DELHI AVIATION FUEL FACILITY PRIVATE LIMITED

(Joint Venture of IOCL, BPCL & DIAL)

Regd. Office : Aviation Fuelling Station, Shahbad Mohammad Pur, Near Dwarka Sector-8 Metro Station Indira Gandhi International Airport, New Delhi-110061, India

DAFFPL-FIN-AERA-CP3 Date: 26th August, 2021

The Director (P&S, Tariff),
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
Safdarjung Airports,
New Delhi – 110003, India

Subject: Submission of written comments on Consultation Paper No. 12/2021-22 (File No. AERA/20010/MYTP/DAFFPL/FF/CP-III/2021-26) in the matter of determination of Fuel Infrastructure Charges for Delhi Aviation Fuel Facility Private Limited (DAFFPL) at IGI Airport, New Delhi (01.04.2021 – 31.03.2026).

Dear Sir,

With reference to the Consultation Paper (CP) No. 12/2021-22 dated 27th July,2021, we hereby submit our written comments on the CP issued by the Authority.

The Authority has proposed "Price Cap Approach" for determination of Fuel Infrastructure Charges (FIC), however the FIC charges proposed are much less than the MYTP submitted by us and also much lower than the FIC charges already approved in 2nd control period.

We have already witnessed the devastating impact of the second wave of Covid-19 and further waves are feared because of the emerging newer and more deadly variants of Coronavirus, which may further adversely impact the business of the company.

Further, as you are aware that DAFFPL is required to invest huge capital for undertaking Hydrant System Project at terminal-1 of the IGI Airport during the third control period which requires positive cash outflows in the coming year(s). In case DAFFPL is not allowed adequate FIC for the 3rd control period, the Fuel Farm operations may become unviable and may affect the Safety, Quality and Efficiency of the services to be provided by DAFFPL to all stake holders including the Suppliers & the Airlines.

Considering the current situation of business and to meet debt servicing and capital expenditure obligation, we request the Authority to take a considerate view on the submission w.r.t the consultation paper being enclosed along with this letter.

Trust that you will find our written comments in order and take a considerate view to enable us to provide the expected level of services.

Thanking You,
Yours Sincerely,
For Delhi Aviation Fuel Facility Private Limited

Delhi Aviation Fuel Facility Private Limited New Delhi

Deepak Agrawal
Chief Financial Officer

Encl: As above

WRITTEN COMMENTS ON CONSULTATION PAPER NO. 12/2021-22 DATED 27 JULY 2021 FROM DELHI AVIATION FUEL FACILITY PVT. LTD. (DAFFPL)

Delhi Aviation Fuel Facility Private Limited
New Delhi

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1. Correction in Opening RAB of Second Control Period

DAFFPL submits that as per its Audited Balance sheet (fixed assets schedule) of 31st March 2016, gross value of deadstock (ATF) was Rs.3,052/- lacs which was included in plant & machinery. In the Second Control Period Order (Order No. 32/2017-18 dated 18 December 2017), the Authority has treated deadstock as a non-depreciable capital asset. Accordingly, opening RAB for the Second Control Period should have been the net book value of all fixed assets other than deadstock as on 1st April 2016 i.e. Rs.17,642/- lacs plus gross value of deadstock of Rs.3,052/- lacs which amounts to total of Rs.20,694/- lacs as opposed to Rs.19,755/- lacs as computed in table No-9 of the Second Control Period Order and table No-10 of the Consultation Paper for the Third Control Period.

Table no.1

Particulars	Gross Block	Accu. Dep.	Net Block
	As at 31st March, 2016		
Buildings	751	172	579
Plant & machinery (P & M)	27,716	8,657	19,059
Operating vehicles	20	3	17
Furniture & fixtures	13	4	9
Computer & IT assets	906	860	46
TOTAL (as per Audited Balance sheet)	**29,406**	**9,696**	**19,710**
Less: Dead-Stock included in Plant & Machinery	**3,052**	**984**	**2,068**
Value of Assets other than Dead Stock	**26,354**	**8,712**	**17,642**
Add: Gross Value of Dead-stock included in above P & M			3,052
Fixed Assets to be considered for opening RAB for 2nd Control period (as on 01.04.2016)			**20,694**

View above, DAFFPL hereby request the Authority to rectify/reconsider the calculation of RAB for true-up period and Third Control Period as the same has a direct impact on return on RAB for both the control periods.

2. Correction in Depreciation of both the Control Period

a. **Useful life of Building:** As per the Second Control Period Order, the Authority has considered the useful life of buildings as 30 years (ref table no.7 & 8 on page no 14 & 15 of the 2nd control period order). However, while calculating depreciation for true-up of second control period and FIC charges for the Third Control Period, the Authority has proposed to charge depreciation considering useful life of building as 60 years. The Authority may note that the Authority's internal Order No. 35/2017-18, dated 09 April 2018 states that the useful life of building may be 30/60 years as evaluated by the Airport Operator. Additionally, In DAFFPL's case the fuel farm facility is operational in 3 shifts 24x7. In view of round the clock and multi shift operations, the Authority is requested to re-consider the useful life of buildings as 30 years, which is also in line with the useful life mentioned in the Companies Act, 2013.

b. **Depreciation for the year of addition:** While calculating depreciation for true up years (FY 2016 to FY 2021), it seems the Authority has overlooked the Depreciation on Fixed Assets for the year of addition of the fixed asset. We request the Authority to also consider Depreciation on the fixed assets for the year of addition during each of the financial year(s).

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Considering above corrections in RAB and depreciation as mentioned in point 1 and 2, average RAB calculations are given below:

Table no.2

Proposed RAB as per Authority (Consultation paper table No. 10 and 32)										
Particulars (Rs. In lakhs)	**2016-17**	**2017-18**	**2018-19***	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Opening RAB	19,755	17,776	16,520	15,087	14,159	**13,508**	12,571	11,589	38,087	34,590
Add: Capitalized Assets	18	538	287	771	1,169	885	905	30,293	300	200
Less: Depreciation	1,758	1,693	1,719	1,699	1,811	1,822	1,887	3,795	3,797	3,806
Less: Disposals	239	101	1	-	9	-	-	-	-	-
Closing RAB	17,776	16,520	15,087	14,159	13,508	12,571	11,589	38,087	34,590	30,984
Average RAB	18,766	17,148	15,804	14,623	13,833	13,039	12,080	24,838	36,338	32,787

* Total of closing RAB of 2018-19 has been corrected.

Proposed RAB after considering corrections as proposed by DAFFPL										
Particulars (Rs. In lakhs)	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Opening RAB	20,694	18,702	17,415	15,964	14,962	14,330	13,423	12,472	39,055	35,639
Add: Capitalized Assets	18	538	287	771	1,169	885	905	30,293	300	200
Less: Depreciation (Authority rate)	1,771	1,723	1,737	1,773	1,791	1,792	1,856	3,710	3,716	3,726
Less: Disposals	239	101	1	-	9	-	-	-	-	-
Closing RAB	18,702	17,415	15,964	14,962	14,330	13,423	12,472	39,055	35,639	32,113
Average RAB	19,698	18,059	16,690	15,463	14,646	13,877	12,947	25,763	37,347	33,876
Difference in Average RAB	**(932)**	**(911)**	**(886)**	**(840)**	**(813)**	**(837)**	**(868)**	**(925)**	**(1,009)**	**(1,089)**

In view of above table no.2 Authority is requested to correct the Average RAB and compute return on RAB accordingly.

3. Discounting Rates for both the control period

The following discounting factor(s) have been proposed by the Authority for computation of Net present value (NPV) of both the control period in the CP.

Table no.3

Discounting Factor proposed to be considered by Authority										
Financial Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Discounting Factor	1.8134	1.6099	1.4292	1.2688	1.1264	1.0000	0.8888	0.7899	0.7021	0.6240

As per above table, Authority has proposed to compute true-up at the end of 31st March 2022 considering discounting factor 1.

DAFFPL Response: DAFFPL would like to submit that the true-up for the second control period (2016-2021) should be computed at the end of second control period i.e., 31st March 2021 considering discounting factor 1 for FY2020-21 instead of FY2021-22. DAFFPL proposes to consider the discounting factor as per below mentioned table order (subject to any other changes in the FRoR as proposed by DAFFPL in its response):

Table no.4

Discounting Factor to be considered in respective year										
Financial Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Discounting Factor	1.6099	1.4292	1.2688	1.1264	1.0000	0.8888	0.7899	0.7021	0.6240	0.5546

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Additionally, DAFFPL hereby submits that the Authority has considered discounting factor of 1 for the last tariff year (i.e., 31st March 2019) for computation of true-up in one of its' earlier Order No. 57/2020-21 dated 30 December 2020 (the DIAL tariff order). The relevant extracts are reproduced below for Authority ready reference:

Table 70: True up proposed to be considered by Authority for Second Control Period

FY ending March 31 (Rs. Cr)	2015	2016	2017	2018	2019	Total
Regulatory Asset Base (RAB)	6,767.53	6,281.63	5,848.87	5,391.11	5,004.30	29,293.43
WACC	11.10%	11.10%	11.10%	11.10%	11.10%	
Return on RAB (A=RAB X WACC)	751.33	697.39	649.34	598.52	555.58	3,252.17
Expense (E)	1,094.67	743.41	902.16	916.11	896.24	4,552.59
Depreciation (D)	532.22	533.26	541.20	546.73	553.93	2,707.32
Taxes (T)	-	45.29	90.28	-	-	135.57
Target Revenue prior to cross-subsidy from Revenue Share Assets (GTR=A+E+D+T)	2,378.22	2,019.34	2,182.98	2,061.35	2,005.75	10,647.65
Less: Cross Subsidy from Revenue Share Assets (NAR)	363.44	443.63	492.35	588.94	768.92	2,657.28
Target Revenue (TR = GTR-NAR)	**2,014.78**	**1,575.71**	**1,690.63**	**1,472.41**	**1,236.83**	**7,990.37**
Revenues calculated based on actual traffic at BAC plus 10% (BAC)	689.33	739.35	836.06	930.79	993.28	4,188.80
Actual Aero Revenue Realised (including Fuel Farm) (AR)	**2,950.92**	**3,407.58**	**3,931.53**	**1,705.47**	**987.79**	**12,983.30**
True Up (Higher of (NTR or BAC) less AR)	(936.14)	(1,831.87)	(2,240.90)	(233.06)	249.04	(4,992.93)
Add True up for FCP	641.68					641.68
True up for Second Control Period	(294.46)	(1,831.87)	(2,240.90)	(233.06)	249.04	(4,351.25)
WACC for CP2	11.10%					
PV Factor as on 1st April'2019	1.52	1.37	1.23	1.11	1.00	
True up on a Present Value Basis as on 1st April'2019	(448.66)	(2,512.24)	(2,766.09)	(258.93)	249.04	(5,736.88)
Total true up for CP2						**(5,736.88)**

View above, DAFFPL request Authority to consider discounting factor 1 at the end of second control period i.e., for FY 2020-21 and accordingly modify discounting factor of other years for both the control period.

4. Computation of FRoR for both the Control Period:

a. **Computation of Cost of Debt:** Authority has proposed to consider cost of Debt based on weighted average of "Bank interest rate(s) as offered by the bank" and "outstanding loan amount at the end of each tariff year" shown in table no. 19 of the consultation paper.

DAFFPL would like to submit that whenever actual interest cost and outstanding loan amount is available, the Cost of debt should be computed based on actuals after dividing interest cost with outstanding loan amount. This will factor in fluctuations in interest rate(s) during the period and/or time gap on various loans, new loan availed, and loan repaid during the year.

DAFFPL would like to mention here that it has already incurred actual interest cost during the second control period and same is on the higher by Rs.504 lacs as compared to cost of debt rate computed by the authority. Cost of Debt calculated by DAFFPL & the Authority are as tabulated below:

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Table no.5

Computation of Cost of Debt for Second Control Period					
Particulars (Rs. In lakhs)	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Outstanding loan at year end - (A)	9,170	7,385	5,600	6,034	6,923
Weighted average Cost of Debt (as proposed by Authority) - (B)	8.60%	8.35%	8.60%	8.08%	7.15%
Interest computed as per cost of Debt allowed by Authority (C =A*B)	789	617	482	488	495
Actual Interest cost on term loan incurred by DAFFPL - (D)	975	732	725	422	520
Difference Interest not allowed by Authority - (E= D-C)	186	115	243	(65)	25
Actual Cost of Debt as per DAFFPL (D/A)	10.63%	9.91%	12.94%	7.00%	7.51%
Lower /(higher) Debt rate considered by Authority	**2.03%**	**1.56%**	**4.34%**	**-1.08%**	**0.36%**

In view of above, DAFFPL proposes to calculate the cost of debt based on actual interest paid and closing debt of each tariff year and request Authority to re-calculate the FRoR of true up (second control) period based on the abovementioned actual cost of debt and in future the same principle to be applied for third control period.

b. **Application of FRoR rate for computing Return on RAB:** The Authority has calculated return on RAB using "respective year FRoR rate" and for computation of discounting factor, the Authority has considered "average FRoR rate" in the consultation paper. This has resulted in 2 different approaches for computation of ARR to DAFFPL. DAFFPL would like to submit that as per AERA Guidelines 2011, dated 10th January 2011, calculation of return on RAB is to be considered based on "average FRoR rate".

It may be further noted that the Authority has also considered "average FRoR rate" for calculation of return on RAB in the DAFFPL's second control period order (refer table no.18 page 32).

Once again, the same view was considered by Authority in its Order No. 57/2020-21 dated 30th December 2020 (DIAL tariff order ref table no.70– reproduced below).

Table 70: True up proposed to be considered by Authority for Second Control Period						
FY ending March 31 (Rs. Cr)	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Regulatory Asset Base (RAB)	6,767.53	6,281.63	5,848.87	5,391.11	5,004.30	29,293.43
WACC	11.10%	11.10%	11.10%	11.10%	11.10%	
Return on RAB (A= RAB X WACC)	751.33	697.39	649.34	598.52	555.58	3,252.17

In view of Guidelines and above-mentioned orders, DAFFPL hereby requests the Authority to re-consider return on RAB based on "Average FRoR rate" for tariff years.

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5. Financing Allowance for Third Control Period

As per para 5.5.5 on page no.27 of the CP, Authority has not allowed Financing allowance on equity portion of the capital expenditure and only considered financing allowance (IDC) on debt portion.

DAFFPL Response:

DAFFPL has undertaken project for building Fuel Hydrant System at terminal-1 which will take few years for commissioning / ready to use. Till such time DAFFPL funds will be blocked in CWIP and would not be eligible for return. DAFFPL will start getting return on this asset only when assets is completed and becomes part of RAB (regulatory assets base).

Based on the financing arrangement, the project is financed thru 70% debt and 30% Internal funds (equity). Although Authority has allowed cost of debt as part of CWIP but has not considered financing allowance on the equity portion of 30% blocked for project construction period.

Additionally, DAFFPL would like to state that as per AERA Guidelines dated 10 January 2011, CWIP assets are assets that have not been commissioned during a tariff year or control period. Further as per Guidelines, CWIP assets shall be accounted for as:

1. Capital Expenditure (Capex); and
2. Financing Allowance

Since DAFFPL has planned to contribute 30% of cost of project from its own fund (equity), DAFFPL should be allowed financing allowance on the equity portion of the fund invested at "cost of equity" or else, at the minimum, DAFFPL should be compensated with the opportunity cost equivalent to cost of debt to arrive at the CWIP of the assets for the respective tariff years in line with the AERA Guidelines.

Therefore, DAFFPL hereby requests the authority to consider and incorporate the financing allowance in table no 31 and 32 of CP for Third control period.

6. Operating Expenses of Third Control Period

The Authority has proposed Operating expenditure related to Fuel Farm Operator in para 7.6.2 of page no.36 of the Consultation Paper considering 10% escalation over FY 2020-21 actual cost to arrive the estimated cost for FY 2021-22.

DAFFPL Response:

The Authority may note that around 90% of the operating expenses that DAFFPL incurs are fixed in nature and are not directly linked to the volumes. As a result, the operating expenses will not reduce due to the impact of Covid-19/volume. Moreover, DAFFPL would like to bring to the notice of the authority that because of the pandemic, many works and the related costs of FY2020-21 have been deferred to FY2021-22, thereby increasing the operating expenditure of DAFFPL. Further, being an old fuel farm (constructed somewhere in year 1985), major expenses are incurred on regular maintenance activities to ensure safety of the plant and smooth operations.

For above expenses Authority has ignored DAFFPL projections and considered FY 2020-21 as base year for future year projections. DAFFPL would like to reiterate that FY 2020-21 being an exceptional

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year due to Covid pandemic, some of the expenditures as mentioned above were deferred to next period or wherever possible reduced to the minimum level. Therefore, DAFPPL would request authority to consider Operating expense cost as per DAFFPL MYTP submission or else at the minimum consider escalation based on FY2019-20 instead of FY 2020-21.

7. Useful life of Assets in line with the concession period:

DAFFPL wish to submit that at the end of the concession period it has to transfer all assets at NIL cost to Airport operator. Accordingly, the useful life of any assets of DAFFPL would be maximum up to the end of concession period which is ending on 30th June 2035.

As per the depreciation schedule of Companies Act 2013, "depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Further, the useful life of an asset is the period over which an asset is expected to be available for use by an entity". The same has also been recommended by Authority in their order no 35/2017-18, where para 3.1 and 3.2 clearly state that *"for the purpose of identifying the balance useful life, balance period remaining out of the initial lease period plus the first extension <u>at the option of the operator</u> should be considered. If the period of useful life of assets is considered differently, the Airport operator shall provide reasons / justification and basis for the period considered in determining the useful life of the assets for the purpose of tariff determination which shall be examined and considered by the authority"*.

Based on literal interpretation of the above order, it is clearly stated that the higher useful life would be considered only <u>"if the option to extend the lease period is at the option of the operator"</u>. However, as per the Concessionaire Agreement with the Airport operator DAFFPL doesn't have such option available with it. Therefore, we request Authority to consider useful life of assets as per the life given in the companies' act, 2013 or till the end of concessionaire agreement whichever is earlier. This will also save reconciliation issues regarding depreciation as per the Authority and DAFFPL books and rationalised impact of depreciation which would become substantially more in the last control period (i.e., FY2031-2036) and simultaneously impact FIC charges of the last control period. if the Authority proposed useful life to be considered than it would have more burden on the consumers of the last control period. Just to have a better perspective, it may be seen that the likely depreciation charges during the last control period (2031-35) shall be as given below:

Table no.6

Depreciation (in lacs)	**2031-32**	**2032-33**	**2033-34**	**2034-35**	**2035-36**	**Total**
As per DAFFPL books	2,878	2,868	2,868	2,681	2,545	**13,841**
As per AERA order	2,286	2,276	2,275	2,275	10,562	**19,673**

The above table compares: (i) depreciation charges are as per DAFFPL (till the end of concession period); and (ii) depreciation charges are as per Authority. There would be additional impact of Rs.5,832/- lacs on the consumers in the last control period in form of additional FIC charges.

In view of above, DAFFPL request the Authority to consider useful life of the Assets to the extent of concession period and allow depreciation charges as per DAFFPL MYTP submission, as this would ensure the impact of depreciation on tariffs more uniformly.

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8. Additional revenue during 01 April 2016 to 31 December 2017

Authority has mentioned reasons of excess recovery of Second control period (true-up) in para 4.23.2 which is reproduced below:

4.23.2 The excess recovery (claw back) amounting to Rs. 14729.95 lakhs will be adjusted out of third control period. The total ARR recoverable for the second control period is more or less on the lines of ARR determined during the tariff determination for the second control period. The reasons for the excess recovery are:

a) Increase in the fuel throughput handled during second control period to 98.59 lakhs kl from the projected volume of 91.00 lakhs kl.

b) The tariff order for the second control period determining the tariff of Rs.609/kl was issued on 18th December 2017 and implemented by DAFFPL from 1st January 2018. From 1st April 2016 to 31st December 2017, DAFFPL charged Rs.755/kl. The excess collection made during this period has also been considered in the true up for the second control period.

DAFFPL Response:

In DAFFPL's second control period order, the Authority had mentioned that the change in the fuel infrastructure charges would be applied on a prospective basis only. The excerpt from the aforementioned Order has been given below:

8.8 With regard to the BPCL's and HPCL's comments on fuel infrastructure charges, the Authority agrees with their views that the revisions be approved on prospective basis only.

As per above para of the Order, the revised rate of Rs.609/KL to be applicable on a prospective basis from 1st January 2018. Furthermore, the same has been acknowledged by the Hon'ble TDSAT vide its Order dated 27 September 2019 (AERA Appeal No. 1 of 2018 – M.A. No. 60 of 2019). An excerpt of the relevant clause is as follows:

15. The respondent issued the impugned order on 18.12.2017 and on the basis of price cap approach it has fixed the fuel infrastructure charges for the appellant at the rate of Rs.609/KL (exclusive of Operator's Fee) for the Second Control Period upto 31.03.2021. The revised rates were to be effective from 01.01.2018.

Through the abovementioned references, DAFFPL wishes to point to the Authority that the additional revenue received from the earlier rate of Rs.755/KL between 1st April 2016 to 31 December 2017; before the implementation of AERA order; may not be considered in the true-up calculation.

View above, DAFFPL hereby requests the Authority to consider above point and incorporate the same in the true-up working.

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9. Penalty Clause

The Authority has proposed to rework the RAB of the Operator for the third Control Period, by reducing the RAB by 1% of the cost of the delayed part of work in case of consultation paper issued for DAFFPL.

DAFFPL Response:

DAFFPL would like to convey that completing the proposed capital expenditure within the committed time schedule is in its self-interest as there will be a loss of return as well as depreciation in case of delayed completion and capitalization. DAFFPL is confident of commissioning and capitalizing the projects within the proposed timelines. However, there could be delays due to reasons beyond DAFFPL's control especially due to Covid-19 pandemic and other unforeseen events. Any delay in commissioning and capitalizing the project implies denial of return on such asset and depreciation. Imposition of 1% penalty by reducing the RAB of the delayed cost of the projects is therefore a very harsh step. We request the Authority to remove any such penalty proposal especially during such unforeseen turbulent and pandemic affected times.

10. Cost of Equity to be considered for FRoR for Third Control Period

Authority's proposal: The Authority proposes to maintain the cost of equity @14% for the Third control period (ref para 6.14.1 of CP).

DAFFPL's Response:

The Authority has proposed to maintain cost of equity at 14% in case of DAFFPL whereas in case of IGI Airport operator, the Authority has considered cost of equity @15.41% in their tariff order for 3rd control period (order no. 57/2020-21) based on an independent study by IIM Bangalore. We also observe that in case of MIAL, the Authority has considered at cost of equity @15.13%.

DAFFPL's major investments are involved in developing Airport related infrastructure, and it has high fixed costs as any airport operator would have. Hence, DAFFPL is also subject to all the risks that an airport operator is subjected to. In addition, DAFFPL is a much smaller company compared to DIAL and MIAL, and also has a single source of revenue (FIC which is totally depending on fuel volumes) unlike airport operators which are much larger companies with more diversified revenue streams. Moreover, as DAFFPL is dealing with hydrocarbons, which are subjected to tighter regulations by statutory bodies like PESO etc. and carry a higher additional risk associated with handling of hydrocarbons.

In view of the above, we request the Authority to reconsider our proposal and allow cost of equity at least equal to that considered in case of Airport Operator of IGI Airport (i.e., DIAL).

11. Return on Security Deposit for Third Control Period

DAFFPL would like to reiterate that the deposit has been paid as a pre-condition for getting the concession rights. Further based on Ministry of Civil Aviation and subsequent order, since the airport

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operator fees (thru-put charges) has been withdrawn the deposit amount would come back to minimum threshold of Rs.75 Crores. We request the Authority to take a considerate view on Security Deposit since its impact on our tariff is incredibly significant. DAFFPL is in the midst of a capex cycle and a low tariff would have impact on our cashflow significantly.

Furthermore, Authority has considered Interest free security deposit received by IGI Airport Operator" from various Airport service provider(s) as notional debt and accordingly debt rate has been allowed. Therefore, DAFFPL request the Authority to allow opportunity cost at least equivalent to debt rate on the security deposit instead of nominal return of 5%.

12. IND-AS:

As per para 4.19.5 of Consultation Paper (Page 17 of 52) License Fees paid to the airport operator was shown as operating expense in the years 2016-17, 2017-18 and 2018-19. In the years 2019-20 and 2020-21 the same has been taken as a part of right of use assets as per Ind AS 116. In order to maintain uniformity and also reflect the true cost of operations, the Authority proposes to consider the licence fee paid to the airport operator as a part of operating expenses for both the control period.

DAFFFL Response:

It is observed that the Authority has not followed Ind AS 116 for the treatment of Lease Rent/ License fees paid/payable to the Airport operator.

Since, DAFFPL is required to prepare its Financials in compliance with Ind-AS, and Companies Act, 2013 and as per the Direction 4 and Direction 5 of AERA, MYTP has to be prepared based on Audited Financials of the Company. Therefore, in the MYTP submission, DAFFPL has considered depreciation and Fair Rate of Return (FROR) on the lease asset considering it as a part of Regulatory Asset Base (RAB).

It may also be noted that going forward, Financial Statements would be prepared using the Ind-AS, as applicable and keeping track of balances using IGAAP Financial [erstwhile reporting method] may not be practically possible.

Therefore, we request the Authority to re-consider the approach of considering Financials as per Ind AS 116 for Lease assets.

Delhi Aviation Fuel Facility Private Limited
New Delhi