic passenger and Rs 1000/- per international passenger. However, DF @ Rs. 100 per domestic embarking passenger and @ Rs. 600 per international embarking passenger for a period of 4 years was approved, on an adhoc basis, to bridge a funding gap of Rs. 1543 crores, exclusive of applicable taxes (apparently

erroneously stated as “exclusive of applicable taxes” although as per MoCA’s letter dated 27.02.2009, the approval was “inclusive of all applicable taxes”).

3.4 Further to the said determination by MoCA, following developments have occurred that needed to be taken into consideration while determining DF:

3.4.1 Actual international traffic is much less than the projected traffic.

3.4.2 MoCA had asked MIAL to bear the cost of ATC tower and technical Block to the extent of Rs 150 crores vide MoCA’s letter No AV.24011/002/2009-AD dated 19.11.2009. This would result in increase in project cost by Rs 150 crores i.e. Rs 9,952 crores.

3.4.3 As a result, the funding gap would be Rs 2,500 crores – including Rs 2,350 crores and Rs 150 crores on account of increase in cost of project.

3.4.4 MIAL had collected total DF amount of Rs 182 crores till 30.11.2009. Hence, there was a balance of Rs 2,318 crores (including Rs 150 crores increase in project cost) which needed to be collected by March 2013.

3.4.5 In view of above, the DF needed to be revised to Rs 200 per embarking domestic passenger and Rs 1000 per embarking international passenger.

3.5 MIAL also intimated the following:

3.5.1 Action taken for ensuring time bound development of real estate:-

At the time of making application for DF, amount to be received as Security Deposit was reviewed based on expected schedule of availability of land for Real Estate Development and prevailing depressed economic scenario. Based on such review, MIAL had projected collection of Rs 1,000 crores from Security Deposit against Real Estate in the year 2012-13. Total area which was identified for Real Estate Development till the year 2012-13 was 35 acres and was an aggressive target looking into the constraints at CSI Airport, Mumbai. MIAL also gave plotwise present status and informed that though initially it was estimated that from 35 Acres they will be able to raise about Rs 890-950 crores as security deposit but MIAL had taken an ambitious target of Rs 1000 crores. However, it will be a herculean task to realize Rs 1000 crores by 2012-13.

3.5.2 Action taken for increasing the internal accruals which would bring down the funding gap of Rs 1,543 crores:

3.5.2.1 MIAL gave details of revenue progression and stated that after taking over CSI Airport all revenue streams have substantially increased, in spite of fall in number of passengers in the year 2008 -09 vis-a-vis 2007-08; and that because of extraordinary efforts undertaken by MIAL there was an increase of 23 % in non-Aero revenue.

3.5.2.2 The projections made while making the application for DF were quite aggressive, all-out efforts were being made to achieve higher revenue wherever possible.

3.5.2.3 Regarding attempt made for exploring the possibility of obtaining refundable short term advance from share holder or obtaining bridge loan, MIAL stated that possibility of obtaining refundable short term advance from shareholders was explored before applying for DF and had been revisited from time to time thereafter. However,

at present, there was no possibility of any refundable short term advance from shareholders

3.5.2.4 In respect of possibility of raising any additional funds, either in the form of equity/debt, MIAL stated that no additional funds in the form of equity/debt have been received. There was receipt of equity contribution of Rs. 200 crores which was already accounted for as a means of finance

3.5.2.5 Trends in actual and projected traffic for the period April'09 to November' 09 were as shown below:

Passenger (in millions)	Projected	Actual
International	6.34	5.29
Domestic	10.70	11.23
Total	17.04	16.52

There was a substantial shortfall of 17% in international traffic while there was only a nominal increase of about 5% in domestic traffic as compared to projected traffic. This had resulted in short fall in collection of DF on this account over and above on account of lower amount sanctioned. There was a further shortfall due to large number of passengers under exempt categories vide AIC No. 3/2009 dated 3rd March, 2009.

3.6 Actual collection of DF in the 8 months (April 09 to November 09) was Rs 147.91 crores against billed amount of Rs 181.69 crores and projected collection of Rs 244 crores.

3.7 MIAL requested the Authority to review DF at CSI Airport in order to meet the gap of Rs 957 crores comprising of additional project cost of Rs 150 crores towards ATC tower and technical block and Rs 807 crores towards lower amount sanctioned, i.e., Rs 1,543 crores as against Rs 2,350 crores requested by MIAL.

4. Vide Letter No AV 24011/002/2009-AD dated 06.04.2010 (**Annexure -IV**), MoCA intimated the Authority that the following costs will also be considered in the project cost in respect of CSI Airport, Mumbai and captured in Regulatory Asset Base for purpose of determination of DF :

4.1 Shifting of ATC Tower and its associated facilities was to be borne by MIAL. The cost of such relocation was intimated to be Rs 150 crores (approx). It was also intimated that the cost of relocation of ATC Tower and its associated facilities had to be treated as part of the main project cost and was to be capitalized by MIAL.

4.2 Cost of parallel taxi track had to be included in main project cost and was to be capitalized by MIAL.

5. Thereafter vide letter dated 31.01.2011 (**Annexure V**), MIAL, inter alia, submitted that the project cost had escalated from Rs. 9802 cr to Rs. 10,453 cr. Point to owing to Mithi river widening, relocation of Chhatrapati Shivaji statue, MIAL's share of elevated access road and escalation of ATC cost etc.

JUDGMENT DATED 26.4.2011 OF HON'BLE SUPREME COURT OF INDIA:

6. In the meantime, in Civil Appeal Nos. 3611 of 2011, 3612 of 2011, 3613 of 2011 and 3614 of 2011 challenging the levy and collection of DF by DIAL and MIAL, the Hon'ble Supreme Court in its judgment dated 26.04.2011 (MANU/SC/0516/2011), inter-alia, held

the letter dated 27.02.2009 of the Central Government (vide which the approval of the Government was conveyed for levy of DF by MIAL), as ultra-vires the AAI Act, 1994. Hon'ble Supreme Court also held that w.e.f. 01.01.2009, no DF could be levied or collected from the embarking passengers at major airports under Section 22A of the AAI Act, 1994, unless this Authority determines the rate of such DF.

7. The Hon'ble Supreme Court further directed that:

".....But no such public notice has been issued by the Regulatory Authority under the 2008 Act pertaining to levy and collection of development fees by MIAL. Hence, MIAL could not continue to levy and collect development fees at the major airport at Mumbai and cannot do so in future until the Regulatory Authority passes an appropriate order under Section 22A of the 1994 Act as amended by the 2008 Act.."

Relief

....

(iii) We direct that MIAL will henceforth not levy and collect any development fee at the major airport at Mumbai until an appropriate order is passed by the Airports Economic Regulatory Authority under Section 22A of the 1994 Act as amended by the 2008 Act.

(v) We further direct that henceforth, any development fees that may be levied and collected by DIAL and MIAL under the authority of the orders passed by the Airports Economic Regulatory Authority under section 22A of the 1994 Act as amended by the 2008 Act shall be credited to the Airports Authority and will be utilized for the purposes mentioned in clauses (a), (b) or (c) of Section 22A of the 1994 Act in the manner to be prescribed by the rules which may be made as early as possible."

8. MoCA has since notified the Airports Authority of India (Major Airports) Development Fee Rules, 2011 vide Gazette Notification dated 03.08.2011.

9. Pursuant to the aforesaid judgment, MIAL, vide letter no MIAL /PR/15 dated 27.04.2011 requested that an appropriate order may be passed by the Authority for collection of DF at CSI Airport as any delay in collection of DF would jeopardise project completion due to shortage of funds. Vide another letter dated 28.04.2011, MIAL informed that the levy and collection of DF at CSI Airport, Mumbai had been stopped pursuant to the Hon'ble Supreme Court's order.

10. MIAL, vide letter dated 02.05.2011 (**Annexure VI**) requested for determination of DF in respect of CSI airport, Mumbai. In this letter, MIAL, inter alia, requested for the Authority's approval to levy of DF @ Rs 200/- per departing domestic passenger and Rs.1300/- per departing International Passenger, for a period of 33 months, to bridge an estimated funding gap of Rs 2,366 crores. In this regard, MIAL submitted as under:

10.1 The independent auditors (EIL) had accepted the project cost of Rs 9,802 crores. However due to reasons beyond its control, the project cost had escalated from Rs 9,802 crores to Rs 10,453 crores, which had been accepted by the Board of MIAL.

10.2 The escalation in cost was primarily due to the following cost elements, which were beyond the control of MIAL:

(i) Cost of ATC Tower and technical block was now estimated at Rs 390 crores resulting in escalation of Rs 310 crores over the earlier projected cost of Rs. 80 crores.

(ii) Cost contribution to MMRDA for elevated access road which had resulted in an escalation to the tune of Rs 166 crores.

(iii) Widening of Mithi River which had added Rs 150 crores to the project cost.

(iv) Relocation of Chhatrapati Shivaji Maharaj statue had further contributed Rs 25 crores towards escalation of project cost.

10.3 In view of the above additional costs (i.e. Rs 310 cr + Rs 166 cr + Rs 150 cr + Rs 25 cr = Rs 651 crores) the overall project was estimated to be Rs 10,453 crores.

10.4 In view of the above, means of finance for the project were as follows :

Particulars	Rs crores
Equity	1,200
Internal Accruals	1,021
Deposits from Real Estate Development	1,000
Debt	4,231
DF* - already collected	635
Total	8,087
Gap proposed to be funded through levy of DF (= 10453 - 8087)	2,366

*Collected up to March, 2011 & estimated up to 27.04.2011.

10.5 There was no possibility of bridging this gap through infusion of equity or additional term loans.

11. The Authority, vide letter no AERA/20010/MIAL-DF/2009-10/280 dated 12.05.2011, called for some clarifications from MIAL in the light of the Hon'ble Supreme Court's judgment and order dated 26.04.2011. In response to the same, MIAL vide its letter no MIAL/CEO/64 dated 24.06.2011 (**Annexure VII**), inter alia, stated that:

11.1 Regarding Judgement dated 26.04.2011 of Hon'ble Supreme Court:

11.1.1 It was evident that MIAL would levy, collect and utilize DF (DF) at CSIA by virtue of provisions of section 12A (4) of AAI Act, 1994.

11.1.2 There was no ambiguity that all powers vested in AAI were vested in MIAL so far as for operating, maintaining, developing, designing, constructing, upgrading, modernizing, financing and management of CSIA is concerned. These functions and corresponding powers necessarily include power to levy, collect and utilize DF for funding of financing the costs of upgradation, expansion or development of CSIA. The DF amount collected pursuant to letter dated 27.02.2009 of the Central Government is Rs. 637 crores.

11.2 Regarding Project Cost:

11.2.1 Subsequent to AAI letter No. AAI/MC/MIAL-12/MISC/2010-11/290 dated 26th July, 2010, AAI had issued another letter No. Plg/519/1.5/MIAL/08-pt/2551 dated 5th October, 2010 providing estimated cost of Technical Block i.e. Rs 390 crores.

11.2.2 The approved cost of the elevated access road was Rs. 343.20 crores. The estimated additional cost in respect of the same was Rs. 17.61 crores. Resulting in the estimated total cost of Rs. 360.81 crores. Out of this MIAL's share was Rs. 166.08 crores.

- 11.2.3 MIAL was in discussion with Government of Maharashtra (GoM) that the cost of Rs. 150 crores for widening of Mithi River within airport should be borne by GoM as a part of total project cost. MIAL also approached MoCA for its support and recommendation. However, GoM had already responded to MoCA vide letter no. MVP 2010/RN369/S.P. dated 1st April, 2011 reiterating that the cost was to be borne by MIAL.
- 11.2.4 Relocation of Chhatrapart Shivaji Maharaj statue was very important and critical issue and essential for the construction of Integrated Terminal.
- 11.2.5 GoM, vide it letter No. Smarak- 3111/282/CR 159/Desk – 29 dated 7th June, 2011, had clearly indicated that cost of such memorial, i.e. Rs 25 crores, was to be borne by MIAL.
- 11.2.6 MIAL had to incur additional Rs. 651 crores towards projects. These costs were absolutely necessary and critical for development and operation of the airport.

11.3 Regarding Means of Finance:

- 11.3.1 The equity participation in case of DIAL was Rs. 2,450 crores, where AAI had also contributed its portion of equity. In the case of MIAL, originally equity contribution was estimated to be Rs. 626 crores, which had already almost doubled to Rs. 1,200 crores. Any possibility for increase in equity depended on AAI participation. However, AAI vide letter no. AAI/MC/MIAL-07/EC/2011/1139 dated 06.06.2011, had expressed its inability to bring in its share in equity over and above Rs. 1,200 crores. In absence of any further contribution from AAI, it was not feasible to increase equity contribution from other shareholders.
- 11.3.2 IDBI bank had expressed inability to provide any further loan vide letter no. HO/ICG/MIAL/751 dated 3rd February, 2009.
- 11.3.3 Actual passenger traffic up to FY 10 had been almost in line with the figures projected in the proposal filled before MoCA on 11th February, 2009. The variation in traffic for 2010-11 onwards has already been considered in current application. Details are given below:

Passengers (in millions)	2008-09	2009-10	2010-11	2011-12	2012-13
Considered in 2008-09 application	23.67	25.49	27.40	29.46	31.67
Actual	23.44	25.61	29.07	-	-
Now projected	-	-	-	31.80	34.81
Estimated Y-o-Y growth %				9.4%	9.5%

Note: YTD FY 12 passenger growth is only 7.18% as against 9.4% considered in the Application.

- 11.3.4 Internal accruals were at the same level of Rs. 1,021 crores as was envisaged in the earlier application of 2008-09.
- 11.3.5 Total aeronautical income for the period FY 10 to FY 13 was estimated to be Rs. 1,705.29 crores instead of Rs. 1,717.41 crores projected earlier in 2008-09.
- 11.3.6 While approving DF, the full funding gap was not covered by MoCA against which MIAL had filed a review request vide its letter dated 31.03.2009.

- 11.3.7 CSIA is a severely land-constrained airport without any scope for further capacity increase over and above already envisaged. Entire development had to be completed in one phase; hence, there was no possibility of deferring any part of the project.

12. The matter was considered by the Authority and AAI was requested to appoint independent auditor(s) to audit the process/approach, cost estimates and expenditure incurred till date etc, as per the scope of work approved by the Authority and to submit the audit report for further consideration of the Authority. In pursuance thereof AAI vide letter dated 21.10.2011, awarded the assignment to M/s Engineers India Limited (EIL) and M/s Ved Jain and Co. The audit is in progress and it would take some more time to complete.

13. MIAL, vide letter dated 11.10.2011 (**Annexure-VIII**), inter alia, submitted that:

13.1 In view of fund requirement for timely implementation of project, it was highly desirable that pending application of DF of Rs.2,366 crores was finalized expeditiously.

13.2 Application of MIAL for DF of Rs. 2,366 crores to fund the gap in means of finance was under consideration of the Authority. As far as funding gap in means of finance was concerned, there was no change in status to increase equity amount, raise further debt or any increase in deposit against real estate development. Because of finalization of project cost, after relocation of Chhatrapati Shivaji Maharaj statue, considering increase in IDC, pre-operative expenses, escalations, contingency and change in scope / variation in estimates, project cost was estimated to be Rs. 12,380 crores as against Rs. 10,453 crores envisaged while making DF application.

13.3 This further increase in Project Cost of Rs. 1927 crore (Rs 12380 crores –rs 10453 crores) was, inter alia, attributed by MIAL to increase in IDC, pre-operative expenses, escalations, contingency and change in scope / variation in estimates, etc..

14. Vide another letter no MIAL/CEO/192 dated 12.12.2011 (**Annexure IX**), MIAL have, inter alia, submitted that:

14.1 The project was being implemented to ensure that scheduled commencement date of September 2013 for International Operations and September 2014 for Domestic Operations from the new integrated terminal was met. It would ensure that there was no further cost increase

14.2 Project Cost of Rs. 9,802 crores was duly assessed by Independent Engineer viz. Engineers India Ltd. and was also reviewed by MoCA while sanctioning DF in February 2009. Subsequently, due to mandated cost of Rs. 651 crores, cost of project was revised to Rs. 10,453 crores. This cost did not include increase in IDC, pre-operative expenses, escalation and contingencies, which were primarily related to delay in implementation of project.

14.3 It had filed MYTP for Control Period from FY2009-10 to FY2013-14. The amount of DF was directly related to tariff which was yet to be approved by the Authority. A sum total of internal accruals and DF aggregating to Rs. 5,949 crores had to come as a means of finance as per MYTP filed with the Authority

14.4 There was an urgent need of funds for the timely implementation of the project.

14.5 Since finalization of MYTP and DF would take its own time, it requested approval of levy and collection of DF based on project cost of Rs. 9,802 crores, so that funds could be infused urgently to ensure that there was no stoppage of ongoing project till finalization of MYTP and DF by the Authority based on the project cost of Rs. 12,380 crores.

14.6 Out of total sanctioned loan of Rs. 4,231 crores, MIAL had already drawn Rs. 3,748 crores leaving a small amount of Rs. 483 crores which was also under disbursal. Out of total equity of Rs. 1,200 crores, Rs. 1,000 crores had already been called. Action was being taken to call balance equity also shortly. Once all resources were exhausted, there was no other option for raising funds other than internal accrual and DF.

14.7 An amount of Rs. 1,000 crores was envisaged to be raised by way of security deposit from Real Estate Development by 31st March, 2013. All efforts were being made to raise security deposit but the same might get delayed due to overall bleak sentiment and liquidity crunch in the Real Estate Market. Because of proposed changes in direct tax laws concerning taxability of long term deposits of more than 12 years, inflow of funds through this route might get reduced.

14.8 Looking into the fact mentioned above, MIAL requested the Authority for approving levy and collection of DF at this stage @ Rs. 100 per embarking domestic passenger and @ Rs. 600 per embarking International passenger plus statutory levies if any - based on project cost of Rs. 9,802 crores. It stated that the same needed to be reviewed in due course in light of project cost of Rs. 12,380 crores and also taking into account internal accruals based on level of tariff approved against pending MYTP

14.9 MIAL also enclosed copy of letter dated 8th December 2011 of IDBI Bank wherein the Bank has, inter alia, stated that:

(i) IDBI bank, as lead Leander was concerned about the frequent revision in the project cost and extension of the completion date as there would now be a gap of Rs 2,578 crores in the means of finance envisaged for financing the project cost of Rs 9,802 crores vis-à-vis the now envisaged project cost of Rs 12,380 crores.

(ii) While MIAL had indicated that the gap of Rs 2,578 crores would be met through Airport Development Fee (ADF) and internal accruals/concessionaire deposits, without envisaging an increase in the debt component, yet the availability of these funds would be uncertain and matter regarding ADF is still under consideration of AERA

(iii) Out of total debt of Rs 4,231 crores, the company had already availed of Rs 3,748 crores. The company had raised a total of Rs 2,336 crores from equity, ADF, deposits, internal accruals etc and needed to bring in balance amount of Rs 3,235 crores, of which major portion (Rs 2,835 crores) was to come by way of internal accruals, license, performance deposit/ADF etc

(iv) Delayed availability of said means of finance and non tying up of balance amount of Rs 2,578 crores could delay completion of the project and lead to further increase in project cost which would be highly undesirable.

15. The Authority has carefully considered the request made by MIAL and observed that:

15.1 MoCA, vide its letter no. AV 24011/001/2009-AD dated 27.02.2009, had determined the rate of DF for CSI airport @ Rs 100/- (per embarking domestic passengers) and Rs 600/- (per embarking International Passengers), purely on an ad-hoc basis, considering the project cost as Rs 9,802 crores to meet the funding gap of Rs 1,543 crores.

15.2 MIAL vide its letter dated 31.01.2011 had informed that the Project Cost had increased from Rs. 9802 crores by Rs. 651 crore to Rs. 10453 crore on account of additional mandated items (para 5 above).

15.3 Pursuant to the Supreme Court's judgment and order dated 26.04.2011 in the matter of CA nos 3611 of 2011, 3612 of 2011, 3613 of 2011 and 3614 of 2011, MIAL, vide

letter dated 02.05.2011, requested the Authority to determine DF in respect of CSI Airport, Mumbai.

15.4 Thereafter, vide letter dated 11.10.2011, relating to the MYTP for the first Control Period, MIAL has informed that the Project Cost had further escalated by Rs. 1927 crore on account of increase in IDC, pre-operative expenses, escalations, contingency and change in scope/ variation in estimates(para 13.2 above) to Rs.12380cr. It was further stated that, even after accounting for the increased internal accruals during the Control Period and DF already collected, there would be an estimated funding gap of Rs. 3,313 crore to be recovered through DF.

15.5 The Audit exercise in respect of the project is expected to take some more time for completion.

15.6 MIAL has stated that revenue from real estate development was projected at Rs. 1000 crores for realization in the year 2012-13. However, even that is claimed to be an ambitious target to be achieved by 2012-13.

15.7 AAI has expressed its inability to contribute to additional equity.

15.8 Other alternative available to MIAL is to raise additional debt.

15.9 However, the Lead Lender to the project, i.e. M/s IDBI bank, has expressed its concern about the frequent revision in the Project Cost and extension of the completion date. Further M/s IDBI requires that MIAL provide a firm plan to tie up funds. Thus additional debt, in this context, may not be forth coming.

15.10 The project is ongoing and needs additional means of finance to be completed. As neither additional equity nor additional debt can be raised, it appears that DF is the only funding route available, as a measure of last resort for financing the project.

15.11 MIAL has requested that for the time being, as the audit has not been completed, DF may be determined on the basis of the project cost considered by MoCA, i.e. Rs 9,802 crores; that the DF maybe approved @ Rs 100/- per embarking domestic passenger and @ Rs 600/- per embarking international Passenger, plus statutory levies, if any.

15.12 If the determination of the funding gap and consequential determination of amount of DF was not done immediately, due to non-availability of adequate funds, the project may get further delayed. This may lead to further escalation of the project cost, which would not be in public interest.

15.13 Considering the project cost of Rs 9802 crore and the amount of DF already collected by MIAL, the funding gap works out as under :

Particulars	Amount Rs In Cr
Total project cost	9,802
Funding Gap determined by MoCA, to be bridged through levy and collection of DF	1,543
less DF collected (as advised by MIAL)	637
Funding GAP remaining to be bridged	906

15.14 MIAL had initially projected the passenger traffic only up to FY 12-13. Later on it provided the actual figures for FY 10-11 and the traffic forecast for subsequent years. However, for the purposes of the projection of passenger traffic, as submitted by MIAL in letter dated 24.06.2011, the traffic growth @ 9.5% has been considered.

Accordingly, the passenger traffic for the years 2011-12 onwards is estimated to be as under:

Year	No of Passengers (in Millions)
2011-12	31.83
2012-13	34.86
2013-14	38.17

15.15 As per the submissions of MIAL, the domestic and international traffic mix during 2010-11 (actual traffic figures) was as under:

Year	Domestic (mn)	International (mn)	Total (mn)	% Domestic	% International
2010-11	19.99	9.09	29.08	68.74	31.26

15.16 Assuming and applying the same proportion of the traffic mix to subsequent years, the traffic projection for the years 2011-12 onwards works out as under:

Year	Total embarking passengers	% Dom	% Intl	Dom Passengers	Intl Passengers
2011-12	15.92	68.74	31.26	10.94	4.98
2012-13	17.43	68.74	31.26	11.98	5.45
2013-14	19.08	68.74	31.26	13.11	5.97

15.17 With the DF @ Rs 100/- (per embarking domestic passengers) and @Rs 600/- (per embarking International Passengers), the tenure and projected collections of DF on the basis of funding gap identified in para 15.13 and traffic projections in para 15.16 above, works out as under:

Period	DF Collection (Rs in Crores)		Total DF
	Domestic	International	
Mar'12	9.12	24.88	34.00
2012-13	119.80	326.86	446.66
2013-14 (up to February, 2014)	114.06	311.19	425.25
Total March' 12 to February' 14	242.98	662.93	905.91

15.18 It has been the stated position of the Authority that DF should be approved only as a measure of last resort. Therefore MIAL would have to raise balance equity of Rs 200 crores before the DF could be operationalised

16. After careful consideration of the matter, the Authority has decided to propose the following for stakeholder consultation:

16.1 In terms of Section 13(1) (b) of the Act read with Section 22A of AAI Act, MIAL may be permitted to levy and collect DF at CSI airport, Mumbai @ Rs 100/- per embarking domestic passenger and @ Rs 600/- per embarking international passenger, exclusive of all applicable taxes, w.e.f. March, 2012 for a period of approx 24 months (i.e. up to February, 2014) to bridge a, presently, estimated funding gap of Rs 906 crores.

16.2 The issue of escalation in project cost to Rs 12,380 crores will be considered by the Authority after the audit commissioned by it is completed. The Authority would thereafter make further orders regarding rate and tenure of DF, as may be required.

16.3 The proposal made in para 16.1 shall be operationalised only after MIAL shows to the Authority's satisfaction that the balance equity of Rs 200 crores has been raised by it.

16.4 Rate and tenure of levy are premised upon the traffic projections and other estimates. Further, the Authority will be undertaking a review of the rate of DF by July/August 2012, by which time the audit would also have been completed.

16.5 The Authority has also observed that it is not required to consider the issue of accounting, collecting and audit etc. of the DF amount as the same have been provided for in the AAI (Major Airport), DF rules, 2011 notified on 03.08.2011.

17. In accordance with the provisions of Section 13(4) of the Act, the above proposal made in para 16 is hereby put forth for stakeholder consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed (**Annexure-I to IX**). For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction of this 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 decision fully documented and explained in terms of the provisions of the Act.

18. The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 16 above, latest by 27th January 2012, at the following address.

Capt Kapil Chaudhary
Secretary
Airports Economic Regulatory Authority of India
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi- 110003
Email: kapil.chaudhary@aera.gov.in
Tel: 011-24695042
Fax: 011-24695039

Yashwant S. Bhawe
Chairperson

Government of India
Ministry of Civil Aviation

Rajiv Gandhi Bhawan,
New Delhi-110003
Dated: 27th February, 2009

To

Shri G. V. Sanjay Reddy,
Managing Director,
Mumbai International Airport Pvt. Ltd.,
CSI Airport,
Mumbai.

Subject: Levy of Development Fee at CSI Airport – reg.

Sir,

I am directed to refer to your letter ref. no. NIL dated 26.12.2008, letter ref. no. nil dated 5.02.2009, letter ref. no. MIAL/PR/217 dated 11.02.2009 and letter ref. no. MIAL/PR/218 dated 16.02.2009 on the subject noted above and to convey the approval of the Central Government under, Section 22A of the Airports Authority of India Act, 1994, for levy of Development Fee (DF) by MIAL at CSI Airport, Mumbai @ Rs. 100/- per departing domestic passenger and @ Rs. 600/- per departing international passenger, inclusive of all applicable taxes, purely on an 'ad-hoc' basis, for a period of 48 months w.e.f. 1.04.2009. This approval is subject to following conditions:

- (a) The final determination of levy may be made by the Government/Regulator on a detailed review after 6 months from the effective date. ←
- (b) Following procedural/monitoring mechanism shall be followed:
 - (i) DF receipts would be deposited in a separate Escrow Account. Modalities of the Escrow Account may be decided by MIAL, with the approval of the AAI, atleast one week before the commencement of levy.
 - (ii) AAI and the Central Government would have supervening powers in respect of Escrow Account to ensure that all receipts are properly accounted for and are utilized only for permitted purposes. These powers may include stoppage of withdrawal by MIAL.
 - (iii) Presently, other capital receipts like equity and debt funds are channelized through another Escrow Account of MIAL as per OMDA requirements. However, presently, the Independent Auditor appointed by AAI only verifies the revenue as defined in Article 1.1 of OMDA and not the receipts of capital nature and utilization thereof. As a condition of this approval, MIAL would be required to subject such capital receipts and expenditure also to AAI supervision.
 - (iv) All accounting and auditing practices, as would have been applicable to AAI, would be applicable to DF receipts and expenditure by MIAL. The modalities in this respect should be worked out between AAI and MIAL, atleast one week before the commencement of levy.
 - (v) The compliance in respect of points (i) to (iv) above may be furnished by AAI and MIAL to the Central Government on event basis as well as on a periodical monthly basis.

SOP (?)

cont...

65

- (c) It will be ensured that DF is utilized for the development of such "Aeronautical Assets" only, which are "Transfer Assets" in terms of OMDA.
- (d) MIAL should report the collection and usage of DF on a monthly basis to Central Government/Regulator through AAI. The report should reach the Central Government/Regulator latest by 10th day of the following month.
- (e) The levy will be reviewed 6 months after commencement by the Regulator/Central Government and thereafter at such intervals as the Regulator/Central Government may decide.
- (f) At the stage of final determination, Regulator/Central Government would ensure adequate consultation with the users.
- (g) The amount collected through DF would under no circumstances exceed the ceiling of Rs. 1543 crores and in case of any cost escalation beyond Rs. 9802 crores, the amount representing the escalation would have to be brought in by MIAL through other sources. The ceiling amount would be exclusive of taxes, if any.
- (h) Rate and tenure of levy are premised upon the traffic projections and other estimates. In case due to actual figures being different than those estimated, the collections during levy period exceed the amount of Rs.1543 crores, or any other amount which the Regulator/Government may determine, the excess amount so collected shall not be utilized, for any purpose whatsoever, without the prior approval of the Regulator/Central Govt.
- (i) An independent auditor appointed by AAI would audit the receipts/accruals of MIAL on periodical basis. Periodicity of the audit would be decided by AAI in consultation with MIAL. AAI would report the results of audit to Government/Regulator for necessary directions.
- (j) MIAL would undertake real estate development programme on a time bound basis through competitive bidding at the earliest. In case, the amount actually received/receivable as a result of competitive bidding is more than the presently estimated amount of Rs. 1000 crores, the funding gap of Rs. 1543 crores would be revised downwards at the time of review.

3. Compliance may be reported to the Central Government in terms specified hereinabove.

Yours faithfully,

a/c

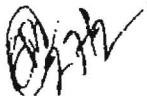
(Sandeep Prakash)
Director
Tel: 24616025

Copy to:

Shri V. P. Agrawal, Chairman, Airports Authority of India, Rajiv Gandhi Bhawan, New Delhi - for information and necessary action.

(Sandeep Prakash)
Director

Internal: ~~OSD to MCA / Sr. PPS to Secretary / JS&FA / JS(A)~~
27/2/19



Mumbai International Airport Pvt Ltd

31st March 2009

The Secretary
Ministry of Civil Aviation
Rajiv Gandhi Bhawan
Safdarjang Airport
New Delhi - 110 003

Sir,

Sub: Levy of Development Fee at CSI Airport, Mumbai

Ref: Your approval letter F.No.AV.24011/001/2009-AD dated 27th February 2009

We acknowledge with thanks the approval letter for levying of Development Fee (DF) at CSIA, Mumbai pursuant to provisions of Section 22A of the Airports Authority of India Act 1994. This approval will be of great help to develop CSI Airport as per schedule.

On going through the approval letter we find that against our claim of Rs. 2350 crores an amount of Rs.1543 crores only has been sanctioned on 'ad-hoc' basis.

As you are kindly aware of that because of expected shortfall in collection of deposit against real estate development and shortfall in internal accruals, it was necessary to levy development fee at CSIA as no other source of funding was available to bridge the gap of Rs.2350 crores in total project cost of Rs.9802 crores. Any shortfall in DF will leave the gap to be funded, which in the current scenario is not possible to be met through any other means.

We request you to kindly review our application so that funding gap is fully met through levy of development fee. In fact, projections considered for deposit against real estate development and internal accruals are extremely difficult to achieve and any further shortfall needs to be factored in to determine quantum of DF to bridge the funding gap.

We will be pleased to submit any information and details, as may be required while reviewing our application.

Thanking you,

Yours sincerely,
For Mumbai International Airport Pvt. Ltd.

G V Sanjay Reddy
Managing Director



1st Floor, Terminal 1B, Chhatrapati Shivaji International Airport,
Santacruz (E), Mumbai 400 099
Tel +91 22 2626 4846 • Fax +91 22 2615 6242
www.csi.a.in

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Mumbai International Airport Pvt Ltd

MIAL/PR/258

30th December 2009

The Secretary,
Airports Economic Regulatory Authority of India,
Room No: 1, New Administrative Block,
Safdarjung Airport, New Delhi - 110003

Sir,

Subject: Levy of Development Fee (DF) at CSI Airport, Mumbai

Reference: Your Letter No. AERA/20010/MIAL - DF/ 219 dated 26th November, 2009

With reference to the above letter, first of all we would like to bring to your kind notice that while finalising Development Fee (DF) for CSI Airport, Mumbai with effect from 1st April, 2009 under Section 22A of AAI Act 1994, an amount of Rs. 1543 crores was sanctioned against MIAL's request of Rs. 2350 crores. Total project cost envisaged was Rs. 9802 crores and various means of finance were as detailed below:-

Rs. Crores

Means of Finance	Proposed Earlier	Revised
Equity	1200	1200
Internal Accruals	2152	1021
Debt	4231	4231
Deposits from Real Estate Development	2219	1000
Total	9802	7452

17908
2350

Thus, there was a gap of Rs. 2350 crores for which a request was made for DF @ Rs. 375 per domestic embarking passenger and @ Rs. 1000 per international embarking passenger till gap of Rs. 2350 crores was met, against which DF of Rs. 100 per domestic embarking passenger and Rs. 600 per international embarking passenger for a period of four years was approved on an ad-hoc basis with a cap of Rs. 1543 crores exclusive of any applicable taxes.

- 2. MIAL sent a letter to MOCA dated 31st March 2009 (copy enclosed) requesting to review the quantum of DF as the same was not in line with requirement to meet funding gap. The amount of Rs. 1543 crores was sanctioned on ad hoc basis to be reviewed after six months by the Regulator / Central Government. We wish to inform you that subsequent to sanction of levy of DF, further developments have taken place which also need to be considered while reviewing DF at CSI Airport;

372/sev/109
21/12/09

2350
1543
807



Chhatrapati Shivaji International Airport
1st Floor, Terminal 1B, Santacruz (E), Mumbai 400 099.
Tel.+91 22 6685 2200 • Fax +91 22 6685 2059
www.csla.in

Existing	100	600
Proposed	200	1000

↓



- JRG -

Mumbai International Airport Pvt Ltd

- 2 1. Actual international traffic is much less than the projected traffic.
- 4 2. MOCA has asked MIAL to bear cost of ATC Tower and Technical Block to the extent of Rs. 150 crores as per letter F. No. AV.24011/002/2009-AD dt. 19th November 2009 - copy enclosed. This will result in increase in project cost by Rs. 150 crores, i.e. Rs. 9952 crores and consequently, funding gap will be Rs. 2500 crores comprising of Rs. 2350 crores as explained in the table above and Rs. 150 crores on account of increase in cost of project. There is an urgent need to review DF so as to meet the funding gap.

Till 30th November, 2009, DF accumulation is Rs. 182 crores, hence balance DF of Rs. 2318 Crores (including Rs. 150 crores increase in project cost) needs to be collected by 31st March 2013. Based on projected traffic considered, while making the Development Fee application, starting from 1st April 2010, Development Fee needs to be revised to Rs. 200 per embarking domestic passenger and Rs. 1000 per embarking international passenger which is on the basis of assumption that there is no service tax payable on Development Fee.*

Answers to queries raised in the AERA letter dt. 26th November 2009 are as follows:-

1) Action taken for ensuring the time bound development of the real estate

At the time of making application for Development Fee, amount to be received as Security Deposit was reviewed based on expected schedule of availability of land for Real Estate Development and prevailing depressed economic scenario. MIAL had projected collection of Rs 1000 crores from Security Deposit against Real Estate in the year 2012-13. Total area which was identified for Real Estate Development till the year 2012-13 was 35 acres and was an aggressive target looking into the constraints at CSI Airport, Mumbai.

Table below indicates details of plots and present status:-

Plot No.	Area (acres)	Location	Status
1	5.5	T1 Forecourt (In front of Terminal 1B)	Presently used for car parking Litigation with Golden Charlot in progress Eviction process of expired licensees in progress.
2	18.5	IAD Colony	Demolition of few vacant Building (Structure) in progress. Many buildings are still occupied by AAI Staff. Repeated requests have been made to AAI for early vacation. There will be delay.
3	6.5	In front of T2 Forecourt	Construction (Realignment) work for Storm Water Drainage to be done by BMC over next 2 years. Interim use for Terminal Construction related activities till Dec 2012.
4	4.5	Spread over in 4 pockets of 2, 0.5, 0.5 & 1.5 acres	Currently utilised for ancillary work. Will be available by 2012
Total	35		



JRG

Mumbai International Airport Pvt Ltd

Real Estate Consultants M/s. Jones Lang LaSalle Meghraj (JLLM), In their report, had clearly brought out enabling steps to be taken to achieve the target of development of 35 acres of land. Status is as indicated below:-

a. The part of the Colony land will become available for development between May 09 to Dec 09

As AAI staff has still not vacated the houses, this land is not available for development and expected to become available in stages, then only any process can be initiated.

b. Dealing with encumbrances

Encumbrances that are delaying the availability of above land parcels comprise of Litigations, AAI staff occupying houses in spite of transfers, VRS, third parties in occupation since long periods without valid license / lease. MIAL is putting all efforts to deal with these encumbrances so that land parcels, become available in the indicated time periods. Eviction of even a trespasser requires the process of law to be followed. Court procedure is slow and not in control of MIAL.

c. Dynamic process of planning v/s legal and other associated problems

It is a matter of fact that planning is being done keeping in mind various encumbrance problems stated above. The planning may be done but associated problems may take time to get resolved. It is a dynamic process and all-out efforts are being made to mitigate the legal and other associated problems by taking proactive actions.

d. Dealing with multiple authorities and securing clearances from all of them

The whole process of Real Estate Development involves clearing encumbrances, fighting court battles and following the process of Law for eviction. In order to simplify the procedure and also to expedite the clearances, on specific request of MIAL Mumbai Metropolitan Region Development Authority (MMRDA) has been appointed as a Special Planning Authority. Hopefully this will help in fast preparation of Development Plan. Airport land was having various restrictive reservations which should have been withdrawn long back; however no steps were taken to do so.

From the above it may be observed that in spite of making all-out efforts it is not possible to prepone Real Estate Development schedule; rather, it is an uphill task even to achieve the aggressive schedule considered at the time of making Development Fee application. It will be not out of place to mention that rehabilitation of slum dwellers which was scheduled to be completed in four years from October 2007 is progressing well; but there is a likelihood of delay considering the constraints being faced in identifying more land for slum rehabilitation, especially delay in finalising Dahisar land by AAI (32 acres) and no decision by Government of India to make available salt pan land for the proposed slum rehabilitation.



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Mumbai International Airport Pvt Ltd

JLLM had estimated that from 35 acres MIAL will be able to raise about Rs. 890 – 950 crores as security deposit but MIAL had taken an ambitious target of Rs.1000 crores. Further JLLM estimated that by the end of year 2012, actual realisation of deposits will be in the range of Rs. 550 – 700 crores only. It will be a herculean task to realise Rs. 1000 crores by 2012 – 13.

ii) Action taken for increasing the internal accruals which would bring down the funding gap of Rs. 1543 crores

First of all, as indicated above, funding gap is estimated to be Rs 2500 crores. It is a continuous process to strive for increasing overall revenue. After taking over management of CSIA in May 2006, MIAL embarked upon increase in various revenue streams such as duty free, advertisement, space rentals, land licence fee, Retail, F & B, cargo, oil throughput and revenue from ground handling services. Details of revenue progression are given in the table below:-

Rs. Crores

Particulars	FY 2006-07		FY 2007-08 Actuals	Increase over FY 2006-07 (Annualised)	FY 2008-09 Actuals	Increase over FY 2006-07 (Annualised)	Increase over FY 2007-08
	3rd May'06-31st Mar'07	Annual-Ised					
Aero Revenue #							
Landing Fees	206	226	260	15%	270	20%	4%
Parking Fees	11	12	13	11%	18	56%	40%
PSF-Facilitation	71	78	89	14%	83	6%	-7%
Total Aero Revenue	288	316	362	15%	371	18%	3%
Non-Aero Revenue #							
Land / Space Licence Fees	49	54	57	6%	62	14%	8%
Duty Free	19	20	23	16%	75	268%	218%
Hoarding & Display	18	20	39	98%	52	163%	33%
F&B and Lounges	23	25	29	17%	35	40%	20%
Ground Handling	12	14	17	23%	26	89%	54%
Others	51	56	152	172%	142	154%	-7%
Total Non-Aero Revenue	172	189	318	68%	391	107%	23%
Cargo Revenue #	125	136	173	27%	181	33%	5%
Total Revenue	585	641	853	33%	944	47%	11%

Classification of revenue as per OMDA.

Note: MoCA permitted increase of 10% in aeronautical charges w.e.f. 1st January, 2009.

From the table above it may be observed that after taking over CSIA Airport all revenue streams have substantially increased. In fact, in spite of fall in number of passengers in the year 2008 – 09 vis-à-vis 2007- 08, because of extraordinary efforts undertaken by MIAL there is an increase of 23 % in non-Aero revenue.



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Mumbai International Airport Pvt Ltd

Even the projections made while making the application for Development Fee were quite aggressive, all-out efforts are being made to achieve higher revenue wherever possible. Efforts will continue and any major increase in future will be reported to AERA as Development Fee is subject to review by the Regulator from time to time. This is to bring on record that already a perception is created that Indian airports, particularly Mumbai and Delhi, are very expensive airports for non-aeronautical charges like space rentals, retail and F & B. This perception also restricts possibility of increase in non-aeronautical income in near future.

iii) *Whether any attempt has been made for exploring the possibility of obtaining refundable short term advance from shareholder or obtaining a bridge loan?*

Possibility of obtaining refundable short term advance from shareholders was explored before applying for Development Fee and has been revisited from time to time thereafter. However, at present, there is no possibility of any refundable short term advance from shareholders.

iv) *Whether such additional funds either in the form of equity/debt has been received during the period of levy and whether such amounts have been drawn first for capex purpose before drawing the DF amount.*

No additional funds in the form of equity / debt have been received. There was receipt of equity contribution of Rs. 200 crores which was already accounted for as a means of finance.

v) *Trends in actual and projected traffic for period April 09 to November 09*

Traffic from April 2009 to November 2009 is shown below:

(In million)

	Projected	Actual
International	6.34	5.29
Domestic	10.70	11.23
Total	17.04	16.52

It may be kindly observed from the above that there is substantial shortfall of 17% in international traffic while there is a nominal increase of about 5% in domestic traffic as compared to projected traffic. This has resulted in short fall in collection of Development Fee on this account over and above on account of lower amount sanctioned. There is further shortfall due to large number of passengers under exempt categories vide AIC No. 3/2009 dated 3rd March, 2009.

vi) *Actual collection of DF in the last 8 months (April 09 to November 09)*

Actual collection of Development Fee for the period Apr'09 to Nov'09 is Rs 147.91 crores against billed amount of Rs. 181.69 crores and against projected collection of Rs. 244 crores.



8

Mumbai International Airport Pvt Ltd

vii) *The details of utilisation of the DF receipts for development of such "Aeronautical Assets" only, which are "Transfer Assets" In terms of OMDA*

The amount of Development Fee collected has been utilised only for "Aeronautical Assets" which are "Transfer Assets" In terms of OMDA.

We request you to kindly review Development Fee at CSI Airport, Mumbai in order to meet the gap of Rs. 957 crores comprising of additional project cost of Rs. 150 crores towards cost of ATC Tower and Technical Block; and Rs. 807 crores towards lower amount sanctioned, i.e. Rs. 1543 crores as against Rs. 2350 crores requested by MIAL.

Thanking you,

Yours sincerely,
For Mumbai International Airport Pvt. Ltd.


(R. K. Jain)
President

Encls.: as above.



Mumbai International Airport Pvt Ltd

31st March 2009

The Secretary
Ministry of Civil Aviation
Rajiv Gandhi Bhawan
Safdarjung Airport
New Delhi - 110 003

Sir,

Sub: Levy of Development Fee at CSI Airport, Mumbai

Ref: Your approval letter F.No.AV.24011/001/2009-AD dated 27th February 2009

We acknowledge with thanks the approval letter for levying of Development Fee (DF) at CSIA, Mumbai pursuant to provisions of Section 22A of the Airports Authority of India Act 1994. This approval will be of great help to develop CSI Airport as per schedule.

On going through the approval letter we find that against our claim of Rs. 2350 crores an amount of Rs.1543 crores only has been sanctioned on 'ad-hoc' basis.

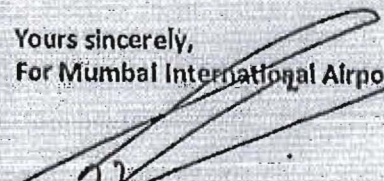
As you are kindly aware of that because of expected shortfall in collection of deposit against real estate development and shortfall in internal accruals, it was necessary to levy development fee at CSIA as no other source of funding was available to bridge the gap of Rs.2350 crores in total project cost of Rs.9802 crores. Any shortfall in DF will leave the gap to be funded, which in the current scenario is not possible to be met through any other means.

We request you to kindly review our application so that funding gap is fully met through levy of development fee. In fact, projections considered for deposit against real estate development and internal accruals are extremely difficult to achieve and any further shortfall needs to be factored in to determine quantum of DF to bridge the funding gap.

We will be pleased to submit any information and details, as may be required while reviewing our application.

Thanking you,

Yours sincerely,
For Mumbai International Airport Pvt. Ltd.


G V Sanjay Reddy
Managing Director



1st Floor, Terminal 1B, Chhatrapati Shivaji International Airport
Santacruz (E), Mumbai 400 099
Tel +91 22 2626 4846 • Fax +91 22 2615 6242
www.csia.in

नामच दिनांक

दिनांक

राज्य

महाराष्ट्र



F.No.AV.24011/002/2009-AD
Government of India
Ministry of Civil Aviation
AD Section

Safdarjung Airport, New Delhi
Dated 19.11.2009

To,
Shri V.P. Agrawal,
Chairman,
Airports Authority of India,
Safdarjung Airport, New Delhi

Sub: Construction of new ATC Tower and Technical Block at CSI
Airport, Mumbai - need of carved out assets- funding.

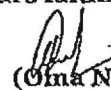
Sir,

I am directed to refer to your letter No. Plg/519/1.5/MIAL/06 dated 17.09.2009 on the above mentioned subject and to say that your proposal has been considered in the light of CNS/ATM Agreement entered into between the M/s MIAL and AAI and also subsequent meetings with this Ministry.

2. It has been decided that MIAL would bear the cost of shifting of ATC tower and its all associated facilities at an approximated cost of Rs.150 crores, by treating it as part of the overall project cost. It has also been decided that AAI would submit a detailed plan and cost estimate to MIAL, at the earliest, to enable construction of new ATC Tower and Technical Block.

3. This issues with the approval of Minister of Civil Aviation (I/c)

Yours faithfully,


(Gina Nand)

Under Secretary to the Govt. of India
Tel.: - 24640214

Copy to: -

✓ Shri Sanjay Reddy, Managing Director, Mumbai International Airport Pvt. Ltd., 511, World Trade Centre, Babar Road, New Delhi w.r.t their letter No.MIAL/PR/1 dated 08.04.2009. →

<p>Telephone No. :4622485 Telegraphic Address: Commercial : AIRCIVIL NEW DELHI Aeronautical : VIDDYAYX E Mail: grl@dca.delhi.nic.in Fax : 0114629221</p>	<p>GOVERNMENT OF INDIA AERONAUTICAL INFORMATION SERVICES DIRECTOR GENERAL OF CIVIL AVIATION OPPOSITE SAFDARJUNG AIRPORT NEW DELHI-110 003</p>	<p>Sl. No. 3/2009</p> <hr/> <p>24th March,2009</p>
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File No. 9/18/2008-IR

The following AIC is issued for the information, guidance and compliance.

Nasim Zaidi
(Nasim Zaidi)
Director General of Civil Aviation

COLLECTION OF DEVELOPMENT FEE

In exercise of power conferred under Section 22A of the Airports Authority of India Act, 1994, the Central Government have approved the levy of Development Fee by Mumbai International Airport (P) Limited (MIAL) purely on an adhoc basis @ Rs. 100/- per domestic passenger and @ Rs. 600/- per International passenger departing CSI Airport, Mumbai w.e.f. 01-04-2009 for a period of 48 months.

2. In order to obviate inconvenience to the passengers, and for smooth and orderly air transport/airport operations, it has been decided that all the airlines shall collect the Development Fee (DF) from the passengers at the time of issue of the air ticket and remit the same to MIAL in line with the system/procedure in vogue in respect of collection of PSF. For this, collection charges not exceeding Rs. 5/- per international passenger and Rs. 2.50/- per

domestic passenger shall be receivable by the airlines from MIAL, which shall not be passed on to the passengers in any manner.

3. MIAL may exempt following persons from levy of Development Fee:

- (a) Infants, i.e., those persons who are travelling on Infants tickets Issued by the airlines;
- (b) Holders of Diplomatic Passport;
- (c) Airlines crew on duty;
- (d) Persons travelling on official duty on aircraft operated by Indian Armed Forces;
- (e) Transi/transfer passengers (less than 6 hrs. stay at CSI Airport, Mumbai)
- (f) Passengers departing from CSI Airport, Mumbai due to involuntary rerouting, i.e., technical problems or whether conditions etc.

4. The accounting modalities shall be decided by MIAL with the approval of Airports Authority of India.

~~224~~

F. No. AV24011/002/2009-AD
Government of India
Ministry of Civil Aviation
AD Section

Safdarjung Airport, New Delhi
Dated 06.04.2010.

88/Secy/10
8/4/10
665.AERA-10
8.4.10

To,
Shri Sandeep Prakash,
Secretary,
Airports Economic Regulatory Authority,
Safdarjung Airport, New Delhi

Re. examine of u.

957/2/4

SM (ABS)

~~DSD-11~~

Sub: Levy of Development Fee (DF) at CSIA, Mumbai - Construction of new ATC Tower -rgd.

9/4/10

Sir,

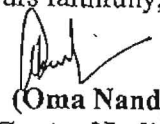
I am directed to refer to your ID No. AERA/ 20010/MIAL/DF/2009 dated 12.02.2010 on the above mentioned subject and to say that the cost of shifting of ATC Tower and its associated facilities at CSIA, Mumbai has been considered in this Ministry in view of the obligation of the JV under the CNS/ ATM agreement signed with AAI. The competent authority has decided that the cost of relocating the ATC Tower and its associated facilities is to be borne by MIAL, as the said relocation is due to alteration/ modification of the airport.

2. Further, on the issue regarding the cost of Rs.150 crores (approx.) towards shifting of ATC Tower and its associated facilities, has also been examined in consultation with AAI and observed the following:

- i. The relocation of ATC Tower and its associated facilities fall under the obligations of the JVC i.e. MIAL under Clause 3.3.18 of the CNS/ ATM Agreement entered into between AAI and MIAL as the shifting of ATC Tower has become essential in order to carry out the modernization work by MIAL, namely the construction of parallel taxi track on the North-Eastern side of R/W 14/32.
- ii. The relocation of ATC Tower and Technical Bock is being planned at the instance of MIAL only, being an operational requirement and not at the instance of AAI. This is also in conformity with Master Plan, submitted by MIAL and approved by AAI.
- iii. As General Accounting Policy, any expenditure incurred for completing the project/ acquisition of assets or incidental thereto are to be capitalized along with the said project/ asset, which in this case also includes relocation cost.

- iv. Based on the above policy, in case of land acquisition also, any compensation paid to the land owners based on the Court directives over and above the rates fixed by the Government are being capitalized along with the land cost. In addition, the cost of removing/ relocating the electric poles/ sewerage lines and roads, etc., in the newly acquired land are also being added to the land cost.
- v. Further, it is added that merely relocation of ATC tower and its associated facilities by MIAL, will not generate any additional/ incremental revenue to AAI.
- vi. In view of above facts, the investment made by MIAL on relocation of ATC tower and its associated facilities has to be treated as part of main project cost and to be capitalized by MIAL along with cost of parallel taxi track. Further, this cost has to be captured in the Regulatory Asset Base of MIAL for the purposes of determining DF.
- vii. AAI would not make any additional capitalization towards this new ATC tower and its associated facilities in its books and AAI will not be seeking any return on this expenditure by MIAL, while re-fixing its tariff.
- viii. It is also clarified that AAI is a sole authority for providing ATC services at Indian airports and has not leased any of its related functions to MIAL. In the instance case, MIAL is only bearing the cost of relocation of ATC tower in terms of CNS/ ATM Agreement and cost incurred thereon should be treated as a part of project cost and this cannot be construed as MIAL stepping into the shoes of AAI.

Yours faithfully,



(Oma Nand)

Under Secretary to the Govt. of India
Tele-24640214

Enclosure

Copy to:
The Managing Director,
M/s MIAL, 511, World Trade Centre,
Babar Road, New Delhi:- with respect to your letter no. MIAL/PR/198 dated 29.11.2009.

15.1/Secy/11
4/2/11



MIAL/PR/244

Secretary,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003

15.1/4/2

Dear Sir,

CSA II

Subject: Levy of Development Fee at CSI Airport, Mumbai

Reference: 1. Your letter No. AERA/20010/MIAL-DF/219 dated 26th November 2009
2. Our reply to above vlde latter no. MIAL/PR/258 dated 30th December 2009

Further to our letter no. MIAL/PR/258 dt. 30th December 2009, in connection with levy of Development Fee (DF) at CSI Airport, Mumbai, we wish to bring to your kind notice that project cost is revised to Rs 10453 crores as against Rs 9802 crores earlier and the Board has approved the same. Copy of the Minutes of the Board Meeting is enclosed for your ready reference (Annexure 1). Increase in project cost by Rs 651 crores is because of reasons beyond control of MIAL as detailed below:

1. Cost of ATC Tower and Technical Block (Including equipment):

ATC Tower and Technical Block have to be relocated for construction of Code F compliant taxiway parallel to Runway 14/32. Initial estimated cost was Rs 80 crores excluding equipment and Technical Block. However now AAI has mandated, with the approval of MoCA, that cost of equipment and even Technical Block should be borne by MIAL. Cost estimate for these facilities is Rs 390 crores, resulting in revision in cost by Rs 310 crores.

2. Cost Contribution to MMRDA for Elevated Access Road:

In order to provide access to new Integrated Terminal at Sahar, MIAL was asked by MMRDA to contribute in the cost of the project which amounts to Rs 166 crores as on date. Initially, this cost was not envisaged to be borne by MIAL. However, since elevated road is catering exclusively to the airport, MMRDA agreed to construct the same only with contribution from MIAL.

3. Widening of Mithi River:

Subsequent to floods of 2005, based on report of a committee appointed by Government of Maharashtra (GoM), Mithi River has to be widened to mitigate risk of similar calamity in future. Part of Mithi River passes through airport land. GoM asked MIAL to bear the cost of widening Mithi River within the airport. MIAL has represented time and again to GoM that this cost should be borne by GoM as part of the total project. However, so far, it has not been accepted by GoM. In fact, on request of MIAL, MoCA had written a letter to Chief Secretary, GoM, that cost should be borne by GoM. But the same has not been considered favourably. Though all out efforts are being made by MIAL to pursue GoM to bear this cost, there seems to be no possibility of the same. Estimated cost to widen the Mithi River within the airport is Rs 150 crores and the same has to form part of project cost. As widening of Mithi River is to be taken up before monsoon, the work has already started and the cost is being incurred by MIAL.



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4. Relocation of Chhatrapati Shivaji Maharaj Statue

Existing location where AAI had installed Chhatrapati Shivaji Maharaj statue falls in the footprint of Integrated Terminal. After discussions with concerned authorities and all political parties, relocation of statue is possible only if a memorial befitting the glory of Chhatrapati Shivaji Maharaj is set up, estimated cost of which is Rs 25 crores. This is an enabling cost for construction of Integrated Terminal.

MIAL has ensured that there is no increase in the approved project cost of Rs. 9802 crores other than additional cost of Rs 651 crores which is beyond control of MIAL. In view of this additional cost of Rs 651 crores, overall project cost is estimated to be Rs 10453 crores.

Update on Real Estate Development:

MIAL has put best efforts for making land available for City Side Development, however, most of the MIAL City Side land holdings, which are required for Real Estate Development are affected by various temporary usage and constraints, compelling to change the Development strategy from time to time. Ongoing terminal and airside expansion/modernization, activities have also taken up large chunk of land for various purposes, which are listed below:

- i. Temporary use of various land parcels for various purposes such as
 - a. Project office,
 - b. L&T construction Site for terminal expansion work,
 - c. Area allotted to L & T for Elevated Highway work for construction, storage, handing etc
 - d. creation of temporary Taxi staging area
- ii. Relocation of some facilities is yet to be completed.
- iii. Re- routing and Re-alignment of major drains under International Airport area under Mithi River flood control plan is now being implemented.
- iv. Approval process
- v. Infrastructure Development In and around CSIA area

Real Estate Market has still not recovered from recessionary impact and overall situation of commercial and retail market in the project influence zone as well as across Mumbai region is still a matter of concern.

The clear land available during the year 2009 was nearly 5 acres and the process of Land clearance was at very nascent stage. Since then MIAL has made considerable progress towards achieving the targeted goal to make 35 acres of land available by FY 2012-13 for Real Estate Development. Under Current scenario, the targeted collection of Rs. 1000 Crores as Security Deposit is on optimistic side due to the constraints as listed above.

Zone-wise land availability and issues are described under the following table:

92

Sr. No.	Location	Area (acres)	Status in 2009	Current Status
1	T1 Forecourt (In front of Terminal 1B)	5.5	<ul style="list-style-type: none"> • Presently used for car parking • Litigation with Golden Chariot in progress • Eviction process of expired licensees in progress. 	<ul style="list-style-type: none"> • Presently used for car parking. • Golden Chariot has been vacated. • Eviction process of expired licensees in progress. • Proposed Multi Level Car Parking will make the land available. • Air Traffic Control (ATC) Tower construction is in progress in this Zone.
2	IAD Colony	18.5	<p>Demolition of few vacant Building (Structure) in progress. Many buildings are still occupied by AAI Staff. Repeated requests have been made to AAI for early vacation. There will be delay.</p>	<p>38 Buildings have been demolished. 252 flats are still occupied by AAI. Repeated requests have been made to AAI for early vacation. Even CISF is occupying flats / bungalows and would vacate only on making available alternate arrangements.</p>
3	In front of T2 Forecourt	6.5	<ul style="list-style-type: none"> • Construction (Realignment) work for Storm Water Drainage to be done by BMC. • Interim use for Terminal Construction related activities till Dec 2012. 	<ul style="list-style-type: none"> • Construction (Realignment) work for Storm Water Drainage started by BMC in Nov 2010, expected to completed by March 2012. • Interim use for Terminal Construction related activities till Dec 2012.
4	Spread over in 4 pockets of 2, 0.5, 0.5 and 1.5 acres	4.5	<ul style="list-style-type: none"> • Currently utilized for ancillary work. • Will be available by 2012. 	<ul style="list-style-type: none"> • Currently utilized for ancillary work. • Will be available by 2012.
	Total	35.0		

Means of Finance:

The project cost of Rs 10453 crores is proposed to be funded as follows:

Particulars	Rs. Crores
Equity	1,200
Internal Accruals	1,021
Security Deposit Against Real Estate	1,000
Long Term Debt	4,231
Approved Development Fee (Net of Collection Charges of Rs 28 crores)	1,515
Total	8,967
Gap	1,486

92

From the above, it may be observed that there is a funding gap of Rs 1486 crores. There is no possibility of bridging this gap through infusion of additional equity or additional term loans. In fact, this matter was discussed in the Board Meeting of MIAL held on 28th October 2010, where all shareholders expressed inability to bring in additional equity. It is proposed to bridge this gap by way of increased levy of DF of Rs 200 per departing domestic passenger and Rs 1375 per departing international passenger effective 1st April, 2011, till 31st March, 2014. In the meantime, the current approved DF of Rs 100 and Rs 600 per departing domestic and international passenger respectively has to continue.

It may kindly be observed that additional cost of Rs 651 crores is solely due to reasons beyond control of MIAL. MIAL, on its part, has strived hard to ensure not to exceed earlier sanctioned project cost of Rs 9802 crores, but for the reasons beyond its control. A request for approval of the project cost has already been submitted to MoCA vide letter MIAL/PR/237 dt. 14th January, 2011. Copy of the letter is enclosed for ready reference (Annexure 2).

Since collection of DF is envisaged upto 31st March, 2014, but the amount has to be spent in advance for timely completion of project, MIAL intends to approach banks for loan against securitisation of DF, which will carry interest as applicable to MIAL. This interest has also to be funded through DF. Alternatively, DF amount collection needs to be accelerated.

Collection of DF against earlier sanction:

We would like to highlight the fact that because of exemption granted by DGCA vide its AIC Sl. No. 3/2009 dated 20th March 2009 to various categories of passengers, there is a shortfall in DF collection to the extent of about 12% on this account.

Assumptions about Tariff:

Kindly note for the purpose of projections, no tariff change has been considered and the same are kept at the present level. However, impact of any change in tariff on DF, for any reason whatsoever, may be considered at appropriate time.

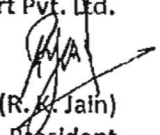
Please find enclosed financial projections as per Annexure 3.

You are kindly requested to consider requirement of increase of DF at CSIA for completion of the project. Please note any tax on DF has to be over and above the total DF amount.

Thanking you,

Yours sincerely,

For Mumbai International Airport Pvt. Ltd.


(R. K. Jain)
President

Encl.: As above



CERTIFIED EXTRACT OF MINUTES OF THE 26TH MEETING OF THE BOARD OF DIRECTORS OF THE MUMBAI INTERNATIONAL AIRPORT PRIVATE LIMITED HELD ON 28TH OCTOBER 2010

26.12 TO REVIEW THE STATUS OF VARIOUS ON-GOING AIRPORT DEVELOPMENT PROJECTS AND APPROVE REVISED PROJECT COST & MEANS OF FINANCE

Thereafter, an update on Project cost was presented before the Board.

Mr. Sanjay Reddy, Managing Director informed the Board that earlier approved project cost was **Rs 9,802 crores**. Revised estimate of project cost was placed before the meeting and the Board was informed that now project cost was estimated to be at **Rs 10,453 crores** showing an increase of Rs 651 crores. The Revised Project Cost had been arrived at after considering increase / decrease in cost of various elements constituting the project cost as detailed below.

It was informed to the Board that Increase of **Rs 651 crores** in the project cost has occurred due to the following reasons, which were beyond the control of the Company:

- i. Cost of ATC Tower, Equipments and Technical Block - **Rs 310 crores** (Total estimated cost Rs 390 crores less already budgeted Rs 80 crores). AAI had estimated cost of Rs 150 crores towards ATC tower comprising of, Inter alia, cost of structure (Control Tower and associated cost) Rs 40 crores but as per MIAL estimate and approved budget, this cost will be Rs 80 Cr. (i.e. increase of Rs 40 crores). Therefore, Total cost towards ATC structure, equipments and Technical Block shall be Rs 390 crores against Rs 80 crores considered earlier.
- ii. Contribution to MMRDA for Sahar Elevated Access Road - **Rs 166 Crores**
- iii. Cost of Mithi river widening within airport premises- **Rs 150 crores**
- iv. Cost of relocation of Shivaji Maharaj Statue and memorial - **Rs 25 crores**

The Board was further informed that there were other changes in the project cost but the Company has ensured to contain cost at Rs 9,802 crores save and except increases due to extraneous reasons as explained above being Rs 651 crores, taking overall project cost to **Rs 10,453 crores**. Various changes in the project cost are detailed below:

I. Increase in Project cost due to:

- A. Increase of **Rs 254 crores** in the cost of various airside projects, as mentioned below:



Sanjay Reddy



- i. Runway 09/27 upgradation and realignment of parallel taxiway north of runway 09/27 - increase of Rs 70 crores due to site conditions, change of overlay to structural from conventional, construction of taxiway stubs with expedient pavement instead of normal pavement, Raising of 09 end and RESA area, addition of new duct bank for Airfield Ground Lighting (AGL) and to address various DGCA non compliances.
 - ii. Runway 14/32 up gradation - Increase of Rs 72 crores due to reprofiling of runway longitudinal grade and runway transverse slope, reconstruction of 750 mtrs length of runway with rigid pavement, construction of taxiway stubs with expedient pavement instead of normal pavement, addition of new duct bank for Airfield Ground Lighting (AGL) and to address various DGCA non compliances (requiring filling up to 600mm in two stretches).
 - iii. Enabling works for construction of a) Parallel Taxiway to Runway 14/32 and b) International Apron (T2) Expansion - Increase of Rs 87 crores due to site conditions.
 - iv. Other airside projects already completed - increase of Rs 25 crores.
- B. Increase of **Rs. 503 crores** in the cost of New Integrated Terminal as mentioned below:
- i. Enabling works - Increase of Rs. 77 crores due to Apron H, additional CCR building, relocation of police stations and project offices, shifting of utilities, landside road networks, Line Maintenance Building etc.
 - ii. Terminal building - increase of Rs. 326 crores due to a) increase in built up area at arrival & departure plaza and utility building and b) change in specifications during design development stage.
 - iii. Increase of Rs 100 crores for new Sahar Elevated access road due to increase in area and difference in estimated cost and actual committed cost.
- C. Increase of **Rs 133 crores** in Miscellaneous Projects - This was mainly due to increased cost in Airport Management building by Rs. 40 crores, MIAL's share of BMC drainage works by Rs 33 crores (not envisaged earlier), cost of Terminal 1C project by Rs 25 crores, cost of Vile Parle police station as Rs 15 crores and Rs 20 crores being increase in cost due to difference in estimated cost and actual incurred cost for completed projects



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- D. Increase in Technical Services and consultancy charges by **Rs 10 crores.**
- E. Increase of **Rs 69 crores** in preoperative expenses due to delay in completion of Integrated Terminal primarily due to relocation of Chhatrapati Shivaji Maharaj statue and relocation of Air India facilities. This was also on the assumption that Integrated Terminal will be completed in March 2013 instead of December 2012 taking into consideration that relocation of Chhatrapati Shivaji Maharaj statue would have been completed by 1st March 2010 which has not happened and this will lead to further delay resulting in increased preoperative expenses and IDC. Completion date of Integrated Terminal can be correctly estimated only on completion of relocation of Chhatrapati Shivaji Maharaj statue, which in turn will enable the Company assess preoperative expenses and IDC correctly.
- F. It was further informed to the Board that earlier approved project cost included Rs 205 crores towards development of International cargo. Since Company has decided to develop cargo on BOT basis and there is requirement of budget for relocation of Air India facilities, this amount would be utilized for the relocation of Air India facilities.

II. Reduction in Project Cost due to:

- A. BOT/Outsource Projects: The Board was further informed that the Company is exploring the possibilities to complete Multi Level Car Park (MLCP) through BOT route, thereby reduction in approved project cost by **Rs 270 crores**, being the amount considered in the project cost earlier.
- B. Interest During Construction (IDC) lower by **Rs 563 crores.** IDC is revised considering i) already approved Rs 1,543 crores funding through Development Fee (DF) and ii) additional funding of Rs 1,486 crores through DF to meet funding gap. Further this estimate is based upon completion of the international section of T2 by March 2012 and the complete Integrated terminal inclusive of domestic by March 2013.
- C. Lower provision for contingencies by **Rs 136 crores.**

III. The Board was also informed that infrastructure for Information Technology is estimated to cost Rs 256 crores. This cost was not included in the earlier approved project cost, as it was always meant to be completed through outsourcing and the same shall be completed on BOT/ Outsourcing basis.



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- IV. The Board was also informed that cost of clearing land retrieved from CPWD and cost of construction as per MOU executed between CPWD and MIAL is estimated to cost about Rs 55 crores. This cost is currently not included in the revised project cost since this relocation is required to clear the land for cargo development and therefore Company intends to recover / pass this cost onto the BOT operator for cargo.

Considering the above changes in the project cost, there would be net increase in project cost by Rs 651 crores to the earlier approved project cost of Rs 9,802 crores solely because of reasons beyond Company's control. Therefore revised estimated project cost and envisaged means of finance are as under:

Particulars	Rs. Crores	Rs. Crores
Revised Project cost		10,453
Means of Finance		
Equity	1,200	
Internal Accruals	1,021	
Security Deposit against Real Estate	1,000	
Long Term Debt	4,231	
Development Fee (Net of collection charges of Rs. 28 crores)	1,515	
Sub Total		8,967
Funding gap		1,486

Mr. T Rory Mackey observed that the funding gap of Rs. 1,486 crores mainly consists of i) increase in project cost by Rs. 651 crores because of the reasons beyond the control of the Company and ii) funding gap which was left subsequent to sanction of lower Development Fee (DF) amount by the Ministry of Civil Aviation (MoCA) in February 09. MIAL had already approached MoCA and subsequently to AERA to review DF. Mr. Mackey further mentioned that it is not possible for South African Consortium to bring in any additional equity to meet funding gap which was reiterated by GVK and AAI directors also. Director-Finance of the Company mentioned that additional funding from Institutions / banks was also not possible to meet this funding gap. The matter was deliberated upon by the Board and it was noted that neither it was possible for the shareholders to bring in additional equity (over and above Rs. 1200 crores) nor it was possible to secure additional debt to bridge the funding gap of Rs 1,486 crores. Hence, there was no alternative but to seek recourse to additional DF to complete the project.

- 44 -
- 288 -
- 9 -



The Board considered the matter in detail and after discussions approved the revised project cost of Rs. 10,453 crores with a stipulation that funding gap of Rs. 1,486 crores be met with the additional DF for which application should be made to AERA immediately.

The Board also took a note that MLCP and IT projects of Rs 400 crores and Rs 256 crores respectively, which are not included in the revised Project Cost above, will be completed on BOT / outsourcing basis."

For Mumbai International Airport Pvt. Ltd.

Vinod Hiran
VP- Finance & Company Secretary



Date: - 31.01.2011



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- 45 -

- 347 -

ANNEXURE - VI

578/11/11
3/5/11

GVK
2nd May, 2011

MIAL/PR/15

Secretary,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003

Handwritten signature and date: 6/5/11

Dear Sir,

AGM (Ops)

Subject: Levy of Development Fee at CSI Airport, Mumbai

With reference to above, this is to inform you that prior to Judgment of the Hon'ble Supreme Court dated 26th April, 2011 in connection with levy and collection of Development Fee (the "DF") by MIAL, DF was being levied and collected by MIAL pursuant to MoCA letter no. AV.24011/001/2009-AD dated 27th February, 2009

Handwritten note: (n) 6/5/11

Hon'ble Supreme Court vide its Judgment dated 26th April, 2011 has held, inter-alia, that the Ministry of Civil Aviation ("MoCA") letter dated 27th February, 2009 conveying its approval to Mumbai International Airport Private Limited ("MIAL") for levy and collection of DF at Chhatrapati Shivaji International Airport (the "CSIA") is *ultra vires* the Airports Authority of India Act, 1994 (the "AAI Act"). Reason given by the Hon'ble Supreme Court, inter-alia, is that the rate was determined by the MoCA in the absence of appropriate rules and after establishment of Airports Economic Regulatory Authority (the "Authority") the rate was not determined by the Authority by an Order under section 13 (1) (b) of the Airports Economic Regulatory Authority of India Act, 2008 (the "AERA Act").

It may kindly be observed that due to this technical infirmity, as observed by the Hon'ble Supreme Court, MIAL has been directed to stop levy and collection of DF at CSIA. MIAL has already taken steps to comply with the Order of the Hon'ble Supreme Court.

When MoCA had approved DF, project cost was Rs. 9802 crores and the same was examined by independent Engineer 'Engineers India Limited'. Subsequently because of reasons beyond control of MIAL, project cost is revised to Rs. 10453 crores which has been approved by Board of MIAL. Extract of board meeting minutes is enclosed (Appendix 1). Increase in project cost by Rs. 651 crores is because of reasons which, as indicated above, were beyond control of MIAL as detailed below;

1. Cost of ATC Tower and Technical Block (Including equipment):

ATC Tower and Technical Block have to be relocated for construction of Code 'F' compliant taxiway parallel to Runway 14/32. Initial estimated cost was Rs 80 crores excluding equipment and Technical Block. However now AAI has mandated, with the approval of MoCA, that cost of equipment and even cost of Technical Block should be borne by MIAL. Cost estimate for these facilities is Rs 390 crores, resulting in increment of cost of Rs 310 crores.

Cont..2



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2. Cost Contribution to MMRDA for Elevated Access Road:

In order to provide access to new Integrated Terminal at Sahar, MIAL was asked by MMRDA to contribute in the cost of the project such contribution amounts to Rs 166 crores.

3. Widening of Mithi River:

Subsequent to floods of 2005, based on report of a committee appointed by Government of Maharashtra (GoM), Mithi River has to be widened to mitigate risk of similar calamity in future. Part of Mithi River passes through airport land. GoM asked MIAL to bear the cost of widening Mithi River within the airport. MIAL has represented time and again to GoM that this cost should be borne by GoM as part of the total project. On request of MIAL, MoCA had written a letter to Chief Secretary, GoM, that cost should be borne by GoM, but the same has not been considered favourably by GoM. Estimated cost to widen the Mithi River within the airport is Rs 150 crores and the same has to form part of the project cost. As widening of Mithi River had to be taken up before monsoon, the work has already started and the cost is being incurred by MIAL.

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It may kindly be observed that additional cost of Rs 651 crores is solely due to reasons beyond control of MIAL. MIAL, on its part, has strived hard to ensure not to exceed earlier sanctioned project cost of Rs 9802 crores, but it is not possible due to the reasons beyond its control. In view of this additional cost of Rs 651 crores, overall project cost is estimated to be Rs 10453 crores. A request for approval of project cost has already been submitted to MoCA vide letter MIAL/PR/237 dated 14th January, 2011, followed by a detailed letter MIAL/PR/270 dated 14th March, 2011. Copies of the letters are enclosed for ready reference as Appendix 2 and 3 respectively.

Update on Real Estate Development:

MIAL has put best efforts for making land available for City Side Development, however, most of the MIAL City Side land holdings, which are required for Real Estate Development are affected by various temporary usage and constraints, compelling to change the Development strategy from time to time. Ongoing terminal and airside expansion/modernization, activities have also taken up large chunk of land for various purposes, which are listed below:

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cont..3



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- 47 -
- 349 -



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iv. Approval process

v. Infrastructure Development In and around CSIA area

Real Estate Market has still not recovered from recessionary Impact and overall situation of commercial and retail market in the project influence zone as well as across Mumbai region is still a matter of concern.

The clear land available during the year 2009 was nearly 5 acres and the process of Land clearance was at very nascent stage. Since then MIAL has made considerable progress towards achieving the targeted goal to make 35 acres of land available by FY 2012-13 for Real Estate Development. Under Current scenario, the targeted collection of Rs. 1000 Crores as Security Deposit is on optimistic side due to the constraints as listed above.

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1	T1 Forecourt (In front of Terminal 1B)	5.5	<ul style="list-style-type: none"> Presently used for car parking Litigation with Golden Charlot In progress Eviction process of expired licensees In progress. 	<ul style="list-style-type: none"> Presently used for car parking. Golden Charlot has been vacated. Eviction process of expired licensees in progress. Proposed Multi Level Car Parking will make the land available. Air Traffic Control (ATC) Tower construction is in progress in this Zone.
2	IAD Colony	18.5	Demolition of few vacant Building (Structure) in progress. Many buildings are still occupied by AAI Staff. Repeated requests have been made to AAI for early vacation. There will be delay.	38 Buildings have been demolished. 252 flats are still occupied by AAI. Repeated requests have been made to AAI for early vacation. Even CISF is occupying flats / bungalows and would vacate only on making available alternate arrangements.
3	In front of T2 Forecourt	6.5	<ul style="list-style-type: none"> Construction (Realignment) work for Storm Water Drainage to be done by BMC. Interim use for Terminal Construction related activities till Dec 2012. 	<ul style="list-style-type: none"> Construction (Realignment) work for Storm Water Drainage started by BMC in Nov 2010, expected to be completed by March 2012. Interim use for Terminal Construction related activities till Dec 2012.
4	Spread over in 4 pockets of 2, 0.5, 0.5 and 1.5 acres	4.5	<ul style="list-style-type: none"> Currently utilized for ancillary work. Will be available by 2012. 	<ul style="list-style-type: none"> Currently utilized for ancillary work. Will be available by 2012.
	Total	35.0		

Cont..4



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Means of Finance:

The project cost of Rs 10453 crores is proposed to be funded as follows:

Particulars	Rs. Crores
Equity	1,200
Internal Accruals	1,021
Deposit Against Real Estate Development	1,000
Debt	4,231 ✓
Development Fee* - already collected	635
Total	8,087
Gap - proposed to be funded through levy of DF	2,366

(*Collected upto March 2011 and estimated upto 27th April, 2011)

From the above, it may be observed that there is a funding gap of Rs 2366 crores. There is no possibility of bridging this gap through infusion of additional equity or additional term loans. In fact, this matter was discussed in the Board Meeting of MIAL held on 28th October 2010, where all shareholders expressed inability to bring in additional equity. It is proposed to bridge this gap by way of levy of DF of Rs 200 per departing domestic passenger and Rs 1300 per departing international passenger for a period of 33 months.

Assumptions about Tariff:


Kindly note for the purpose of projections, no tariff change has been considered and the same has been kept at the present level. However, impact of any change in tariff on DF, for any reason whatsoever, may be considered at appropriate time.

Please find enclosed summary of project cost, proposed means of finance and DF calculation as per Appendix 4, 5 and 6 respectively.

You are kindly requested to determine the rate and amount of DF for levy and collection at CSIA for completion of the project at the earliest. Pending determination of final rate and amount of DF, we earnestly request the Authority to allow levy, collection and utilisation of DF at CSIA, under an appropriate order, purely on ad-hoc basis, at rates which were approved by MoCA and such levy, collection and utilisation of DF will, of course, be subject to final order of the Authority.

Thanking you,

Yours sincerely,
For Mumbai International Airport Pvt. Ltd.


(R. V. Jain)
President

Encl.: As above

CC: Chairman, Airports Authority of India



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-49-

-254-

Appendix 1



CERTIFIED EXTRACT OF MINUTES OF THE 26TH MEETING OF THE BOARD OF DIRECTORS OF THE MUMBAI INTERNATIONAL AIRPORT PRIVATE LIMITED HELD ON 28TH OCTOBER 2010

6.12 TO REVIEW THE STATUS OF VARIOUS ON-GOING AIRPORT DEVELOPMENT PROJECTS AND APPROVE REVISED PROJECT COST & MEANS OF FINANCE

Mr. Sanjay Reddy, Managing Director informed the Board that earlier approved project cost was **Rs 9,802 crores**. Revised estimate of project cost was placed before the meeting and the Board was informed that now project cost was estimated to be at **Rs 10,453 crores** showing an increase of Rs 651 crores. The Revised Project Cost had been arrived at after considering increase / decrease in cost of various elements constituting the project cost as detailed below.

It was informed to the Board that increase of **Rs 651 crores** in the project cost has occurred due to the following reasons, which were beyond the control of the Company:

- i. Cost of ATC Tower, Equipments and Technical Block - **Rs 310 crores** (Total estimated cost Rs 390 crores less already budgeted Rs 80 crores). AAI had estimated cost of Rs 150 crores towards ATC tower comprising of, inter alia, cost of structure (Control Tower and associated cost) Rs 40 crores but as per MIAL estimate and approved budget, this cost will be Rs 80 Cr. (i.e. Increase of Rs 40 crores). Therefore, Total cost towards ATC structure, equipments and Technical Block shall be Rs 390 crores against Rs 80 crores considered earlier.
- ii. Contribution to MMRDA for Sahar Elevated Access Road - **Rs 166 Crores**
- iii. Cost of Mithi river widening within airport premises - **Rs 150 crores**
- iv. Cost of relocation of Shivaji Maharaj Statue and memorial - **Rs 25 crores**

The Board was further informed that there were other changes in the project cost but the Company has ensured to contain cost at Rs 9,802 crores save and except increases due to extraneous reasons as explained above being Rs 651 crores, taking overall project cost to **Rs 10,453 crores**. Various changes in the project cost are detailed below:

I. Increase In Project cost due to:

- A. Increase of **Rs 254 crores** in the cost of various airside projects, as mentioned below:



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- i. Runway 09/27 upgradation and realignment of parallel taxiway north of runway 09/27 - Increase of Rs 70 crores due to site conditions, change of overlay to structural from conventional, construction of taxiway stubs with expedient pavement instead of normal pavement, Raising of 09 end and RESA area, addition of new duct bank for Airfield Ground Lighting (AGL) and to address various DGCA non compliances.
 - ii. Runway 14/32 up gradation - Increase of Rs 72 crores due to reprofiling of runway longitudinal grade and runway transverse slope, reconstruction of 750 mtrs length of runway with rigid pavement, construction of taxiway stubs with expedient pavement instead of normal pavement, addition of new duct bank for Airfield Ground Lighting (AGL) and to address various DGCA non compliances (requiring filling up to 600mm in two stretches).
 - iii. Enabling works for construction of a) Parallel Taxiway to Runway 14/32 and b) International Apron (T2) Expansion - Increase of Rs 87 crores due to site conditions.
 - iv. Other airside projects already completed - Increase of Rs 25 crores.
- B. Increase of **Rs. 503 crores** in the cost of New Integrated Terminal as mentioned below:
- i. Enabling works - Increase of Rs. 77 crores due to Apron H, additional CCR building, relocation of police stations and project offices, shifting of utilities, landside road networks, Line Maintenance Building etc.
 - ii. Terminal building - Increase of Rs. 326 crores due to a) Increase in built up area at arrival & departure plaza and utility building and b) change in specifications during design development stage.
 - iii. Increase of Rs 100 crores for new Sahar Elevated access road due to increase in area and difference in estimated cost and actual committed cost.
- C. Increase of **Rs 133 crores** in Miscellaneous Projects - This was mainly due to increased cost in Airport Management building by Rs. 40 crores, MIAL's share of BMC drainage works by Rs 33 crores (not envisaged earlier), cost of Terminal 1C project by Rs 25 crores, cost of Vile Parle police station as Rs 15 crores and Rs 20 crores being increase in cost due to difference in estimated cost and actual incurred cost for completed projects



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- D. Increase In Technical Services and consultancy charges by **Rs 10 crores**.
- E. Increase of **Rs 69 crores** in preoperative expenses due to delay in completion of Integrated Terminal primarily due to relocation of Chhatrapati Shivaji Maharaj statue and relocation of Air India facilities. This was also on the assumption that Integrated Terminal will be completed in March 2013 Instead of December 2012 taking into consideration that relocation of Chhatrapati Shivaji Maharaj statue would have been completed by 1st March 2010 which has not happened and this will lead to further delay resulting in increased preoperative expenses and IDC. Completion date of Integrated Terminal can be correctly estimated only on completion of relocation of Chhatrapati Shivaji Maharaj statue, which in turn will enable the Company assess preoperative expenses and IDC correctly.
- F. It was further informed to the Board that earlier approved project cost included Rs 205 crores towards development of International cargo. Since Company has decided to develop cargo on BOT basis and there is requirement of budget for relocation of Air India facilities, this amount would be utilized for the relocation of Air India facilities.

II. Reduction In Project Cost due to:

- A. BOT/Outsource Projects: The Board was further informed that the Company is exploring the possibilities to complete Multi Level Car Park (MLCP) through BOT route, thereby reduction in approved project cost by **Rs 270 crores**, being the amount considered in the project cost earlier.
- B. Interest During Construction (IDC) lower by **Rs 563 crores**. IDC is revised considering I) already approved Rs 1,543 crores funding through Development Fee (DF) and II) additional funding of Rs 1,486 crores through DF to meet funding gap. Further this estimate is based upon completion of the International section of T2 by March 2012 and the complete integrated terminal inclusive of domestic by March 2013.
- C. Lower provision for contingencies by **Rs 136 crores**.

III. The Board was also informed that Infrastructure for Information Technology is estimated to cost Rs 256 crores. This cost was not included in the earlier approved project cost, as it was always meant to be completed through outsourcing and the same shall be completed on BOT/ Outsourcing basis.



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IV. The Board was also informed that cost of clearing land retrieved from CPWD and cost of construction as per MOU executed between CPWD and MIAL is estimated to cost about Rs 55 crores. This cost is currently not included in the revised project cost since this relocation is required to clear the land for cargo development and therefore Company intends to recover / pass this cost onto the BOT operator for cargo.

Considering the above changes in the project cost, there would be net increase in project cost by Rs 651 crores to the earlier approved project cost of Rs 9,802 crores solely because of reasons beyond Company's control. Therefore revised estimated project cost and envisaged means of finance are as under:

Particulars	Rs. Crores	Rs. Crores
Revised Project cost		10,453
Means of Finance		
Equity	1,200	
Internal Accruals	1,021	
Security Deposit against Real Estate	1,000	
Long Term Debt	4,231	
Development Fee (Net of collection charges of Rs. 28 crores)	1,515	
Sub Total		8,967
Funding gap		1,486

Mr. T Rory Mackey observed that the funding gap of Rs. 1,486 crores mainly consists of i) Increase in project cost by Rs. 651 crores because of the reasons beyond the control of the Company and ii) funding gap which was left subsequent to sanction of lower Development Fee (DF) amount by the Ministry of Civil Aviation (MoCA) in February 09. MIAL had already approached MoCA and subsequently to AERA to review DF. Mr. Mackey further mentioned that it is not possible for South African Consortium to bring in any additional equity to meet funding gap which was reiterated by GVK and AAI directors also. Director-Finance of the Company mentioned that additional funding from Institutions / banks was also not possible to meet this funding gap. The matter was deliberated upon by the Board and it was noted that neither it was possible for the shareholders to bring in additional equity (over and above Rs. 1200 crores) nor it was possible to secure additional debt to bridge the funding gap of Rs 1,486 crores. Hence, there was no alternative but to seek recourse to additional DF to complete the project.



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-53-

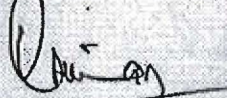
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GVK

The Board considered the matter in detail and after discussions approved the revised project cost of Rs. 10,453 crores with a stipulation that funding gap of Rs. 1,486 crores be met with the additional DF for which application should be made to AERA immediately.

The Board also took a note that MLCP and IT projects of Rs 400 crores and Rs 256 crores respectively, which are not included in the revised Project Cost above, will be completed on BOT / outsourcing basis."

For Mumbai International Airport Pvt. Ltd.



Vinod Hirah
VP- Finance & Company Secretary



Date: - 29.04.2011



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24th June 2011

MIAL/CEO/64

The Secretary,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003.

Sir,

Sub: Proposal for levy of Development Fee (DF) at CSI Airport, Mumbai - reg.
Ref: Your letter F.No. AERA/20010/MIAL-DF/2009-10/280 dated 12th May, 2011

Kindly refer to the above mentioned letter, seeking information/clarifications on various points as listed in the said letter. In this regard, the following point-wise reply is submitted for your consideration:

A. Judgment dated 26.4.2011 of Hon'ble Supreme Court:

(i) It is evident that MIAL can levy, collect and utilize Development Fee (DF) at CSIA by virtue of provisions of section 12A (4) of AAI Act, 1994. The same is reproduced hereinbelow:

"The lessee, who has been assigned any function of the Authority under sub-section (1), shall have all the powers of the Authority necessary for the performance of such functions in terms of the lease."

Functions of MIAL are, inter alia, specified under clause 2.1.1 of OMDA, which is reproduced below:

"AAI hereby grants to the JVC, the exclusive right and authority during the Term to undertake some of the functions of the AAI being the function of operation, maintenance, development, design, construction, upgradation, modernization, finance and management of the Airport....."

Further to the above, Recital 'B' of the Lease Deed states:

"The Lessee is a special purpose joint venture company established with the objectives of designing, developing, constructing, financing, managing, operating and maintaining the Airport (hereinafter defined), which Airport, under the provisions of the AAI Act, vests with the Lessor."

Therefore, there is no ambiguity that all powers vested in AAI are vested in MIAL so far as for operating, maintaining, developing, designing, constructing, upgrading, modernizing, financing and management of CSIA is concerned. These functions and corresponding powers necessarily include power to levy, collect and utilize DF for funding or financing the costs of upgradation, expansion or development of CSIA.



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-55-

-455-



Hon'ble Supreme Court has ruled that Central Government has to frame rules for levy, collection and utilization of DF at CSIA (MIAL) in pursuance of Section 22A(ii) and we understand that such rules are being framed by Central Government.

- (ii) As mentioned in (i) above, the competent authority, i.e. Central Government is in the process of framing and notifying relevant rules pursuant to provisions of section 22A of the AAI Act. We request pending formulation of rules, determination of amount of DF under section 13 (1) (b) of the AERA Act may please be carried out by the Authority.
- (iii) Amount collected pursuant to letter dated 27th February 2009 of the Central Government is Rs 637 crores (net of collection charges of Rs. 6.01 crores). Kindly note that pursuant to the Order of Hon'ble Supreme Court, amount collected upto March 2011 has been accounted for to AAI and amount collected in April 2011 is under audit and shall be accounted for to AAI as soon as possible.

B. Project Cost:

- (i) Subsequent to AAI letter No. AAI/MC/MIAL-12/MISC/2010-11/290 dated 26th July 2010, AAI has issued another letter No. Plg/519/1.5/MIAL/08-Pt/2551 dated 5th October 2010 providing estimated cost of Technical Block, a copy of which is available as part of Appendix 3 of our application dated 2nd May 2011 (the application). We wish to clarify that both ATC Tower and Technical Block need to be relocated for compliance with the standards specified by DGCA and ICAO as follows:

- (a) The ATC Tower and Technical Block Infringed the Transitional Surface of runway 14/32 (Obstacle Limitation Surface (OLS) clearance)

The OLS must not be penetrated by objects, meaning all development must be kept below the levels prescribed by DGCA (clause 4.1.16 & 3.4.3 of CAR, Section-4, Series 'B', Part I) and ICAO (clause 4.2 of document Aerodromes, Vol.1, Annex 14). From the exhibit at Annexure 1, it can be seen that at the present location the Technical Block infringes the transitional surface since its distance of 241.35 m from Runway Centre Line (RCL) is less than required distance of 301.9 m.

- (b) The extension of parallel taxiway "E" as per the Master Plan was not feasible due to non-availability of stipulated clear distances (Taxiway "E" Code F clearance). OMDA stipulates Taxiways and Runways to be Code 'F' compliant.

As per Master Plan Taxiway "E" needs to be constructed as Code F taxiway at a distance of 190 m from RCL of runway 14/32. The operations on this taxiway would require that no object/structure is present within 57.5 m from taxiway centre line (clause 3.9.8 of CAR, Section 4, Series 'B' Part I and clause 4.2 of ICAO document Aerodromes, Vol.1, Annex 14). In addition, 10-12 m width is required for airside perimeter road for vehicular movement. This makes a total distance of 259.5 m or say 260 m required from RCL, which is clearly not met in the present location of Technical Block at 241.35 m (Annexure 1).



Page 2 of 8

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- (ii) Details of cost estimate of Rs. 80 crores for ATC Tower have been furnished to AAI vide MIAL letter no. MIAL/PR/233 dated 11th January 2011 and no objection has been received from AAI so far. Copy of this letter of MIAL was furnished as part of Appendix 3 of the application.
- (iii) Construction of ATC Tower is in full swing and about 30% of the structure has been completed. For information, we are enclosing a latest photograph of the ATC Tower under construction as Annexure 2. Amount spent so far is Rs. 21.78 crores.
- (iv) MMRDA planned to construct a four-lane elevated access road under JNNURM scheme with estimated cost of Rs. 155.10 crores without considering shift of domestic traffic from Santa Cruz to Sahar, while as per OMDA, MIAL has to construct an integrated terminal with a capacity of 40 million passengers per annum for catering to both domestic and international passengers. It was found that looking into requirement of vehicular traffic movement to cater to minimum 40 million passengers per annum and other related traffic; the proposed road would have not been able to cater to the traffic requirement. It was essential to increase number of lanes to minimum six and also to change alignment of road to make it efficient and feasible. MIAL approached MMRDA to do so, but MMRDA, at that time, insisted that any amount over and above the estimated cost of Rs 155.10 crores is to be borne by MIAL. Estimated cost of six-lane road was Rs 287.37 crores. Hence, difference of Rs. 132.27 crores was to be borne by MIAL. As this road will exclusively cater to the airport traffic, MMRDA insisted that balance amount has to be contributed by MIAL only. However, it was also agreed that any cost overrun over and above Rs 287.37 crores will be shared in same proportion, i.e. in the ratio 155.10 : 132.27 (i.e. 53.97% : 46.03%) between MMRDA and MIAL respectively.

Original Estimate	Revised Estimate
155.10	330.88
46.03%	Rs 166.08*

MIAL kept on trying if entire cost could be borne by MMRDA under JNNURM scheme. In fact, MIAL also approached Ministry of Urban Development, Govt, for this purpose, but did not succeed. At the time of finalization of project cost at Rs. 9802 crores, all out efforts were being made by MIAL that cost should be borne by MMRDA in spite of its MoU with MMRDA. Hence, at that time, this cost was not included in the total project cost of Rs. 9802 crores. At the same time, it is quite evident that in spite of all efforts, MIAL has to contribute to the cost for the sake of smooth traffic flow to and from airport. Any delay in construction of elevated access road would have resulted into state-of-the-art terminal being in place without proper access to the terminal which was highly undesirable; hence, MIAL acceded to this proposal of MMRDA.

It will not be out of place to mention that initial elevated access road planned by MMRDA was catering to traffic not only of airport, but also city traffic which would have made this road a thoroughfare and inefficient for airport purposes. Consequently, MIAL insisted for a dedicated road which also led MMRDA insisting additional cost to be borne by MIAL.

- (v) It is true that presently approved cost of elevated access road is Rs. 343.20 crores, but at the same time, there are certain cost components, which are not included in this amount. Details of such components along with estimated cost are as follows:



-57-

-457-



Item	Estimated Cost In Rs. Crores
1. Signage	4.84
2. Main drain cladding	2.58
3. Small drain cladding	2.89
4. Lighting	2.20
5. Others	3.50
6. Contingencies	1.60
Total	17.61

In this connection, we enclose a letter from MMRDA no. ED/MUIP/SER/EC/MIAL/11 dated 1st June 2011, which is self-explanatory. From this letter, it may be observed that MMRDA confirms the above components of cost and also mentions that there will be additional cost towards additional box on service road for vehicular sub-way, touch piles for MIAL underpass, diversion of 1800 mm dia sewerage line and diversion of storm water drain. Such cost would be covered under contingencies envisaged above. A copy of letter dated 1st June 2011 from MMRDA is enclosed as Annexure 3.

Additional cost of Rs. 17.61 crores will be borne by MMRDA and MIAL in the same ratio, i.e. 53.97%:46.03%. There is no other means of finance available to fund this additional cost.

Considering approved cost of Rs. 343.20 crores, and estimated additional cost of Rs. 17.61 crores, total cost is Rs. 360.81 crores and MIAL share is Rs. 166.08 crores (46.03% of Rs. 360.81 crores).

- (vi) Since elevated access road is exclusive to cater to the airport requirement, MMRDA, rightly, insisted that maintenance cost be borne by MIAL, which MIAL agreed. Discussion about commercial rights availability to MIAL are in progress as may be observed from enclosed letter dated 1st June 2011 from MMRDA. (Annexure 3)
- (vii) MIAL was in discussion with Government of Maharashtra (GoM) that the cost of Rs. 150 crores for widening of Mithi river within airport should be borne by GoM as a part of total project cost. MIAL also approached MoCA for its support and recommendation. However, this is to inform that GoM has already responded to MoCA vide letter no. MVP 2010/RN 369/S.P. dated 1st April 2011 reiterating that cost is to be borne by MIAL. Copy of the said letter was forwarded to MIAL by MoCA vide its letter no. AV.24032/4/2008-AD dated 9th May 2011, which is enclosed as Annexure 4 along with copy of letter no. MVP 2010/RN 369/S.P. dated 1st April 2011 from GoM.
- (viii) Relocation of Chhatrapati Shivaji Maharaj statue is a very important and critical issue and is essential for construction of Integrated Terminal. Hence, before making its first application to relocate the existing statue, MIAL discussed informally with all the concerned political parties. During discussions, it was found that political parties will not agree for relocation unless there is a proposal from MIAL to construct a memorial befitting the glory and stature of Chhatrapati Shivaji Maharaj. MIAL has identified the site for such memorial and is in the



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Page 4 of 8

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process of obtaining approval of State Government. GoM, vide It letter No. Smarak-3111/282/CR 159/Desk-29 dated 7th June 2011, has clearly indicated that cost of such

memorial is to be borne by MIAL, estimated cost of which is Rs. 25 crores. Copy of GoM letter dated 7th June 2011 is enclosed as Annexure 5.

- (ix) The upgradation of runway 09/27 and runway 14/32 to make them Code F compliant is the requirement under the Master Plan. Upgradation works undertaken are not related to routine maintenance work for normal wear and tear of the runways, but involve widening of the existing runways, upgradation of existing lighting system etc. in accordance with the Code F compliant specifications.
- (x) MIAL has made all out efforts that project cost of Rs. 9802 crores is contained except increase of Rs. 651 crores which is beyond its control. There is no material change in Master Plan. MIAL has already submitted an updated Master Plan to MoCA / AAI vide its letter no. MIAL/PR/278 dated 21.03.2011. The updated Master Plan was also forwarded to AERA for information vide letter no. MIAL/PR/279 dated 21.03.2011. MoCA vide its letter No. AV.24011/015/2006-AAI (Vol. VI) dated 15.06.11 forwarded comments of AAI on Master Plan seeking clarifications which have been submitted by MIAL. In the meantime, no change/modification in Master Plan is desired by MoCA/AAI, which please note.
- (xi) MIAL has to incur additional Rs. 651 crores towards projects. Please note all these costs being incurred are absolutely necessary and critical for development and operation of the airport. Some of the projects like relocation of Chhatrapati Shivaji Maharaj statue along with construction of memorial, relocation of ATC Tower and Technical Block are enabling costs to be incurred necessarily to develop airside and terminal. Other two projects, viz. elevated access road and widening of Mithl river, are critical for airport development. Widening of Mithl river has been mandated by GoM.

MIAL approached MoCA, as a good governance, to inform increase in project cost from Rs. 9802 crores to Rs. 10453 crores. We wish to clarify that there is no need to seek any specific approval of MoCA and, in fact, MIAL has not received any response from MoCA although further details on cost increase were communicated to MoCA vide MIAL's letter no. MIAL/PR/270 dated 14th March 2011 (Appendix 3 of our application dated 2nd May 2011), which please note.

C. Means of Finance

- (i) We note that equity participation in case of DIAL is Rs. 2450 crores, where AAI has also contributed its portion of equity. In case of MIAL, original equity was Rs. 626 crores, which has already been almost doubled to Rs. 1200 crores. Any possibility for increase in equity depends on AAI participation. AAI vide its recent letter no. AAI/MC/MIAL-07/EC/2011/1139 dated 06.06.2011, copy of which is enclosed as Annexure 6, has expressed its inability to bring in its share in equity over and above Rs. 1200 crores. In absence of any further contribution from AAI, it is not feasible to increase equity contribution from other shareholders.



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59

-459-



- (ii) When project cost of Rs. 9802 crores was finalized, MIAL approached the lender, IDBI bank, to look into possibility of further loan. However, in absence of any additional revenue streams, IDBI bank expressed inability to provide any further loan vide letter No. HO/ICG/MIAL/751 dated 3rd February 2009 (copy enclosed as Annexure 7), there is no change in status since then.
- (iii) Actual passenger traffic upto FY 10 has been almost in line with the figures projected in the proposal filed before MoCA on 11th February 2009. The variation in traffic for 2010-11 onwards has already been considered in the current application. Details are as given below:

Passengers	(millions)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Considered in 2008-09 application	23.67	25.49	27.40	29.46	31.67
Actual	23.44	25.61	29.07	-	-
Now projected	-	-	-	31.80	34.81
Estimated Y-o-Y growth %				9.4%	9.5%

Note: YTD FY 12 passenger growth is only 7.18% as against 9.4% considered in the Application.

Internal accruals are at the same level of Rs 1021 crores as was envisaged in the earlier application of 2008-09 in spite of more number of passengers considered in the Application. The main reasons are (i) change in aircraft mix leading to deceleration in landing charges, (ii) shortage of parking space resulting in lower parking revenue, (iii) lower per passenger PSF realization because of collection charges and rupee appreciation against dollar in case of passengers paying PSF in foreign currency.

As a result, total aeronautical income for the period FY 10 to FY 13 is Rs. 1705.29 crores instead of Rs. 1717.41 crores projected earlier in 2008-09.

In view of the above, there is an overall reduction of Rs. 12.12 crores for the period FY 10 to FY 13 in aeronautical income as per details below.

	Rs. Crores
Landing Charges:	(-) 28.17
Parking Charges:	(-) 09.11
PSF (FC):	(+) 21.05
X-ray Charges*:	(+) 04.11
Total:	<u>(-) 12.12</u>

* since discontinued.
There is a significant increase in Cargo revenue. However, the same is offset by steep decline in other non-aeronautical revenue, mainly because of need for downwards revision of earlier projections based on actual performance and consequent lower future projections.



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Page 6 of 8

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-60-

-460-



Categorisation of revenues between aeronautical and non-aeronautical has been done in line with OMDA. However, re-categorisation as per the AERA Act will not alter amount of DF.

(iv) While approving DF, the full funding gap was not covered by MoCA against which MIAL had filed a review request vide its letter dated 31st March 2009 (Copy enclosed as Annexure 8). MIAL continued to make its best efforts to maximize revenue; however, as detailed above, no significant increase in revenue is envisaged.

In case of deposits from real estate development, MIAL is trying hard to meet its target of Rs. 1000 crores. Details of efforts being made to receive deposits against real estate development have been furnished in the application.

(v) The Authority's letter DO No. AERA/2010/DM/2010-11 dated 4.1.2011 seeking stylized tariff filing from MIAL was duly replied by MIAL vide its letter dated 9th February 2011. The Authority, vide its letter dated 22nd February 2011 required MIAL to make stylized filing with actual numbers (as far as possible). In this regard, MIAL has already submitted its response to the Authority, the latest being on 23rd May 2011 vide which MIAL has submitted that since amount of DF is dependent on internal accruals and internal accruals are dependent on tariff, which again is linked to amount of DF, it is desirable that first DF is finalized.

In view of the above, since tariff determination needs to be after considering the DF amount, it is logical not to consider any tariff revision in this application.

(vi) CSIA is a severely land-constrained airport without any scope for further capacity increase over and above already envisaged. Entire development has to be completed in one phase; hence, there is no possibility of deferring any part of the project.

(vii) Master Plan (MP) and Major Development Plan (MDP) were submitted to GOI /AAI and the same have been reviewed and commented by GOI as per provisions of SSA and the developments are being undertaken as per such MP and MDP. SSA vide Schedule 1 envisages consultation with relevant major airport users with respect to planned major airport development. While preparing MP and MDP, major airport users were consulted from time to time and their views were also considered for development of MP and MDP. MoCA had approved levy, collection and utilization of DF at CSIA vide its letter dated 27th February 2009. Hence, requirement of DF for development of CSIA was well established. Present DF application has been submitted because of (i) ruling of Hon'ble Supreme Court that MoCA could not have sanctioned DF due to technical infirmity of relevant rules not being in place and (ii) due to increase in project cost by Rs. 651 crores because of reasons totally beyond control of MIAL. This additional project cost of Rs. 651 crores is mandated by State Government / AAI (with approval of MoCA) and stakeholders. Hence, any consultation with major airport users for such expenditure would have not changed any scope of the work because of expenditure being mandated by government / government agencies / stakeholders.



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Page 7 of 8

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- (4/5) -



In view of ruling of Hon'ble Supreme Court of India, declaring approval letter of MoCA ultra vires the AAI Act due to technical infirmity, the collection of DF has been suddenly discontinued at CSIA, resulting in severe fund crunch to meet the cost of ongoing project. It is essential that DF amount is determined expeditiously so that collection of DF may be permitted in order to facilitate timely implementation of the project. We request AERA to expedite the process of determination of DF amount at CSIA.

Thanking you,

Yours Sincerely,
For Mumbai International Airport Private Limited


(R.K. Jain)
Chief Executive Officer

Encls.: as above

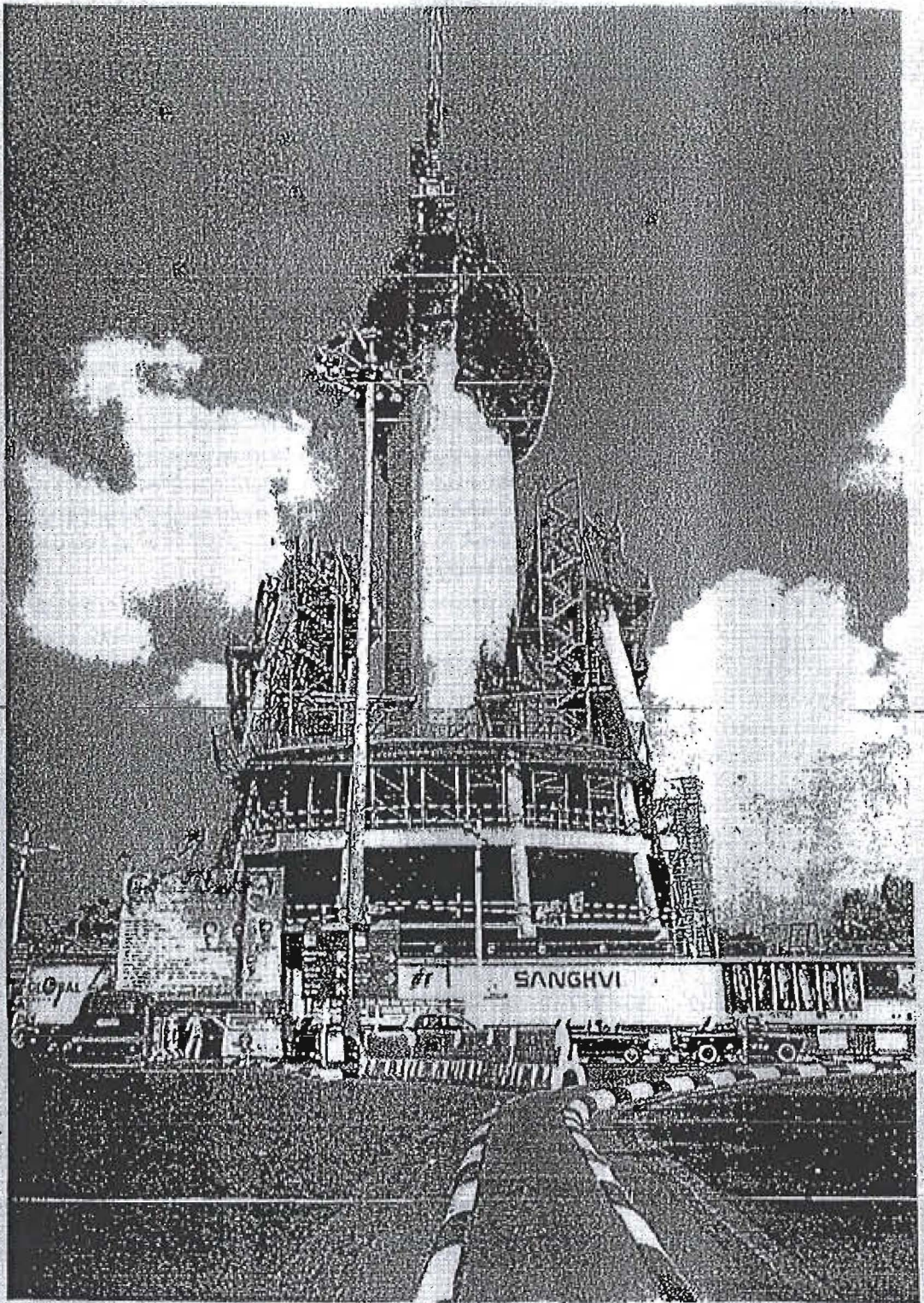
CC: Chairman, Airports Authority of India, New Delhi



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Page 8 of 8

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MUMBAI METROPOLITAN REGION DEVELOPMENT AUTHORITY
मुंबई महानगर प्रदेश विकास प्राधिकरण

No. 20/MUII/SER/EC/MIAL/11

Engineering Division
Date : 01/06/2011

Shri P.K. Jain
President, MIAL,
CSIA, 1st Floor, Terminal PD,
Santacruz (E), Mumbai - 400 099.

Sub: Construction of Sahar Elevated Road from WE11 to CSIA
-Sharing of cost.

Ref: Your letter dt.24/5/2011.

Sir,

You are aware that the project of Sahar Elevated Road is still in progress. As the cost of the project was likely to exceed the accepted tender cost, by forasighting the likely further expenditure the excess note was prepared. The cost of which, as rightly pointed out by you, is Rs.343.20 Crore which includes the price variation also.

Thus, the approval to excess which was about 19.8% above the accepted tender cost was approved by the MC, MMRDA. The approved cost of the project is now Rs.343.20 Crore. Vide letter under reference, you have pointed out further likely excess of Rs.17.61 Crore over & above the approved cost of Rs.343.20 Cr. In this regard, the following points are brought to your notice.

- A. After reviewing the excess cost approved by the competent authority of MMRDA. It is noticed that some additional items of work are cropped up. These include cost of additional box on service road for vehicular subway, Touch Piles for MIAL underpass, Diversion of 1800 mm dia. Sewerage line, diversion of storm water drain and the items of excess referred to vide your letter under reference etc for which detailed cost is required to be worked out. The revised cost of project after incorporating this cost of additional items is required to be got approved from the Competent Authority of MMRDA. The consent for the revised cost will be intimated to you in due course of time after getting due approvals.
- B. As regards to commercial rights to be made available to MIAL to meet the expenses towards maintenance cost of the road, the decision is required to be taken by the competent authority.

In nut shell, the following information is furnished.

- 1. The project under consideration was approved under JNNURM for amount of Rs.155.10 crore. However, the accepted tender cost was Rs.287.37 crore. To meet the difference in cost, MIAL was requested to bear the additional burden as the said project was in fact beneficial to MIAL. MIAL, in response, had agreed to contribute Rs.132.27 crore and entered into MoU with MMRDA.

Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.

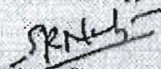
2. As of today, approved project cost is Rs.143.2 crore for which MIAL will share the additional cost in the same proportion as agreed to in MoU. It is further to inform that due to the reasons mentioned in para 'A' on prepage, the final project cost may exceed further. The details of which will have to be worked out and will be informed to you in due course of time after getting approval from the Competent Authority.

MIAL has further to share Actual Project Cost to the extent of 46.02% as agreed to in MoU between MIAL and MMRDA in existence.

3. The issue of commercial rights to be made available to MIAL to meet the maintenance cost, an approval of the competent authority will have to be obtained and hence it will be informed to you in due course of time.

It is sincerely hoped that you will appreciate the issue of procedural part to be followed in the organization.

Yours faithfully,


(S. R. Vandargikar)
Chief Engineer

Copy submitted to the Hon. Metropolitan Commissioner, MMRDA for information.

1/2

Most Immediate

No.AV.24092/4/2008-AD
Government of India
Ministry of Civil Aviation

B' Block, R.G. Bhavan
Safdarjung Airport
New Delhi, Dated 9th May, 2011


To
Shri Rajiv Jain
President
Mumbai International Airport Pvt. Ltd.
C-63, 6th floor,
Himalaya House
22 K.G. Marg
New Delhi 110001.

Sub:- Plan to widen the Mithi River.

Sir,

I am directed to say that on the request made by this Ministry to the State Government of Maharashtra that the cost of widening Mithi river on the CSIA land along with all enabling provisions should be borne by the State Government, the State Government has now informed that they are of the firm view that the widening and consequent cross-drainage works within the airport area should be done by MIAL before the monsoon of 2012. A copy of the D.O. letter No.MVP 2010/RN 369/S.P. dated 1st April, 2011 received from the Government of Maharashtra is enclosed for information.

Yours faithfully,


(Uma Nand)

Under Secretary to the Government of India

Government of Maharashtra

-90-

MVP 2010/RN 369/S.P.
General Administration Deptt.
Mantralaya, Mumbai 400 032.
Dated : 1st April, 2011.

2/2



(Manu Kumar Srivastava)
Pr. Secretary

Subject:- Plan to widen the Mithi River.

P. 87/6

Ref :- Your D.O. letter No AV 2403274/2008-AD, dt the 21/10/2010

Dear Alok,

Please refer to your D.O letter dt the 21/10/2010 under reference.

2. The State Government is of the firm view that the widening and consequent cross-drainage works within the airport area should be done by the MIAL and this work should be done before the Monsoon of 2012. Accordingly, the Managing Director, MIAL, Mumbai has been requested to take appropriate action in the matter without further delay.

Yours sincerely

(Manu Kumar Srivastava)

To,
Shri. Alok Sinha,
Joint Secretary,
Ministry of Civil Aviation,
Government of India,
New Delhi.

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S.L. ...

468

GOVERNMENT OF MAHARASHTRA

Smarak-3111/282/CR 159/Desk-29
General Administration Department,
Mantralaya, Mumbai-400 032.
Date :- 7th June, 2011.

To,
Shri R.K. Jain,
President,
Mumbai International Airport Pvt. Ltd.,
Chhatrapati Shivaji International Airport,
1st Floor, Terminal IB, Santacruz (East),
Mumbai-400099.

Sir,


This has reference to your letter No. MIAL/ PR/ 46 dtd. 02-06-11 regarding setting-up Chhatrapati Shivaji Maharaj Memorial at the entrance to elevated road on Western Express Highway leading to New Integrated Terminal at CSIA. You have sought out approval for setting up the said memorial.

Please note that any proposal for erecting a Statue of a historical/ national personality, is processed as per the guidelines issued vide G.R. No. Smarak/3102/884/ CR.122/2002/29 dated 2.2.2005. A copy of the same is forwarded herewith for further necessary action. You may formulate necessary proposal and submit the same to the Government, through Collector, Mumbai Suburban District, so as to enable us to take appropriate decision in this regard.

As regards to expenditure involved in erecting the Memorial/ Statute, kindly note that the same will have to be borne by MIAL.

Thanking you,

Yours faithfully,


(Nandkumar Jantre)

Secretary to Government of Maharashtra



भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA
O/o Executive Director (F&A) - JVC

Ref: AAI/MC/MIAL-07/EC/2011/1139

6th June' 2011

To,
Shri R. K. Jain
President
Mumbai International Airport Pvt. Limited
CSI Airport, 1st Floor, Terminal 1B, Santacruz (E)
Mumbai - 400088

Subject: Additional Equity Capital in MIAL-reg.

Sir,

Refer to your letter no. MIAL/PR/19 dated 6th May'2011 and subsequent clarifications submitted by MIAL vide their letter no. MIAL/PR/31 dated 18th May'2011, letter no. MIAL/PR/38 dated 25th May'2011 and letter no. MIAL/PR/45 dated 2nd June'2011 on the above cited subject.

In this connection, it is to inform you that AAI is not in a position to contribute to further equity share capital in MIAL keeping in view its own commitment towards various ongoing capital projects for modernization of various airports.

Thanking you,

Yours faithfully,


06/06/11
(G.K. Kesharwani)
Jt. General Manager (F&A)



आईडीबीआई बैंक लिमिटेड

पंजीकृत कार्यालय : आईडीबीआई टॉवर,

लक्ष्मीनारायण कॉम्प्लेक्स, कफा परेड,

मुंबई - 400 005.

टेलीफोन : (+91 22) 6655 3355, 2218 0111

फैक्स : (+91 22) 2218 0411

वेबसाइट : Website : www.idbi.com

IDBI Bank Limited

Regd. Office : IDBI Tower,

WTC Complex, Cuffe Parade,

Mumbai - 400 005.

Tel.: (+91 22) 6655 3355, 2218 0

Fax : (+91 22) 2218 0411

Website : www.idbi.com

No. HO/ICG/MIAL/751

February 03, 2009

The Managing Director,
Mumbai International Airport (Private) Ltd
3rd Floor, Corporate Centre Building,
Opposite Lotus Suites
Andheri Kurla Road
Andheri (E),
Mumbai 400 059

Dear Sir,

Sub: Projected Shortfall in Current Means of Finance

Please refer to the discussions your representatives had with us regarding the captioned subject.

2. In this regard, we advise that the lenders participating in the funding of the project (modernization and up-gradation of Chhatrapati Shivaji International Airport) had accepted the capex requirements of Rs. 5826 crore (including IDC) for first seven years from FY 2006-07 to FY 2012-13 as per the tentative business plan /initial development plan submitted by the company. The said capex requirements were to be funded by way of equity capital of Rs. 626 crore, internal accruals of Rs. 969 crore and term-debt from FIs/banks of Rs. 4231 crore. The Lenders had also acknowledged that project cost/capex requirements of the project shall undergo change based on the final master plan to be prepared by the company and reviewed by AAI/Ministry of Civil Aviation and to that extent the project cost/ capex requirements were tentative in nature.

3. Subsequently, the company has submitted the revised Master Plan and Major Development Plan. We have been intimated that based on the revised Master Plan and Major Development plan, the revised capex for the project has been estimated at Rs. 9802 crore, which has been approved by the Board of Directors of the company and reviewed by the Lender's Engineer. The company has also submitted the revised financing plan to fund the capex programme of Rs. 9802 crore. The financing plan envisages a shortfall of Rs. 2350 crores due in turn to shortfall in refundable security deposits against real estate development and lower internal accruals on account of downturn in the aviation sector. of the revised capex programme It may, however, be noted that filling in the aforesaid

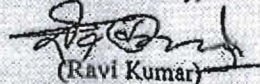
shortfall through any incremental debt requirement would necessitate additional revenue streams outside the purview of existing revenue streams of the project already factored in while sanctioning the loans of Rs.4231 crores. It is, therefore, considered necessary that alternative sources of funding for meeting the projected shortfall be explored, as per the practices prevalent in some of the international airports and International Civil Aviation (ICAO) polices. In this context your proposal submitted to Govt of India seeking approval to levy a fee per departing international passenger and domestic passenger in the nature of capital receipts for direct utilisation to meet the project capital expenditure needs to be pursued and finalized at the earliest.

4. The above, however, would be subject to satisfactory due diligence and internal credit approvals of IDBI Bank and views / credit approvals of lenders in the consortium

5. In view of the foregoing, you may kindly keep us posted about the developments with regard to approval of Airport Development Fee by Govt. of India so that the same could be factored into revised means of financing of the project.

6. Meanwhile, please acknowledge receipt.

Yours faithfully,



(Ravi Kumar)

Dy. General Manager
Infrastructure Corporate Group

- 71 -

- 472 -

Mumbai International Airport Pvt Ltd

31st March 2009

The Secretary
Ministry of Civil Aviation
Rajiv Gandhi Bhawan
Safdarjang Airport
New Delhi - 110 003

Sir,

Sub: Levy of Development Fee at CSIA Airport, Mumbai

Ref: Your approval letter F.No.AV.24011/001/2009-AD dated 27th February 2009

We acknowledge with thanks the approval letter for levying of Development Fee (DF) at CSIA, Mumbai pursuant to provisions of Section 22A of the Airports Authority of India Act 1994. This approval will be of great help to develop CSIA Airport as per schedule.

On going through the approval letter we find that against our claim of Rs. 2350 crores an amount of Rs.1543 crores only has been sanctioned on 'ad-hoc' basis.

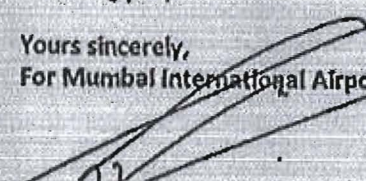
As you are kindly aware of that because of expected shortfall in collection of deposit against real estate development and shortfall in internal accruals, it was necessary to levy development fee at CSIA as no other source of funding was available to bridge the gap of Rs.2350 crores in total project cost of Rs.9802 crores. Any shortfall in DF will leave the gap to be funded, which in the current scenario is not possible to be met through any other means.

We request you to kindly review our application so that funding gap is fully met through levy of development fee. In fact, projections considered for deposit against real estate development and internal accruals are extremely difficult to achieve and any further shortfall needs to be factored in to determine quantum of DF to bridge the funding gap.

We will be pleased to submit any information and details, as may be required while reviewing our application.

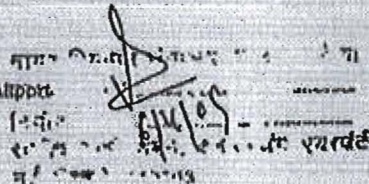
Thanking you,

Yours sincerely,
For Mumbai International Airport Pvt. Ltd.


G V Sankhy Reddy
Managing Director



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GVK



MIAL/CEO/138

11th October 2011

The Secretary,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003

Sub: Multi Year Tariff Proposal (MYTP) for CSIA, Mumbai

Madam,

Please find enclosed the Multi Year Tariff Proposal (MYTP) for Chhatrapati Shivaji International Airport (CSIA), Mumbai for the first control period, i.e. FY 2009-10 to FY 2013-14 for consideration and approval of Hon'ble Authority.

Since some of the information contained in this proposal are commercially sensitive information, which are not in public domain. Hon'ble Authority is requested to kindly permit MIAL to redact such information during consultation process. MIAL will intimate list of such information shortly.

In view of fund requirement for timely implementation of project, it is highly desirable that our pending application of DF of Rs. 2,366 crores is finalized expeditiously. We request Hon'ble Authority to kindly consider this request.

We shall be pleased to provide any further information that Hon'ble Authority may require in this regard.

Thanking you,

Yours Sincerely,
For Mumbai International Airport Private Limited

(R.K. Jain)
Chief Executive Officer

Encl.: as above



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12. Development Fee (DF)

Application of MIAL for Development Fee (DF) of Rs. 2,366 crores to fund the gap in means of finance is under consideration of the Hon'ble Authority. As far as funding gap in means of finance is concerned, there is no change in status to increase equity amount, further debt or any increase in deposit against real estate development. Because of finalization of project cost, after relocation of Chhatrapati Shivaji Maharaj statue, considering increase in IDC, pre-operative expenses, escalations, contingency and change in scope / variation in estimates, project cost is Rs. 12,380 crores as against Rs. 10,453 crores envisaged while making DF application. Details about increase in project cost are as per Annexure 7.

In spite of increase in internal accruals from Rs. 1,021 crores to Rs. 1,999 crores based on MYTP, net funding gap has increased by Rs. 947 crores (considering DF collection upto 26th April 2011 which is Rs. 2 crores more than that assumed in our earlier application). As already stated, there is no change in status as far as bringing further funds is concerned by way of debt, equity and deposits, this gap needs to be funded through additional DF of Rs. 947 crores. Hence, requirement of DF has gone up from Rs. 2,366 crores to Rs. 3,313 crores.

After relocation of Chhatrapati Shivaji Maharaj statue, project work is going ahead on full swing, resulting in accelerated funds requirement. With balance debt to be drawn shortly, there will be no funds available beyond 31st December 2011 to implement the project. It necessitates levy and collection of DF at CSIA as soon as possible, but at least by 1st December 2011.

As MYTP has to pass through a normal process of scrutiny, consultation and finalization, it is desirable that DF as requested in application under consideration of Hon'ble Authority is finalised at the earliest.

Increased requirement of DF with increase in project cost after considering increased internal accruals can be looked into by the Hon'ble Authority and suitable orders may kindly be passed at that juncture. This will go a long way in implementation of this essential infrastructure development for the city of Mumbai. Any delay will result in heavy congestion and may bring down the service levels at airport which is not desirable. In near future, there is no alternate to CSIA is available. Hence, CSIA needs to be developed as soon as possible.

Amount of DF of Rs. 3,313 crores is proposed to be collected at the rate of Rs. 200 per departing domestic passenger and Rs. 2,107 per departing international passenger (excluding service tax, if any). However, this amount will vary depending upon period for which DF for pending application is allowed to be levied and collected, which is Rs. 200 per departing domestic and Rs. 1,300 per departing international passenger respectively, so as to levy and collect total amount of Rs. 3,313 crores by 31st August 2014.



Note on Reasons for Variation In Project Cost

The Project Cost was finalized and approved at Rs. 10,453 crores by the Board of MIAL in its 26th Board Meeting held on 28th October 2010. Project of Integrated Terminal was to be completed so as to commission terminal for international passengers in March 2012 and for domestic passengers in March 2013. This completion date was based on the premise that Chhatrapati Shivaji Maharaj statue in front of the terminal would be relocated latest by 31st March 2010. At the time of finalisation of the Project Cost of Rs. 10,453 crores in the month of October 2010, it was quite evident that there was already a delay in shifting of the statue thereby delay in expected date of completion of Integrated Terminal, both for international and domestic operations. However, in view of uncertainty of relocating Chhatrapati Shivaji Maharaj statue, the cost was finalised based on previous assumptions of relocating the statue latest by 31st March 2010, knowing that there would be increased cost by way of interest during construction (IDC), pre-operative expenses, escalations and claims etc., which could not be quantified at that time and hence kept pending till there was certainty of Chhatrapati Shivaji Maharaj statue relocation.

Now, statue has been relocated on 27th August 2011 and there is certainty about implications due to delay of 17 months, which has to be taken into account for the purpose of finalisation of Project Cost. In addition to increase in the Project Cost due to time factor, both direct and indirect, being Rs. 1,250 crores, there is an increase in Project Cost by Rs. 677 crores due to other factors as detailed herein, hence, there is total increase in Project Cost by Rs. 1,927 crores and revised estimated Project Cost is Rs. 12,380 crores.

It may be noted that the delay in relocation of the statue was totally out of control of MIAL and being an extremely sensitive issue, was totally dependent on approval of Govt. of Maharashtra (GoM). In spite of rigorous follow-up at all levels, there was delay in approval by GoM because of utmost precaution it took before granting the approval and also due to mid-way change in political leadership in the state of Maharashtra because of which the entire process was taken up anew.

Delay was beyond the control of MIAL and it was an extremely complex proposition to shift the statue because of sensitivities involved and it was not possible even at GoM level to do so without taking into confidence all the stakeholders and political parties.

ANNEXURE - IX



12th December, 2011

MIAL/CEO/192

The Chairman
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi - 110003.

Sir,

Subject: Urgent fund requirement for project Implementation-Lay and Collection of Development Fee(DF) at CSIA, Mumbai.

- Ref: 1. MIAL Letter No. MIAL/PR/15 dated 2nd May, 2011
2. MIAL Letter No. MIAL/CEO/64 dated 24th June, 2011
3. MIAL Letter No. MIAL/CEO/82 dated 19th July, 2011
4. MIAL Letter No. MIAL/CEO/146 dated 15th October, 2011 intimating Increase in Project Cost to Rs. 12380 crores.

We draw your kind attention to the fact that there is an urgent need of funds for implementation of ongoing Development Project at CSI Airport, Mumbai.

- ✓ Our project is being implemented to ensure that scheduled commencement date of September 2013 for International Operations and September 2014 for Domestic Operations is met. It will also ensure that there are no further cost increase.

As you are kindly aware that Project Cost of Rs. 9802 crores was duly assessed by Independent Engineer viz. Engineers India Ltd. and was also reviewed by MoCA while sanctioning Development Fee (DF) in February 2009. Subsequently, due to mandated cost of Rs. 651 crores, cost of the project was revised to Rs. 10453 crores. This cost did not include increase in IDC, pre-operative expenses, escalation and contingencies which were primarily related to delay in implementation of project for reasons already explained in our earlier correspondence resting with the Authority.

Once reason for delay was resolved, it was felt appropriate by the Board of Directors of the Company to review and freeze the project cost. The complete details of increase in the project cost have already been explained to the Authority vide letter no. MIAL/CEO/146 dated 15th October 2011.

MIAL has filed MYTP for Control period from FY2009-10 to FY2013-14 which is under consideration of the Authority. The Authority will kindly appreciate that the amount of DF is directly related to tariff which is yet to be approved by the Authority. A sum total of internal accruals and DF aggregating to Rs. 5949 crores has to come as a means of finance as per MYTP filed with the Authority.

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We would like to bring to your kind notice that there is urgent need of funds for the timely implementation of the project. Since finalization of MYTP and DF will take its own time, the Authority is requested to approve levy and collection of DF, may be based on project cost of Rs. 9802 crores, so that funds can be infused urgently. This will give necessary breathing time and will ensure no stoppage of ongoing project till finalization of MYTP and DF by the Authority based on the project cost of Rs. 12380 crores.

We are enclosing a letter dated 8th December 2011 from IDBI Bank which appropriately brings forward the gravity of the situation, if there is no timely infusion of funds. Any delay will result delay in completing the project and consequent increase in project cost which is highly undesirable.

Out of total sanctioned loan of Rs.4231 crores, MIAL has already drawn Rs. 3748 crores leaving a small amount of Rs. 483 crores which is also under disbursement. Out of total equity of Rs. 1200 crores, Rs. 1000 crores have already been called. Action is being taken to call balance equity also shortly. Once all these resources are exhausted, there is no other option for raising funds other than internal accrual and DF.

We would like to bring to your kind notice that an amount of Rs. 1000 crores was envisaged to be raised by way of security deposit from Real Estate Development by 31st March, 2013. All our efforts are being made to raise security deposit but the same might get delayed due to overall bleak sentiment and liquidity crunch in the Real Estate Market. (We would like to bring to kind notice of the Authority that because of proposed changes in direct tax laws concerning taxability of long term deposits of more than 12 years, inflow of funds through this route might get reduced.)

Looking into the facts mentioned above, we request the Authority for approving levy and collection of development fee at the rate of Rs. 100 per embarking Domestic passenger and Rs. 600 per embarking International passenger plus statutory levies if any. This is based on project cost of Rs. 9802 crores and need to be reviewed by the Authority in due course in light of project cost of Rs. 12380 crores and also taking into account internal accruals based on level of tariff approved against pending MYTP.

Thanking you,

Yours sincerely,
For Mumbai International Airport Pvt. Ltd.

(B.K. Jain)
Chief Executive Officer



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Nc. IDBI/ICG(West)/MIAL/445

December 8, 2011

The Managing Director,
 Mumbai International Airport Pvt. Ltd.
 Chhatrapati Shivaji International Airport,
 1st Floor, Terminal - 1B,
 Santacruz (East),
Mumbai 400 099

Dear Sir,

Revised Project Cost and Means of Financing

Please refer to your letter dated November 08, 2011, vide which you have, interalia, intimated that the project cost for development of Chhatrapati Shivaji International Airport has now been further revised to Rs. 12,380 crore and completion schedule revised to August 2014.

2. In this regard, IDBI Bank Ltd (IDBI), in its capacity as Lead Lender, is concerned about the frequent revision in the project cost and extension of the completion date. As you are aware, in April 2007, the capex requirement of the project for the initial period of seven years was estimated at Rs. 5826 crore and the same was to be financed by way of debt (Rs. 4231 crore), equity (Rs. 626 crore) and internal accruals/concessionaire deposit (Rs. 969 crore). The project was then envisaged to be completed by December 2012. Subsequently, MIAL, vide its letter dated January 30, 2009, submitted that on finalization of the revised Master Plan and Major Development Plan, the project cost had been revised upwards to Rs. 9802 crore, based on the review undertaken by the Lender's Engineer, M/s Scott Wilson India Pvt. Ltd, in February 2009. The revised project cost and means of financing, as well as certain changes in the scope of the project, were approved in April 2010 without envisaging any change in the scheduled completion date of December 2012.

3. While appreciating the reasons cited by you for further increase in the cost of the project especially delay in shifting of the statute of Chhatrapati Shivaji Maharaj which was not under the control of the company, the substantial increase in the project cost and delay in scheduled completion date are causes of concern. We advise that the reasons for delay in project completion as well as justification for the increase in the project cost may be submitted for vetting of Lender's Independent Engineer (LIE). The LIE would also

need to offer its comments and justification as to how and why the frequent increase in the assessed project cost is occurring, especially keeping in view the fact that the project cost has been vetted and approved by it earlier. We are also taking up the matter separately with the LIE.

4. There would be now a gap of Rs. 2578 crore in the means of financing envisaged for financing the project cost of Rs. 9802 crore vis-a-vis the now envisaged project cost of Rs. 12,380 crore. While you have indicated in your letter under reference that the gap of Rs.2578 crore will be met through Airport Development Fee (ADF) and Internal accruals/ concessionaire deposits, without envisaging any increase in the debt component, yet the availability of these funds would be uncertain. The matter relating to approval of ADF is still under the consideration of ABRA. In this regard, it may be mentioned that out of the total debt of Rs. 4231 crore, the company has already availed of Rs.3748 crore. The company has raised a total amount of Rs. 2336 crore from equity, ADF, deposits, internal accruals, etc. and needs to bring in the balance amount of Rs. 3235 crore, of which major portion (Rs. 2835 crore) is to come by way of internal accruals/license/performance deposits/ADF, etc. In this regard, delayed availability of the said means of finance and non-tying up of the balance amount of Rs. 2578 crore could delay completion of the project and lead to further increase in the project cost which would be highly undesirable.

5. In view of the foregoing, the company needs to indicate a firm plan to tie up the balance amount required to be raised for funding the revised project cost, including the present status of obtaining approval for ADF & revision in the tariff by ABRA, as indicated by you during your discussion as also referred to in the letter under reference, at an early date so that any delay in completion of the project could be avoided at any cost.



Yours faithfully,

(Signature)
(Mahendra Nalk)

Deputy General Manager
Infrastructure Corporate Group (W)

