

# **Study on allocation of assets between aeronautical and non-aeronautical assets**

**(RFP No. 01/2020-21)**

*for*

Hyderabad International Airport Limited  
(Second Control Period from 01.04.2017 to 31.03.2021)



**By - CRISIL Risk and Infrastructure Solutions Limited, India**  
**June 2021**

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## Glossary

<b>Acronym</b>	<b>Expansion</b>
ADFG	Advance Development Fund Grant
AERA	Airports Economic Regulatory Authority
AGL	Airfield Ground Lighting
ARR	Aggregate Revenue Requirement
ASQ	Airport Service Quality
ATM	Air traffic movement
AUCC	Airport Users Consultative Committee
CAGR	Compound Annual Growth Rate
CAT	Category
CGF	Cargo, Ground handling & Fuel Farm
CRIS	CRISIL Risk and Infrastructure Solutions Limited
CUSS	Common Use Self Service
CUTE	Common Use Terminal Equipment
FAR	Fixed Asset Register
GHIAL	GMR Hyderabad International Airport Limited
GOI	Government of India
GPU	Ground Power Unit
HAL	Hyderabad Rajiv Gandhi International Airport
IDAT	Interim Domestic Arrival Terminal
IIDT	Interim International Departures Terminal
INR	Indian Rupees
KVA	Kilovolt-Ampere



<b>Acronym</b>	<b>Expansion</b>
MPPA	Million Passengers Per Annum
MYTP	Multi Year Tariff Proposal
NOB	New Office Building
PCN	Pavement Classification Number
PMC	Project Management Consultancy
PTB	Passenger Terminal Building
RAB	Regulatory Asset Base
RFP	Request for Proposal
RGIA	Rajiv Gandhi International Airport
SSA	State Support Agreement
YPP	Yield Per Pax

## **1. Statement of Confidentiality**

This report has been prepared by M/s. CRISIL Risk and Infrastructure Solutions (CRIS), an Indian Infrastructure Advisory Firm as part of its deliverables under the engagement awarded as per RFP No. RFP No. 01/2020-21 floated by the Airports Economic Regulatory Authority of India. This document is being submitted to AERA for use in connection with the tariff determination of Hyderabad International Airport Limited (HIAL). This report or its contents may not be shared with anyone except with the consent of AERA. CRIS shall not have any liability for the unauthorized use or distribution of this document.

## 2. Background and objective of the engagement

### 2.1 Background

#### About the Rajiv Gandhi International Airport, Hyderabad

GMR Hyderabad International Airport Limited (“HIAL”) is the concessionaire responsible for the design, finance, construction, operation and maintenance of the world-class green-field airport under the name and style of ‘Rajiv Gandhi International Airport’ (“RGIA”) at Shamshabad, Hyderabad in public private partnership mode (“Project”). The concession agreement for the Project was signed between Ministry of Civil Aviation (“MoCA”) and HIAL on **December 20, 2004** (“Concession Agreement” or “CA”). The airport commenced operations from 23<sup>rd</sup> March, 2008.

HIAL is a joint venture company having the following shareholding structure as of June 03, 2020:

**Table 1: Summary of shareholding structure of HIAL**

Holding Company	Percentage of Stake (%)
GMR Airports Limited	63
Airports Authority of India	13
Government of Telangana	13
Malaysia Airports Holding Berhad (Mauritius)	11
<b>Total</b>	<b>100</b>

Source: HIAL MYTP for third control period

The key agreements governing the functioning of HIAL inter alia include:

- Concession Agreement, executed between Government of India, MoCA and GHIAL, on 20th December 2004.
- Land Lease Agreement executed between the State Government (Lessor) and GHIAL (Lessee) on 30th September 2003.
- State Support Agreement (SSA) executed between the State Government and GHIAL on 30th September 2003.
- CNS / ATM Agreement executed between AAI and GHIAL on 11th August 2005. It defines the scope of services for Pre-Commissioning Phase, Commissioning Phase and Operation Phase.
- Shareholder’s Agreement executed between State Government, AAI, GIL, MAHB and GHIAL on 30th September 2003.
- Sponsors’ Agreement executed between GIL and MAHB on 30th September 2003. The Sponsors’ Agreement defines the roles of GMR group and MAHB in the JV.

RGIA has completed its first control period from April 01, 2011 to March 31, 2016 (“First Control Period”) and is currently in the second control period from April 01, 2017 to March 31, 2021 (“Second Control Period”). Therefore, in accordance with Clause 3 of the AERA Act and the Guidelines as issued from time to time, HIAL has submitted an application for the determination of aeronautical tariffs i.e. Multi Year Tariff Proposal (“MYTP”) for the third control period (a period from 1st April 2021 to 31st March 2026) (“Third Control Period”) to AERA.

## 2.2 Objective of the report

Pursuant to the MYTP submission by HIAL, CRISIL Risk and Infrastructure Solutions Limited (CRIS) is assisting AERA in assessing the same for determination of tariffs for aeronautical services at RGIA and preparation of the final tariff order for approval.

The assessment of Regulatory Asset Base (RAB) is a vital requirement for tariff determination and finalisation of MYTP. RAB largely depends upon the allocation of assets and capital investments of the airport into aeronautical (Aero) and non-aeronautical (Non-Aero) assets. Apart from RAB, this asset allocation exercise also has an impact on other building blocks of tariff determination i.e. rate of return, operations costs and depreciation.

### Dependence of RAB on asset allocation

As per the AERA guidelines, the closing RAB for a year is derived using the formula below:

$$\text{Closing RAB} = \text{Opening RAB} + \text{Investments} - \text{Depreciation}$$

Investments in the RAB comprises:

- 100% Aeronautical Assets, the Aeronautical proportion of the Common Assets; and
- Any investments made for the performance of Reserved Activities, which are owned by HIAL.

RAB does not include:

- Capital work-in-progress, which are not capitalised in fixed assets; and
- Non-airport assets.

The allocation of assets into Aero and Non-Aero requires simultaneous consideration of various elements that include nature of the asset, location within the airport premises, its utility, area occupied by the assets and revenues attributable from the asset, among others. Further, year on year change in RAB needs to be considered due to the change in various factors such as higher investments, depreciation of the assets, utilization patterns, and nature of asset composition etc.

As part of CRIS' scope of work, the asset allocation study has been carried out to arrive at the justified additions to the RAB as per the general principles of tariff determination. This report is aimed at presenting the allocation of assets between aeronautical and non-aeronautical activities as submitted by HIAL in its MYTP and the revised allocation on the basis of general principles and treatments as considered under the prevalent tariff orders. The study has certain limitations which includes reliance and dependence on the statutory auditor's certificate and information provided in the Fixed Asset Register (FAR) submitted by HIAL. Further, a site visit was undertaken to assess the progress of the project vis-à-vis the submissions made under the MYTP by HIAL. For the asset allocation exercise, CRIS has referred and reviewed the following documents:

1. The Airports Economic Regulatory Authority of India Act, 2008
2. Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 and amendments and orders issued from time to time
3. Concession agreement signed between Ministry of Civil Aviation, Government of India and Hyderabad International Airport signed on 20<sup>th</sup> December, 2004
4. Orders of Telecom Disputes Settlement and Appellate Tribunal (TDSAT)
5. Audited Financial statements, documents and records of, and discussions with management of HIAL
6. Clarifications received from HIAL management from time to time

### 3. Terms of reference and work performed

#### 3.1 Extract of terms of reference on asset re-allocation

AERA has outlined the scope of work for allocation of assets between Aero and Non-Aero assets in clauses 3.1(v) of schedule 1 of their RFP No. 01/2020-2021 for engagement of consultants to assist AERA in determination of tariffs for aeronautical services at HIAL. The scope of work is as follows:

3.1(v) – Asset / OPEX segregation between Aero and Non Aero.

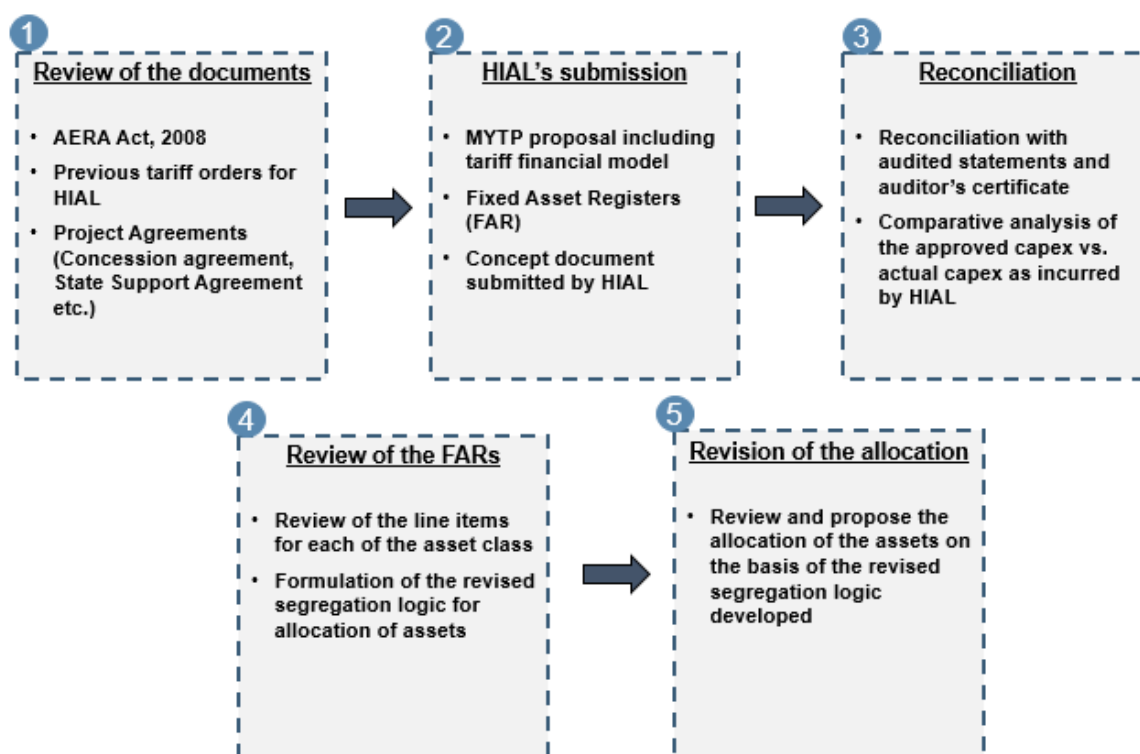
##### Limitations to this study

- The report is based on analysis of the auditor reports, other relevant documents and certificates as submitted by HIAL with respect to fixed assets. The work undertaken also has reliance on the information provided in the Fixed Asset Register (FAR) as submitted by HIAL. Further, a site visit was undertaken to assess the progress of the project vis-à-vis the submissions made in the MYTP by HIAL.
- The work procedures conducted for the preparation of this report do not constitute an audit, examination or a review in accordance with generally accepted auditing standards or attestation standard as is expected under section 143 of the Companies Act, 2013.

#### 3.2 Step-wise activities undertaken with regard to the scope of work

CRIS followed a detailed and comprehensive methodology drawn upon AERA guidelines and principles to segregate the assets between the aeronautical and non-aeronautical activities. A diagrammatic representation of the same is presented below:

Figure 1: Approach and methodology followed for the segregation of assets



## 4. Executive summary

### 4.1 Allocation of the assets as per HIAL's submission

As part of its submissions, HIAL has provided the methodology that has been adopted for the preparation of the MYTP. The key aspects of the asset allocation approach and methodology adopted by HIAL are as presented below:

#### **Aeronautical Assets**

Aeronautical assets are assumed to be the assets that are necessary or required for providing the aeronautical services at the airport and all such assets that HIAL may procure in accordance with directions of GOI for or in relation to provision of any of the reserved activities including intangible and other assets which are directly related to the aeronautical services. Some of the identified aeronautical services include – aerodrome control services, airfield, airfield lightning and associated works, runways, taxiways, apron and aircraft parking area, remote parking stands, air traffic control building and associated assets, airside access roads, connectivity roads etc.

#### **Non – aeronautical Assets**

Non-aeronautical assets are those which are necessary for the performance of non-aeronautical services at the airport. Some of the key non –aeronautical services include – car parking, airline lounges and other commercial lounges, general retail facilities, vending machines, vehicle fuelling services, kirby sheds, temporary office spaces, flight catering services, duty free, ground handling services, cargo handling services etc.

#### **Common Assets**

Common assets are those assets which are not identifiable/categorized into either aeronautical asset or non-aeronautical assets. An indicative list of common assets, as submitted by HIAL, includes passenger terminal building, heating, ventilation and air conditioning system for passenger terminal building, office building (including furniture and fixtures) and associated works, quarters for outside security personnel, common hardware, software and communication system, central stores building.

#### **Non-Airport Assets**

HIAL, in its submission, has also outlined activities which are classified as non-airport activities. HIAL has submitted that such activities do not fall in the category of aeronautical or non-aeronautical activities. The assets classified under this category include commercial offices for freight forwarders/ consolidators/agents and fuel station located at landside.

#### **Terminal Area Ratio**

HIAL has submitted Terminal Area Ratio for aeronautical and non-aeronautical services as 84.6% and 15.4% respectively.

### 4.2 Basis for allocation of assets by CRIS

CRIS studied various asset categories and developed a methodology for classification of the assets into Aeronautical and Non-aeronautical activities on the basis of AERA Act and the guidelines issued from time to time. CRIS also determined the appropriate proportion of Common Assets that could be allocated to aeronautical activity, in order to determine the RAB. Broadly, the principles for segregation of assets drawn upon AERA Act and the guidelines issued from time to time for revision of asset allocation are as follows:

## **Aeronautical Assets**

- All assets that are exclusively utilised for airport/aeronautical activities as per schedule 3 of the concession agreement are treated as aeronautical assets
- Cargo, Ground handling & Fuel Farm (CGF) assets have been classified as aeronautical in nature. Further, the Common Use Terminal Equipment (CUTE), Common Use Self Service (CUSS), Ground Power Unit (GPU) are classified as aeronautical assets in accordance with the AERA order no. 34/2019-2020 for the second control period dated 27<sup>th</sup> March 2020
- Capital Expenditure incurred to improve the service quality of the Airport except areas identified as non – aeronautical, which helps maintain the ASQ rating mandated by the project agreement are classified as aeronautical assets

## **Non-aeronautical Assets**

- All assets that are exclusively utilised for non-airport/non-aeronautical activities as per schedule 3 of the concession agreement as well as AERA Act and the Guidelines issued from time to time are treated as non-aeronautical assets. Example are Duty Free, Retail, F&B etc.

## **Common Assets**

- Assets for which the benefits or use can be attributed to both aeronautical and non-aeronautical services are classified as common assets
- Assets primarily used for provision of aeronautical services but are also used for provision of non-aeronautical services are classified as Common Assets. For instance, civil and electrical works for terminal building
- Assets which are used for general corporate purposes including legal, administration, and management affairs are treated as common assets.
- Common assets which are situated within the terminal buildings are apportioned to aeronautical activity in the ratio of the space allocated for aeronautical and non-aeronautical services. The percentages for aeronautical and non-aeronautical areas have been taken as 84.6% and 15.4% respectively
- Common assets which are situated outside the terminal buildings are apportioned based on an appropriate driver such as the gross asset ratio of aeronautical and non-aeronautical for the relevant year
- Other common assets such as the new office building, site office building and township are apportioned based on specific drivers such as the occupancy levels, critical / non-critical staff ratio among others.

## **Inadmissible Assets**

Assets funded out of grant such as the assets funded out of ADFG (Advance Development Fund Grant) should be reduced completely from the RAB and not on proportionate basis. Such assets should be completely disallowed from any consideration towards the RAB.

## **Terminal Area Ratio**

Pursuant to the AERA order no. 34/2019-2020 for the second control period dated 27<sup>th</sup> March 2020, AERA had considered the Terminal Area Ratio as Aero: 84.6% and Non – Aero: 15.4% respectively. CRIS has also considered the same Terminal Area Ratio for the purpose of the allocation of the relevant assets which is also submitted by HIAL in their submission for second control period. Therefore, CRIS has apportioned the relevant common assets for the provision of aeronautical and non-aeronautical services in the ratio of 84.6% and 15.4% respectively.

## **Observations on decommissioned stands**

As per HIAL's submission, 12 stands had been decommissioned in the years 2018 and 2019. However, it is understood from HIAL's submission that the deletion of these assets has not been captured in the Fixed Asset

Registers. It is suggested that deletions on account of these assets be taken into consideration and therefore an amount of Rs. 14.91 crore be reduced from the aeronautical assets to reflect the deletion of the 12 stands .

### 4.3 Revised allocation of assets as per CRIS analysis

The different assets have been re-classified as per the asset allocation methodology detailed in the preceding section. The proposed classification vis-à-vis HIAL's classification is presented below –

**Table 2: Proposed classification of key assets vis-à-vis HIAL's classification**

S.no	Description	HIAL's classification	Proposed Classification
1.	Cargo Satellite Building	Non-Airport	Aero
2.	Cargo Terminal Building	Non-Aero	Aero
3.	Fuel Farm	Non-Aero	Aero
4.	Ground Power Unit	Non-Aero	Aero
5.	New Office Building(NOB)	Common	40% Non-Aero, 60% Common
6.	Site Office Building	Common	Common (87%-88%) ; Non Aero-(13%-12%) depending upon the leased out area for the year
7.	Township	Aero	75% - 80% Aero for individual year (based on critical/ non-critical staff occupancy)
8.	Passenger Terminal Building (Plant & machinery used for both aeronautical and non-aeronautical services)	Aero	Common
9.	Passenger Terminal Building – IT (IT systems used explicitly for non-aeronautical services)	Aero	Non-Aero
10.	Passenger Terminal Building – IT (IT systems used for both aeronautical and non-aeronautical services)	Aero	Common
11.	Passenger Terminal Building – Lightning	Aero	Common
12.	Interim Domestic Arrival Terminal (IDAT) – Buildings	Aero	Common
13.	Interim International Departure Terminal (IIDT) – Buildings, plant & machinery, Office equipment, electric installations etc.	Aero	Common
14.	Landscaping	Aero	Common

### 4.4 Summary of comparative analysis of the aeronautical additions

- Post reclassification of the total investment in aeronautical assets for FY17-FY21, the re-allocated aeronautical and non – aeronautical assets are as under:
  - Revised Aeronautical additions: Rs. 1317.69 crores.



- Revised Non – Aeronautical additions: Rs. 69.86 crores
- Total adjustment to aeronautical asset additions as per revised allocation : Rs. (0.53) crores
- The revised additions to the different asset categories have been presented and detailed in this report under sections 7.1, 7.2 and 7.3. The purpose of the asset allocation exercise was to compute and evaluate the justified additions to the RAB that should be considered towards tariff determination and in determining the true up of the RAB for the second control period.

A comparative analysis of the aeronautical additions as approved in the order no 34-2019/20 for the second control period dated 27<sup>th</sup> March 2020, as submitted by HIAL and as per the revised allocation and other adjustments is as depicted in the table given below:

**Table 3: Summary of comparative analysis of the aeronautical additions**

Aeronautical Additions							
S.no	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	As per Tariff Order 34/2019-20 dated 27 <sup>th</sup> March 2020 – Second Control Period	183.88	108.4	350.72	1082.93	205.3	1,931.23
2.	As per HIAL's submission	36.57	60.11	559.84	491.04	170.66	1,318.22
3.	<b>Deviation ((2)-(1))</b>	<b>(147.31)</b>	<b>(48.29)</b>	<b>209.12</b>	<b>(591.89)</b>	<b>(34.64)</b>	<b>(613.01)</b>
4.	As per proposed allocation	46.59	60.43	577.47	489.65	143.57	1,317.69
5.	<b>Deviation ((4)-(2))</b>	<b>10.02</b>	<b>0.32</b>	<b>17.63</b>	<b>(1.39)</b>	<b>(27.09)</b>	<b>(0.53)</b>

## 4.5 Gross block based on revised asset allocation

### Gross block for the second control period

Based on the revised allocation of the assets between aeronautical and non-aeronautical assets, the gross block for each of the year (FY17-FY21) was assessed as depicted in the table given below:

**Table 4: Calculations and summary of gross block for FY17-FY21 as per revised allocation**

As per proposed allocation						
Gross Block						
S.no	Particulars (Rs Crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1.	<b>Opening Gross Block</b>	2711.57	2759.49	2816.90	3402.07	3791.89
	<i>Aero</i>	2459.25	2504.79	2554.91	3122.96	3515.39
	<i>Non-Aero</i>	252.32	254.69	261.98	279.10	276.48
2.	<b>Additions</b>	49.77	67.86	594.76	495.82	179.36
	<i>Aero</i>	46.59	60.43	577.47	489.65	143.57

As per proposed allocation						
Gross Block						
S.no	Particulars (Rs Crore)	2016-17	2017-18	2018-19	2019-20	2020-21
	Non-Aero	3.18	7.43	17.28	6.17	35.80
3.	<b>Deletions<sup>1</sup></b>	1.86	10.45	9.58	106.00	52.74
	Aero	1.05	10.31	9.42	97.22	51.99
	Non-Aero	0.81	0.14	0.16	8.78	0.75
4.	<b>Closing Gross Block ((1)+(2)-(3))</b>	2759.49	2816.90	3402.07	3791.89	3918.52
	Aero	2504.79	2554.91	3122.96	3515.39	3606.97
	Non-Aero	254.69	261.98	279.10	276.48	311.53
5.	<b>ADFG Adjustment</b>	107.00	107.00	107.00	107.00	107.00
	Aero	107.00	107.00	107.00	107.00	107.00
	Non-Aero	0.00	0.00	0.00	0.00	0.00
6.	<b>Adjusted Closing Gross Block ((4)-(5))</b>	2652.49	2709.90	3295.07	3684.89	3811.52
	Aero	2397.79	2447.91	3015.96	3408.39	3499.97
	Non-Aero	254.69	261.98	279.10	276.48	311.53
7.	<b>Gross Block Ratio (On Adjusted Gross Block)</b>					
	<b>Aero</b>	90.40%	90.33%	91.53%	92.50%	91.83%
	<b>Non-Aero</b>	9.60%	9.67%	8.47%	7.50%	8.17%
	<b>Aero (Average)</b>	<b>91.32%</b>				
	<b>Non-Aero (Average)</b>	<b>8.68%</b>				

<sup>1</sup> Deletions on account of the 12 stands have been taken into consideration for the respective years – 2018 (Rs. 6.34 crore) & 2019 (Rs. 8.57 crore);

## 5. Visit to RGIA, Hyderabad– Assessment of the progress of capital expenditure

The CRIS team visited RGIA, Hyderabad on 5<sup>th</sup> April 2021. The objective of the visit was to assess the progress of the capital expenditure for the Second Control Period vis-à-vis the submissions made by HIAL under the MYTP and to have a discussion with the HIAL tariff team on some of the key aspects of the MYTP submissions. Following the discussions, a site visit was organized by HIAL, where the existing and new infrastructure were shown to the CRIS Team by the concerned departments.

Following areas were covered in the site visit –

- East and West expansion areas (terminal areas)
- Interim international departures terminal
- Old international departures terminal &
- New approach road to the terminal

CRIS' observations pursuant to the site visit are as given below:

- i. The East and West expansion areas are meant to accommodate the increase in passenger traffic that has been registered over the past years and the expected growth in future. The departure area is laid out in-line with the current principles of passenger flow, allowing for walk-through retail shops. Such layout ensures enhanced footfalls and enables enhancement of revenues. The sections of duty free, general retail, food & beverage are laid out in cluster and deep in the piers format enabling last minute purchases by the passengers.
- ii. Passenger processing area including check-in, security & border control are also being expanded keeping in mind the passenger growth. As informed by the HIAL team, the expanded terminal will be seamlessly connected to the existing infrastructure following a modular expansion strategy.
- iii. To optimize operational efficiency in the processing area swing gates/baggage belts have been provided. This is expected to enable scale up of capacity in line with the increase in demand. The existing connection of the interim international departure terminal to the main terminal building will be severed once the expanded international terminal is commissioned.
- iv. Given that a new departure terminal is being built, HIAL envisages to either demolish the interim terminal or put it to alternate use including for Haj operations or as an office complex. HIAL has not yet finalized its plans with respect to the interim terminal.
- v. The existing international departures terminal had significantly less number of passengers during the visit, since there is a restriction on international flights and only a limited number of flights are permitted under the air-bubble scheme. The scale of operations and the congestion due to capacity limitation of the terminal could not be ascertained by the CRIS team due to this scenario. Further, due to significantly limited operations at the international terminals almost all the retail offerings were closed.
- vi. The new approach road connects the existing interim international departure terminal and the proposed terminal building. The road is also likely to serve non-airport facilities located at the airport.

## 6. Asset allocation as approved under Order No. 34/2019-20 for the Second Control Period dated 27<sup>th</sup> March 2020

### 6.1 Capital Expenditure as approved under Order No. 34/2019-20 for the Second Control Period

Authority in the aforementioned order had approved the additions to the RAB detailing the capital expenditure over the period of the Second Control Period i.e. FY17 – FY21. The approved capex was based on the independent study undertaken by RITES for the second control period. The details of the approved capex are as depicted in the table given below:

**Table 5: Summary of approved capital expenditure as per Order No 34/2019-20 for the Second Control Period dated 27<sup>th</sup> March 2020**

As per Tariff Order 34/2019-20 dated 27 <sup>th</sup> March 2020 – Second Control Period							
S.no	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Expansion Capex – A	0	0	302.12	1222.81	218.56	1743.49
2.	Runway Re-carpeting – B	0	53.03	25.28	25.28	0	103.59
3.	General Capex (incl. fuel farm & Solar project) – C - (Sum 3 (i) -3(ii))	197.89	61.05	34.13	25.52	22.49	341.1
i.	Solar power plant and fuel farm	47.15	-	-	-	-	47.15
ii.	Other General capex	150.76	61.05	34.13	25.52	22.49	293.96
4.	Total Capex (A+B+C)	<b>197.89</b>	<b>114.08</b>	<b>361.53</b>	<b>1273.61</b>	<b>241.05</b>	<b>2188.18</b>
5.	Aeronautical Portion	183.88	108.4	350.72	1082.93	205.3	1931.23

### 6.2 Details of the different Capex categories as approved under Order No. 34/2019-20 for the second control period

#### A - Expansion Capex

The classification accepted and approved by the Authority for the Second Control Period pertaining to the expansion capital expenditure is as follows:

Under the subject Order, the Authority considered expansion project capex and re-carpeting/re-layering of runways and taxiways. Further, the financing allowance was computed on the entire project cost. Also, the general & maintenance capex and the capex towards 8 MW solar power plant was approved by the Authority. The classification approved for some of the major assets is as presented below:

- Additional 4 lane ramp – Aeronautical asset
- Forecourt expansion – Common asset
- Terminal expansion – East module 1 – Common asset
- Pier expansion – East module 1 – Common asset
- Terminal expansion – West modules – Common asset
- Pier expansion – East module 2 – Common asset

- Pier expansion – West module – Common asset
- Apron development – Aeronautical asset

Based on the recommendation of the RITES report, the revised project cost as well as the implementation schedule approved by the Authority for the Second Control Period are as summarized in the table given below:

**Table 6: Summary of expansion capex as approved in Order No. 34/2019-20 for the Second Control Period dated 27<sup>th</sup> March 2020**

As per Tariff Order 34/2019-20 dated 27th March 2020 - Second Control Period								
Expansion Capex								
S.no	Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Additional 4-lane Ramp	Aero	0.00	55.04	55.04	0.00	0.00	110.08
2.	Forecourt Expansion	Common	0.00	40.19	5.74	0.00	0.00	45.93
3.	Terminal Expansion - East Module 1	Common	0.00	0.00	137.78	100.20	0.00	237.98
4.	Pier Expansion - East Module 1	Common	0.00	28.55	114.21	38.07	0.00	180.83
5.	Terminal Expansion - West Modules	Common	0.00	85.12	340.48	85.12	0.00	510.72
6.	Pier Expansion - East Module 2	Common	0.00	0.00	89.91	112.39	0.00	202.30
7.	Pier Expansion - West Module	Common	0.00	0.00	56.19	134.86	11.24	202.30
8.	Apron Development	Aero	0.00	61.82	61.82	0.00	0.00	123.63
9.	<b>Capital Expenditure</b>		0.00	270.72	861.17	470.64	11.24	1613.77
10.	Capitalized Works		0.00	0.00	279.64	1131.83	202.30	1613.77
11.	Financing Allowance		0.00	13.34	55.56	51.52	9.30	129.72
12.	<b>Commissioned assets</b>		<b>0.00</b>	<b>0.00</b>	<b>302.12</b>	<b>1222.81</b>	<b>218.56</b>	<b>1743.49</b>
13.	<i>Percentage allocation of commissioned assets</i>	% Aero	0%	0%	97%	85%	85%	
		% Non-Aero	0%	0%	3%	15%	15%	
		% Common	0%	0%	0%	0%	0%	
14.	<b>Aeronautical Portion (A)</b>		<b>0.00</b>	<b>0.00</b>	<b>294.48</b>	<b>1034.50</b>	<b>184.90</b>	<b>1513.88</b>
15.	<b>Non-Aero Portion (B)</b>		<b>0.00</b>	<b>0.00</b>	<b>7.64</b>	<b>188.31</b>	<b>33.66</b>	<b>229.61</b>
16.	<b>Common Portion (C)</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Out of total expansion capital expenditure approved, the aeronautical portion stood at Rs. 1513.88 crore while the non-aeronautical portion stood at Rs. 229.61 crore.

### B - Runway Re-carpeting

The approved cost against the runway re-carpeting works is as summarized in the table given below:

**Table 7: Summary of capex for runway re-carpeting as approved in Order No. 34/2019-20 for the Second Control Period dated 27<sup>th</sup> March 2020**

As per Tariff Order 34/2019-20 dated 27th March 2020 - Second Control Period								
Runway Re-carpeting								
S.no	Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Runway Re-carpeting	Aero	0	53.03	25.28	25.28	0	<b>103.59</b>
2.		% Aero	100%	100%	100%	100%	0%	
3.		% Non-Aero	0%	0%	0%	0%	0%	
4.		% Common	0%	0%	0%	0%	0%	
5.	<b>Aeronautical Portion (D)</b>		-	<b>53.03</b>	<b>25.28</b>	<b>25.28</b>		<b>103.59</b>
6.	<b>Non-Aero Portion (E)</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
7.	<b>Common Portion (F)</b>		-	-	-	-		<b>0.00</b>

### C - General Capex

The approved project cost for the fuel farm, solar project and the general capital expenditure is presented in the subsequent sections.

#### *Solar power plant and fuel farm*

**Table 8: Summary of capex for solar power plant and fuel farm as approved in Order No. 34/2019-20 for the Second Control Period dated 27<sup>th</sup> March 2020**

As per Tariff Order 34/2019-20 dated 27th March 2020 - Second Control Period								
Solar Power Plant & Fuel Farm								
S.no	Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Solar Power Plant	Aero	44.00	0	0	0	0	<b>44.00</b>
2.	Fuel Farm	Aero	3.15	0	0	0	0	<b>3.15</b>
3.		% Aero	100%	100%	100%	100%	0%	
4.		% Non-Aero	0%	0%	0%	0%	0%	
5.		% Common	0%	0%	0%	0%	0%	
6.	<b>Aeronautical Portion (G)</b>		<b>47.15</b>	-	-	-		<b>47.15</b>
7.	<b>Non-Aero Portion(H)</b>		-	-	-	-	-	<b>0.00</b>
8.	<b>Common Portion (I)</b>		-	-	-	-	-	<b>0.00</b>

#### *Other General Capex*

The following table provides a summary of the other general capex as approved under the Order No. 34/2019-20 for the second control period dated 27<sup>th</sup> March 2020.

**Table 9: Summary of other general capex as approved in Order No. 34/2019-20 for the second control period dated 27<sup>th</sup> March 2020**

As per Tariff Order 34/2019-20 dated 27th March 2020 - Second Control Period								
Other General Capex								
S.no	Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	General capex	Common	150.76	61.05	34.13	25.52	22.49	<b>293.96</b>
2.		% Aero	0%	0%	0%	0%	0%	
3.		% Non-Aero	0%	0%	0%	0%	0%	
4.		% Common	100%	100%	100%	100%	100%	
5.	<b>Aeronautical Portion (K)</b>		-	-	-	-	-	<b>0.00</b>
6.	<b>Non-Aero Portion (L)</b>		-	-	-	-	-	<b>0.00</b>
7.	<b>Common Portion (M)</b>		<b>150.76</b>	<b>61.05</b>	<b>34.13</b>	<b>25.52</b>	<b>22.49</b>	<b>293.96</b>

### 6.3 Summary

As per the Order No. 34/2019-20 for the Second Control Period dated 27<sup>th</sup> March 2020, the approved additions by the Authority over the Second Control Period (FY17-FY21) were Rs. 2188.18 crore, out of which the aeronautical additions stood at Rs. 1931.23 crore while the non-aeronautical additions stood at Rs. 256.95 crore

## **7. Asset allocation by HIAL for the second control period**

### **7.1 Methodology and principles for asset allocation**

As part of its submission under the second control period, HIAL has provided the approach and methodology adopted for allocation of assets. The key aspects from HIAL's approach and methodology for allocation of assets are as given below:

#### **Aeronautical Assets**

Aeronautical assets are assumed to be those assets which are necessary or required for providing the below mentioned aeronautical services at the airport and all such assets that HIAL may procure in accordance with directions of GOI for or in relation to provision of any of the reserved activities including intangible assets and other assets which are directly related to the aeronautical services. As per HIAL's submission, some of the identified aeronautical services are as follows:

- Aerodrome control services
- Airfield
- Airfield lightning and associated works
- Runways
- Taxiways
- Apron and aircraft parking area
- Remote parking stands
- Air traffic control building and associated assets
- Special handling terminal – HAJ
- Airport seating
- Airside access roads
- Connectivity roads
- Lifts, escalators & elevators
- Flight information and public address system
- Compound wall
- Traffic forecourts
- Rescue and firefighting service
- Air field crash fire service
- Bird scaring system
- Passenger Boarding Bridges
- Baggage handling system and hold baggage in the x-ray screening
- Visual docking and guidance system
- Operational vehicle like rubber removal machine, runway sweepers, golf carts, trolley pulling scooters
- Airport Operation and Control Centre



- Airport Operational Database
- Airport Community Network
- Airport Management Administrative Network
- Other IT system for Airport Operation
- Surface Drainage
- Plumbing and sewerage system
- Water and Sewage treatment facilities
- Signage
- Waste disposal
- Information desks
- Emergency services
- General maintenance and upkeep of the airport
- Customs and immigration halls
- VVIP and VIP lounges
- Public Transport Centre
- Interim International Departure Terminal (IIDT) & Interim Domestic Arrival Terminal (IDAT)
- Landscaping assets
- Facilities for the disabled and other special needs people
- Any other service and facility deemed to be necessary for the safe and efficient operation of the Airport

## **Non - aeronautical Assets**

Non-aeronautical assets are those which are necessary for the performance of the non-aeronautical services at the airport. Some of the key non –aeronautical services, as outlined in the concept document, are summarized below:

- Car park, airline lounges and other commercial lounges
- General retail facilities
- Vending machine
- Vehicle fuelling services
- Kirby sheds – Temporary office spaces
- Flight catering services
- Flight catering services
- Duty Free
- Ground handling services including Ground Power Unit
- Cargo Handling Services
- Fuel Farm Services
- Porter Services
- Any other services or facility other than aeronautical services

### Common Assets

Common assets are those assets which are not identifiable/categorized into either aeronautical asset or non-aeronautical assets. An indicative list of common assets, as submitted by HIAL, is summarized below:

- Passenger Terminal Building
- Heating ventilation and Air conditioning system for PTB
- Office Building (including furniture and fixtures) and associated works
- Quarters for outside security personnel
- Common hardware, software and communication system
- Central Stores Building

### Terminal Area Ratio

HIAL has submitted terminal building ratio for aeronautical and non-aeronautical services as 84.6% and 15.4% respectively.

**Apportionment of common assets:** The common assets have been apportioned into aeronautical and non-aeronautical assets on the following basis.

**Table 10: Summary of asset allocation methodology as per HIAL's submission**

S.no	Description of the Asset	Basis of the Apportionment
1.	Passenger Terminal Building (PTB) – Area allotted for airline lounges and other commercial lounges, general retail facilities, office spaces etc. is treated as non-aero asset and remaining area as aero asset	Area of terminal building used for aeronautical and non-aeronautical services (i.e. 84.6% and 15.4% respectively)
2.	Heating ventilation and Air Conditioning system for Passenger Terminal Building in the ratio of the PTB area classified into aero & non-aero	Area of terminal building used for aeronautical and non-aeronautical services (i.e. 84.6% and 15.4% respectively)
3.	Site Office Building (including furniture & fixtures) and associated works. Common area is allocated in the ratio of total aero and non-aero assets	Aero & Non aero assets ratio Any incidental income received as rent from the available space at the site office building, pending its utilisation for common airport activities, to be netted off against total operating expenses
4.	New office building (including furniture & fixtures) and associated works	Aero & Non aero assets ratio Any incidental income received as rent from the available space at the new office building, pending its utilisation for common airport activities, to be netted off against total operating expenses
5.	Quarters for outside security personnel	Aero and Non-Aero assets ratio
6.	Common hardware, software and communication system	Aero and Non-Aero assets ratio
7.	Central Stores Building	Aero and Non-Aero assets ratio

### Non-Airport Assets

HIAL, in its submission, has also outlined activities which are classified as non-airport activities. As per HIAL such activities do not fall in the category of aeronautical or non-aeronautical activities.

**Table 11: Summary of non-airport assets as per HIAL's submission**

S.no	Description of the Asset	Classification
1.	Commercial offices for freight forwarders/ consolidators/agents	Non- Airport
2.	Fuel Station located at Landside	Non- Airport

## 7.2 Allocation of assets

### Capital Expenditure as submitted by HIAL

HIAL in its MYTP for the Third Control Period has submitted the true up of the RAB for the second control period as depicted in the table given below:

**Table 12: Summary of true up of capex as per HIAL's submission**

As per HIAL's submission							
S.no	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Expansion Capex	0	0	328.87	416.55	25.62	771.04
2.	Runway Re-carpeting & AGL upgrade	0	0	0	0	66.44	66.44
3.	General Capex	49.76	67.85	265.89	79.26	87.3	550.06
4.	<b>Total Capex</b>	<b>49.76</b>	<b>67.85</b>	<b>594.76</b>	<b>495.81</b>	<b>179.36</b>	<b>1387.54</b>
5.	<b>Aeronautical Portion</b>	<b>36.57</b>	<b>60.09</b>	<b>559.84</b>	<b>491.04</b>	<b>170.66</b>	<b>1318.20</b>

### True up for capex incurred towards expansion project as per HIAL's submission

HIAL in its submission outlined that the Hyderabad Airport witnessed significant traffic growth during FY16-19 rendering the earlier expansion plan to be revisited in order to meet the growing demand. Accordingly, HIAL revised the capacity expansion plan and initiated capacity expansion to 34 MPPA to cater to the growth in its Third Control Period (FY22-FY26).

Additions to RAB on account of this capitalization have been considered. The summary of expansion capex as per HIAL's submission is as depicted in the table given below:

**Table 13: Summary of expansion capex as per HIAL's submission**

As per HIAL's submission								
Expansion Capex								
S.no	Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Additional 4-lane Ramp	Aero	0.00	60.76	66.02	18.26	1.28	146.32
2.	Forecourt Expansion	Common	0	2.65	551.95	406.49	743.21	1704.3
3.	Terminal Expansion - East Module 1	Common						
4.	Pier Expansion - East Module 1	Common						
5.	Terminal Expansion - West Modules	Common						

As per HIAL's submission								
Expansion Capex								
S.no	Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	Total
6.	Pier Expansion - East Module 2	Common						
7.	Pier Expansion - West Module	Common						
8.	Apron Development	Aero		67.71	121.48	558.67	96.04	843.9
9.	Road Infrastructure	Aero				9.25	5.22	14.47
10.	Preliminaries, Insurance, PMT and Design	Common		35.75	39.52	51.77	36.23	163.27
11.	<b>Capital Expenditure</b>		<b>0.00</b>	<b>166.87</b>	<b>778.97</b>	<b>1044.45</b>	<b>881.98</b>	<b>2872.27</b>
12.	Capitalized Works			0.00	319.76	385.88	25.62	731.26
13.	Financing Allowance			0.00	9.11	30.67	0.00	39.78
14.	<b>Commissioned assets</b>		0.00	0.00	328.87	416.55	25.62	807.99
15.	<i>Percentage allocation of the commissioned assets</i>	% Aero	0%	0%	100%	100%	100%	
		% Non-Aero	0%	0%	0%	0%	0%	
		% Common	0%	0%	0%	0%	0%	
16.	<b>Aeronautical Portion</b>		<b>0.00</b>	<b>0.00</b>	<b>328.87</b>	<b>416.55</b>	<b>25.62</b>	<b>771.04</b>

#### True up for capex incurred towards runway re-carpeting as per HIAL's submission

HIAL in its submission has highlighted that in order to ensure minimum operational impact during the implementation of the project, the resurfacing initiative was deferred till the main expansion project is commenced.

Further, HIAL in its submission highlighted that it has also planned to upgrade the existing Airfield Ground Lighting (AGL) System and upgrade the main runway (09R 27L) and associated taxiways/taxi lane to CAT-II AGL system, and upgrade the secondary runway to CAT-I in order to meet operational efficiency and ensure smooth operations.

**Table 14: Summary of true up of pavement enhancement and lightning upgrade works as per HIAL's submission**

As per HIAL's submission							
S.no	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Airfield Pavement Enhancement	0	0	0	0	66.44	66.44
2.	Airfield Ground Lighting Upgrade	0	0	0	0		
3.	<b>Total Capex</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66.44</b>	<b>66.44</b>
4.	<b>Aeronautical Portion</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66.44</b>	<b>66.44</b>

### True up for general capex as per HIAL's submission

HIAL has submitted that in order to address the growing air traffic and sustaining the service quality and passenger experience, it undertook various interim initiatives during the subject period to cater to annual passenger growth while embarking on the expansion as long term solution. The interim measures included strategies/projects to sweat the assets to the maximum while sustaining the world class service quality and passenger experience such as construction of an Interim International Departure Terminal (IIDT) and Interim Domestic Arrival Terminal (IDAT) that helped in creating additional terminal capacity.

Further, the general capex for the second control period included capex towards all the above projects along with the capex towards the maintenance and upgrade of existing facilities.

**Table 15: Summary of capex for solar power plant, IIDT & IDAT as per HIAL's submission**

As per HIAL's submission								
Solar Power Plant, IIDT & IDAT								
S.no	Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Solar Power Plant	Aero			22.23		-	22.23
2.	IIDT & IDAT	Aero			104.4	3.6		108.00
3.		% Aero	100%	100%	100%	100%	0%	
4.		% Non-Aero	0%	0%	0%	0%	0%	
5.		% Common	0%	0%	0%	0%	0%	
6.	<b>Aeronautical Portion</b>		-	-	<b>126.63</b>	<b>3.60</b>	-	<b>130.23</b>
7.	<b>Non-Aero Portion</b>		-	-	-	-		<b>0.00</b>
8.	<b>Common Portion</b>		-	-	-	-		<b>0.00</b>

**Table 16: Summary of general capex as per HIAL's submission**

As per HIAL's submission								
General Capex								
S.no	Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	General capex		<b>49.76</b>	<b>67.85</b>	<b>139.26</b>	<b>75.66</b>	<b>87.31</b>	<b>419.84</b>
2.		% Aero	73%	89%	75%	94%	90%	
3.		% Non-Aero	26%	11%	18%	6%	10%	
4.		% Common	0%	0%	0%	0%	0%	
5.	<b>Aeronautical Portion</b>		<b>36.57</b>	<b>60.09</b>	<b>104.34</b>	<b>70.89</b>	<b>78.60</b>	<b>350.49</b>

The true-up of the additions over the second control period as submitted by HIAL are summarised under the relevant categories as given below:

**Table 17: Summary of asset additions as per HIAL's submission**

	As per HIAL's submission																			
	Asset Additions																			
	2016-17				2017-18				2018-19				2019-20				2020-21			
<i>in Rs Crore</i>	Aero	Non- Aero	Non- Airport	Total	Aero	Non- Aero	Non- Airport	Total	Aero	Non- Aero	Non- Airport	Total	Aero	Non- Aero	Non- Airport	Total	Aero	Non- Aero	Non- Airport	Total
Gross Block Additions	36.56	13.19	0.03	49.78	60.11	7.75	0.00	<b>67.86</b>	559.85	24.97	9.93	<b>594.75</b>	491.04	4.76	0.01	<b>495.81</b>	170.66	8.70	0.00	<b>179.36</b>

Note: Addition to the gross block is excluding the AS 11 assets. The same has been disallowed while assessing the true-up for Second Control Period

### 7.3 Summary

The asset allocation methodology adopted by HIAL is based on its understanding of the project agreements and has been summarised in section 6.1 of this report.

As part of the MYTP submissions, HIAL has assessed the true up of total investments for the second control period as Rs. 1387.54 crore, out of which aeronautical additions are Rs. 1318.20 crore, non-aero additions are Rs. 59.37 crore and non-airport additions are Rs. 9.97 crore.

## 8. Assessment of actual capital addition during the second control period

### 8.1 Revised methodology for asset allocation and reclassification

Drawing upon the AERA guidelines, previous tariff orders and industry practices, CRIS developed an asset allocation criteria for classification of assets into aeronautical, non-aeronautical and common assets.

The key aspects of the asset allocation methodology adopted for asset allocation and classification are as given below:

#### **Aeronautical Assets**

- All assets that are exclusively utilised for airport/aeronautical activities as per schedule 3 of the concession agreement are treated as aeronautical assets
- Cargo, Ground handling & Fuel Farm (CGF) assets have been classified as aeronautical in nature. Further, the Common Use Terminal Equipment (CUTE), Common Use Self Service (CUSS), Ground Power Unit (GPU) are classified as aeronautical assets in accordance with the AERA order no. 34/2019-2020 for the Second Control Period dated 27<sup>th</sup> March 2020
- Capital expenditure incurred to improve the service quality of the airport except areas identified as non - aeronautical, which helps maintain the ASQ rating mandated by the project agreement are classified as aeronautical assets

#### **Non-aeronautical Assets**

- All assets that are exclusively utilised for non-airport/non-aeronautical activities, as per schedule 3 of the concession agreement as well as the AERA Act and the Guidelines issued from time to time, are treated as non-aeronautical assets such as Duty Free, Retail, F&B etc.

#### **Common Assets**

- Assets for which the benefits can be attributed to both aeronautical or non-aeronautical services are classified as common assets
- Assets primarily used for provision of aeronautical services but are also used for provision of non-aeronautical services are classified as Common Assets. For instance, civil and electrical works for terminal building
- Assets which are used for general corporate purposes including legal, administration, and management affairs are treated as common assets
- Common assets which are situated within the terminal buildings are apportioned to aeronautical activity in the ratio of the space allocated for aeronautical and non-aeronautical services. The percentages for aeronautical and non-aeronautical areas have been taken as 84.6% and 15.4% respectively. Common assets which are situated outside the terminal buildings are apportioned based on an appropriate driver such as the gross asset ratio of aeronautical and non-aeronautical for the relevant year
- Other common assets such as the new office building, site office building and township are apportioned based on specific drivers such as the occupancy levels, critical / non-critical staff ratio among others

### Inadmissible Assets

Assets funded out of grant such as the assets funded out of ADFG (Advance Development Fund Grant) should be reduced completely from the RAB and not on proportionate basis. Such assets should be completely disallowed from any consideration towards the RAB.

### Terminal Area Ratio

Pursuant to the AERA order no. 34/2019-2020 for the second control period dated 27<sup>th</sup> March 2020, AERA had considered the terminal area ratio as Aero: 84.6% and Non – Aero: 15.4% respectively. CRIS has also considered the same terminal area ratio for the purpose of the allocation of the relevant assets which is also submitted by HIAL in their submission for second control period. Therefore, CRIS has apportioned the relevant common assets for the provision of aeronautical and non-aeronautical services in the ratio of 84.6% and 15.4% respectively.

### Observations on decommissioned stands

As per HIAL’s submission, 12 stands had been decommissioned in the years 2018 and 2019. However, deletion of these assets has not been captured in the Fixed Asset Registers. It is suggested that deletions on account of these assets be taken into consideration and therefore an amount of Rs. 14.91 crore be reduced from the aeronautical assets to reflect the deletion of the 12 stands.

As HIAL did not follow an inventory based approach and did not maintain separate costs for the stands, the cost pertaining to these 12 stands was not available. CRIS, based on the normative cost approved by AERA (Rs. 4700 per sqm) vide Order No. 07/2016-17 dated 6<sup>th</sup> June 2016 and the normative area requirement (3700 sqm per aircraft), calculated the cost for these 12 stands as ~Rs. 21 crore in 2008. This cost was further brought to 2018 and 2019 levels by using the depreciation rate of 3.34% as prescribed by AERA.

It is suggested to remove the cost pertaining to these 12 stands from the assets and therefore an amount equal to Rs. 6.34 crore and Rs. 8.57 crore has been deleted from aeronautical assets for the financial year 2018 and 2019 respectively.

## 8.2 Asset allocation and reclassification for FY17 to FY21

As per the revised principles for asset allocation detailed in the above section, the summary of classification of the key assets is detailed in the table below -

**Table 18: Summary of classification of key assets**

S.no	Description	HIAL’s classification	Proposed Classification
1.	Cargo Satellite Building	Non-Airport	Aero
2.	Cargo Terminal Building	Non-Aero	Aero
3.	Fuel Farm	Non-Aero	Aero
4.	Ground Power Unit	Non-Aero	Aero
5.	New Office Building(NOB)	Common	40% Non-Aero, 60% Common
6.	Site Office Building	Common	Common (87%-88%) ; Non Aero-(13%-12%) depending upon the leased out area for the year
7.	Tow nship	Aero	75% - 80% Aero for individual year (based on critical/ non-critical staff occupancy)



S.no	Description	HAL's classification	Proposed Classification
8.	Passenger Terminal Building (Plant & machinery used for both aeronautical and non-aeronautical services)	Aero	Common
9.	Passenger Terminal Building – IT (IT systems used explicitly for non-aeronautical services)	Aero	Non-Aero
10.	Passenger Terminal Building – IT (IT systems used for both aeronautical and non-aeronautical services)	Aero	Common
11.	Passenger Terminal Building – Lightning	Aero	Common
12.	Interim Domestic Arrival Terminal (IDAT) - Buildings	Aero	Common
13.	Interim International Departure Terminal (IIDT) – Buildings, plant & machinery, Office equipment, electric installations etc.	Aero	Common
14.	Landscaping	Aero	Common

Based on the above assumptions and allocation as per the tariff guidelines, the assets have been adjusted and reclassified for FY17 to FY21.

**Fixed asset adjustment for FY17 undertaken as per the methodology illustrated above is summarised in the table given below:**

**Table 19: Summary of proposed adjustments to additions to RAB for FY17**

Fixed asset adjustment for FY17					
	Fixed Asset Adjustment				Rs Crore
1.	Total Investment in Fixed Assets for the year (as per FAR of HAL)				49.77
i.	Aeronautical Assets (100% Aero + Apportioned from Common assets)				36.56
ii.	Non- Aeronautical Assets (100% Non - Aero + Apportioned from Common assets)				13.19
iii.	Non-Airport Assets				0.03
2.	Investments in RAB for the year (as per classification by HAL)				36.56
Proposed Adjustments to RAB					
3.	Asset Category	Description	HAL's classification	Proposed Classification	Impact on RAB addition
i.	Plant & Machinery	Cargo satellite Building	Non - Airport	Aero	0.03
ii.	Buildings, IT systems & Software	Cargo Terminal Building	Non - Aero	Aero	0.05
iii.	Buildings, IT systems & Software	Fuel Farm	Non - Aero	Aero	10.54
iv.	Plant & Machinery	Ground Power Unit	Non - Aero	Aero	0.11

Fixed asset adjustment for FY17					
	Fixed Asset Adjustment				Rs Crore
v.	IT system, Electrical Installation, Office Equipment, Furniture & Fixtures	New Office Building(NOB)	Common	Non-Aero - 40%, Common-60%	(0.18)
vi.	Depending upon the location of the asset the classification has been modified across all asset categories	Others	NA	NA	(0.09)
vii.	Depending upon the usage of the asset the classification has been modified across all asset categories	Passenger Terminal Building	NA	NA	(0.07)
viii.	Depending upon the usage of the asset the classification has been modified across all asset categories	Passenger Terminal Building – IT	NA	NA	(0.02)
ix.	Electrical Installations	Passenger Terminal Building – Lightning	Aero	Common	(0.34)
x.	Office Equipment	Site Office Building	Common	Common - 88% Non-Aero - 12%	0.00
xi.	Plant & machinery	Tow nship	Aero	Aero - 75% , Non Aero- 25%	(0.00)
<b>4.</b>	<b>Total Proposed Adjustments to RAB (Sum of 3 (i)- 3 (xi))</b>				<b>10.03</b>
<b>5.</b>	<b>Adjusted Investment in RAB during the year ( (2)+(4))</b>				<b>46.58</b>

Fixed asset adjustment for FY18 undertaken as per the methodology illustrated above is summarised in the table given below::

**Table 20: Summary of proposed adjustments to additions to RAB for FY18**

Fixed asset adjustment for FY18					
	Fixed Asset Adjustment				Rs Crore
1.	Total Investment in Fixed Assets for the year (as per FAR of HIAL)				67.86
i.	Aeronautical Assets (100% Aero + Apportioned from Common assets)				60.11
ii.	Non- Aeronautical Assets (100% Non - Aero + Apportioned from Common assets)				7.75
iii.	Non-Airport Assets				0.00
<b>2.</b>	<b>Investments in RAB for the year (as per classification by HIAL)</b>				<b>60.11</b>
Proposed Adjustments to RAB					
3.	<b>Asset Category</b>	<b>Description</b>	<b>HIAL's classification</b>	<b>Proposed Classification</b>	<b>Impact on RAB addition</b>
i.	Plant Machinery, IT Systems	Fuel Farm	Non - Aero	Aero	3.003
ii.	Buildings	Ground Handling	Non - Aero	Aero	0.003
iii.	Buildings	Ground Power Unit	Non - Aero	Aero	0.083

Fixed asset adjustment for FY18					
	Fixed Asset Adjustment				Rs Crore
iv.	Depending upon the location of the asset the classification has been modified across all asset categories	Hardware	NA	NA	(0.008)
v.	Depending upon the location of the asset the classification has been modified across all asset categories	Others	NA	NA	(0.321)
vi.	Plant Machinery, IT Systems, Furniture & Fixtures, Electrical Installation	New Office Building (NOB)	Common	Non Aero 40% Common 60%	(2.411)
vii.	Office Equipment	Site Office Building	Common	Common - 88% Non-Aero - 12%	(0.000)
viii.	Plant Machinery/Office Equipment	Tow nship	Aero	Aero - 80% , Non Aero- 20%	(0.047)
ix.	Reconciliation due to adjustments in FAR				0.02
<b>4.</b>	<b>Total Proposed Adjustments to RAB (Sum of 3 (i)- 3 (ix))</b>				<b>0.32</b>
<b>5.</b>	<b>Adjusted Investment in RAB during the year ( (2)+(4))</b>				<b>60.43</b>

Fixed asset adjustment for FY19 undertaken as per the methodology illustrated above is summarised in the table given below::

**Table 21: Summary of proposed adjustments to additions to RAB for FY19**

Fixed asset adjustment for FY19					
	Fixed Asset Adjustment				Rs Crore
1.	Total Investment in Fixed Assets for the year (as per FAR of HIAL)				594.76
i.	<i>Aeronautical Assets (100% Aero + Apportioned from Common assets)</i>				559.85
ii.	<i>Non- Aeronautical Assets (100% Non - Aero + Apportioned from Common assets)</i>				24.97
iii.	<i>Non-Airport Assets</i>				9.93
<b>2.</b>	<b>Investments in RAB for the year (as per classification by HIAL)</b>				<b>559.85</b>
Proposed Adjustments to RAB					
3.	<b>Asset Category</b>	<b>Description</b>	<b>HIAL's classification</b>	<b>Proposed Classification</b>	<b>Impact on RAB addition</b>
i.	Building, Plant & Machinery, Electrical Installation, IT System	Cargo Satellite Building	Non-Airport	Aero	9.93
ii.	Plant & machinery, Office Equipment	Fuel Farm	Non Aero	Aero	17.99
iii.	Buildings	IDAT	Aero	Common	(3.11)

Fixed asset adjustment for FY19					
	Fixed Asset Adjustment				Rs Crore
iv.	Buildings, Plant & Machinery, Furniture & Fixtures, Electric Installation, Office Equipment	IIDT	Aero	Common	(6.00)
v.	Plant & machinery, Office Equipment	Landscaping	Aero	Common	(0.18)
vi.	Building, IT system, Office Equipment, Furniture and Fixtures, Vehicles	New Office Building(NOB)	Common	Non-Aero - 40%, Common-60%	(0.59)
vii.	IT System	Passenger Terminal Building – IT	Aero	Common	(0.02)
viii.	Plant & machinery, IT system, software, office equipment, electrical installation	Site Office Building	Common	Common - 87% Non Aero - 13%	0.00
ix.	Plant & machinery, Office Equipment	Tow nship	Aero	Aero -80% Non Aero - 20%	(0.02)
x.	Depending upon the location of the asset, the classification has been modified across all asset categories	Others	NA	NA	(0.07)
xi.	Depending upon the usage of the asset, the classification has been modified across all asset categories	PTB	NA	NA	0.02
xii.	Assets on land side categorized under Aero	Aero	Aero	Non-Aero	(0.47)
xiii.	On account of change in gross asset ratio	Raxa	NA	NA	0.11
<b>4.</b>	<b>Total Proposed Adjustments to RAB (Sum of 3 (i)- 3 (xi))</b>				<b>17.62</b>
<b>5.</b>	<b>Adjusted Investment in RAB during the year ( (2)+(4))</b>				<b>577.47</b>

Fixed asset adjustment for FY20 undertaken as per the methodology illustrated above is summarised in the table given below::

**Table 22: Summary of proposed adjustments to additions to RAB for FY20**

Fixed asset adjustment for FY20					
	Fixed Asset Adjustment				Rs Crore
1.	Total Investment in Fixed Assets for the year (as per FAR of HIAL)				495.82
i.	<i>Aeronautical Assets (100% Aero + Apportioned from Common assets)</i>				491.04
ii.	<i>Non- Aeronautical Assets (100% Non - Aero + Apportioned from Common assets)</i>				4.76
iii.	<i>Non-Airport Assets</i>				0.01
<b>2.</b>	<b>Investments in RAB for the year (as per classification by HIAL)</b>				<b>491.04</b>
Proposed Adjustments to RAB					

Fixed asset adjustment for FY20					
	Fixed Asset Adjustment				Rs Crore
3.	Asset Category	Description	HAL's classification	Proposed Classification	Impact on RAB addition
i.	Plant & Machinery	Cargo Satellite Building	Non-Airport	Aero	0.01
ii.	Buildings, Plant Machinery, Electrical Installation	Fuel Farm	Non - Aero	Aero	0.28
iii.	Buildings, IT System, Electrical Installation	IIDT	Aero	Common	(0.33)
iv.	IT System	Landscaping	Aero	Common	(0.00)
v.	Plant Machinery, IT Systems, Furniture & Fixtures, Electrical Installation, Software, Office equipment	New Office Building (NOB)	Common	Non Aero 40% Common 60%	(1.61)
vi.	Depending upon the location of the asset, the classification has been modified across all asset categories	Others	NA	NA	0.59
vii.	Electrical Installations	PTB - Aero	Aero	Common	(0.34)
viii.	On account of change in gross asset ratio	Raxa	NA	NA	0.02
ix.	Plant Machinery, IT Systems, Furniture & Fixtures, Electrical Installation, Software, Office equipment	Site Office Building	Common	Common - 87% Non-Aero - 13%	0.00
x.	IT System	Tow nship	Aero	Aero - 80% , Non Aero- 20%	(0.00)
4.	<b>Total Proposed Adjustments to RAB (Sum of 3 (i)- 3 (x))</b>				<b>(1.39)</b>
5.	<b>Adjusted Investment in RAB during the year ( (2)+(4))</b>				<b>489.65</b>

Fixed asset adjustment for FY21 undertaken as per the methodology illustrated above is summarised in the table given below::

**Table 23: Summary of proposed adjustments to additions to RAB for FY21**

Fixed asset adjustment for FY21					
	Fixed Asset Adjustment				Rs Crore
1.	Total Investment in Fixed Assets for the year				179.36
i.	Aeronautical Assets (100% Aero + Apportioned from Common assets)				170.66
ii.	Non- Aeronautical Assets (100% Non - Aero + Apportioned from Common assets)				8.70

Fixed asset adjustment for FY21					
	Fixed Asset Adjustment				Rs Crore
iii.	Non-Airport Assets				-
<b>2.</b>	<b>Investments in RAB for the year (as per HIAL submission)</b>				<b>170.66</b>
Proposed Adjustments to RAB					
<b>3.</b>	<b>Asset Category</b>	<b>Description</b>	<b>HIAL's classification</b>	<b>Proposed Classification</b>	<b>Impact on RAB addition</b>
i.	IT System	Ground Handling	Common	Aero	0.00
ii.	Depending upon the location of the asset the classification has been modified across all asset categories	Hardware	NA	NA	0.04
iii.	Buildings	IIDT	Aero	Common	(0.11)
iv.	Plant Machinery, IT Systems, Furniture & Fixture, Building, Office equipment	New Office Building (NOB)	Common	Non Aero 40% Common 60%	0.29
v.	Depending upon the location of the asset the classification has been modified across all asset categories	Others	NA	NA	0.38
vi.	Buildings, Electrical Installations, Plant & Machinery	PTB , PTB Communication	Aero	Common	(0.15)
vii.	Buildings, Plant & Machinery	Reservoir at Hotel	Aero	Non-Aero	(27.47)
viii.	IT Systems	Site Office Building	Common	Common 87% Non-Aero 13%	(0.00)
ix.	Office Equipment	Tow nship	Aero	Aero - 80% , Non Aero- 20%	(0.00)
x.	Buildings	Buildings	Aero	Common	(0.04)
xi.	Buildings, Plant & Machinery	Civil w orks, others	Aero	Common	(0.04)
<b>4.</b>	<b>Total Proposed Adjustments to RAB (Sum of 3 (i)- 3 (xi))</b>				<b>(27.09)</b>
<b>5.</b>	<b>Adjusted Investment in RAB during the year ( 2)+(4)</b>				<b>143.57</b>

### 8.3 Summary

The summary of year wise additions under the respective categories is summarised in the table given below:

**Table 24: Summary of year wise additions over FY17 - FY21**

As per proposed allocation																			
Asset Additions (Gross Block Additions) in Rs. crore																			
2016-17				2017-18				2018-19				2019-20				2020-21			
Aero	Non-Aero	Non-Airport	Total	Aero	Non-Aero	Non-Airport	Total	Aero	Non-Aero	Non-Airport	Total	Aero	Non-Aero	Non-Airport	Total	Aero	Non-Aero	Non-Airport	Total
46.59	3.18	0.00	49.77	60.43	7.43	0.00	67.86	577.47	17.28	0.00	594.75	489.65	6.17	0.00	495.82	143.57	35.80	0	179.37

- Post reclassification and other adjustments made to the total investment in aeronautical assets for FY17-FY21 (as detailed in Section 7.1, and 7.2), the re-segregated aeronautical and non – aeronautical assets are as under:
  - Adjusted total investment in aeronautical assets towards RAB as per proposed allocation: Rs. 1317.69 crores.
  - Additions of Non – aeronautical assets : Rs. 69.86 crores
  - Total adjustment to the investment in aeronautical asset additions as per revised allocation : Rs. (0.53) crore

## 9. Computation of the gross block ratio

### 9.1 Gross block approved by the Authority as per order no 34/2019-20 for the second control period dated 27<sup>th</sup> March 2020

#### Closing gross block for the first control period as per Authority

The gross block ratio (aero: non-aero ratio) for the closing of the first control period (31<sup>st</sup> March 2016) as per the Authority stood at 90.69%:9.31% (Aero gross block – Rs. 2459.25; Non-Aero gross block – Rs. 252.32). The same gross block (aero and non-aero) were used as the opening gross blocks of the second control period.

**Table 25: Summary of gross block for FY16 (closing of the first control period)**

As per Authority		
Gross Block		
S.no	Particulars (Rs Crore)	Amount/Ratio
1.	<b>Gross Block (as on 31<sup>st</sup> March 2016)</b>	2711.57
	<i>Aero</i>	2459.25
	<i>Non-Aero</i>	252.32
2.	<b>Gross Block Ratio (as on 31<sup>st</sup> March 2016)</b>	
	<i>Aero</i>	90.69%
	<i>Non-Aero</i>	9.31%

### 9.2 Gross block as per HIAL submission

#### Gross block for the second control period – HIAL's submission

The summary of the gross block as per HIAL's submission for the second control period is presented in the below given table.

**Table 26: Summary of gross block for FY17-FY21 (HIAL's submission)**

As per HIAL's submission <sup>2</sup>						
Gross Block						
S.no	Particulars (Rs Crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1.	<b>Gross Block</b>	<b>2759</b>	<b>2823</b>	<b>3417</b>	<b>3807</b>	<b>3933</b>
	<i>Aero</i>	2277	2333	2892	3287	3453
	<i>Non-Aero</i>	456	463	488	485	446
	<i>Non-Airport</i>	27	27	37	35	35
2.	<b>Gross Block Ratio</b>					
	<i>Aero</i>	82.51%	82.64%	84.64%	86.36%	87.77%
	<i>Non-Aero</i>	16.52%	16.41%	14.29%	12.73%	11.34%

<sup>2</sup> Excluding AS 11 assets and ADFG effect



As per HIAL's submission <sup>2</sup>						
Gross Block						
S.no	Particulars (Rs Crore)	2016-17	2017-18	2018-19	2019-20	2020-21
	Non-Airport	0.97%	0.95%	1.07%	0.92%	0.89%

### 9.3 Gross block as per revised allocation

#### Gross block for the second control period – Revised allocation

Based on the revised allocation of the assets between aeronautical and non-aeronautical assets, the gross block for each of the year (FY17-FY21) was assessed as presented in the below given table. Further, the adjustment pertaining to ADFG assets was also taken into account and the same has been reduced completely from the aeronautical assets in line with the treatment approved in previous orders.

**Table 27: Calculations and summary of gross block for FY17-FY21 as per revised allocation**

As per proposed allocation						
Gross Block						
S.no	Particulars (Rs Crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1.	<b>Opening Gross Block</b>	2711.57	2759.49	2816.90	3402.07	3791.89
	<i>Aero</i>	2459.25	2504.79	2554.91	3122.96	3515.39
	<i>Non-Aero</i>	252.32	254.69	261.98	279.10	276.48
2.	<b>Additions</b>	49.77	67.86	594.76	495.82	179.36
	<i>Aero</i>	46.59	60.43	577.47	489.65	143.57
	<i>Non-Aero</i>	3.18	7.43	17.28	6.17	35.80
3.	<b>Deletions<sup>3</sup></b>	1.86	10.45	9.58	106.00	52.74
	<i>Aero</i>	1.05	10.31	9.42	97.22	51.99
	<i>Non-Aero</i>	0.81	0.14	0.16	8.78	0.75
4.	<b>Closing Gross Block ((1)+(2)-(3))</b>	2759.49	2816.90	3402.07	3791.89	3918.52
	<i>Aero</i>	2504.79	2554.91	3122.96	3515.39	3606.97
	<i>Non-Aero</i>	254.69	261.98	279.10	276.48	311.53
5.	<b>ADFG Adjustment</b>	107.00	107.00	107.00	107.00	107.00
	<i>Aero</i>	107.00	107.00	107.00	107.00	107.00

<sup>3</sup> Deletions on account of the 12 stands have been taken into consideration for the respective years – 2018 (Rs. 6.34 crore) & 2019 (Rs. 8.57 crore);

As per proposed allocation						
Gross Block						
S.no	Particulars (Rs Crore)	2016-17	2017-18	2018-19	2019-20	2020-21
	<i>Non-Aero</i>	0.00	0.00	0.00	0.00	0.00
6.	<b>Adjusted Closing Gross Block ((4)-(5))</b>	2652.49	2709.90	3295.07	3684.89	3811.52
	<i>Aero</i>	2397.79	2447.91	3015.96	3408.39	3499.97
	<i>Non-Aero</i>	254.69	261.98	279.10	276.48	311.53
7.	<b>Gross Block Ratio (On Adjusted Gross Block)</b>					
	<b>Aero</b>	90.40%	90.33%	91.53%	92.50%	91.83%
	<b>Non-Aero</b>	9.60%	9.67%	8.47%	7.50%	8.17%
	<b>Aero (Average)</b>	<b>91.32%</b>				
	<b>Non-Aero (Average)</b>	<b>8.68%</b>				

## 9.4 Summary

- The revised gross block ratio as per the revised allocation of assets is presented in the below given table:

**Table 28: Summary of gross block for FY17-FY21 as per revised allocation**

As per proposed allocation						
Gross Block						
S.no	Particulars (Rs Crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1.	Gross Block Ratio (On Adjusted Gross Block)					
	<b>Aero</b>	90.40%	90.33%	91.53%	92.50%	91.83%
	<b>Non-Aero</b>	9.60%	9.67%	8.47%	7.50%	8.17%
	<b>Aero (Average)</b>	<b>91.32%</b>				
	<b>Non-Aero (Average)</b>	<b>8.68%</b>				

- As per the revised allocation, the average gross block ratio over the second control period is as follows:
  - Aero – 91.32%
  - Non-aero – 8.68%

## 10. Key findings and conclusion of the study

- As per the Order No. 34/2019-20, the approved additions by the Authority over the second control period were Rs. 2188.18 crore, out of which the aeronautical additions stood at Rs. 1931.23 crore while the non-aeronautical additions stood at Rs. 256.95 crore.
- HIAL has submitted the true up of total investments for the second control period as Rs. 1387.54 crore, out of which aeronautical additions are Rs. 1318.20 crore, non –aero additions are Rs. 59.37 crore and non-airport additions are Rs. 9.97 crore.
- Major investments during second control period were related to projects of additional 4-lane ramp, terminal expansion, pier expansion, apron development, road infrastructure, IIDT & IDAT, general capex etc.
- Common assets within the terminal building have been apportioned into aeronautical and non-aeronautical assets in the ratio of 84.6% and 15.4% respectively.
- As part of the asset allocation exercise, general segregation principles were developed for classification of each asset and applied for apportionment of common assets into aeronautical and non-aeronautical categories (refer Section 7.1 and 7.2).
- Post reclassification of the total investment over FY17-FY21, the total additions for the second control period are proposed as Rs. 1387.54 crore. The bifurcation between the re-segregated aeronautical and non – aeronautical assets are as under:
  - Revised aeronautical additions: Rs. 1317.69 crores.
  - Revised non – aeronautical additions: Rs. 69.86 crores.
  - Total adjustment to aeronautical asset additions as per revised allocation: Rs. (0.53) crores.
- The revised additions to the different asset categories have been presented and detailed in the report under sections 7.1, 7.2 and 7.3. The purpose of this exercise was to compute and evaluate the justified additions to the RAB that would be considered towards tariff determination and in determining the true up of the RAB for the second control period.

A comparative analysis of the aeronautical additions as approved in the order no 34-2019/20 for the second control period dated 27<sup>th</sup> March 2020, as submitted by HIAL and as per the revised allocation and other adjustments is presented below:

**Table 29: Summary of comparative analysis of the aeronautical additions**

Aeronautical Additions							
S.no	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	As per Tariff Order 34/2019-20 dated 27th March 2020 – Second Control Period	183.88	108.4	350.72	1082.93	205.3	1,931.23
2.	As per HIAL's submission	36.57	60.11	559.84	491.04	170.66	1,318.22
3.	<b>Deviation ( (2)-(1))</b>	<b>(147.31)</b>	<b>(48.29)</b>	<b>209.12</b>	<b>(591.89)</b>	<b>(34.64)</b>	<b>(613.01)</b>
4.	As per proposed allocation	46.59	60.43	577.47	489.65	143.57	1,317.69

Aeronautical Additions							
S.no	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
5.	<b>Deviation ( (4)-(2))</b>	<b>10.02</b>	<b>0.32</b>	<b>17.63</b>	<b>(1.39)</b>	<b>(27.09)</b>	<b>(0.53)</b>

- As per the revised allocation, the average gross block ratio over the second control period is as follows:
  - Aero – 91.32%
  - Non-aero – 8.68%
- In the gross block analysis, costs towards the deletion of 12 stands has been adjusted in the gross block ratio calculations for the second control period.
- Based on the information received from HIAL, the re-carpeting works of flexible pavements will lead to significant change in Pavement Classification Number (PCN) value and therefore the same has been considered as capital expenditure.

## **11. Annexures**

### **11.1 Auditor's certificate (Attached in next page)**

**Report in connection with Agreed-upon procedures related to the Statement of allocation of Property, Plant and Equipment and Intangible Assets into Aeronautical, Non-Aeronautical and Non Airport assets**

We, M/s K.S. Rao & Co., joint Statutory Auditors of M/s. GMR Hyderabad International Airport Limited (the Company) having its registered office at GMR Aero towers, Rajiv Gandhi International Airport, Shamshabad, Hyderabad - 500108 have performed the procedures agreed with you vide Engagement Letter dated June 16, 2020 with respect to Statement of allocation of Property, Plant and Equipment and Intangible Assets (referred as "Fixed Assets") into Aeronautical, Non-Aeronautical and Non Airport assets for the period from April 01, 2016 to March 31, 2020. Our engagement was undertaken in accordance with the Standard on Related Service (SRS) 4400 on "Engagements to Perform Agreed-upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India. The procedures were performed solely to assist you in evaluating the accuracy of allocation of Fixed Assets into Aeronautical, Non-Aeronautical and Non Airport assets.

The agreed upon procedures to be performed on Statement of allocation of Property, Plant and Equipment and Intangible Assets into Aeronautical, Non-Aeronautical and Non Airport assets for the period from April 01, 2016 to March 31, 2020 are as follows:

- a. Read the Basis of Allocation ("Annexure V") which details the guidelines followed by the company for the allocation of Fixed assets into Aeronautical, Non-Aeronautical and Non Airport assets.
- b. Verify that the items of additions to Fixed Assets from April 01, 2016 to March 31, 2020 on a test check basis and using the concept of Materiality for the allocation into Aeronautical, Non-Aeronautical and Non Airport assets on the basis of guidelines as enumerated in Annexure V;
- c. For common assets, verify the basis of allocation and compare the same with the basis of allocation as enumerated in Annexure V; and
- d. Verify that the summary presented in Annexure-I, II, III, IV with respect to additions, deletions, adjustments, re-classification and depreciation is in agreement with the Statement of Fixed Assets as mentioned in Special Purpose Standalone Financial Statements for the year ended March 31, 2017; March 31, 2018; March 31, 2019; March 31, 2020 which are prepared in accordance with accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 as emended and

specified under Section 133 of the Companies Act,2013 read with Companies (Accounting Standard) Rules 2014 (referred as "IGAAP Financial Statements").

We report our finding below:

- i. With respect to item (b) & (c), we found that the allocation of Fixed Assets is as per concept document.
- ii. With respect to item (d), we found that the summary of Aeronautical and Non-Aeronautical and Non Airport portions Fixed Assets as per Annexure-I, II, III, IV is in agreement with the IGAAP Financial Statements of respective period.

Since the procedures performed do not constitute either an audit or a review made in accordance with the generally accepted auditing standards in India, we do not express any assurance on the allocation of the Fixed Assets between Aeronautical, Non-Aeronautical and Non Airport assets.

Our report is solely issued on the request of the Company for its submission to the Airports Economic Regulatory Authority of India (AERA) and not to be used for any other purpose or to be distributed to any other parties.

**For K.S. Rao & Co.,**  
Chartered Accountants  
ICAI Firm Registration no. 003109S

**Hitesh Kumar P**  
Partner  
Membership No. 233734  
UDIN No.: 20233734AAAAEJ5666

Place: Bengaluru  
Date: July 22, 2020



## Summary of Additions during the year ended March 31, 2017

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	1.71	10.33	-	12.04
Electrical Installations	3.62	0.18	-	3.80
Furniture and Fixtures	2.94	0.36	-	3.30
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	5.45	0.89	-	6.34
Office Equipment	1.11	0.29	-	1.40
Other Roads	-	-	-	-
Plant and Machinery	20.11	0.70	0.03	20.84
Runways	-	-	-	-
Software	1.04	0.39	-	1.43
Vehicles	0.59	0.02	-	0.61
Forex Loss Adjustment as per AS 11	(6.59)	(1.32)	-	(7.91)
<b>Total</b>	<b>29.98</b>	<b>11.84</b>	<b>0.03</b>	<b>41.85</b>

## Summary of sale/deletion/Adjustment (Gross Block) during the year ended March 31, 2017:

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	-	-	-	-
Electrical Installations	-	-	-	-
Furniture and Fixtures	-	-	-	-
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	0.05	0.34	-	0.39
Office Equipment	0.38	0.07	-	0.45
Other Roads	-	-	-	-
Plant and Machinery	-	1.01	-	1.01
Runways	-	-	-	-
Software	-	-	-	-
Vehicles	-	-	-	-
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>0.43</b>	<b>1.42</b>	<b>-</b>	<b>1.85</b>

## Summary of depreciation charged during the year ended March 31, 2017

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	26.76	7.73	0.77	35.26
Electrical Installations	34.07	4.43	-	38.50
Furniture and Fixtures	5.23	1.01	0.10	6.34
FreeHold Land	-	-	-	-
Buildings on Freehold land	1.40	-	-	1.40
Improvements to Leasehold Land	3.82	0.16	-	3.98
IT Systems	3.42	0.58	-	4.00
Office Equipment	0.29	0.08	-	0.37
Other Roads	17.70	11.23	-	28.93
Plant and Machinery	37.39	9.03	0.29	46.71
Runways	12.57	0.48	-	13.05
Software	0.31	0.09	-	0.40
Vehicles	0.65	0.11	-	0.76
Forex Loss Adjustment as per AS 11	19.99	4.12	-	24.11
<b>Total</b>	<b>163.60</b>	<b>39.05</b>	<b>1.16</b>	<b>203.81</b>

**Summary of Accumulated Depreciation for sale/deletion/ Adjustment during the year ended March 31, 2017**

<b>Particulars</b>	<b>Aeronautical</b>	<b>Non Aeronautical</b>	<b>Non Airport</b>	<b>Total</b>
Buildings	-	-	-	-
Electrical Installations	-	-	-	-
Furniture and Fixtures	-	-	-	-
FreeHold Land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	0.05	0.34	-	0.39
Office Equipment	0.38	0.07	-	0.45
Other Roads	-	-	-	-
Plant and Machinery	-	0.69	-	0.69
Runways	-	-	-	-
Software	-	-	-	-
Vehicles	-	-	-	-
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>0.43</b>	<b>1.10</b>	<b>-</b>	<b>1.53</b>

**Summary of Gross Block during the year ended March 31, 2017**

<b>Particulars</b>	<b>Aeronautical</b>	<b>Non Aeronautical</b>	<b>Non Airport</b>	<b>Total</b>
Buildings	772.89	232.98	22.75	1,028.62
Electrical Installations	194.42	25.77	-	220.19
Furniture and Fixtures	42.24	7.25	0.80	50.29
Free hold land	16.13	-	-	16.13
Buildings on Freehold land	62.31	-	-	62.31
Improvements to Leasehold Land	102.00	4.22	-	106.22
IT Systems	154.12	8.32	0.11	162.55
Office Equipment	15.09	5.90	0.23	21.22
Other Roads	79.31	51.26	-	130.57
Plant and Machinery	434.19	105.10	2.90	542.19
Runways	377.12	12.10	-	389.22
Software	18.39	1.56	-	19.95
Vehicles	8.65	1.37	-	10.02
Forex Loss Adjustment as per AS 11	233.08	48.09	-	281.17
<b>Total</b>	<b>2,509.94</b>	<b>503.92</b>	<b>26.79</b>	<b>3,040.65</b>

## Summary of Additions during the year ended March 31, 2018

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	19.94	1.63	-	21.57
Electrical Installations	4.32	0.29	-	4.61
Furniture and Fixtures	6.92	0.39	-	7.31
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	8.22	0.82	-	9.04
Office Equipment	1.82	0.28	-	2.10
Other Roads	-	-	-	-
Plant and Machinery	16.70	3.96	-	20.66
Runways	-	-	-	-
Software	0.07	0.05	-	0.12
Vehicles	2.10	0.34	-	2.44
Forex Loss Adjustment as per AS 11	(32.35)	(6.42)	-	(38.77)
<b>Total</b>	<b>27.74</b>	<b>1.34</b>	<b>-</b>	<b>29.08</b>

## Summary of sale/deletion/Adjustment (Gross Block) during the year ended March 31, 2018:

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	-	-	-	-
Electrical Installations	0.28	0.05	-	0.33
Furniture and Fixtures	1.62	-	-	1.62
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	1.00	-	-	1.00
Office Equipment	0.13	0.03	-	0.16
Other Roads	-	-	-	-
Plant and Machinery	0.03	-	-	0.03
Runways	-	-	-	-
Software	-	-	-	-
Vehicles	0.89	0.07	-	0.96
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>3.95</b>	<b>0.15</b>	<b>-</b>	<b>4.10</b>

**Summary of depreciation during the year ended March 31, 2018**

<b>Particulars</b>	<b>Aeronautical</b>	<b>Non Aeronautical</b>	<b>Non Airport</b>	<b>Total</b>
Buildings	27.55	8.05	0.77	36.37
Electrical Installations	32.41	4.32	-	36.73
Furniture and Fixtures	6.06	1.01	0.10	7.17
FreeHold Land	-	-	-	-
Buildings on Freehold land	1.40	-	-	1.40
Improvements to Leasehold Land	3.82	0.16	-	3.98
IT Systems	2.71	0.51	-	3.22
Office Equipment	0.75	0.17	-	0.92
Other Roads	17.29	10.96	-	28.25
Plant and Machinery	38.68	9.03	0.29	48.00
Runways	12.57	0.48	-	13.05
Software	0.38	0.10	-	0.48
Vehicles	0.27	0.03	-	0.30
Forex Loss Adjustment as per AS 11	8.50	1.76	-	10.26
<b>Total</b>	<b>152.39</b>	<b>36.58</b>	<b>1.16</b>	<b>190.13</b>

**Summary of Accumulated Depreciation for sale/deletion/ Adjustment during the year ended March 31, 2018**

<b>Particulars</b>	<b>Aeronautical</b>	<b>Non Aeronautical</b>	<b>Non Airport</b>	<b>Total</b>
Buildings	-	-	-	-
Electrical Installations	-	-	-	-
Furniture and Fixtures	-	-	-	-
FreeHold Land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	-	-	-	-
Office Equipment	0.13	0.03	-	0.16
Other Roads	-	-	-	-
Plant and Machinery	0.01	-	-	0.01
Runways	-	-	-	-
Software	-	-	-	-
Vehicles	0.89	0.07	-	0.96
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>1.03</b>	<b>0.10</b>	<b>-</b>	<b>1.13</b>

**Summary of Gross Block during the year ended March 31, 2018**

<b>Particulars</b>	<b>Aeronautical</b>	<b>Non Aeronautical</b>	<b>Non Airport</b>	<b>Total</b>
Buildings	792.83	234.61	22.75	1,050.19
Electrical Installations	198.47	26.01	-	224.48
Furniture and Fixtures	47.55	7.65	0.80	56.00
Free hold land	16.13	-	-	16.13
Buildings on Freehold land	62.31	-	-	62.31
Improvements to Leasehold Land	102.00	4.22	-	106.22
IT Systems	161.34	9.13	0.11	170.58
Office Equipment	16.77	6.15	0.23	23.15
Other Roads	79.31	51.26	-	130.57
Plant and Machinery	450.85	109.07	2.90	562.82
Runways	377.12	12.10	-	389.22
Software	18.46	1.62	-	20.08
Vehicles	9.86	1.63	-	11.49
Forex Loss Adjustment as per AS 11	200.73	41.66	-	242.39
<b>Total</b>	<b>2,533.73</b>	<b>505.11</b>	<b>26.79</b>	<b>3,065.63</b>

## Summary of Additions during the year ended March 31, 2019

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	189.85	2.54	7.26	199.65
Electrical Installations	28.76	0.13	0.36	29.25
Furniture and Fixtures	13.80	0.15	-	13.95
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	22.34	2.32	0.22	24.88
Office Equipment	4.33	0.58	0.30	5.21
Other Roads	24.26	-	1.26	25.52
Plant and Machinery	117.53	18.79	0.53	136.85
Runways	155.80	-	-	155.80
Software	1.74	0.29	-	2.03
Vehicles	1.43	0.19	-	1.62
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>559.84</b>	<b>24.99</b>	<b>9.93</b>	<b>594.76</b>

## Summary of sale/deletion/Adjustment (Gross Block) during the year ended March 31, 2019:

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	-	-	-	-
Electrical Installations	-	-	-	-
Furniture and Fixtures	-	-	-	-
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	-	-	-	-
Office Equipment	-	-	-	-
Other Roads	-	-	-	-
Plant and Machinery	-	-	-	-
Runways	-	-	-	-
Software	-	-	-	-
Vehicles	0.84	0.17	-	1.01
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>0.84</b>	<b>0.17</b>	<b>-</b>	<b>1.01</b>

**Summary of depreciation during the year ended March 31, 2019**

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	45.86	9.35	0.87	56.08
Electrical Installations	4.98	0.62	0.01	5.61
Furniture and Fixtures	5.66	0.49	0.10	6.25
FreeHold Land	-	-	-	-
Buildings on Freehold land	2.73	-	-	2.73
Improvements to Leasehold Land	3.82	0.16	-	3.98
IT Systems	6.88	0.77	0.02	7.67
Office Equipment	1.07	0.17	0.02	1.26
Other Roads	1.58	0.53	0.05	2.16
Plant and Machinery	36.34	8.45	0.29	45.08
Runways	16.07	0.48	-	16.55
Software	0.50	0.13	-	0.63
Vehicles	0.49	0.08	-	0.57
Forex Loss Adjustment as per AS 11	7.54	1.56	-	9.10
<b>Total*</b>	<b>133.52</b>	<b>22.79</b>	<b>1.36</b>	<b>157.67</b>

**Summary of Accumulated Depreciation for sale/deletion/ Adjustment during the year ended March 31, 2019**

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	-	-	-	-
Electrical Installations	-	-	-	-
Furniture and Fixtures	0.05	-	-	0.05
FreeHold Land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	-	-	-	-
Office Equipment	-	-	-	-
Other Roads	-	-	-	-
Plant and Machinery	(0.05)	-	-	(0.05)
Runways	-	-	-	-
Software	-	-	-	-
Vehicles	0.84	0.17	-	1.01
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>0.84</b>	<b>0.17</b>	<b>-</b>	<b>1.01</b>

**Summary of Gross Block during the year ended March 31, 2019**

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	982.68	237.15	30.01	1,249.84
Electrical Installations	227.23	26.13	0.36	253.72
Furniture and Fixtures	61.35	7.79	0.80	69.94
Free hold land	16.13	-	-	16.13
Buildings on Freehold land	62.31	-	-	62.31
Improvements to Leasehold Land	102.00	4.22	-	106.22
IT Systems	183.68	11.44	0.33	195.45
Office Equipment	21.10	6.73	0.54	28.37
Other Roads	103.58	51.26	1.26	156.10
Plant and Machinery	568.38	127.87	3.43	699.68
Runways	532.91	12.10	-	545.01
Software	20.20	1.91	-	22.11
Vehicles	10.46	1.65	-	12.11
Forex Loss Adjustment as per AS 11	200.73	41.66	-	242.39
<b>Total</b>	<b>3,092.74</b>	<b>529.91</b>	<b>36.73</b>	<b>3,659.38</b>

\*Aera has issued order no. 35/2017-18 on January 12, 2018 which is further amended on April 09, 2018, in the matter of determination of Useful life of Airport Assets, which is effective from April 01, 2018. The Company has revised the useful life and charged the depreciation of Rs.21,10,93,355 related to the assets whose life were expired on March 31, 2018 to opening reserves as at April 1, 2018 which is considered in the above depreciation for the respective assets.

## Summary of Additions during the year ended March 31, 2020

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	18.40	1.14	-	19.54
Electrical Installations	39.85	0.79	-	40.64
Furniture and Fixtures	3.03	0.42	-	3.45
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	0.32	-	0.32
IT Systems	23.72	0.62	-	24.34
Office Equipment	3.42	0.18	-	3.60
Other Roads	0.20	-	-	0.20
Plant and Machinery	27.11	0.43	-	27.54
Runways	366.32	0.09	-	366.41
Software	5.99	0.49	-	6.48
Vehicles	3.00	0.29	-	3.29
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>491.04</b>	<b>4.77</b>	<b>-</b>	<b>495.81</b>

## Summary of sale/deletion/Adjustment (Gross Block) during the year ended March 31, 2020:

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	29.02	4.45	1.46	34.93
Electrical Installations	1.29	0.04	0.06	1.39
Furniture and Fixtures	6.47	0.47	-	6.94
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	20.83	0.64	-	21.47
Office Equipment	1.40	1.12	0.04	2.56
Other Roads	2.43	-	0.25	2.68
Plant and Machinery	6.83	1.40	0.05	8.28
Runways	26.18	-	-	26.18
Software	0.05	0.15	-	0.20
Vehicles	1.16	0.22	-	1.38
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>95.66</b>	<b>8.49</b>	<b>1.86</b>	<b>106.01</b>

**Summary of depreciation during the year ended March 31, 2020**

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	37.55	8.17	0.97	46.69
Electrical Installations	7.80	0.59	0.03	8.42
Furniture and Fixtures	4.64	0.25	0.04	4.93
FreeHold Land	-	-	-	-
Buildings on Freehold land	1.33	-	-	1.33
Improvements to Leasehold Land	3.83	0.16	-	3.99
IT Systems	11.77	0.92	0.05	12.74
Office Equipment	1.82	0.28	0.02	2.12
Other Roads	2.80	0.53	0.10	3.43
Plant and Machinery	38.93	9.35	0.19	48.47
Runways	21.82	0.48	-	22.30
Software	0.96	0.16	-	1.12
Vehicles	0.62	0.08	-	0.70
Forex Loss Adjustment as per AS 11	7.55	1.57	-	9.12
<b>Total</b>	<b>141.42</b>	<b>22.54</b>	<b>1.40</b>	<b>165.36</b>

**Summary of Accumulated Depreciation for sale/deletion/ Adjustment during the year ended March 31, 2020**

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	0.06	1.52	-	1.58
Electrical Installations	0.03	-	-	0.03
Furniture and Fixtures	6.18	0.43	-	6.61
FreeHold Land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	-	-	-
IT Systems	20.24	0.58	-	20.82
Office Equipment	1.33	1.10	-	2.43
Other Roads	-	-	-	-
Plant and Machinery	3.56	0.99	-	4.55
Runways	-	-	-	-
Software	-	0.14	-	0.14
Vehicles	1.16	0.22	-	1.38
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>32.56</b>	<b>4.98</b>	<b>-</b>	<b>37.54</b>

**Summary of Gross Block during the year ended March 31, 2020**

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	972.06	233.85	28.55	1,234.46
Electrical Installations	265.79	26.88	0.31	292.98
Furniture and Fixtures	57.91	7.73	0.80	66.44
Free hold land	16.13	-	-	16.13
Buildings on Freehold land	62.31	-	-	62.31
Improvements to Leasehold Land	102.00	4.54	-	106.54
IT Systems	186.58	11.43	0.33	198.34
Office Equipment	23.13	5.79	0.49	29.41
Other Roads	101.35	51.26	1.00	153.61
Plant and Machinery	588.67	126.90	3.38	718.95
Runways	873.05	12.19	-	885.24
Software	26.14	2.26	-	28.40
Vehicles	12.30	1.71	-	14.01
Forex Loss Adjustment as per AS 11	200.73	41.66	-	242.39
<b>Total</b>	<b>3,488.15</b>	<b>526.20</b>	<b>34.86</b>	<b>4,049.21</b>



### Concept document provided by the Company

#### Methodology of Assets Allocation:

In the allocation exercise the Total Assets of the airport have been classified under the following categories:

- Aeronautical
- Non-Aeronautical and
- Non Airport Asset

The following methodology has been adopted to allocate the assets:

The Aeronautical assets are assumed to be those assets which are necessary or required for providing the below mentioned aeronautical services at the airport and all such assets that the company may procure in accordance with the written directions of GoI for or in relation to provision of any of the Reserved Activities including intangible assets and other assets which are directly related to the aeronautical services.

The following are the identified Aeronautical services

- |  |  |
|--|--|
| <ol style="list-style-type: none"> <li>1. Aerodrome Control Services</li> <li>2. Airfield</li> <li>3. Airfield lighting and associated works</li> <li>4. Runways</li> <li>5. Taxiways</li> <li>6. Apron and aircraft parking area</li> <li>7. Remote parking stands</li> <li>8. Air traffic Control Building and associated assets</li> <li>9. Special Handling Terminal - HAJ</li> <li>10. Airport Seating</li> <li>11. Airside access roads</li> <li>12. Connectivity roads</li> <li>13. Lifts, escalators and elevators</li> <li>14. Flight information and public address system</li> <li>15. Compound wall</li> <li>16. Traffic forecourts</li> <li>17. Rescue and Firefighting Service</li> <li>18. Air field crash fire Service</li> <li>19. Bird Scaring system</li> <li>20. Passenger Boarding Bridges</li> </ol> | <ol style="list-style-type: none"> <li>22. Visual docking and Guidance System<br/>Operational vehicle like rubber removal machine, runway</li> <li>23. Sweeper, Golf carts, trolley pulling scooters</li> <li>24. Airport Operation and Control Centre</li> <li>25. Airport Operational database</li> <li>26. Airport Community Network</li> <li>27. Airport Management Administrative Network</li> <li>28. Other IT system for airport operation</li> <li>29. Surface Drainage</li> <li>30. Plumbing and Sewerage system</li> <li>31. Water and Sewerage Treatment Facilities</li> <li>32. Signage</li> <li>33. Waste disposal</li> <li>34. Information desks</li> <li>35. Emergency Services</li> <li>36. General maintenance and upkeep of the Airport</li> <li>37. Customs and Immigration halls</li> <li>38. VVIP and VIP lounges</li> <li>39. Public Transport Centre</li> <li>40. Facilities for the disabled and other special needs people</li> <li>41. Any other service and facility deemed to be necessary for the safe and efficient operation of the Airport.</li> </ol> |
|--|--|
21. Baggage Handling system and Hold baggage In line x-ray screening

The **Non-Aeronautical assets** are those assets which are necessary for the performance of below mentioned (indicative list) non aeronautical services at the airport

The following are the identified Non-Aeronautical services

1. Car park, Airline lounges and other commercial lounges
2. General retail facilities
3. Vending machine
4. Vehicle Fueling services
5. Kirby Sheds - Temporary office Space
6. Flight catering services
7. Duty Free
8. Ground Handling Services including Ground Power Unit
9. Cargo Handling Services
10. Fuel Farm Services
11. Porter service
12. Any other service or facility other than aeronautical services

The indicative list of common assets is as follows

1. Passenger Terminal Building
2. Heating Ventilation and Air Conditioning system for PTB
3. Office Building (including Furniture & Fixtures) and associated
4. works
5. Quarters for outside Security Personnel
6. Common Hardware, software and Communication System
7. Central Stores Building

**Apportionment of Common assets into Aeronautical and Non Aeronautical**

<b>Particulars</b>	<b>Aero</b>	<b>Non Aero</b>
Passenger Terminal Building	84.6%	15.4%
Heating ventilation and Airconditioning system	84.6%	15.4%

The following items are apportioned on the basis of Aeronautical & Non-Aeronautical assets ratio

1. Site office Building (Including Furniure & Fixtures and associated works)
2. New Office Building (Including Furniure & Fixtures and associated works)
3. Quarters for outside security personnel
4. Common Hardware, Software and Communication system
5. Central Stores Building

The following items are Non Airport Assets

1. Cargo Satellite Building
2. Fuel Station located at Landside
3. Commercial Offices for freight forwarders/consolidators/agents



**Report in connection with Agreed-upon procedures related to the  
Statement of allocation of Property, Plant and Equipment and Intangible  
Assets into Aeronautical, Non-Aeronautical and Non Airport assets**

We, M/s. K.S. Rao & Co., joint Statutory Auditors of M/s. GMR Hyderabad International Airport Limited (the Company) having its registered office at GMR Aero towers, Rajiv Gandhi International Airport, Shamshabad, Hyderabad - 500108 have performed the procedures agreed with you vide Engagement Letter dated May 12, 2021 with respect to Statement of allocation of Property, Plant and Equipment and Intangible Assets (referred as "Fixed Assets") into Aeronautical, Non-Aeronautical and Non Airport assets for the period from April 01, 2020 to March 31, 2021. Our engagement was undertaken in accordance with the Standard on Related Service (SRS) 4400 on "Engagements to Perform Agreed-upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India. The procedures were performed solely to assist you in evaluating the accuracy of allocation of Fixed Assets into Aeronautical, Non-Aeronautical and Non Airport assets.

The agreed upon procedures to be performed on Statement of allocation of Fixed Assets into Aeronautical, Non-Aeronautical and Non Airport assets for the period from April 01, 2020 to March 31, 2021 are as follows:

- a. Read the Basis of Allocation ("Annexure I") which details the guidelines followed by the company for the allocation of Fixed assets into Aeronautical, Non-Aeronautical and Non Airport assets.
- b. Verify that the items of additions to Fixed Assets from April 01, 2020 to March 31, 2021 on a test check basis and using the concept of Materiality for the allocation into Aeronautical, Non-Aeronautical and Non Airport assets on the basis of guidelines as enumerated in Annexure I;
- c. For common assets, verify the basis of allocation and compare the same with the basis of allocation as enumerated in Annexure I; and
- d. Verify that the summary presented in Annexure - II with respect to additions, deletions, adjustments, re-classification and depreciation is in agreement with the Statement of Fixed Assets as mentioned in Special Purpose Standalone Financial Statements for the year ended March 31, 2021 which are prepared in accordance with accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 as amended and specified under Section 133 of the Companies Act, 2013 read with Companies (Accounting Standard) Rules 2014 (referred as "IGAAP Financial Statements").



We report our finding below:

- i. With respect to item (b) & (c), we found that the allocation of Fixed Assets is as per concept document.
- ii. With respect to item (d), we found that the summary of Aeronautical and Non-Aeronautical and Non Airport Fixed Assets as per Annexure II is in agreement with the IGAAP Financial Statements.

Since the procedures performed do not constitute either an audit or a review made in accordance with the generally accepted auditing standards in India, we do not express any assurance on the allocation of the Fixed Assets between Aeronautical, Non-Aeronautical and Non Airport assets.

Our report is solely issued on the request of the Company for its submission to the Airports Economic Regulatory Authority of India (AERA) and not to be used for any other purpose or to be distributed to any other parties.

For K.S. Rao & Co.,  
Chartered Accountants  
ICAI Firm Registration no. 003109S

*Hitesh Kumar P*

Hitesh Kumar P  
Partner  
Membership No. 233734  
UDIN No.: 21233734AAAAIK7024

Place: Bengaluru  
Date: May 15, 2021



## GMR Hyderabad International Airport Limited

## Annexure I

## Concept document provided by the Company

## Methodology of Assets Allocation:

In the allocation exercise the Total Assets of the airport have been classified under the following categories:

- Aeronautical
- Non-Aeronautical and
- Non Airport Asset

The following methodology has been adopted to allocate the assets:

The Aeronautical assets are assumed to be those assets which are necessary or required for providing the below mentioned aeronautical services at the airport and all such assets that the company may procure in accordance with the written directions of GoI for or in relation to provision of any of the Reserved Activities including intangible assets and other assets which are directly related to the aeronautical services.

The following are the identified Aeronautical services

- |  |  |
|--|--|
| 1. Aerodrome Control Services  | 22. Visual docking and Guidance System<br>Operational vehicle like rubber removal machine, runway              |
| 2. Airfield  | 23. Sweeper, Golf carts, trolley pulling scooters  |
| 3. Airfield lighting and associated works                            | 24. Airport Operation and Control Centre   |
| 4. Runways   | 25. Airport Operational database   |
| 5. Taxiways  | 26. Airport Community Network  |
| 6. Apron and aircraft parking area                                   | 27. Airport Management Administrative Network  |
| 7. Remote parking stands   | 28. Other IT system for airport operation  |
| 8. Air traffic Control Building and associated assets                | 29. Surface Drainage   |
| 9. Special Handling Terminal - HAJ                                   | 30. Plumbing and Sewerage system   |
| 10. Airport Seating  | 31. Water and Sewerage Treatment Facilities  |
| 11. Airside access roads   | 32. Signage  |
| 12. Connectivity roads   | 33. Waste disposal   |
| 13. Lifts, escalators and elevators                                  | 34. Information desks  |
| 14. Flight information and public address system                     | 35. Emergency Services   |
| 15. Compound wall  | 36. General maintenance and upkeep of the Airport  |
| 16. Traffic forecourts   | 37. Customs and Immigration halls  |
| 17. Rescue and Firefighting Service                                  | 38. VVIP and VIP lounges   |
| 18. Air field crash fire Service                                     | 39. Public Transport Centre  |
| 19. Bird Scaring system  | 40. Facilities for the disabled and other special needs people   |
| 20. Passenger Boarding Bridges                                       | 41. Any other service and facility deemed to be necessary for the safe and efficient operation of the Airport. |
| 21. Baggage Handling system and Hold baggage In line x-ray screening |  |

The Non-Aeronautical assets are those assets which are necessary for the performance of below mentioned (indicative list) non aeronautical services at the airport

The following are the identified Non-Aeronautical services

1. Car park, Airline lounges and other commercial lounges
2. General retail facilities
3. Vending machine
4. Vehicle Fueling services
5. Kirby Sheds - Temporary office Space
6. Flight catering services
7. Duty Free
8. Ground Handling Services including Ground Power Unit
9. Cargo Handling Services
10. Fuel Farm Services
11. Porter service
12. Any other service or facility other than aeronautical services



The indicative list of common assets is as follows

1. Passenger Terminal Building
2. Heating Ventilation and Air Conditioning system for PTB
3. Office Building (including Furniture & Fixtures) and associated works
4. Quarters for outside Security Personnel
5. Common Hardware, software and Communication System
6. Central Stores Building

**Apportionment of Common assets into Aeronautical and Non Aeronautical**

Particulars	Aero	Non Aero
Passenger Terminal Building	84.6%	15.4%
Heating ventilation and Airconditioning system	84.6%	15.4%
Begumpet Office	84.6%	15.4%

The following items are apportioned on the basis of Aeronautical & Non-Aeronautical assets ratio

1. Site office Building (Including Furniure & Fixtures and associated works)
2. New Office Building (Including Furniure & Fixtures and associated works)
3. Quarters for outside security personnel
4. Common Hardware, Software and Communication system
5. Central Stores Building

The following items are Non Airport Assets

1. Cargo Satellite Building
2. Fuel Station located at Landside
3. Commercial Offices for freight forwarders/consolidators/agents



## GMR Hyderabad International Airport Limited

Annexure II  
(₹ in Crores)

## Summary of Additions during the year ended March 31, 2021

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	38.18	4.34	-	42.52
Electrical Installations	15.42	0.25	-	15.67
Furniture & Fixtures	2.29	0.20	-	2.49
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	7.93	-	-	7.93
IT Systems	2.53	2.80	-	5.33
Office Equipment	0.97	0.03	-	1.00
Other Roads	20.08	-	-	20.08
Plant & Machinery	14.52	1.08	-	15.60
Runways	66.44	-	-	66.44
Software	0.50	-	-	0.50
Vehicles	1.81	-	-	1.81
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>170.67</b>	<b>8.70</b>	<b>-</b>	<b>179.37</b>

## Summary of Adjustment/sale/deletion (Gross Block) during the year ended March 31, 2021

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	(0.21)	(44.34)	-	(44.55)
Electrical Installations	-	-	-	-
Furniture & Fixtures	-	-	-	-
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	(0.21)	-	(0.21)
IT Systems	-	-	-	-
Office Equipment	(1.90)	(0.26)	(0.01)	(2.17)
Other Roads	-	-	-	-
Plant & Machinery	(3.16)	(2.30)	-	(5.46)
Runways	-	-	-	-
Software	-	-	-	-
Vehicles	(0.31)	(0.04)	-	(0.35)
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>(5.58)</b>	<b>(47.15)</b>	<b>(0.01)</b>	<b>(52.74)</b>

## Note:

The company has sold cargo terminal building along with landscaping, Passenger elevators and HVAC system at book value during the period to its wholly owned subsidiary i.e., GMR Air Cargo and Aerospace Engineering Limited (Cargo division) having gross book value of Rs. 46.82 Crore and accumulated depreciation of Rs.20.02 Crore.



Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	39.87	6.27	0.97	47.10
Electrical Installations	10.61	0.45	0.03	11.09
Furniture & Fixtures	3.00	0.22	0.04	3.26
FreeHold Land	-	-	-	-
Buildings on Freehold land	1.33	-	-	1.33
Improvements to Leasehold Land	3.87	0.16	-	4.03
IT Systems	13.27	1.50	0.05	14.82
Office Equipment	2.16	0.26	0.02	2.44
Other Roads	2.70	0.40	0.10	3.19
Plant & Machinery	40.81	8.61	0.19	49.61
Runways	35.08	0.49	-	35.57
Software	1.53	0.20	-	1.73
Vehicles	1.06	0.09	-	1.15
Forex Loss Adjustment as per AS 11	8.17	0.94	-	9.11
<b>Total</b>	<b>163.45</b>	<b>19.59</b>	<b>1.40</b>	<b>184.43</b>

Summary of Adjustment/sale/deletion (Accumulated Depreciation) during the year ended March 31, 2021

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	-	(18.13)	-	(18.13)
Electrical Installations	-	-	-	-
Furniture & Fixtures	-	-	-	-
FreeHold Land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Improvements to Leasehold Land	-	(0.07)	-	(0.07)
IT Systems	-	-	-	-
Office Equipment	(1.90)	(0.26)	(0.01)	(2.17)
Other Roads	-	-	-	-
Plant & Machinery	(0.73)	(1.82)	-	(2.55)
Runways	-	-	-	-
Software	-	-	-	-
Vehicles	(0.30)	(0.04)	-	(0.34)
Forex Loss Adjustment as per AS 11	-	-	-	-
<b>Total</b>	<b>(2.93)</b>	<b>(20.32)</b>	<b>(0.01)</b>	<b>(23.26)</b>

Note:

The company has sold cargo terminal building along with landscaping, Passenger elevators and HVAC system at book value during the period to its wholly owned subsidiary i.e., GMR Air Cargo and Aerospace Engineering Limited (Cargo division) having gross book value of Rs. 46.82 Crore and accumulated depreciation of Rs.20.02 Crore.

Summary of Gross Block as on March 31, 2021

Particulars	Aeronautical	Non Aeronautical	Non Airport	Total
Buildings	1,010.03	193.85	28.55	1,232.43
Electrical Installations	281.21	27.13	0.31	308.65
Furniture & Fixtures	60.20	7.93	0.80	68.93
Free hold land	16.13	-	-	16.13
Buildings on Freehold land	62.31	-	-	62.31
Improvements to Leasehold Land	109.93	4.33	-	114.26
IT Systems	189.11	14.23	0.33	203.67
Office Equipment	22.20	5.56	0.49	28.25
Other Roads	121.42	51.26	1.00	173.68
Plant & Machinery	600.03	125.68	3.38	729.09
Runways	939.49	12.19	-	951.68
Software	26.62	2.26	-	28.88
Vehicles	13.80	1.67	-	15.47
Forex Loss Adjustment as per AS 11	200.73	41.66	-	242.39
<b>Total</b>	<b>3,653.21</b>	<b>487.75</b>	<b>34.86</b>	<b>4,175.82</b>





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CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

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CRISIL Infrastructure Advisory is a leading advisor to regulators and governments, multilateral agencies, investors, and large public and private sector firms. We help shape public policy and enable infrastructure development. Our services span a wide array of infrastructure development activities. Our work in the areas of policy formulation, regulation, design and implementation of public-private partnership (PPP) frameworks and infrastructure financing mechanisms helps create a vibrant ecosystem for infrastructure development. Our services at the project level include bid process management, valuations and due diligence to enable investment decisions. We are known for our core values of independence and analytical rigour combined with deep domain expertise. Our teams have expertise across the complete range of infrastructure sectors - urban development, energy, transport and logistics, natural resources, education, and healthcare. We have a rich understanding of PPP and financing related issues. We operate in India and 22 other emerging economies in Asia, Africa, and the Middle East. CRISIL Infrastructure Advisory is a division of CRISIL Risk and Infrastructure Solutions Limited, a wholly owned subsidiary of CRISIL Limited.

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