
AERA Stakeholders Consultation Meeting - GHIAL

From : snayar@apaointia.com

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Subject : AERA Stakeholders Consultation Meeting - GHIAL**To :** Jaimon Skaria <jaimon.skaria@gov.in>**Cc :** Manu Sooden <secretary@aera.gov.in>, RAM KRISHAN <director-ps@aera.gov.in>

Dear Mr Jaimon Skaria

Please find below only the few points raised by APAO during the AERA Stakeholders Meeting held on 16th July 2021 to discuss the CP of GHIAL. Kindly note the detailed written comments including other issues on the GHIAL CP would be submitted separately by APAO within the stipulated timeline of 30th July 2021.

a. **Expansion Project** - It is observed that there is significant disallowance of ~Rs.800 crores on the capital costs as the Authority has disallowed the area (10,000 sq.mtr) and also benchmarked the cost based on earlier assessed cost of RITES escalated with inflation. Further, the soft cost like Design and PMC and contingency for such a large project is cut down to 8%, over 11% as estimated by GHIAL.

GHIAL had undertaken an ICB (International Competitive Bidding) process for expansion works on Engineering, Construction and Procurement ("**EPC**") basis on the lump-sum quoted price with participation by reputed international construction leaders. Hence the **capital cost should be viewed in the bid perspective only, which is a market discovered process.**

Additionally, **there should be true up approach on the capital cost, to consider any unavoidable variation order during the course of execution.** There should not be any penalty on delayed execution as we all are passing through challenging times due to Covid. In case of delayed execution, the same would be reflected in delayed capitalization and hence the Authority shall claw back in next control period as per tariff determination principles. **Penalization of airport operator on delay in execution due to situation beyond their control is rather unfair and unjustified.**

b. **Traffic** – The Authority may please revisit the traffic projection for FY22 (14M projected by AERA against 10M by GHIAL) as the air traffic was affected during the second wave of pandemic. Hyderabad Airport has been experiencing significant transfer and transit pax in the last 2 years primarily on account of RCS and recently on account of network planning of airlines to address load during Covid times. Further, with the impending third wave which is looming large, the recovery in traffic would take significantly long time. Hence **we request the Authority to kindly accept the GHIAL projected figures for FY22 and have a mid term review of the Hyderabad Airport traffic after 2 years.**

c. **Interest Income** – Interest income was kept outside regulatory consideration in both the first and second control period order. However, it is observed that the Authority has now considered interest income for cross subsidization for second control period. Further, it is observed that the regulator has projected interest income of Rs.135 crores each year in 3rd Control Period. Given the fact that GHIAL is going through expansion which will empty the coffer in next year and moreover traffic would also take a while to come back, the **Authority is requested to consider a moderate interest income.**

d. **Forex loss** – It is observed that the Authority has not considered the FX loss of Rs. 220 crores however, it has mopped up the benefit of lower borrowing cost in WACC calculation. Since the initiative of refinancing, was primarily meant for reduction in borrowing cost, the benefit of

which is spread over the tenor of the instrument, **the equal treatment on incurrence of forex loss at the time of refinancing of ECB should rightfully be spread over the life of the refinanced instrument.**

We would request the Authority to kindly consider the points mentioned by us while pronouncing the final order. **Kindly note APAO will make our detailed written submission to the CP within the timeline stipulated by AERA.**

Satyan Nayar

Secretary General

Association of Private Airport Operators (APAO)
